

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Asset Pool

Mediobanca Banca di Credito Finanziario S.p.A.  
23 June 2020

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## Overall Evaluation of the Green and Sustainable Bond

Mediobanca Banca di Credito Finanziario S.p.A. (Mediobanca) commissioned ISS ESG to assist with its Green and Sustainable Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. Mediobanca's Green and Sustainable Bond framework – benchmarked against the International Capital Market Association's (ICMA) Green and Social Bond Principles (GSBPs) and Sustainability Bond Guidelines (SBGs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. Mediobanca's sustainability performance, according to the ISS ESG Corporate Rating.

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Performance against GSBPs and SBGs</b>	The issuer has defined a formal concept for its Green and Sustainable Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GSBPs and SBGs.	<b>Positive</b>
<b>Part 2:</b>  <b>Sustainability quality of the asset pool</b>	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include consumer credit for energy efficient home equipment and appliances, consumer credit for electric & hybrid cars, corporate loan for R&D in Battery & Electric vehicles (BEVs) and Manufacturing Facilities for BEVs, corporate loan for renewable energy generation pureplayer and corporate loan for purchase & modernisation of electric trains and rolling stocks.  All assets of the asset pool are located in Italy and Germany, highly regulated and developed countries. Legislative frameworks in those countries set minimum standards, which reduce environmental and social risks.	<b>Positive</b>
<b>Part 3:</b>  <b>Issuer sustainability performance</b>	The issuer itself shows a medium sustainability performance and has been given a rating of C-, which classifies it as 'Not Prime' by the methodology of the ISS ESG Corporate Rating. It is rated 51 <sup>st</sup> out of 285 companies within its sector as of 23.06.2020. This equates to a high relative performance, with a Decile Rank <sup>2</sup> of 2.	<b>Status:</b> <i>Not Prime</i>  <b>Rating:</b> C-  <b>Decile Rank:</b> 2

<sup>1</sup> ISS ESG's evaluation will remain valid until any modification of the Green and Sustainable Bond Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 06.03.2020). The controversy check of the underlying assets was conducted on the 02.03.2020.

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.













## Contribution of the Green and Sustainable Bond to the UN SDGs

Based on the assessment of the sustainability quality of the green and sustainable bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the Mediobanca's green and sustainable bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction to, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Corporate loan for renewable energy generation pureplayer</b>	<b>Significant contribution</b>	 
<b>Corporate loan for R&amp;D in BEVs and Manufacturing Facilities for BEVs</b>	<b>Limited contribution</b>	 
<b>Corporate loan for purchase &amp; modernisation of electric trains and rolling stocks</b>	<b>Limited contribution</b>	  
<b>Private mortgages for green residential buildings</b>	<b>Limited contribution</b>	
<b>Consumer credits for energy efficient home equipment and appliances</b>	<b>Limited contribution</b>	 
<b>Consumer credits for electric &amp; hybrid vehicles cars</b>	<b>Limited contribution</b>	 

## ISS ESG SPO ASSESSMENT

### PART I: GREEN AND SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

#### 1. Use of Proceeds

Mediobanca is committed to adhering to the highest environmental and sustainable standards. Mediobanca's internal policies clearly set out how ESG principles are pillars in defining the way in which the Bank operates and are a key factor in consolidating and enhancing confidence among the community of investors.

Mediobanca's determination in pursuing ESG targets is further demonstrated by the application of the Green and Sustainable Bond Framework which sets out rules and procedures to identify client projects and initiatives belonging to a list of Eligible Categories: the Green and Sustainable Assets.

Mediobanca Green and Sustainable Bond Framework is aligned with the Green Bond Principles (2018), Social Bond Principles (2020) and with the Sustainability Bond Guidelines (2018). Mediobanca is committed to constantly align to best market practices, aiming at full transparency and quality of Green and Sustainable Bonds issued.

An amount equivalent to the net proceeds from the Green and Sustainable Bonds issued by Mediobanca under the Green and Sustainable Bond Framework serve to finance and refinance Green and Sustainable Assets belonging to these Eligible Categories:

##### *a. Renewable energies*

- Generation of energy from renewable sources (for example: wind, solar, biogas, biomass, thermal, waste-to-energy, hydro)
- Manufacture of components of renewable energy technology and equipment (for example: wind turbines, solar panels)
- Transmission and distribution of energy for projects relating to renewable energy assets

##### *b. Energy efficiency*

- Energy storage
- Smart grid
- District heating
- Efficient lighting
- Energy optimization infrastructure
- Energy efficient retail equipment

##### *c. Sustainable mobility*

- Hybrid and electric vehicles
- Projects to improve sustainable mobility (for example: sharing, batteries)
- Public and freight sustainable transportation

#### *d. Green and energy efficient buildings*

Financing – including retail mortgages – or refinancing for construction, purchasing, development and renovation of buildings which:

- Have environmental standard certifications, such as LEED (Gold), BREAM (Good) or equivalent; or
- Comply with energy efficiency class A or B; or
- New or existing residential buildings belonging to the top 15% low carbon buildings in the region; or
- Renovation projects with an improvement in terms of energy efficiency of at least 30% or achieving energy efficiency class B

Other classification systems, stringent and based on best practices, may be added to the above criteria.

#### *e. Waste management and circular economy*

Green and Sustainable Assets may include financing projects contributing to the development of a circular economy such as:

- Recycling facilities, waste-to-energy facilities, reuse maximization
- Environmental remediation
- Projects to salvage, use, reuse and recycle post-consumer waste products
- Environmental remediation projects

#### *f. Environmentally sustainable management of living natural resources*

Loans to borrowers with high level sustainability criteria in the agriculture, forestry, farming or fishing sectors.

#### *g. Sustainable water*

- Projects for water treatment, collection, recycling, retail usage

#### *h. SME financing and microfinancing*

Projects relating to SME financing, financial literacy and banking access and services to underserved areas

#### **Types of debt instruments refinanced**

Green and Sustainable Assets will comprise mainly, but not exhaustively:

1. Corporate loans and infrastructure projects currently originated by Mediobanca S.p.A. and that may in the future also be originated by any other Mediobanca Group entity
2. Retail residential mortgages currently originated by CheBanca! (the Mediobanca Group's retail banking arm) and that may in the future also be originated by any other Mediobanca Group entity
3. Consumer credit loans currently originated by Compass (the Mediobanca Group's consumer credit arm) and that may in the future also be originated by any other Mediobanca Group entity

4. Leasing financing currently originated by SelmaBipiemme Leasing S.p.A. (the Mediobanca Group's leasing financing arm) and that may in the future also be originated by any other Mediobanca Group entity

The list of Eligible Categories and Green and Sustainable Assets may be extended, with new ones added to this Framework, subject to external review. Mediobanca will review the validity of the Framework annually, considering the development and progress made in all the areas tackled by environmental and sustainable best practices and upcoming regulations. Framework updates will also be consistent with Mediobanca's lending strategy and internal policies on to ESG goals.

#### Excluded categories and limitations

Any kind of investments connected to

- Mining: particular attention is paid to issues such as destruction of the environment and biodiversity; contamination of water, soil and air; child and forced labour; cultural legacy; risk of corruption and political risk;
- Nuclear power: Mediobanca checks that the counterparty complies with the standards set by the International Agency for Atomic Energy (IAEA);
- Defence and weapons: Mediobanca operates only in countries which comply with the principal international arms treaties and conventions; it does not grant loans to companies which manufacture, perform maintenance on or sell controversial or non-conventional weapons;
- Coal-Fired Power and Fossil Fuel: Mediobanca does not participate in financing to groups which derive more than 30% of their revenues from coal.

These exclusions may be reviewed according to how the Group's environmental and sustainable goals evolve in the future.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Mediobanca's Green and Sustainable Bond Framework as aligned with the Green and Social Bond Principles and the Sustainability Bond Guidelines. The eligible Project categories aligns with the Green and Social Bond Principles categories of projects, provide with a clear description of the sustainability objectives and aligns with the broader strategy of the issuer. Furthermore, Mediobanca defined formal exclusion of controversial project categories, which aligns with best market practices.

## 2. Process for Project Evaluation and Selection

The eligibility of Green and Sustainable Assets will be evaluated by the following governance process:

#### Green and Sustainable Bond Committee:

The Green and Sustainable Bond Committee (GSBC) is an internal panel composed of members of Group Treasury, ESG team, Corporate and Investment Banking division and all relevant legal entities that contribute to the origination of Green and Sustainable Assets.

GSBC will approve and validate the pool of Green and Sustainable Assets and will have the power to exclude assets as well.

GSBC will be also in charge of:

- Monitoring the Green and Sustainable Assets pool
- Updating and maintaining the Framework
- Validating the annual reporting for investors
- Reviewing any external independent auditors' reports

GSBC will meet on an annual basis.

#### Selection activity

While final inclusion and selection is within the remit of GSBC only, the originating unit (or entity) performing the lending activity will initially assess the compliance of any project with the Eligible Categories' criteria.

The selection activity complements the existing standard investment process. In particular:

- Corporate loans and infrastructure projects: Mediobanca S.p.A. lending unit is the owner of the initial assessment for selecting a specific asset as eligible to be included in the Green and Sustainable Assets pool
- Retail mortgages: the retail arm of the group (currently CheBanca!) is the provider of the relevant information on the mortgage pool and eligibility criteria for inclusion in the Green and Sustainable Asset pool
- Consumer credit: the consumer credit arm of the group (currently Compass) provides the relevant information on loan origination and eligibility criteria for inclusion in the Green and Sustainable Asset pool
- Leasing financing: the leasing financing arm of the group (currently SelmaBipiemme Leasing S.p.A.) provides the relevant information on loan origination and eligibility criteria for inclusion in the Green and Sustainable Asset pool

Any other legal entity of the Mediobanca Group will provide relevant information and perform initial selection activity on any other asset originated and potentially eligible as a Green and Sustainable Asset.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Mediobanca's Green and Sustainable Bond Framework as aligned with the Green and Social Bond Principles and Sustainability Bond Guidelines. Selection and exclusion criteria are defined for key project categories in the Use of Proceeds part, and responsibilities related to the projects evaluation and selection are clearly described.

### 3. Management of Proceeds

Mediobanca is committed to maintaining a pool of Green and Sustainable Assets and increasing it over time, in line with its environmental and sustainable targets.

The net proceeds of the Green and Sustainable Bonds will be used to finance and refinance existing Green and Sustainable Assets and new future projects. Net proceeds will be allocated to Green and Sustainable Assets on a portfolio basis and the aggregate amount of the pool will be monitored and tracked via internal information systems over time.



The future development of the pool and its financing will fully be integrated into the Mediobanca funding strategy.

Net proceeds, or part of them as the case may be, may be swapped into the currency in which Green and Sustainable Assets are denominated.

Mediobanca will make every effort to allocate all the proceeds to Green and Sustainable Assets, so that the pool size matches or exceeds the proceeds of outstanding Green and Sustainable Bond issues.

If a project ceases to be eligible for inclusion in the Green and Sustainable Assets pool, it will be removed and replaced in a timely manner with other eligible assets according to eligibility criteria set out in the Green and Sustainable Bond Framework.

Temporarily unused proceeds, if not yet allocated or reallocated to Green and Sustainable Assets, will be held in the form of cash, cash equivalent investment instruments, or other liquid marketable instruments at the sole discretion of Mediobanca.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Mediobanca's Green and Sustainable Bond Framework is well aligned with Green and Social Bond Principles and Sustainability Bond Guidelines. The proceeds will be appropriately tracked and managed, and the intended types of temporary investment instruments for unallocated proceeds is clearly stated.

#### 4. Reporting

Until any outstanding Green and Sustainable Bond has matured, Mediobanca will publish an annual report on:

- a. The total amount of net proceeds allocated to the pool of Green and Sustainable Assets;
- b. Allocation of net proceeds to each Eligible Category;
- c. Outstanding amount of Green and Sustainable Bonds issued;
- d. Balance of unallocated proceeds;
- e. Environmental and sustainable impact reporting via aggregated metrics, such as (on a best effort basis):
  - Expected annual renewable energy generation (MWh per year)
  - Installed renewable energy capacity (MW)
  - Reduction in energy use (MWh per year)
  - GHG saving (tons per year) as per low carbon transportation and infrastructure projects and green buildings
  - Number of items (e.g. electric vehicles).

For Eligible Categories, where relevant impact metrics are different from the ones described above, Mediobanca will adhere to best market practices to propose adequate alternatives.

**Opinion:** ISS ESG finds that the reporting proposed by Mediobanca's Green and Sustainable Bond Framework is aligned with the Green and Social Bond Principles and Sustainability Bond Guidelines.

## **External review**

### **Second Party Opinion**

To ensure the transparency and soundness of the Framework, Mediobanca has obtained independent verification from a second opinion provider which will assess and assist on sustainability profiles, performance and coherence with the ICMA's Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018).

### **External assurance**

Mediobanca will appoint an external auditor which will carry out an independent review of the use of proceeds associated with the Eligible Categories, adherence to the selection process of Green and Sustainable Assets, and reporting metrics.








## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### A. Corporate loan for renewable energy generation pureplayer

As a Use of Proceeds category, corporate loan for renewable energy generation pureplayer has a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action' as the pureplayer is generating energy mostly from wind and hydropower.

Additionally, when considering the deeper ESG management, corporate loan for renewable energy generation pureplayer can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>A.1. Facilitation of the energy transition and resource efficiency</b>	
<ul style="list-style-type: none"> <li>✓ The company generates energy from sustainable sources (50.1% of wind power, 15.9% of hydropower, 34% of energy generated from natural gas).</li> <li>✓ The company achieves high energy efficiency in its power generation plants.</li> </ul>	 
<b>A.2. Environmentally safe operation of plants and infrastructure</b>	
<ul style="list-style-type: none"> <li>○ No information is available on safety risks information associated with operations and infrastructure (e.g. communication with local residents about emergency plans and about appropriate behaviour in case of emergencies).</li> </ul>	
<b>A.3. Accessibility and reliability of energy and water supply</b>	
<ul style="list-style-type: none"> <li>○ The company has not taken any measures to promote access to sustainable energy and/or water in developing countries or emerging markets.</li> </ul>	  
<b>A.4. Business ethics and government relations</b>	
<ul style="list-style-type: none"> <li>✓ The company defined appropriate code of business ethics (covering corruption, antitrust violations, conflict of interest, etc.) and associated compliance procedures.</li> </ul>	

**A.5. Worker safety and accident prevention**

- ✓ The company defined appropriate health and safety and labour right policies (in line with the ILO Core conventions) and implemented appropriate compliance procedures.



**Controversy assessment**

A controversy assessment of the pureplayer company did not reveal any controversial activities or practices that could be attributed to the company or to Mediobanca.

**B. Corporate loan for R&D in BEVs and Manufacturing Facilities for BEVs**

As a Use of Proceeds category, corporate loan for R&D in BEVs and Manufacturing Facilities for BEVs has a limited contribution to SDGS 7 'Affordable and clean energy' and 13 'Climate action'.

Additionally, when considering the deeper ESG management, corporate loan for R&D in BEVs and Manufacturing Facilities for BEVs can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
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- ✓ Prerequisite: For all financed assets, cars based on internal combustion engines (ICE) technology are excluded from financing.



**B.1. Environmental aspects of manufactured products**

- ✓ For all financed assets, a comprehensive life-cycle-assessment has been, or will be conducted.
- ✓ For all financed assets, emission intensity during operation is optimised, as the vehicles are fully battery powered.



**B.2. Social aspects of manufactured products**

- ✓ For all financed assets, product safety is ensured (minimum 3 Stars rating on NCAP crash test).



**B.3. Energy efficiency aspects of manufacturing facilities and production processes**

✓ For all financed assets, high standards regarding energy efficiency of manufacturing buildings are in place.



✓ For all financed assets, high standards regarding energy efficiency of the production processes and machinery are in place.



**B.4. Production standards**

✓ All financed assets provide for a comprehensive Environmental Management System at the manufacturing sites.



✓ All financed assets provide for high labour and health and safety standards at the manufacturing sites and are located in Germany, a country with high social standards (e.g. ILO core conventions).



**B.5. Safety of manufacturing facilities users**

✓ All financed assets provide for measures to ensure operational safety, in accordance with national legislation.



**B.6. Community dialogue**

✓ All financed assets provide for measures to ensure community dialogue (e.g. advisory panels, public consultation).



**Controversy assessment**



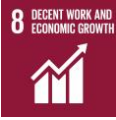




A controversy assessment was carried out on the manufacturing facilities. The controversy assessment did not highlight any controversial activity that could be attributed to Mediobanca. However, the borrowing company is involved in a severe controversy failing to respect established norms regarding human rights, labour rights and environment. No controversy assessment was carried out on the Research & Development (R&D) for the conception, development and construction of Battery Electric Vehicles (BEV).

## C. Corporate loan for purchase & modernisation of electric trains and rolling stocks

As a Use of Proceeds category, corporate loan for purchase & modernisation of electric trains and rolling stocks has a limited contribution to SDGs 7 'Affordable and clean energy', 11 'Sustainable cities and communities' and 13 'Climate action'.

Additionally, when considering the deeper ESG management, corporate loan for purchase & modernisation of electric trains and rolling stocks can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>C.1. Production standards</b>	
<ul style="list-style-type: none"> <li>✓ The corporate fleet provide for a comprehensive environmental management system at the trains manufacturing sites.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ The corporate fleet provide for a high labour and health and safety standards at the manufacturing sites (e.g. ILO core conventions).</li> </ul>	 
<b>C.2. Environmental aspects of trains</b>	
<ul style="list-style-type: none"> <li>✓ The corporate fleet underwent a comprehensive life-cycle assessment.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ The corporate fleet is exclusively composed of electric trains and therefore energy efficiency during operation is optimized.</li> </ul>	 
<b>C.3. Social aspects of trains</b>	
<ul style="list-style-type: none"> <li>✓ For the corporate fleet, product safety is ensured.</li> </ul>	

### Controversy assessment






A controversy assessment of the borrowing company did not reveal any controversial activities or practices that could be attributed to the company or to Mediobanca.

## D. Private mortgages for residential green buildings

As a Use of Proceeds category, private mortgages for green residential buildings have a limited contribution to SDGs 7 ‘Affordable and clean energy’ and 13 ‘Climate action’ when obtaining an EPC certificates A or B.

Additionally, when considering the deeper ESG management, private mortgages for green residential buildings can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>D.1. Production standards</b>	
<ul style="list-style-type: none"> <li>✓ 100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.</li> <li>100% of the assets received an EPC certificate “B” or above.</li> </ul>	
<b>D.2. Construction standards</b>	
<ul style="list-style-type: none"> <li>✓ 100% of the assets are located in Italy, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).</li> </ul>	
<b>D.3. Responsible treatment of customers with debt repayment problems</b>	
<ul style="list-style-type: none"> <li>✓ For 100% of the assets, basic pre-emptive actions to prevent client debt repayment problems (e.g. screenings of mortgages) are in place.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ For 100% of the assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ The issuer has measures in place ensuring that the client do not face unfavorable conditions as a result of the sale.</li> </ul>	
<b>Controversy assessment</b>	

Due to the nature of the assets, ISS ESG did not conduct a controversy assessment.





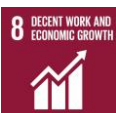

## E. Consumer credits for energy efficient home equipment and appliances

As a Use of Proceeds category, consumer credits for energy efficient home equipment and appliances have the following contribution to SDGs:

- Domestic biomass heating systems have a limited contribution to SDGs 7 ‘Affordable and clean energy’ and 13 ‘Climate action’;
- AC systems have a limited contribution to SDGs 7 ‘Affordable and clean energy’ and 13 ‘Climate action’ when achieving high performance in terms of energy efficiency (eg. Ecolabel A+);
- Solar systems and shading installed at residential houses have a limited contribution to SDGs 7 ‘Affordable and clean energy’ and 13 ‘Climate action’; and
- Domestic water softeners have no net impact on SDGs.

Additionally, when considering the deeper ESG management, consumer credit for energy efficient home equipment and appliances can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>E.1. Environmental aspects of equipment and appliances</b>	
<p>✓ 100% of the relevant assets have a significantly reduced energy consumption relative to a reference consumption (e.g. European Union Energy Label A+)</p>	
<p>✓ 100% of the relevant assets provide for high standards regarding the reduction or elimination of toxic substances within solar panels (e.g. in line with RoHS requirements or other relevant standards).</p>	
<p>✓ 100% of the relevant assets meet high environmental standards regarding take-back and recycling of electronic equipment at end-of-life stage (e.g. in line with WEEE Directive).</p>	
<b>E.2. Supply Chain standards of equipment and appliances</b>	
<p>○ No information is available on high labour and health and safety standards during production (e.g. ILO core conventions)</p>	 
<b>E.3. Working conditions during installation</b>	
<p>✓ 100% of the assets are located in Italy, where high labour standards are in place during installation of equipment and appliances (e.g. ILO core conventions).</p>	



**E.4. Responsible treatment of clients with debt repayment problems**

- ✓ For 100% of assets, measures for responsible treatment of clients with debt repayment problems are in place.



**Controversy assessment**

Due to the nature of the project, ISS ESG did not conduct a controversy assessment.

**F. Consumer credits for electric & hybrid vehicles cars**

As a Use of Proceeds category, consumer credits for electric & hybrid vehicles cars have a limited contribution to SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”.

Additionally, when considering the deeper ESG management, consumer credits for electric & hybrid vehicles cars can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>F.1. Production standards</b>	
<ul style="list-style-type: none"> <li>✓ 100% of the assets provide for a comprehensive environmental management system at the vehicle manufacturing sites. For the remaining assets, no information is available.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ 78% of the assets provide for high labour and health and safety standards at the manufacturing sites (e.g. ILO core conventions). For the remaining asset, no information is available.</li> </ul>	
<b>F.2. Environmental aspects of vehicles</b>	
<ul style="list-style-type: none"> <li>✓ 80% of the assets underwent a comprehensive life-cycle assessment.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ For 80% of the assets, energy efficiency during operation is optimized (below 75gCO<sub>2</sub>/p.km). The remaining assets associated emissions exceed this threshold.</li> </ul>	
<b>F.3. Social aspects of vehicles</b>	
<ul style="list-style-type: none"> <li>✓ For 100% of the assets, product safety is ensured (minimum 3 Stars rating on NCAP crash test).</li> </ul>	

**F.4. Responsible treatment of clients with debt repayment problems**

- ✓ For 100% of assets, measures for responsible treatment of clients with debt repayment problems are in place.



**Controversy assessment**

Due to the nature of the project, ISS ESG did not conduct a controversy assessment.

## PART III: ASSESSMENT OF MEDIOBANCA'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>3</sup>' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
MEDIOBANCA	NOT PRIME	C-	2

This means that the company performed moderately in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all do not necessarily meet the basic requirements for sustainable investments.

As of 23.06.2020, this rating places Mediobanca 51<sup>st</sup> out of 285 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Sustainable investment criteria
- Labour standards and working conditions
- Business ethics

In five of the key issues, Mediobanca rates above the average for the sector. A very significant outperformance was achieved in "Sustainable investment criteria". The company lags the industry's average performance in "Sustainability impacts of lending and other financial services/products".

The company does not face any significant controversy.

Details on the rating of the issuer can be found in Annex 1.



Robert Hassler, Head of ISS ESG Ratings  
London/Munich/Rockville/Zurich

<sup>3</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

## DISCLAIMER

1. Validity of the SPO: For Mediobanca's first issuance following the SPO release date.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Mediobanca's 2020 ISS ESG Corporate Rating.

# Mediobanca Banca di Credito Finanziario S.p.A.

## Company Information

Country  
Italy

ISIN  
IT0000062957

Industry  
Financials/Commercial Banks & Capital Markets

## Key Results

Rating  
**C-**

Decile Rank  
**2**

Transparency Level  
**Very High**

Status  
**Not Prime**

Performance score  
**47.5**

Prime Threshold  
**C**

## Absolute Rating

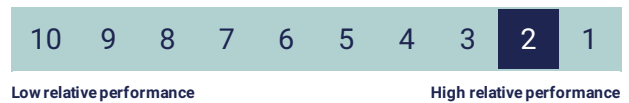


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

## Transparency Level



## Decile Rank



## Industry Leaders

Company name (in alphabetical order)	Country	Grade
ABN AMRO Bank N.V.	NL	C+
BNP Paribas S.A.	FR	C+
NIBC Holding N.V.	NL	C+

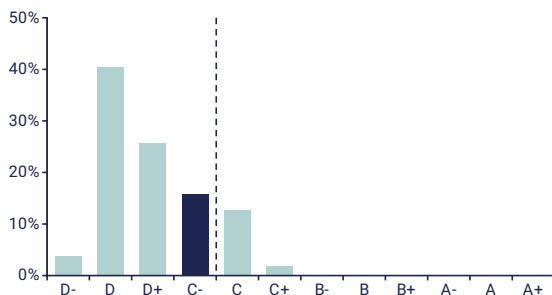
Legend: ■ Industry ■ Company --- Prime

## Key Issue Performance

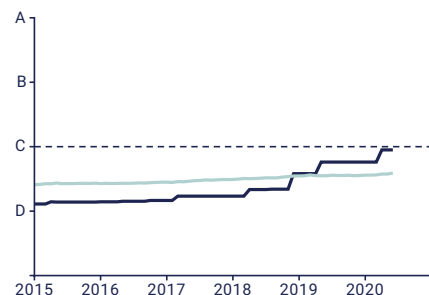


## Distribution of Ratings

285 companies in the industry



## Rating History



# Mediobanca Banca di Credito Finanziario S.p.A.

## Analyst Opinion

### Sustainability Opportunities

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Mediobanca Banca di Credito Finanziario S.p.A. (Mediobanca), together with its subsidiaries, provides various banking products and services in Italy and internationally. It operates through five segments: Corporate & Investment Banking, Consumer Banking, Wealth Management, Principal Investing, and Holding Functions. The provision of financial services with social and environmental benefits constitute the main opportunities for financial companies in order to contribute to the solution of global sustainability challenges. Mediobanca underwrites green bonds linked to climate change, air quality, water purification quality and waste material recovery, as well as social bonds. Through its subsidiaries, it also offers several SRI funds. The company's retail entities offer some inclusive financial services, including a basic bank account subject to moderate terms and conditions. However, those products only constitute a small share of Mediobanca's overall business volume.

### Sustainability Risks

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For the financial sector, the main sustainability challenges are located in the lending and investment banking as well as in the asset management businesses. Mediobanca has adopted a Group Policy on Responsible Lending and Investing which outlines principles for considering ESG risks in lending and investments decisions and for excluding certain controversial practices, such as involvement in human rights violations or production of weapons. Customer-related risks are managed only to some extent. Although there is a policy on responsible marketing, there is no evidence of comprehensive procedures for the treatment of over-indebted clients. The company has implemented some measures to ensure equal opportunities, work-life balance and employee health and safety, including mental health issues. Since April 2018, Mediobanca has been a signatory to the UN Global Compact. The company's code of conduct accounts for all relevant topics, including corruption, antitrust violations, and insider trading, in varying degrees of detail. Mediobanca provides training on anti-bribery issues and carries out anti-bribery risk assessments and audits. It also offers confidential whistleblowing channels for its employees.

### Governance Opinion

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Mediobanca has no significant shareholder owning more than 20% of total capital (as at February 28, 2020). While the chair of the board, Renato Pagliaro (as at November 29, 2019), is not independent, the majority of the board members are independent. Largely independent board committees for audit, remuneration and nomination matters have been set up. Disclosure of executives' compensation is available, including data on fixed-term, variable and long-term components.

The company has set up a CSR Committee to support the Chief Executive Officer on CSR tasks. However, no board level committee in charge of sustainability matters is in place. Relevant ESG performance objectives are included into the top management's variable remuneration. The company's code of conduct accounts for all relevant topics, including corruption, antitrust violations, and insider trading, in varying degrees of detail. Mediobanca provides training on anti-bribery issues and carries out anti-bribery risk assessments and audits. It also offers confidential whistleblowing channels for its employees.

# Mediobanca Banca di Credito Finanziario S.p.A.

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Controversial Business Practices** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

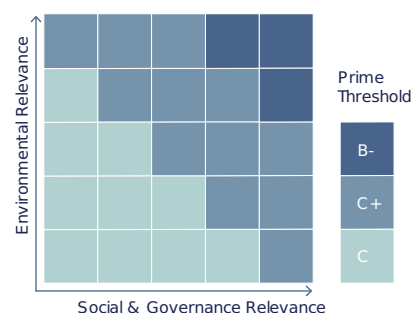


# Mediobanca Banca di Credito Finanziario S.p.A.

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Major Shareholders & Ownership Summary** - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Mediobanca's Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Mediobanca (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association 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, ISS ESG identifies the extent to which Mediobanca's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. 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.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, and this Green and Sustainable Bond, contact:

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