

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Financing Framework

Mediocredito Centrale

26 July 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Social debt instruments¹

Relevant standards

- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Social Loan Principles (SLP), as administered by the Loan Market Association (LMA) (as of February 2023)

Scope of verification

- Mediocredito Centrale Social Financing Framework (as of July 25, 2024)
- Mediocredito Centrale Eligibility Criteria (as of July 25, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

¹ Including bonds and/or loans in various formats, tenors and currencies, including senior preferred, senior non-preferred and subordinated bonds, as well as secured bonds (such as covered bonds) and other securities (such as ABS).

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SCOPE OF WORK

Mediocredito Centrale (“the Issuer,” “the Company” or “MCC”) commissioned ISS-Corporate to assist with its social debt instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. MCC’s Social Financing Framework (as of July 25, 2024), benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP) and the Loan Market Association’s (LMA) Social Loan Principles (SLP).
2. The eligibility criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
3. Consistency of social debt instruments with MCC’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

MEDIOCREDITO CENTRALE OVERVIEW

Mediocredito Centrale S.p.A. provides banking and financial services. The company is based in Rome and ultimately controlled by the government of Italy. Mediocredito Centrale was acquired by Agenzia Nazionale per l'Attrazione degli Investimenti S.p.A. from Poste Italiane S.p.A. Effective Oct. 15, 2020, Mediocredito Centrale assumed the status of parent company of the banking group Gruppo Bancario Mediocredito Centrale, which comprises: MCC, BdM Banca S.p.A. and Cassa di Risparmio di Orvieto S.p.A.

ESG risks associated with public and regional banks

Mediocredito Centrale is classified in the public and regional banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies² in this industry are sustainability impacts of lending and other financial products/services, customer and product responsibility, sustainable investment criteria, labor standards and working conditions, and business ethics.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

² Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part I:</p> <p>Alignment with SBP and SLP</p>	<p>The Issuer has defined a formal concept for its social debt instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the SBP and SLP.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility criteria</p>	<p>The social debt instruments will (re)finance eligible asset categories, including Socioeconomic Advancement and Empowerment and Employment Generation: SMEs Financing, Access to Essential Services (Healthcare), Access to Essential Services (Education), and Affordable Basic Infrastructure.</p> <p>Product and/or service-related use of proceeds categories individually contribute to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	<p>Positive</p>
<p>Part III:</p> <p>Consistency of Social debt instruments with MCC's sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing social debt instruments are clearly described by the Issuer. The project categories considered are in line with the Issuer's sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

³ The evaluation is based on MCC's Social Financing Framework (June 25, 2024), on the analyzed Eligibility Criteria as received on June 25, 2024.

SPO ASSESSMENT

PART I: ALIGNMENT WITH SOCIAL BOND PRINCIPLES AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the MCC’s Social Financing Framework (as of July 25, 2024) with the SBP and SLP.

SBP AND SLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by MCC’s Social Financing Framework is aligned with the SBP and SLP.</p> <p>The Issuer’s social categories align with the project categories as proposed by the SBP and SLP, and criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and social benefits are described.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by MCC’s Social Financing Framework is aligned with the SBP and SLP.</p> <p>The project selection process is defined, and ESG risks associated with the project categories are identified and managed appropriately. MCC has an advisor providing ESG data for materiality analysis on the inherent credit risk at the counterparty level, and for portfolio alignment activities. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines a list of activities excluded from the Social Financing Framework.</p> <p>The Issuer involves various stakeholders in this process, in line with best market practice. The Issuer also is seeking alignment of its Social Financing Framework and social projects with the</p>

		criteria set by the EU Final Report on Social Taxonomy.
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by MCC’s Social Financing Framework is aligned with the SBP and SLP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately, also in case of loan facilities with multiple tranches. The net proceeds are managed on an aggregated basis for multiple social debt instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer discloses ESG criteria for temporary investments, in line with best market practice. In particular, unallocated proceeds will not be invested in activities that are GHG-intensive or controversial.</p> <p>The risk of double counting is addressed by limiting the eligibility to assets that do not receive any other type of outstanding source of financing, and the Issuer is transparent on the nature of the instruments and its impacts.</p>
4. Reporting	✓	<p>The allocation and impact reporting provided by MCC’s Social Financing Framework is aligned with the SBP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. MCC has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. The eligible assets will not be used as collaterals. Moreover, the Issuer commits to report annually until the debt instrument matures.</p>

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		The Issuer commits to get the allocation report audited by an external party, in line with best market practices.
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PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SOCIAL DEBT INSTRUMENTS TO THE U.N. SDGs⁴

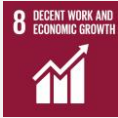
Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale:



Each of the social debt instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs⁵:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Socioeconomic Advancement and Empowerment and Employment Generation: SMEs Financing</p> <p><i>SMEs with the aim of positively supporting their economic activities and growth and increasing local employment.</i></p>	<p>Contribution</p>	

⁴ The impact of the UoP categories on U.N. Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁵ The review is limited to the examples of projects spelled out in the Framework.

- SMEs located in or investing in economically underperforming areas (i.e., deprived areas)
- SMEs impacted by crises or natural disasters/health emergencies

Socioeconomic Advancement and Empowerment and Employment Generation: SMEs Financing

SMEs run by women.

Contribution



Access to Essential Services (Healthcare)

Construction, renovation, maintenance or acquisition of hospitals, healthcare facilities and services, medical equipment, and technologies to enhance and safeguard public health.

Target population: General public benefitting from the public healthcare system, companies or SMEs operating in the healthcare sector.

Contribution



Access to Essential Services (Education)

Projects aimed at improving public educational infrastructure, such as:

- Operation of schools (primary and secondary)

Target population: General public, with focus on young people, unemployed and underserved segments; companies or SMEs operating in the education sector.

Contribution



Access to Essential Services (Education)

Projects aimed at improving public educational infrastructure, such as:

- *Operation of universities and academies*
- *Construction and renovation of buildings for schools, universities, academies*
- *Professional and technical trainings*

Target population: General public, with focus on young people, unemployed and underserved segments; companies or SMEs operating in the education sector.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting a sustainable urban and economic development.

- *Affordable housing initiatives⁶*

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions, especially in underserved areas, and promoting sustainable urban and economic development.

- *Enhancement and expansion of transportation systems*

Target population: Unserved population, with focus on disadvantaged people

Contribution



⁶ Loans to real estate companies that build and operate affordable housing, generating positive impact on disadvantaged people with limited access to quality infrastructure by ensuring rent-free or subsidized housing.

living in areas with limited access to quality services and infrastructure.

Affordable Basic Infrastructure

Projects aimed at improving infrastructure,⁷ especially in underserved areas, and promoting sustainable urban and economic development.

- *Enhancement and expansion of transportation systems*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting a sustainable urban and economic development.

- *Enhancement and expansion of transportation systems — School transport*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting sustainable urban and economic development.

- *Improvement of electricity networks*

Target population: Unserved population, with focus on disadvantaged people

Contribution



⁷ For infrastructure projects under this category, ISS-Corporate considers that the most direct impact is linked to environmental topics. However, the activities might generate other environmental and/or social impacts. MCC decides to classify this as a social category.

living in areas with limited access to quality services and infrastructure.

Affordable Basic Infrastructure

Projects aimed at improving living conditions, especially in underserved areas, and promoting sustainable urban and economic development.

- *Improvement of water and sanitation services*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving infrastructure, especially in underserved areas, and promoting sustainable urban and economic development.

- *Improvement of water and sanitation services*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting sustainable urban and economic development.

- *Increase of broadband connectivity*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting sustainable urban and economic development.

- *Cultural facilities (i.e., museums, libraries, cultural heritage)*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



Affordable Basic Infrastructure

Projects aimed at improving living conditions and infrastructure, especially in underserved areas, and promoting sustainable urban and economic development.

- *Sports facilities*

Target population: Unserved population, with focus on disadvantaged people living in areas with limited access to quality services and infrastructure.

Contribution



B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. All assets are and will be located in Italy, mainly in the southern regions.⁸

ASSESSMENT AGAINST KPIs

ESG guidelines into lending process

MCC is currently developing a process to define the ESG Governance Model to determine ESG priorities and strategy, and rule ESG risk management and compliance. This due diligence will integrate an external [ESG scoring model](#) by a third party, and run controversy checks on borrowers. An ESG questionnaire will also be requested from onboarding customers to evaluate their ESG business profile and provide guidelines for the identification and management of ESG risks, ensuring that the financing aligns with the Bank's sustainability objectives. For its implementation, the Group has established a Sustainability Board Committee, which identifies and monitors the strategic guidelines on sustainability set for the Group. The sustainability policy is thereafter approved by the Board of Directors and applies across all operational areas of the MCC Group and to all MCC Group entities, in compliance with the Bank's Ethics Code and HR policy.

The objective of the committee is to ensure investments are constantly aligned with the guidelines adopted by the Bank and that the identified ESG risks by the Controls and Risks Committee are integrated in lending decision making.

As part of the risk management process, the Bank developed an ESG Scoring Model to evaluate and monitor the sustainability profile of banking and credit products. It applies the model to all borrowers attributing them an ESG score, physical risk score and transition risk score. MCC also uses sensitivity and materiality analyses and stress tests to integrate climate, physical and transition risks, following the Internal Capital Adequacy Assessment Process framework. The risk materiality assessment is computed including data from an external provider. In 2024, the Issuer has updated its Credit Strategy Framework and consolidated the Risk Appetite Framework with the introduction of ESG lending indicators. In the second half of the year, guidelines to consider climate and environmental factors, physical risk and transition risk will be defined, as well as exclusion criteria based on ESG factors. If high risks or controversies are identified, MCC performs an evaluation on a case-by-case basis because a standardized process is currently not in place.

⁸ We rely on the geographical location of the projects/loans to assess the E&S management risk system in place through national regulation. For the loans receiving the use of proceeds generated under this framework, MCC will only consider borrowers located in Italy (e.g., having their legal residence or the headquarters in the country). However, there is no assurance that the borrowers exclusively operate in Italy. As MCC assumes that a significant share of the projects financed will indeed be carried out in Italy, we will also rely on national legislation for the purpose of assessing the KPIs.

Labor, health and safety

The financed project categories will be in Italy, where high labor, health and safety standards are ensured by relevant national legislation and the European Union's mandatory social standards.

Biodiversity and community dialogue

The financed project categories will be in Italy, an Equator Principles Designated Country, meaning it is deemed to have robust environmental and social governance, legislation systems and institutional capacity to protect its people and mitigate or reduce environmental and social impacts.

Inclusion

The MCC Group guarantees that the activities financed under the social categories will be free or subsidized for the targeted vulnerable populations. Additionally, health services are accessible via the Italian universal healthcare systems and access to education is granted as the institutions financed are public.

Responsible treatment of customers with debt repayment problems

As part of the strategic and management guidelines for the credit process outlined in the Group Credit Policies, the Bank regularly performs a credit review to verify the continuity of the asset, financial and economic sustainability requirements of the borrower. During this process, the Bank integrates the information provided by the client with external databases, information from third parties, company visits and direct inspections. The early warning process includes the following steps: early warning engine; early warning alert handling by the Private Equity units; potential hand-over to Non-Private Equity units in the case of deteriorating credit quality; quality assurance and control via first and second lines of defense. In addition, the commercial manager, supported by the credit manager, analyzes the customer's risk status and, in case of deterioration in the counterparty's creditworthiness, contacts the client and evaluates the best strategies to address the risk of debt repayment.

If the client has debt repayment problems, the Bank may adopt contractual and financial covenants entailing price renegotiation or waiving when the deviation is of an insignificant amount. These clauses intend to limit indebtedness by defining loan threshold values with the debtor. In certain cases, reviews of exposures may result in a modification of some contractual conditions or the forfeiture of the counterparty from the contractual benefit and the subsequent fall of the loan.

The Bank may provide debt restructuring options, including credit duration extension, payment reschedule, payment moratorium, interest only-payment, arrears/interest capitalization, or temporary or permanent reduction of interest rate to a fair and sustainable rate. These measures are adopted without any additional fee nor under detrimental conditions for the client.

Exclusion criteria

The MCC Group Lending Policy excludes any kind of investment to companies active in the following sectors:

- Tobacco
- Distilling, rectifying and blending spirits
- Fertilizers
- Gambling and betting activities/adult entertainment
- Explosives, weapons and ammunition
- Fur industry and animal maltreatment
- Mining and extraction activities of fossil fuels
- Nuclear
- Military fighting vehicles and ballistic missiles

Additionally, the Group adopts a global approach to the risk of money laundering and terrorist financing ensuring the exclusion of entities and individuals found to have engaged in prohibited conduct.

PART III: CONSISTENCY OF SOCIAL DEBT INSTRUMENTS WITH MCC'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer focuses on the following ESG topics:</p> <ul style="list-style-type: none"> ▪ Supporting Italian families and entrepreneurship, specifically small- and medium-sized industrial and commercial companies in the southern regions through credit provision, innovative finance and managing public incentives and subsidies ▪ Reducing its negative impact on the environment ▪ Fighting climate change ▪ Promoting financial and sustainability education and strengthening sustainability risk governance <p>These sustainability pillars have been defined through the Bank's ESG strategy for 2024-2027.</p>
<p>ESG goals/targets</p>	<p>The Issuer has defined the following social targets for 2024-2027:</p> <ul style="list-style-type: none"> ▪ Reach 40% women in managerial positions ▪ Provide 600,000 hours of training to employees, including 70,000 hours on ESG content ▪ Provide 300 hours of training to students on financial education and inclusion <p>The Issuer does not have environmental targets in place and commits to develop financed emissions reduction targets by 2025.</p>

<p>Action plan</p>	<p>To achieve its strategic ESG topics, the Issuer has increased its loans stock of approximately EUR 12 billion in loans for the 2024-2027 period and intends to:</p> <ul style="list-style-type: none"> ▪ Structure an advisory service offering focused on SME customers ▪ Provide financial training to companies ▪ Allocate capital for the growth projects of Italian SMEs, mid-caps and start-ups ▪ Grant loans to foster employment and promote innovation and female entrepreneurship ▪ Improve generation turnover and gender equality ▪ Foster digital transformation and reduce paper use ▪ Promote investments in renewable energy, energy efficiency, sustainable mobility and improved management of natural resources and the waste cycle ▪ Disseminate ESG culture
<p>Climate Transition Strategy</p>	<p>There is no information available on the Issuer's climate transition strategy. However, the Issuer intends to define its transition climate strategy by 2025-2027 after having defined the financed emissions reduction targets.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry⁹</p>	<p>Sexual harassment in the workplace, financial market irregularities, and failure to manage cybersecurity.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports annually on its ESG performance and initiatives in its Consolidated Non-Financial Report (Dichiarazione Non Finanziaria). The report is prepared in line with the Legislative Decree No.</p>

⁹ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the public and regional banks industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

	254/2016 and following the Global Reporting Initiative’s Sustainability Reporting Standards.
Industry associations, Collective commitments	-
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	MCC issued the first social bond in 2019 for EUR 300 million with a five-year maturity, verified by an external third party. The proceeds of the bond issuance were fully allocated to the social category "Support of employment and contribution to socioeconomic advancement," therefore financing Italian business firms (large companies and SMEs) located in the less economically developed areas of Italy and companies that, while not being based in Southern Italy, contribute to the development of business projects or creation of employment in Southern Italy.

Rationale for issuance

Corresponding to this sustainable business model, MCC established an equivalent funding strategy for 2024-2027, aiming at achieving greater social benefits and promoting the transition toward a more sustainable and socially inclusive environment.

This Social Financing Framework represents contributes to social inclusiveness and the socioeconomic advancement of Southern Italy.

Opinion: *The key sustainability objectives and the rationale for issuing social debt instruments are clearly described by the Issuer. All the project categories financed are in line with the Issuer’s sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, 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

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Mediocredito Centrale commissioned ISS-Corporate to compile a social debt instruments SPO. The second-party opinion process includes verifying whether the Social Financing Framework aligns with the SBP and SLP and assessing the sustainability credentials of its social debt instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Social Bond Principles
- Social Loan Principles

ISSUER'S RESPONSIBILITY

Mediocredito Centrale's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, 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 second-party opinion of the social debt instruments to be issued by Mediocredito Centrale has been conducted based on proprietary methodology and in line with the Social Bond Principles and Social Loan Principles.

The engagement with Mediocredito Centrale took place from May 2024 to July 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 SPO

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.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so that investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

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