

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Banco Desio

18 July 2024

VERIFICATION PARAMETERS

Type(s) of
instruments
contemplated

- Green bonds

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- Banco Desio's Green Bond Framework (as of July 12, 2024)
- Banco Desio's Eligibility Criteria (as of July 12, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged



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SCOPE OF WORK

Banco Desio (“the Issuer” or “the Bank”) commissioned ISS-Corporate to assist with its green bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Banco Desio’s Green Bond Framework (as of July 12, 2024), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
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 green bonds with Banco Desio’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

BANCO DESIO OVERVIEW

Banco di Desio e Della Brianza S.p.A., established in 1909 and listed in the Milan Stock Exchange since 1995, provides commercial banking services and insurance solutions. The Bank is headquartered in Desio, Italy, and operates in Northern and Central Italy and in Sardegna. It has a distribution network of 280 branches and about 2,400 employees and is present in the consumer credit sector with the company Fides S.p.A, a financial company specialized in loans against salary assignment. In the asset management and “bancassurance” sector, the Bank operates through distribution agreements with leading national and international counterparties. It achieved total assets of more than EUR 18 billion.

ESG risks associated with the Issuer

Banco Desio is classified in the commercial banks and capital markets industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies¹ in this industry are sustainability impacts of lending and other financial services/products, customers 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.

¹ 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 ²
Part I: Alignment with GBP	The Issuer has defined a formal concept for its green bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with the GBP.	Aligned
Part II: Sustainability quality of the Eligibility Criteria	The green bonds will (re)finance eligible asset categories which include: Green categories: Green Buildings; Installation of Renewable Energy Technologies; Installation of Technologies for Improving and Managing the Energy Performance of Buildings and Charging Stations for Electric Vehicles; Transport by Passenger Cars and Light Commercial Vehicles; Infrastructure Enabling Low-Carbon Road Transport and Public Transport; Power Generation by Renewable Energy Technologies; Power Generation from Renewable non-fossil liquid and gaseous non-fossil renewable fuels and Bioenergy and Power Distribution/Transmission; District Heating/ Cooling Distribution; Transmission and Distribution Networks for Renewable and Low-Carbon Gases; Manufacture of Batteries and Components for Transportation, Energy Storage and Other Industrial Applications; Research, Development and Innovation of Solutions, Processes, Technologies, Business Models and Other Products dedicated to Climate Change Adaptation. Product and/or service-related use of proceeds categories individually contribute to one or more of the following SDGs:  	Positive

² The evaluation is based on Banco Desio's Green Bond Framework (July 12, 2024).

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Sustainability Quality of the Issuer
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	The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.	
Part III: Consistency of Green Bonds with Banco Desio's Sustainability Strategy	The key sustainability objectives and the rationale for issuing green bonds are described by the Issuer. The project categories considered are in line with the Issuer's sustainability objectives. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	Consistent with Issuer's sustainability strategy

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

This section evaluates the alignment of the Banco Desio's Green Bond Framework (as of July 12, 2024) with the GBP.

ICMA'S GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	The Use of Proceeds description provided by Banco Desio's Green Bond Framework is aligned with the GBP. The Issuer's green categories align with the project categories as proposed by the GBP, and criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided, and environmental benefits are described.
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by Banco Desio's Green Bond Framework is aligned with the GBP. The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer's sustainability strategy. The Issuer defines exclusion criteria for harmful project categories. The Issuer disclosed the various stakeholders involved in the process, in line with best market practice. In addition, the Issuer defined eligibility criteria for its green projects in accordance with the technical screening criteria of substantial contribution to the climate change mitigation objective of the EU Taxonomy, in line with best market practices.

3. Management of Proceeds	✓	The Management of Proceeds provided by Banco Desio's Green Bond Framework is aligned with the GBP. The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately, attested in a formal internal process and managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.
4. Reporting	✓	The allocation and impact reporting provided by Banco Desio's Green Bond Framework is aligned with the GBP. 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. Banco Desio 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. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated. The Issuer is transparent on the level of impact reporting and the information reported, and further defines the frequency of the impact reporting, in line with best market practice.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN BONDS TO THE U.N. SDGs³

Banks can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being a responsible financial institution, 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 and/or 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 three-point scale:

Obstruction	No Net Impact	Contribution
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Each of the green bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings <i>Eligible projects are considered, projects attributed to:</i> Buildings built before 31 December 2020, for which the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of	Contribution	 

³ The impact of the UoP categories on the Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.⁴

- *New buildings (built after 31 December 2020, whose Primary Energy Demand (PED) is at least 10% lower than the threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations.*
- *Buildings larger than 5,000 m² must meet the Technical Screening Criteria of the EU Taxonomy Activity 7.1.*

Installation of Renewable Energy Technologies

The activity consisting in one of the following individual measures, if installed on-site as technical building systems:

- *Installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment*
- *Installation, maintenance and repair of solar hot water panels and the ancillary technical equipment*
- *Installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment*
- *Installation, maintenance and repair of wind turbines and the ancillary technical equipment*
- *Installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment*
- *Installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment*
- *Installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant*

Contribution



⁴ The Issuer confirms that the Bank's residential mortgage portfolio was further analyzed to identify the perimeter of properties that fall within the top 15% of the park national real estate (i.e., properties belonging to energy class EPC A and B according to the Italian National Portal on Building Energy Performance Certificate).

- *Installation, maintenance and repair of heat exchanger/recovery systems*

Installation of Technologies for Improving and Managing the Energy Performance of Buildings

The project consists of one of the following activities⁵:

- *Addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure airtightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive)*
- *Replacement of existing windows with new energy efficient windows*
- *Replacement of existing external doors with new energy efficient doors*
- *Installation and replacement of energy efficient light sources*
- *Installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies*
- *Installation of low water and energy using kitchen and sanitary water fittings and, in case of shower solutions, mixer showers, shower outlets and taps have a max water flow of 6 L/min or less attested by an existing label in the Union market*

Contribution



⁵ The Issuer confirms that the Group will consider projects eligible when measures comply with the minimum requirements set for individual components and systems in the applicable national measures, implementing Directive 2010/31/EU, and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369, as per the technical screening criteria of Activity 7.3 "Installation, maintenance and repair of energy efficiency equipment" of the Taxonomy regulation.

Installation of technologies for improving and managing the energy performance for charging stations for electric vehicles

- Installation, maintenance and repair of charging stations for electric vehicles (and parking spaces attached to buildings). The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 7.4.

Contribution



Installation of technologies for improving and managing the energy performance

- Installation, maintenance and repair of energy efficiency equipment. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 7.3.

Contribution



Installation of technologies for improving and managing the energy performance

- Manufacture of energy efficiency equipment for buildings. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 3.5.

Contribution



Installation of technologies for improving and managing the energy performance for charging stations for electric vehicles

The project consists of one of the following activities:

- Installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control
- Installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS)
- Installation, maintenance and repair of smart meters for gas, heat, cool and electricity

Contribution



- *Installation, maintenance and repair of facade and roofing elements with a solar shading or solar control function, including those that support the growth of vegetation*

Transport by passenger cars and light commercial vehicles

Projects related to the purchase of vehicles designated as category M1, N1, both falling under the scope of Regulation (EC) No 715/2007, or L, on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 6.5.

Infrastructure enabling low-carbon road transport and public transport

Projects related to the construction, modernization, maintenance and operation of infrastructure that is required for zero tailpipe CO₂ operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 6.5.

Electricity generation using renewable energy technologies (solar photovoltaic, concentrated solar power, wind power, ocean energy, hydropower, geothermal)

Manufacture of renewable energy technologies. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 3.1.

Projects aimed at producing electricity using one among the technologies are considered eligible:

Contribution



Contribution



Contribution



- *Solar photovoltaic. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.1.*
- *Concentrated solar power. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.2.*
- *Wind power. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.3.*
- *Geothermal, for which is verified that life cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100 gCO₂e/kWh.⁶ The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.6.*
- *Ocean energy. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.4.*
- *Hydropower (small to large scale <1,000 MV),⁷ for which at least one of the following criteria is verified: (i) a run-of-river plant and does not have an artificial reservoir; (ii) the power density of the electricity generation facility is above 5 W/m²; (iii) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100 gCO₂e/kWh.⁸ The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.5.*

Electricity generation from renewable non-fossil gaseous and liquid fuels

Projects related to the construction or operation of electricity generation facilities that produce electricity using gaseous and liquid fuels of renewable origin are considered eligible. The project must meet the Technical

Contribution



⁶ Life cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life cycle GHG emissions are verified by an independent third party, as reported by Delegated Regulation 2021/2139 for Activity 4.6.

⁷ The Issuer confirms that funding for hydroelectric plants with a capacity greater than 1,000 MW is excluded.

⁸ The life cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life cycle GHG emissions are verified by an independent third party, as reported by Delegated Regulation 2021/2139 for Activity 4.5.

Screening Criteria of the EU Taxonomy Activity 4.7.

Electricity generation from bioenergy

Projects pertaining to the Construction and operation of electricity generation installations that produce electricity exclusively from biomass, biogas or bioliquids, are also considered eligible. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.8.⁹

Contribution



Transmission and distribution of electricity

- *Projects related to the construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system and/or the construction and operation of distribution systems that transport electricity on high-voltage, medium-voltage and low-voltage distribution systems that meet the Technical Screening Criteria of the EU Taxonomy Activity 4.9.*
- *Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 3.20.*

Contribution



District heating/cooling distribution

Thermal energy distribution projects using efficient district heating and cooling systems that use at least 50% renewable energy, 50% waste heat, 75% cogenerated heat, or 50% a combination of such energy and heat are considered eligible.

Contribution



⁹ The following two types of biomasses are excluded: 1) Any first-generation biofuel (mainly from food-based biomass, such as corn, soy, soybean, sunflower, maize, sugarcane, sugar beet, wheat, canola, palm oil and biomass from food waste), and 2) Production of uncertified wood-based biomass.

The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.15.

Transmission and distribution networks for renewable and low carbon gas

The activity consists in one of the following:

- *Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases*
- *Conversion/repurposing of existing natural gas networks to 100% hydrogen*
- *Retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system*
- *The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage*

The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.14.

Manufacture of batteries and components for transport, energy storage and other industrial applications

- *Projects attributable to the economic activity manufactures rechargeable batteries, battery packs and accumulators (and their respective components), including from secondary raw materials, that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications. The economic activity*

Contribution



Contribution



recycles end-of-life batteries. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 3.4.

- *Storage of electricity. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 4.10.*

Research, Development, and Innovation of Solutions, Processes, Technologies, Business Models and Other Products Dedicated to Climate Change Adaptation

- *Components manufacturing and/ or technology development activities for the projects listed in the preceding cases and/or research and development (R&D) activities with reasonable prospects for commercialization in relation to the same. The project must meet the Technical Screening Criteria of the EU Taxonomy Activity 9.1.*

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. The vast majority of the assets are and will be located in Italy.¹⁰

ASSESSMENT AGAINST KPIs

ESG guidelines into lending process

Banco Desio has defined an ESG due diligence process. As an integral part of the Banco Desio's Credit Policy, the ESG Framework defines procedures for an ESG assessment and covers corporate and retail clients.

The roles and responsibilities are aligned with those defined in the Bank's credit policies ("Policy Creditizia del Gruppo Banco Desio" and the relevant internal regulations "Regolamento di Processo" and "Manuale Operativo").

In the first step, Banco Desio performs a negative screening based on a list of controversial sectors and business areas. In case of doubts, the Control and Risk Committee will assess the risks. In the second step, the Bank verifies whether a potential client belongs to a sensitive sector. The assessment is based on the management and monitoring of negative externalities on the territory, the environment and local communities. Additionally, the Group monitors climate change risk scores, provided by an external party, on a client's exposure to physical and transition risk, as well as its ESG positioning (sector-based). Banco Desio develops its ESG products in accordance with the EU Taxonomy's requirement. The alignment checks with the technical screening criteria as defined in the EU Taxonomy for each business activity performed during the credit granting process and the post-sale monitoring stage.

The Bank has mitigation plans or escalation measures for companies that are identified as high risks. In the case of high risk positions from an ESG perspective, the Bank has defined three mitigation plans: i) escalation to the decision-making body or definition of a headquarters body (as a minimum figure), ii) implementation of a qualitative questionnaire on corporate counterparties, and (iii) monitoring actions based on semiannual analyses on data from information providers to initiate actions to mitigate ESG risks.

Labor, Health and Safety



As the vast majority of the assets financed are and will be located in Italy, high labor, health and safety standards are ensured by the relevant national legislation and the EU's mandatory social standards.

Biodiversity and community dialogue

¹⁰ Banco Desio confirms that over 99% of assets are and will be located in Italy. The remaining 0.63% of the loan portfolio is located in Europe.

- ✓ The Issuer confirms that the vast majority of assets are and will be located in Italy, an Equator Principles Designated Country (i.e., a country deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect its people and the natural environment).

Responsible treatment of customers with debt repayment problems

- ✓ The Bank has policies and measures to responsibly deal with clients having debt repayment problems. Banco Desio proactively approaches potentially at-risk customers through ad hoc campaigns and system-wide initiatives, and uses responsible lending performance indicators and targets to reduce the number of clients with debt repayment problems. If a customer encounters debt repayment problems, the Bank offers internal debt counseling and restructuring of debt under non-detrimental conditions (e.g., through repayment holidays or reduced repayment amounts over an extended timeframe).

Exclusion criteria

Banco Desio has an extensive list of exclusions, which is defined in its ESG Framework. The list is based on potentially negative impacts on universally recognized values and principles, such as ethics and reputation, fairness and justice, human health and welfare, human rights, the environment and future generations. The following sectors are excluded:

- Controversial weapons
- Non-medical genetic engineering
- Pornography
- Money laundering
- Violation of animal welfare
- Gambling
- Use of hazardous materials
- International prohibitions
- Hemp light sativa

Furthermore, the Bank has defined "sensitive sectors" in consideration of the ESG risks associated with its main activities and the actual or potential negative ESG impacts they could generate. The sensitive sectors are agriculture, construction, food industry, defense industry, tobacco, mining, transport services and waste management.

PART III: CONSISTENCY OF GREEN BONDS WITH BANCO DESIO'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	The Issuer focuses on strategic ESG topics divided in three areas: Institutional Positioning, Business Sustainability, and Direct Impacts.
ESG goals/targets	To achieve its strategic ESG topics, Banco Desio has set the following goals to be achieved by 2026. Details on the targets and relative timeline are available in the Issuer's Sustainability Report.¹¹ Institutional positioning: ▪ Acquisition of an ESG rating from leading rating agencies and improvement of positioning by 2026 to a level at least in line with the sector peer average ▪ Adherence to the initiatives of the United Nations Environment Programme Finance Initiative, including the Principles for Responsible Investment, the Principles for Responsible Banking and the Net Zero Banking Alliance. Business sustainability: ▪ Achieving an ESG lending ratio of 2% of the total stock at the end of 2026, in a context of increasing lending over the plan period ▪ Progressive reduction of exposure to Article 12 sectors of the Paris Agreement and supporting the transition of sectors with a greater environmental impact ▪ Issuing the first sustainable bond in 2024 with a gradual extension of the Green-Sustainable-Social Bond Framework to the entire Funding Plan

¹¹ Targets listed on Pages 26-28.

	- Increasing Assets under Administration/Assets under management products and volumes and ESG-insured assets in line with market trends. Direct impacts: - Achieving carbon neutrality by 2030 (Scope 1 and 2 emissions) - Reducing the use of consumables by 2026 (target maintenance of the 3% ceiling for non-recycled and/or FSC/PEFC paper, and target maintained to 100% recycled toners). - Developing human capital without gender discrimination and improving employee well-being - Committing to support youth cultural and sports initiatives in local communities - Committing to increasingly transparent sustainable governance
Action plan	The Issuer has defined the "ESG Masterplan" aiming to integrate ESG factors into the Bank's decision-making process. The plan is divided into the following areas: strategic direction, commitment to green transition, control system, and ICT processes and systems. Public disclosure in accordance with the EU Taxonomy alignment requirements from 2024 is also considered as an integral part of the Masterplan. The Issuer's business plan has set approximately EUR 8 million of direct and indirect costs for ESG initiatives for the three-year period (2024-26).
Climate Transition Strategy	The Issuer's commitment to the green transition aims to support the economic transition towards a circular economy. To do so, the Issuer plans to develop ESG lending services (including having 2% of the total stock of loans aligned with the EU taxonomy by 2026), develop ESG investment and bancassurance services and products, and GSS bond issuance (first in 2024, with an extension of the GSS Bond Framework to the entire funding plan by 2026). The Issuer also envisages

	an ESG training plan for the employees (100% trained by 2026).
Top three areas of breaches of international norms and ESG controversies in the industry¹²	Failure to mitigate climate change, financial market irregularities, and layoffs.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives annually. From 2024, the Issuer will report in line with the EU Directive 2022/2464, Corporate Sustainability Reporting Directive (CSRD) requirement, as outlined in its Sustainability Report . ¹³
Industry associations, Collective commitments	Currently, the Issuer is not a member/signatory of relevant industry associations/collective commitment. However, Banco Desio's targets include: ▪ Becoming a signatory of Principle for Responsible Investment by 2024 ▪ Becoming a signatory of U.N. Principles for Responsible Banking by 2025 ▪ Joining the Net Zero Banking Alliance by 2026
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

Rationale for issuance

Banco Desio's Green Bond Framework supports the Bank's "Action plan for financing sustainable growth" by redirecting cash flows to sustainable investments. The green bond issuance is part of the Issuer's sustainability strategy — it is the first step for a gradual extension of a GSS Bond Framework to the entire Funding Plan targeted by 2026. Banco Desio aims to contribute to a positive global change with focus on decarbonization.

¹² 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 commercial banks and capital markets 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.

¹³ Commitment to follow CSRD included on Page 28.

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Green Bond Framework

ISS-CORPORATE 

Opinion: *The key sustainability objectives and the rationale for issuing green bonds are described by the Issuer. All 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. For more information, please visit: <https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf>

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Banco Desio commissioned ISS-Corporate to compile a green bonds SPO. The second-party opinion process includes verifying whether the Green Bond Framework aligns with the GBP and assessing the sustainability credentials of its green bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this second-party opinion:

- Green Bond Principles

ISSUER'S RESPONSIBILITY

Banco Desio's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of 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 green bonds to be issued by Banco Desio has been conducted based on a proprietary methodology and in line with ICMA's Green Bond Principles.

The engagement with Banco Desio took place between June and 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/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

Project team

Project lead

Clara Schouler
Analyst
Sustainable Finance Research

Project support

Ilaria Vigo
Associate Vice President
Sustainable Finance Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research

Project Support

Anika Leufen
Associate
Sustainable Finance Research