REPORT REVIEW

Credito Emiliano S.p.A Green, Social & Sustainability Bond Reporting

Green, Social & Sustainability Bond Reporting
Credito Emiliano S.p.A.

9 May 2024

VERIFICATION PARAMETERS

Type(s) of reporting	▪ Green and Social Bond Allocation and Impact
Relevant standard(s)	▪ Harmonized Framework for Impact Reporting (HFIR), updated June 2023, as administered by the International Capital Market Association (ICMA) ▪ Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), updated June 2023, as administered by the International Capital Market Association (ICMA)
Scope of verification	▪ Credito Emiliano S.p.A.'s Green, Social & Sustainability Bond Reporting (as of May 8, 2024) ▪ Credito Emiliano S.p.A.'s Green, Social & Sustainability Bond Framework (as of May 10, 2023) ▪ Green Bonds identification: ISIN XS2412556461 / bond maturity January 19, 2028 (bond issuance amount EUR 600 million),

ISIN XS2606341787 / bond maturity May 30, 2029 (bond issuance amount EUR 400 million)

- Social Bonds identification:

  ISIN XS2488465423 / bond maturity July 5, 2032 (bond issuance amount EUR 200 million),

  ISIN XS2640881608 / bond maturity July 25, 2028 (bond issuance amount EUR 150 million),

  ISIN XS2640884701 / bond maturity July 31, 2027 (bond issuance amount EUR 95 million),

  ISIN XS2684860203 / bond maturity March 26, 2029 (bond issuance amount EUR 500 million),

  ISIN IT0005579294 / bond maturity January 18, 2029 (bond issuance amount EUR 500 million)

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Green, Social & Sustainability Bond Reporting as of May 8 2024

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CONTENTS

SCOPE OF WORK 4

ASSESSMENT SUMMARY 5

REPORT REVIEW ASSESSMENT 7

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN, SOCIAL & SUSTAINABILITY BOND FRAMEWORK 7

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING (HFIR) AND HARMONISED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS (HFIRSB) 10

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS 20

ANNEX 1: Methodology 28

ANNEX 2: Quality management processes 29

About this Report Review 30

SCOPE OF WORK

Credito Emiliano S.p.A. (“the Issuer” or “Credem”) commissioned ISS-Corporate to provide a Report Review[1] on its Green, Social & Sustainability Bond Reporting by assessing:

1. The alignment of Credem’s Green, Social & Sustainability Bond Reporting with the commitments set forth in Credem’s Green, Social & Sustainability Bond Framework (as of May 10, 2023).[2]
2. Credem’s Green, Social & Sustainability Bond Reporting - benchmarked against Harmonized Framework for Impact Reporting (HFIR), and the Harmonized Framework for Impact Reporting for Social Bonds (HFIRSB), updated June 2023, as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Green and Social Bonds issued.

[1] A limited or reasonable assurance is not provided on the information presented in Credem’s Green, Social & Sustainability Bond Reporting. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Standards (Green Bond/Social Bond Principles) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.
[2] The Framework was assessed as aligned with the Green Bond and Social Bond Principles and Sustainability Bond Guidelines as of as of May 10, 2023.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
Part 1. **Alignment with the Issuer's commitments set forth in the Framework**	Credem's Green, Social & Sustainability Bond Reporting meets the Issuer's commitments set forth in the Green, Social & Sustainability Bond Framework. The proceeds have been used to (re)finance Green and Social categories in accordance with the eligibility criteria defined in the Framework.	**Aligned**
Part 2.a **Alignment with the Harmonized Framework for Impact Reporting (HFIR)**	The Green, Social & Sustainability Bond Reporting is in line with ICMA's Harmonized Framework for Impact Reporting (HFIR). The Issuer follows core principles and where applicable key recommendations. Credem reports on the Green Bond allocation of proceeds and associated impact indicators within one year of the issuance. Allocated proceeds are reported on project category level, by property type and tax incentive program. The Issuer provides transparency on the calculation methodology, in line with best practices.	**Aligned**
Part 2.b **Alignment with the Harmonized Framework for Impact Reporting for Social Bonds (HFIRSB)**	The Green, Social & Sustainability Bond Reporting is in line with ICMA's Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB). The Issuer follows core principles and where applicable key recommendations. CREDEM reports on the Social Bond allocation of proceeds within one year of the issuance and measures impact using output indicators. Allocated proceeds are reported on project category level.	**Aligned**
Part 3 **Disclosure of proceeds allocation and soundness of reporting indicators**	The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different	**Positive**

eligible project categories as proposed in the Framework.[3]

Credem’s Green, Social & Sustainability Bond Reporting has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices.

[3] The assessment is based on the information provided in the Issuer’s report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN, SOCIAL & SUSTAINABILITY BOND FRAMEWORK[4]

The following table evaluates the Green, Social & Sustainability Bond Reporting against the commitments set forth in Credem's Framework, which are based on the core requirements of the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as well as best market practices.

GBP, SBP	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	Credem confirms to follow the Use of Proceeds' description provided by Credem's Green, Social & Sustainability Bond Framework. The report is in line with the initial commitments set in Credem's Green, Social & Sustainability Bond Framework: to (re)finance Green Buildings, Small and Medium Enterprises financing and Social Housing. The Issuer's green and social categories align with the project categories and are in accordance with the eligibility criteria set in Credem's Green, Social & Sustainability Bond Framework. Environmental and social benefits at a category level are described and quantified. Credem excluded the harmful project categories defined in its Green, Social & Sustainability Bond Framework from financing, in line with best market practice.	✓
2. Process for Project Evaluation and Selection	Credem confirms to follow the Process for Project Evaluation and Selection description provided by Credem's Green, Social & Sustainability Bond Framework. The report is in line with the initial commitments set in Credem's Green, Social & Sustainability Bond Framework, which includes the engagement of the Group Sustainability Committee during the project evaluation and selection process.	✓

[4] Credem's Green, Social & Sustainability Bond Framework was assessed as aligned with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as of May 10, 2023.

	The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process. The Treasury department has submitted the potential eligible assets to the Group Sustainability Committee, who has verified the alignment of selected assets to the eligible asset criteria, including compliance with the exclusion list referenced in the Framework. Finally, the final approval on the allocation of net proceeds by the Board of Directors is planned for May 7, 2024.	
3. Management of Proceeds	Credem confirms to follow the Process for Management of Proceeds description provided by Credem's Green, Social & Sustainability Bond Framework. The report is in line with the initial commitments set in Credem's Green, Social & Sustainability Bond Framework, to set up an internal information system (ESG dashboard) enabling the recording and tracking of the Eligible Assets, ensuring the net proceeds of the green, social, and sustainability bonds are allocated accordingly until the relevant bonds active maturity. The proceeds collected for green projects (EUR 1,000 m) are equal to the amount allocated to eligible projects. The proceeds collected for social projects (EUR 1,445 m) were allocated in proportion of 83% to eligible projects (EUR 1,195 m), while 17% (EUR 250 m) of the proceeds remain unallocated at reporting date. Credem confirms that the unallocated proceeds (EUR 250 m), relating to the Covered Bond with ISIN IT0005579294, are currently held in the Group's Treasury in the form of cash and that they will be allocated to eligible projects before the bond's maturity (January 18, 2029). The proceeds are tracked in an appropriate manner and attested in a formal internal process.	✓
4. Reporting	Credem's Green, Social & Sustainability Bond Reporting is coherent with the Reporting description provided by Credem's Green, Social & Sustainability Bond Framework. The report is in line with the initial	✓

	commitments set in Credem's Green, Social & Sustainability Bond Framework. Credem commits to report on allocation and impact and to publish such report annually, after the issuance of each bond. The reporting commitment will conclude once all Green, Social and Sustainability Bonds have matured. The sections "Allocation reporting" and "Impact Reporting" of the Green, Social & Sustainability Bond Report comply with the pre-issuance commitment expressed in the framework. The report is intended to be publicly available on Credem's website.[5] *Further analysis of this section is available in Part III of this report.*	
5. Verification	SPO-ISS Corporate has provided a Second Party Opinion (SPO) on Credem's Green, Social & Sustainability Bond Framework on May 10, 2023	

[5] The report will be available at: https://www.CREDEM.it/sostenibilita.html

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING (HFIR) AND HARMONISED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS (HFIRSB)

FOR GREEN BONDS

Reporting is a core component of the Green Bond Principles and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bond Issuers are required to report on both the use of green bond proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. The Harmonized Framework for Impact Reporting (HFIR) has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Credem's Green, Social & Sustainability Bond Reporting against ICMA's Harmonized Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	GREEN, SOCIAL & SUSTAINABILITY BOND REPORTING	ASSESSMENT
Reporting on an annual basis	Credem has reported within one year from issuance and all the proceeds have been fully allocated. All the proceeds have been fully allocated. The report will be available on Credem's website.	✓
Illustrating the environmental impacts or outcomes	The assessment and measurement of the impacts generated by Credem Green Bond(s) in the context of (re)financing of Green Buildings, covered the following areas: a. 30,624 t CO_2 eq. per year emissions avoided b. 30 tCO_2 eq. per EUR million (m). per year of carbon impact c. 106,653 MWh energy savings	✓
ESG Risk Management	The Issuer has a system in place to identify and manage ESG risks connected to the projects financed and has respected it.	✓

Allocation of proceeds - Transparency on the currency	The Issuer reports the cash flows related to the green bonds and the allocations to the projects in Euro.	✓

RECOMMENDATIONS

ICMA HFIR	GREEN, SOCIAL & SUSTAINABILITY BOND REPORTING	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	The entirety of proceeds has been allocated to Green Assets. No modification (removal or additional projects) of the portfolio is planned as of the date of this review. The Issuer followed a transparent process for selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the Green Bonds issued under Green, Social & Sustainability Bond Framework were evaluated and selected based on compliance with the Eligibility Criteria as laid out in the Framework.	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 600m has been raised through the Issuer's Green Senior Preferred Bond, maturing on January 19, 2028. Additional EUR 400m has been raised through the Issuer's Green Senior Non-Preferred Bond, maturing on May 30, 2029. 100% of the proceeds has been allocated to Green Assets.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The Issuer followed a transparent process for the allocation of proceeds.	✓
Report at the project or portfolio level	The Green Bond Allocation & Impact Report includes the total amount of proceeds allocated on an aggregate basis (portfolio level). The portfolio consists of Green Building Loans and Green Building Tax Incentive categories.	✓

Describe the approach to impact reporting	The Issuer identifies the specific eligible assets and clearly defines, for each project, the total project's allocated proceeds.	✓
Report the estimated lifetime results and/or project economic life (in years)	The Issuer reports on the average portfolio lifetime results or economic life for both the eligible project category and the subcategories.	✓
Ex-post verification of specific projects	The Issuer currently does not perform ex-post verification of specific projects.	-
Report on at least a limited number of sector specific core indicators	Credem reports on annual GHG emissions avoided in tons of CO_2 equivalent. This indicator is listed in the HFIR as a core indicator for the Green Building sector.	✓

If there is no single commonly-used standard, Issuers may follow and disclose their own calculation methodologies	The methodology to estimate avoided CO_2 emissions of Credem green buildings portfolio as follows:
	
	▪ Calculation of buildings' related greenhouse gas emissions based on:
	  ○ Valid Energy Performance Certificate (EPC)
	  ○ Automatic estimation implementing the Primary Energy Demand from the EPC
	  ○ Attribution of a benchmark value based on EPC data, when CO_2 emissions data is not available due to lack of data provided by regional energy cadastres.[6]
	  ○ Automatic GHG emissions estimation is performed by the Center for Research in International Finance (CRIF) implementing the physical characteristics of the property.
	▪ The calculated GHG emissions are then benchmarked against a national
		✓

[6] According to the client, this approach is executed for a small portion of the Portfolio.

	benchmark for both residential and commercials: ○ Identification of a national benchmark such as the Census Bureau Small Area Income & Poverty Estimates (SIAPE) database ▪ GHG emissions are calculated using conversion factors, where such information is not available either through an EPC certificate or through a national benchmark: ○ Identification of emission's conversion factors is based on domestic regulations as outlined in CREDEM's Technical Report[7] ▪ An attribution factor is allocated to each property: ○ For financed buildings, it is based on the loan-to-value (LTV) ratio. The attribution factor is the outstanding amount of the loan devided by the value of the property. It has a maximum value of 1. ○ For tax incentives, it is determined by the ratio between the value of the tranche of the tax incentive relative to the total tax incentives for 1 building. ▪ Finally, Credem uses the difference between the benchmark emissions and estimated emissions, multiplied by the attribution factor per building and the surface of the building to calculate the avoided emissions of the portfolio. In relation to the tax incentives, the avoided emissions are calculated as the	

[7] Credem's Technical Report 2023 (under publishing), Credem commissions CRIF to identify Green Buildings underlying portfolio mortgages by assessing eligible residential and commercial assets related to acquisition, and construction in accordance with the Framework, ICMA, and UN SDGs. The Technical Report 2023 will be available on Credem's website: https://www.credem.it/content/credem/en/credem-group/sostenibilita/esg-bond-documents.html

	difference between the estimated emissions before and after the renovations, multiplied by the heated surface of the property and by the attribution factor, then aggregated at portfolio level. The methodology to calculate the carbon impact is as follows: ▪ The avoided CO_2 emissions (in tons) estimated are divided by the total outstanding amount of the portfolio (in millions of euros). For the portfolio of tax incentives, the denominator is the total amount of the tax incentives (in millions of euros). The methodology to calculate the energy savings is as follows: ▪ The difference between the energy performance of the benchmark[8] and the energy performance value, measured by the non-renewable energy consumption of a building (as per the building's EPC certificate) (expressed as kWh/m2), multiplied by the building surface and the attribution factor. In relation to the tax incentives, the energy savings are determined as the difference between the pre- and post-renovation non-renewable energy performance index multiplied by the heated surface area of the property indicated on the certificate and the attribution factor.	
Disclosure on the conversion	The Issuer has identified the Italian market standard conversion factors for cases where the	✓

[8] The benchmark value is derived from the Census Bureau Small Area Income & Poverty Estimates (SIAPE) and is the mean value of non-renewable energy consumption of all the property with the same energy class and in the same climate zone of the building taken into consideration.

approach (if applicable)	information to calculate CO_2 emissions cannot be retrieved through EPCs or regional energy cadasters.
	
	▪ CO_2 emissions estimation implementing available information related to properties' physical characteristics:
	  ○ The CO_2 emission conversion factor for natural gas is 0.1998 kg/m^3
	  ○ The CO_2 emission conversion factor for electricity consumption is 0.4332 tCO_2/MWh.	

Projects with partial eligibility	Not applicable, as all assets are 100% eligible for financing.	-
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	Not applicable because there is only one project component, green building reported.	-

OPINION
Credem follows HFIR's core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, aligned with best practices. Credem has reported within the next fiscal year after issuance, illustrated the environmental impacts, provided transparency on ESG risk management and transparency on the currency used.

FOR SOCIAL BONDS

Reporting is a core component of the SBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Social bond Issuers are required to report on both the use of social bond proceeds, as well as the social impacts at least on an annual basis until full allocation. Harmonized Framework for Impact Reporting for Social Bonds (HFIRSB) has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Credem Green, Social & Sustainability Bond Reporting against ICMA's Harmonized Framework for Impact Reporting for Social Bonds (HFIRSB).

CORE PRINCIPLES		
ICMA HFIRSB	Green, Social & Sustainability Bond Reporting	ASSESSMENT
Reporting on an annual basis	Credem has reported within one year from issuance. 83% (EUR 1,195 m) of the collected proceeds were allocated to eligible social projects, while 17% (EUR 250 m) of the proceeds remain unallocated at reporting date. Credem confirms that the unallocated proceeds (EUR 250 m), relating to the Covered Bond with ISIN IT0005579294, are currently held as cash and that they will be allocated to eligible projects before the bond's maturity (January 18, 2029). The report will be available on Credem's website.	✓
Formal internal process to track proceeds	Credem confirms project selection and management of proceeds to be in line with the criteria set forth in the underlying Framework.	✓
Allocation of the proceeds to social project categories	In accordance with the criteria established within the Framework, in compliance with the Social Bond Principles issued by the ICMA, Credem has allocated the net proceeds of the bond issued under this Framework to new and/or existing eligible assets within the following categories: ▪ Low Gross Domestic Product (GDP) Area: Loans to Small and Medium Enterprises (SMEs) located in areas with a GDP per capita below National average ▪ Female entrepreneur: Loans granted to SMEs run by women	✓

	▪ Healthcare: Loans to SMEs operating in the healthcare sector ▪ Consap Loans: Residential mortgage loans with a state-backed guarantee, aimed at supporting first-time homebuyers	
Target Population(s) identified	The Issuer defined targeted populations for the respective project categories: ▪ Loans to SMEs located in areas with a GDP per capita below National average ▪ Loans granted to SMEs run by women ▪ Loans to SMEs operating in the healthcare sector ▪ Loans to first-time homebuyers The Issuer uses the database of the Italian National Statistical Institute (ISTAT) in order to determine the average national GDP per capita and the areas below this average.	✓
Output, outcome and/or impact of projects at project or portfolio level	The Issuer referred to existing indicator lists and catalogs from the Annex III of the HFIRSB, for output indicators, such as the number of loans to SMEs. However, Credem has not reported on the impact of projects financed by social bond proceeds due to lack of sufficient and credible data. A detailed analysis of impact indicators is available in Part III of this report.	✓
Illustrating of the social impacts	Credem measures the impact generated by Credem Social Bonds using the following output indicators since there is a lack of data and harmonized methodology to report social impacts: ▪ Number of employees in SMEs in low GDP area ▪ Number of employees in SMEs with Female Entrepreneurship	✓

	▪ Number of employees in SMEs in the Healthcare sector ▪ Number of family members in families having received Cosap loans	
Pro-rated share of the overall impact results of the projects or portfolio of projects	The Issuer financed 100% of the social projects and therefore any impact resulted is attributed 100% to Credem.	✓

RECOMMENDATIONS

ICMA HFIRSB	Green, Social & Sustainability Bond Reporting	ASSESSMENT
Disclose the methodology and the assumptions used for the calculation of impact indicators	The Issuer reports on actual absolute output indicators which are used as impact indicators in the Social Impact Reporting section of Credem's Green, Social & Sustainability Bond Reporting. The Issuer reports on the sources of the metrics used for the calculation of the output indicators.	✓
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	The impact of Credem's projects is reported separately per portfolio category on an aggregated basis.	✓
Disclose the methodology used to determine the share of eligible project financing being applied to impact calculation	The Issuer does not determine the share of eligible project financing being applied to output calculation, meaning the share of the total project cost that is financed by the Issuer resulting in a pro-rated share of overall results of the project categories.	-
Collaborating with experts if reporting on the estimated lifetime impacts and/or project economic life in years	The Issuer reports on the average portfolio remaining lifetime per eligible project category but does not collaborate with experts.	✓
Assumptions and ex-post verification	The Issuer reports on actual numbers, when available. For the number of employees of supported SMEs, when data is not available,	✓

	Credem uses 1 employee as assumption. Ex-post verification is not applicable.	
Report Period	83% of proceeds has been allocated to Social Assets between 2022 and 2024. The remaining 17% of the collected proceeds (EUR 250 m), relating to the Covered Bond with ISIN IT0005579294, will be allocated to new Social Assets before the bond's maturity (January 18, 2029)..	✓
Disbursement reporting	On a portfolio basis, the proceeds from the social bonds issuance were used to finance new loans and refinance existing loans. Proceeds from the 2022 social bond was allocated to new financing in 2022, the other social bonds issued in the past year were allocated to a mixture of new financing and refinancing of existing loans. New loans are those where disbursements have been made no more than one year before the issue of the respective bond or at any time from the date of the issuance. Existing loans are those which have originated one year or more before the issuance.	-
Projects with partial eligibility	Not applicable, as all projects are 100% eligible for financing.	-

OPINION
Credem ***follows*** *Harmonized Framework for Impact Reporting for Social Bond's core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best market practices. Credem adhered to the core principles by generally reporting the allocation from social bonds annually, applying a formal internal process to track proceeds, outlining the allocation of proceeds to the respective social project categories, identifying the target population benefited, outlined the outcome of the social categories through output indicators, and illustrated the social output generated by the social bonds.*

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PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories.

The Use of Proceeds allocation reporting occurred within one year from the five bonds issuance in 2023 (one Green Bond and four Social Bonds), after full allocation of the proceeds from Green Bonds and 83% allocation of the proceeds from Social Bonds.

Compared to Credem's Green, Social & Sustainability Bond Reporting of 2023, Credem has issued five additional bonds:

- Green Bond XS2606341787, maturity date on May 30, 2029 (EUR 400 million)
- Social Bond XS2640881608, maturity date on July 25, 2028 (EUR 150 million)
- Social Bond XS2640884701, maturity date on July 31, 2027 (EUR 95 million)
- Social Bond XS2684860203, maturity date on March 26, 2029 (EUR 500 million)
- Social Bond IT0005579294, maturity date on January 18, 2029 (EUR 500 million).

This is the second year of allocation reporting, and 100% of allocation for Green Bonds' proceeds and 83% of allocation for Social Bonds' proceeds in 2024 compares with 100% of allocation of both Green and Social Bonds' proceeds in 2023. The Use of Proceeds allocation reporting occurred within the regular annual cycle from the issuance of the five additional bonds illustrated above.

The Issuer also disclosed transparently the amount of unallocated proceeds from the social bonds and the temporary investments. Proceeds that have not been allocated have been held in cash.

Proceeds allocated to eligible projects/assets

The proceeds' allocation is broken down at the project category level. The Issuer has provided details about the type of projects included in the portfolio.

Credem has provided details on the total eligible portfolio, and the percentage breakdown of Green Assets (25%) and Social Assets (75%), together with the criteria for each subcategory and the relevant percentages of eligible projects.

The allocation report section of the Green, Social & Sustainability Bond Reporting of Credem aligns with best-market practices by providing information on:

- The total amount if proceeds in EUR
- The percentage of new financing and (re-)financing

- The geographic distribution of the use of proceeds (by Italian regions)
- The type of investors that subscribed the bonds/loans
- The total amount of the proceeds from Green Bonds allocated (100%) (divided per environmental category)
- The total amount of the proceeds from Social Bonds allocated (83%) (divided per social category)

Impact Reporting Indicators

The table below presents an independent assessment of the Issuer's report and disclosure on the output, outcome, and/or impact of projects/assets using impact/output indicators.

ELEMENT	ASSESSMENT
Relevance	The impact indicator chosen by the Issuer for these bonds are the following: Green Bonds Portfolio ▪ Avoided emissions ($tCO_2eq.$ per year) ▪ Carbon impact ($tCO_2eq.$ per mEUR/year) ▪ Energy Savings (MWh) For its social bonds, the Issuer chose output indicators, given the lack of sufficient and credible data. Social Bonds Portfolio ▪ Loans to SMEs o Number of employees in SMEs in low GDP area o Number of employees in SMEs with Female Entrepreneurship o Number of employees in SMEs in the healthcare sector ▪ Social Housing Loans o Number of family members These indicators are qualitative, quantitative and material to the Use of Proceeds categories financed through these bonds and respectively in line with the Suggested Impact Reporting metrics for Green Building Projects by the ICMA Harmonized Framework for Impact Report for Environmental Bonds and with the Suggested Impact Reporting metrics for Socioeconomic Advancement and Empowerment by the ICMA Harmonized Framework for Impact Reporting for Social Bonds. This aligns with best market practices.
Data sourcing and methodologies of quantitative assessment	For its impact indicators, the Issuer uses internationally recognized impact indicators relevant to each of its Use of Proceeds categories, which are respectively in line with the core indicator proposed by the ICMA Harmonized Framework for Impact Reporting (for Green

	Bonds) and by the ICMA Harmonized Framework for Impact Reporting for Social Bonds. For its Green Bonds Portfolio: ▪ For avoided emissions, Credem has mandated CRIF Real Estate to process the data and calculate the avoided emissions through the following processes: ○ CO_2 emissions are available through a valid Energy Performance Certificate (EPC). The estimate emissions are the result of an automatic computation by a professional software in line with national existing legislation on energy efficiency and the characteristics of the assets as provided by the real estate valuer.[9] ○ CO_2 emissions are available through an automatic estimation implementing the Primary Energy Demand (PED) collected from EPCs. When the PED is missing, the CO_2 emissions are valued based on EPC data. ○ CO_2 emissions are available through an automatic estimation performed by CRIF Real Estate implementing the physical characteristics of the property. The calculated emissions are then benchmarked against a national benchmark for both residentials and commercials. The national benchmark used by CRIF Real Estate was a national database created by the Italian State, the Sistema Informativo sugli Attestati di Prestazione Energetica (SIAPE - Energy Performance Certificate Information System) managed by the Agenzia Nazionale per le Nuove Tecnologie, l'Energia e lo Sviluppo Economico Sostenibile (ENEA - National Agency for New Technologies, Energy and Sustainable Economic Development). SIAPE is the most important available data pool on the energy efficiency of Italy’s real estate stock. Finally, CRIF Real Estate has identified Italian market standard conversion factors for cases where the information

[9] Examples of software used are: Blumatica, ACCA, Termolog, Namirial.

to calculate CO_2 emissions cannot be retrieved through EPCs or regional energy cadasters.

CRIF methodology is line with Partnership for Carbon Accounting Financials standard as:

- It identifies a proper attribution factor: Loan-to-value (LTV).
- The emissions of buildings are calculated as the product of a building's energy consumption and the identified attribution factor (as described above).
- In relation to Credem portfolio, the analysis focuses on the positive environmental impact for the buildings included in the eligible portfolio

- For carbon impact, CRIF Real Estate calculated the Positive Carbon Impact (PCI) as the ratio between tonnes of CO_2 emissions avoided (calculated according to the methodology explained above and using SIAPE data) and the total outstanding amount expressed in millions of EUR. The PCI therefore measures the positive impact in tonnes per million EUR.
- Energy savings are determined by CRIF Real Estate as the difference between the benchmark and the non-renewable energy performance index (EPglnren) of the building multiplied by the building surface and the attribution factor.

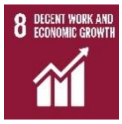
For its Social Bonds Portfolio:

The Issuer reported on output indicators instead of impact indicators due to the lack of sufficient and credible data. For its output indicators on social eligible categories, Credem has done an analysis of the distribution of employees for each eligible social category (female entrepreneurship, healthcare, low GDP areas). Credem also considers the number of companies that have been financed through the use of proceeds as an output indicator. Credem's internal procedures are enabled to census the number of employees of a company and are updated periodically via access to the Chamber of Commerce's documentation. Moreover, the Issuer uses data/queries available from the Italian National Institute of Statistics (ISTAT) and confronts each region's GDP per capita with the national GDP per capita. If the SME's region falls within those

	regions that are below the national average than they are included with the eligible portfolio. Review is conducted periodically and updated based on the frequency with which these data is collected and made available on ISTAT's website.
Baseline selection	The impact data is compared with a national database SIAPE, managed by ENEA, providing energy efficiency of Italian real estate stock against which the green building project can be benchmarked. For instance, the avoided emissions are calculated starting from SIAPE data, according to the following formula: $\mathit{Avoided\ emission} = [(\sum_{i}^{t} \mathit{Attribution\ factor}_{i,t} \times \mathit{Benchmark\ emissions}_{i,t}) - \mathit{Financed\ emission}_{i}] \times \mathit{Building\ surface}_{i}$ and the energy savings is determined using the benchmark for energy usage: $\mathit{Energy\ savings} = \sum_{i}^{n} [(EPgl_{nren})_{benchmark} - (EPgl_{nren})_{i}] \times \mathit{Building\ surface}_{i} \times \mathit{Attribution\ factor}_{i}$ The social output indicators are compared with the National average for GDP. In this sense, the report is in line with the suggestion of the ICMA Harmonized Framework for Impact Reporting for Green Bonds and the ICMA Harmonized Framework for Impact Reporting for Social Bonds.
Scale and granularity	The impact data is presented at the Use of Proceed portfolio level, divided per category, for the indicators.

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer's Green, Social & Sustainability Bond Reporting, the impact indicator(s) adopted by Credem for its Green and Social Bonds can be mapped to the following SDGs, according to ISS ESG SDG Solutions (SDGA), a proprietary methodology designed to assess the impact of an Issuer's product or services on the UN SDGs.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings: Avoided emissions ($tCO_2eq.$ per year) Carbon impact ($tCO_2eq.$ per mEUR/year) Energy savings (MWh)	
Loans to SMEs: Number of employees in SMEs in low GDP area	
Loans to SMEs: Number of employees in SMEs with Female Entrepreneurship	
Loans to SMEs: Number of employees in SMEs in the healthcare sector	
Social Housing Loans: Number of low-income people provided with affordable housing	

OPINION
*The allocation of the bonds' proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in the Framework and the Green, Social & Sustainability Bond Reporting **has** adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices. Besides, the impact indicators used **align** with best market practices using ICMA's recommended metrics, either in the HFIR or the HFIRSB.*

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as the cited Green, Social & Sustainability Bond Reporting remains unchanged.
2. ISS Corporate ("ISS-Corporate"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: Methodology

Review of the post-issuance Reports

The ISS-Corporate Report Review provides an assessment of labelled transactions reporting against international standards using ISS-Corporate proprietary methodology.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMAs Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Green, Social & Sustainability Bond Reporting
- Green, Social & Sustainability Bond Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS-CORPORATE's VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Issuer Name took place from March to May 2024.

ISS-CORPORATE's BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess the alignment of the Issuer's report with external principles (e.g., ICMA Green / Social Bond Principles, ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the alignment of the Issuer's Report against the commitments in the respective Framework, and analyze the disclosure of proceeds allocation, the data source, and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well as informed as possible about the proceeds allocation and the impact of the sustainability finance instrument(s).

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For information on Report Review services, contact: SPOsales@isscorporatesolutions.com

Project team

Project lead	Project support	Project supervision
Carolina Canepari Associate Sustainable Finance Research	Ioana Bejan Associate Vice President Sustainable Finance Research	Marie-Bénédicte Beaudoin Associate Director Head of Sustainable Finance Research