



Verification of the Sustainability Quality of the 1st Green Bond by UBI Banca

26 March 2019

Aim and Scope of this Second Party Opinion

UBI Banca commissioned ISS-oekom to assist with the issuance of its inaugural Green Bond by assessing the sustainable added value of its assets. The assessment of the assets was conducted using the criteria and indicators of the Green Bond KPIs developed by ISS-oekom.

ISS-oekom's mandate included the following services:

- Definition of Green Bond KPIs ("ISS-oekom Green Bond KPIs") containing a clear description of eligible asset categories and the social and environmental criteria assigned to each category for evaluating the sustainability-related performance of the assets (re-) financed through the proceeds of the bond.
- Analysis of the alignment of the Green Bond to be issued against ICMA's Green Bond Principles.
- Evaluation of compliance of the Green Bond with the ISS-oekom Green Bond KPIs.
- Review and classification of UBI Banca's sustainability performance on the basis of the ISS-oekom Corporate Rating

Overall Evaluation of the Green Bond Portfolio

ISS-oekom's overall evaluation of the Green Bond by UBI Banca is positive:

- UBI Banca has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (Part I of this Second Party Opinion).
- The overall sustainability quality in terms of sustainability benefits and risk avoidance and minimisation is good. (Part II of this Second Party Opinion).
- The issuer itself shows an good sustainability performance (Part III of this Second Party Opinion).

Certain aspects could still add to the overall quality of the asset pool: more specific selection or performance criteria would be recommended for the environmental aspects in all four wind, PV, hydro, and biomass project categories.

1) Use of Proceeds

The proceeds of this Green Bond will be used exclusively to finance or refinance Green Eligible Projects falling in the renewable energy category.

Here are described the allocation percentages for the issuance as of December 2018:

Asset Category	Installed capacity (MW)	Share of Portfolio
1. Renewable energy	100%	100%
1.1 Wind Power	56%	23%
1.2 Solar Power	38%	63%
1.3 Hydro Power	2%	6%
1.4 Bioenergy/Biomass	4%	8%
Total	100%	100%

2) Process for Project Evaluation and Selection

An internal “Sustainable Finance” working group will review the evaluation and the selection of the projects. This working group will be composed of representatives from the Business Departments with full knowledge of the technical and sustainability characteristics of the Green Eligible Projects, from the Corporate Social Responsibility department, from the Treasury department, and from the Investor Relation department.

The working group will be in charge of the following:

1. To review and validate the selection of Eligible Projects.
 - Business teams will propose loans as Use of Proceeds of each Bond.
 - The Sustainable Finance working group will review and approve, as appropriate, the proposed portfolio of loans based on the defined Eligible Categories listed by the Use of Proceeds. Loans determined as eligible will be recorded in a separate document, the Green, Social and Sustainability Register.

2. To monitor the Eligible Projects portfolio, during the life of the transaction. Specifically, during the life of each Bond, the working group can decide to replace some Eligible Projects, in accordance, inter alia, with the following Substitution Conditions:
 - If an Eligible Project no longer meets the eligibility criteria,
 - When Eligible Projects mature or are redeemed before each Bond's maturity.
3. To manage any future updates of the Framework
 - The sustainable finance working group will appoint a second opinion provider following each update of the section 3 of this Framework
 - Updates of the framework will only apply to Green Bonds that take place after the issuance of such new Second Opinion.

The proceeds derived from the issuance of UBI Banca's Green Bond will be allocated to the financing or re-financing, in whole or in part, of new or existing loans which are not dedicated to any other type of specific funding and which fall under the definition of Green Eligible Projects.

Only Green Eligible Projects can be allocated to UBI Banca's Green Bonds, only Social Eligible Projects can be allocated to UBI Banca's Social Bonds.

3) Management of Proceeds

Pending the full allocation to Eligible Projects, UBI Banca commits to earmark and hold the balance of unallocated proceeds in the form of cash or cash equivalent investment instruments or other liquid marketable instruments in line with UBI Banca's treasury management.

UBI Banca will track the use of proceeds of its Bonds issued under this Framework during the lifetime of each Bond. For this purpose, UBI Banca will establish a Green, Social and Sustainability Register for the Bonds issued. The register will contain for each Bond issued:

- Category of the portfolio of Eligible Project allocated
- Description of the loans
- Outstanding amount at allocation date
- Loan maturity.

4) Reporting

UBI Banca commits to publish annually an allocation report and an impact report, as detailed below. The allocation report and the impact report will be provided until the proceeds have been fully allocated. If, after completion of the allocation period, some Eligible Projects are replaced, in accordance with the substitution conditions detailed in the section 3.2. "Process for Project Evaluation and Selection", UBI Banca will publish an updated allocation report and an updated impact report.

Allocation Reporting

UBI Banca will provide to investors an annual reporting on the allocation of the proceeds. The reporting will provide the following information:

- The total amount of proceeds allocated per Eligible Projects category
- Share of financing and refinancing (in %)
- The amount of unallocated proceeds

Impact Reporting

UBI Banca will report on the environmental and social impact of the Bonds issued under this Framework through aggregated output and impact metrics.

Environmental reporting indicators will include output metrics per Green Eligible Projects category, on an aggregated portfolio basis, such as:

- Expected annual renewable energy generation in MWh
- Expected Amount of energy saved (MWh)

1) ISS-oekom Green Bond KPIs

The ISS-oekom Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of UBI Banca'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 Green Bond can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the Green Bond and which can also be used for reporting. Details on the individual criteria and indicators for the categories can be found in Annex 1 „ISS-oekom Green Bond KPIs“.

2) Evaluation of the Assets Financed by the Green Bond**Method**

ISS-oekom has evaluated whether the assets included in the Green Bond match the categories and criteria listed in the ISS-oekom Green Bond KPIs. The evaluation was carried out using information and documents provided to ISS-oekom on a confidential basis by UBI Banca (e.g. information on credit guidelines).

Due to the size of the asset pool, ISS-oekom proceeded with sampling per project category, given the homogeneity in location of the projects. National legislation and standards were drawn on to complement the information provided by UBI Banca.

Findings

A. Renewable energy

A.1. Wind Power

- 1. Site selection
 - ✓ 11 projects, accounting for 95% of the asset pool, are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV). 1 wind farm, accounting for the remaining 5% of the asset pool, is located in a IUCN protected area IV.
 - ✓ 10 projects out of 12, accounting for 76% of the asset pool, underwent a full Environmental Impact Assessment. The other two projects accounting for 24% of the asset pool, were exempted and only carried out an ordinary environmental screening at the planning stage.
- 2. Community dialogue
 - ✓ All the projects have measures to ensure community dialogue (e.g. community advisory panels and dialogue platforms).
- 3. Environmental aspects of construction and operation
 - ✓ 10 projects out of 12, accounting for 76% of the asset pool, are required to have minimum environmental mitigation measures during the construction and operation.
 - One project, accounting for 7% of the asset pool, has specific measures ensuring high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). No information on specific measures during construction is available for the other projects.
 - One project, accounting for 7% of the asset pool, has specific measures to protect habitat and wildlife during operation of the power plant (e.g. avifauna monitoring). No information on specific measures during operation is available for the other projects.
- 4. Working conditions during construction and maintenance work
 - ✓ All the projects provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

A controversy assessment on the assets did not reveal any controversial activities or practices that could be attributed to UBI Banca.

A.2. Solar Power (PV)

- 1. Site selection (not applicable for PV roof systems):
 - ✓ All the projects in the asset pool, are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- 2. Supply chain standards
 - Over 50% of solar modules manufacturers in the asset pool, do not provide for high labour and health and safety standards (e.g. ILO core conventions).
- 3. Environmental aspects of PV plants
 - One project, accounting for 3% of the asset pool, has modules with conversion efficiencies under 15%. No information is available on solar modules with a conversion efficiency of at least 15% for the remaining projects.
 - ✓ More than 50% of solar module manufacturers in the asset pool provide for high environmental standards regarding take back & recycling.
 - No information is available on high standards regarding the reduction or elimination of toxic substances in solar modules (e.g. in line with RoHS requirements or other relevant standards).
- 4. Working conditions during construction and maintenance work
 - ✓ All assets provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

A controversy assessment on the assets did not reveal any controversial activities or practices that could be attributed to UBI Banca.

A.3. Hydro Power

- 1. Site selection
 - ✓ All the projects in the asset pool are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
 - ✓ All the projects were required to undergo an environmental screening at the planning stage according to legislation.
 - Less than 50% of the projects underwent a full Environmental Impact Assessment, as they were excluded from such procedure after the planning stage environmental screening.
- 2. Community dialogue
 - ✓ All the projects in the asset pool feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).
- 3. Environmental aspects of construction and operation
 - 1 project out of 3, accounting for 11% of the asset pool, has specific measures meeting high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). Another one, accounting for 16% of the asset pool, is required to have minimum environmental mitigation measures during construction, while no information on specific measures is available for the third project.
 - 1 project out of 3, accounting for 11% of the asset pool, provides for specific measures to protect habitat and wildlife during operation of the power plant (e.g. provision of fish passes, fish-friendly turbines, management of erosion risks). Another one, accounting for 16% of the asset pool, is required to have minimum environmental mitigation measures during operation, while no information on specific measures is available for the third project.
- 4. Working conditions during construction and maintenance work
 - ✓ All the projects in the asset pool provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

A controversy assessment on the assets did not reveal any controversial activities or practices that could be attributed to UBI Banca.

B. Bioenergy/Biomass

- 1. Consideration of environmental aspects during planning and construction
 - ✓ All the projects were required to undergo an environmental screening at the planning stage according to legislation.
 - Less than 50% of the projects underwent a full Environmental Impact Assessment.
 - ✓ All the projects are not located in key biodiversity areas (e.g. exclusion of Ramsar sites, UNESCO Natural World Heritage, IUCN protected areas I-IV).
 - ✓ All projects are required to have minimum environmental mitigation measures during the construction phase, according to legislation.
 - No specific information is available on projects that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- 2. Environmental aspects of waste to energy plants
 - ✓ All projects are required to have minimum environmental mitigation measures ensuring the safe operation of plants, according to legislation.
 - However, no specific information is available on projects that provide for high standards regarding environmentally safe operation of plants (e.g. air emissions, disposal of residues).
 - No information is available on projects that apply cogeneration technology.
- 3. Safety aspects of waste to energy plants
 - ✓ All projects are required to follow high safety standards (e.g. regarding fire, explosions), according to legislation.
- 4. Community dialogue
 - ✓ All the projects in the asset pool feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).
- 5. Working conditions during construction and operation
 - ✓ All the projects in the asset pool provide for high labour and health and safety standards for construction and operation work (e.g. ILO core conventions).

Controversy Assessment

A controversy assessment on the assets did not reveal any controversial activities or practices that could be attributed to UBI Banca.

Part III – Assessment of UBI Banca’s Sustainability Performance

In the ISS-oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), UBI Banca was awarded a score of C and classified as “Prime”. This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS-oekom. In ISS-oekom’s view, the securities issued by the company thus all meet the basic requirements for sustainable investments.



As of 26.03.2019, this rating puts UBI Banca in place 24 out of 257 companies rated by ISS-oekom in the Financials/Commercial Banks & Capital Markets sector.

In this sector, ISS-oekom has identified the following issues as the key challenges facing companies in term of sustainability management:

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

In all five of these key issues, UBI Banca achieved a rating that was above the average for the sector. A very significant outperformance was achieved in “Labour standards and working conditions.”

The company has a minor controversy level, greatly outperforming the industry standards.

Details on UBI Banca’s rating can be found in Annex 2 “Issuer rating results”.

A handwritten signature in blue ink, appearing to read "J. G. ...", is written over a faint, illegible stamp.

ISS-oekom

Munich, 26 March 2019

Disclaimer

1. ISS-oekom uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
2. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS-oekom in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
3. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond, but refers exclusively to the social and environmental criteria mentioned above.
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About ISS-oekom

ISS-oekom is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. ISS-oekom has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decision-making. ISS-oekom's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green 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 verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annexes

- Annex 1: ISS-oekom Green Bond KPIs
- Annex 2: ISS-oekom Corporate Rating of UBI Banca

Annex 1: ISS-oekom Green Bond KPIs

ISS-oekom Green Bond KPIs

The ISS-oekom Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of UBI banca'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 Green Bond can be clearly identified and described.

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

Use of Proceeds

- A. Wind Power
- B. Solar Power (PV)
- C. Hydro Power
- D. Bioenergy/Biomass

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

A. Wind power

1. Site selection

- Percentage of assets that are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- Percentage of assets that underwent environmental impact assessments at the planning stage.

2. Community dialogue

- Percentage of assets that feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

3. Environmental aspects of construction and operation

- Percentage of assets that meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- Percentage of assets that provide for measures to protect habitat and wildlife during operation of the power plant (e.g. measures to protect birds and bats).

4. Working conditions during construction and maintenance work

- Percentage of assets that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

Assessment of controversial assets (e.g. due to labour rights violations, adverse biodiversity impacts).

B. Solar Power (PV)

1. Site Selection (not applicable for PV roof systems):

- Percentage of assets that are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).

2. Supply chain standards

- Percentage of assets that provide for high labour and health and safety standards in the supply chain of solar modules (e.g. ILO core conventions).

3. Environmental aspects of solar power plants

- Percentage of assets that feature a conversion efficiency of at least 15%.
- Percentage of assets that provide for high environmental standards regarding take-back and recycling of solar modules at end-of-life stage (e.g. in line with WEEE requirements).
- Percentage of assets that 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).

4. Working conditions during construction and maintenance work

- Percentage of assets that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

Assessment of controversial assets (e.g. due to labour rights violations, adverse biodiversity impacts).

C. Hydro Power

1. Site selection

- Percentage of assets that are not located in key biodiversity areas (Ramsar sites, IUCN protected areas I-IV).
- Percentage of assets that underwent environmental impact assessments at the planning stage.

2. Community dialogue

- Percentage of assets that feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

3. Environmental aspects of construction and operation

- Percentage of assets that meet high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- Percentage of assets that provide for measures to protect habitat and wildlife during operation of the power plant (e.g. provision of fish passes, fish-friendly turbines, management of erosion risks).

4. Working conditions during construction and maintenance work

- Percentage of assets that provide for high labour and health and safety standards for construction and maintenance work (e.g. ILO core conventions).

Controversy Assessment

Assessment of controversial assets (e.g. due to labour rights violations, adverse biodiversity impacts).

D. Bioenergy/Biomass

1. Consideration of environmental aspects during planning and construction

- Percentage of assets that underwent environmental impact assessments at the planning stage.
- Percentage of assets that are not located in key biodiversity areas (e.g. exclusion of Ramsar sites, UNESCO Natural World Heritage, IUCN protected areas I-IV).
- Percentage of assets that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).

2. Environmental aspects of waste to energy plants

- Percentage of assets that provide for high standards regarding environmentally safe operation of plants (e.g. air emissions, disposal of residues).
- Percentage of assets that apply cogeneration technology.

3. Safety aspects of waste to energy plants

- Percentage of assets that provide for high safety standards (e.g. regarding fire, explosions).

4. Community dialogue

- Percentage of assets that feature community dialogue as an integral part of the planning process and construction phase (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

5. Working conditions during construction and operation

- Percentage of assets that provide for high labour and health and safety standards for construction and operation work (e.g. ILO core conventions)

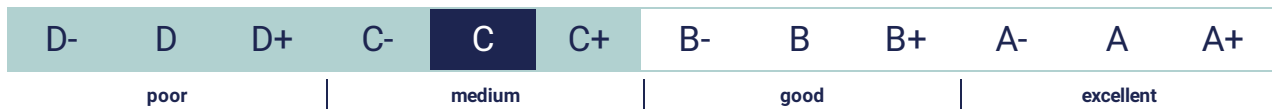
Controversy Assessment

Assessment of controversial assets (e.g. labour rights violations, insufficient community dialogue).

ISS-oekom Corporate Rating

Unione di Banche Italiane S.p.A.

Industry	Financials/Commercial Banks & Capital Markets	Status	Prime
Country	Italy	Rating	C
ISIN	IT0003487029	Prime Threshold	C



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.

Industry Leaders

Company name (in alphabetical order)	Country	Grade
ABN AMRO Group N.V.	NL	C+
NIBC Bank N.V.	NL	C+
Raiffeisen Bank International AG	AT	C+

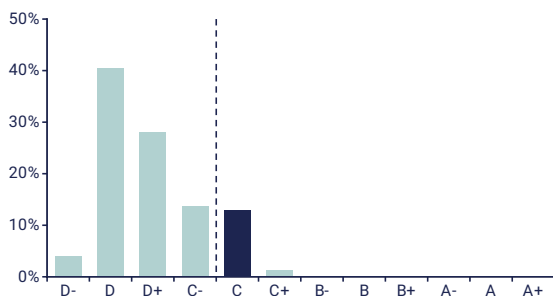
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance

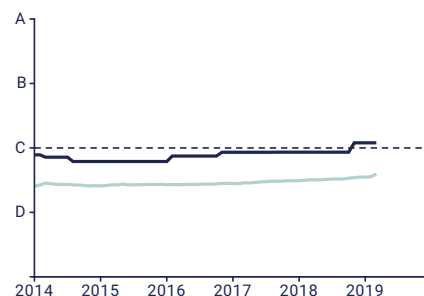


Distribution of Ratings

257 companies in the industry

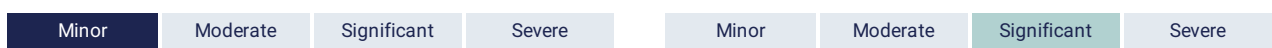


Rating History



Controversy Monitor

Company		Industry	
Controversy Score	0	Maximum Controversy Score	-35
Controversy Level	Minor	Controversy Risk	Significant



Unione di Banche Italiane S.p.A.

Analyst Opinion

Dietrich Wild
Sector specialist



Sustainability Opportunities

Unione di Banche Italiane (UBI Banca) offers a basic banking account and has implemented some measures to ensure equal access to financial services such as accessibility for customers with disabilities. Furthermore, the company provides beneficial conditions for NGOs and supports small enterprises with a regional focus. Regarding products with environmental benefit, the company offers green loan programmes e.g. for financing photovoltaic systems. Besides, its asset management subsidiary, UBI Pramerica, offers SRI funds with a volume of 0.48% of the company's total assets under management in 2017. However, despite the broad range of product offerings with a high social benefit, these products and initiatives so far do not constitute a major business for UBI Banca.

Sustainability Risks

As a provider of financial services, UBI Banca faces environmental and social risks in its lending and investment decisions as well as regarding its client and employee relations. The company has taken initial steps in considering environmental and social aspects in its lending and investment banking activities through e.g. a policy excluding companies involved in controversial weapons. However, there is no indication on whether the company has established general environmental and social guidelines or integrated sustainability criteria in its mainstream asset management. Regarding customer and product responsibility, UBI Banca addresses various marketing risks e.g. through the commitment that products are to be based on accurate, clear and not misleading information. Risks arising from debt repayment problems are addressed to some extent, while further important areas such as sales practices are not covered. Regarding employee-related risks, the majority of employees are based in Italy where relatively high labour standards apply. Moreover, the company has implemented some measures to prevent and alleviate mental health problems (e.g. psychological support) and several work-life balance options. UBI Banca has implemented large-scale redundancies affecting more than 1,000 employees in recent years, but the company has provided incentives for voluntary early retirement and reductions in working hours among other restructuring measures. The company has established a code of ethics covering issues such as corruption, insider dealings, conflicts of interest, antitrust violations, and money laundering at least in general terms. To ensure fair business practices, several measures are implemented, such as compliance training, whistle-blower protection and compliance audits.

Governance Opinion

Unione di Banche Italiane's shareholder structure is dispersed and investors defined as having a long-term investment horizon hold the majority of shares (as at June 2018). Regarding its governance structure, the company's chairman, Mr Andrea Moltrasio (as at May 2018), is not considered independent by the company. However, 60% of board members are independent and the board has set up committees in charge of audit and remuneration, which are predominantly composed of independent members. In contrast, only a minority of the nomination committee members is independent. Despite some independence deficiencies, the company's board structure should allow for effective supervision of management. The company discloses its remuneration policy for executives, including long-term components, which could incentivise sustainable value creation. With regard to its governance of sustainability, the company has established a committee responsible for overseeing environmental and social aspects of its operations. However, only a minority of the committee's members is independent. It remains unclear whether sustainability performance objectives are integrated into the variable remuneration of members of the executive management team. UBI Banca has established a code of ethics covering issues such as corruption, insider dealings, conflicts of interest, antitrust violations, and money laundering at least in general terms. To ensure fair business practices, several measures are implemented such as compliance training, whistle-blower protection and compliance audits.

Unione di Banche Italiane S.p.A.

Methodology - Overview

ISS-oekom Corporate Rating - The ISS-oekom Universe comprises more than 3,900 companies (mostly companies in important national and international indices, but also small and mid caps drawn from sectors with direct links to sustainability as well as significant non-listed bond issuers).

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance criteria, selected specifically for each industry. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating), in which the key issues account for at least 50 per cent of the total weight. In case there is no relevant or up-to-date company information available on a certain criterion and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the criterion is graded 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 itself as well as information from 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.

An external rating committee assists the analysts at ISS-oekom with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.

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 and Areas - In addition to the rating, ISS-oekom undertakes a comprehensive analysis of relevant controversies with respect to numerous business practices and areas for each company. Thereby, our clients have the possibility to consider, either separately or in addition to the rating, the behaviour and the activities of a company in areas they view as especially critical.

With regard to business practices, each controversial case is examined and categorised based on whether it can be clearly attributed to the company. Additionally, the extent of the company's responsibility and the severity of the case are assessed. For the classification of the severity of the misconduct, the concrete negative effects are systematically evaluated. In addition, it is considered whether, to what extent and with what success the company has taken steps to mitigate the impact, to compensate it and to prevent similar incidents from occurring in the future.

To account for the varying levels of severity of the controversies, these are classified into the following three categories: moderate controversies, severe controversies and very severe controversies. Additionally, potential controversies are presented. These constitute issues which could be reclassified into one of the three controversy categories in case new information is reported. The classification follows a clear and uniform methodology for which ISS-oekom has defined specific evaluation parameters and their possible manifestations along a scale, based on international norms and standards and its own understanding of sustainability.

In the Business Practices section, the number of relevant and active cases is displayed in the respective cells. For each criterion, the sum of all corresponding cases for each sub-category is shown in the first line. In the Business Areas section, the activity is marked "x" and summarised as "yes" or "no". The percentage thresholds in the column headers generally refer to the Net Sales of the assessed company. As Net Sales are not an adequate reference value for all companies, these thresholds can refer to other values in individual cases (e.g. for different financial service providers).

Current cases are summarised in the "Comments" field. Irrespective of active cases, criteria marked as "Risk Exposure" indicate the company's risk exposure to controversies based on its business activities.

For the assessment of cases only those sources that have been classified by ISS-oekom as reliable are used. In addition to proven misconduct or activities of companies, alleged misconduct or activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. This applies not only to alleged practices, but also to the alleged serious negative effects of such practices.

Unione di Banche Italiane S.p.A.

Methodology - Overview

Controversy Monitor - The Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.

The controversy score is a unit of measurement for the number and severity of a company's current controversies. All controversial business areas and business practices receive a negative score, which can vary depending on the significance, number and severity of the controversies. Both the company's score and the maximum score obtained in the industry are displayed.

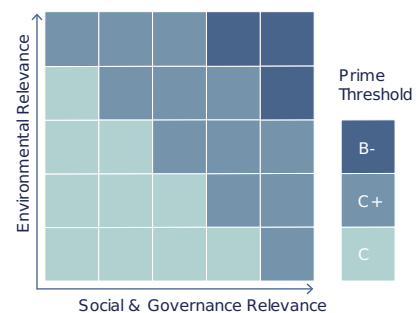
For better classification, the scores are assigned different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.

Only controversies for which reliable information from trustworthy sources is available are recorded. In addition to proven misconduct and activities of companies, alleged misconduct and activities are also assessed when the facts and circumstantial evidence provided by those sources, taking into account the experience of specialised analysts for each topic, is estimated to be sufficiently reliable. It should be noted that large international companies are more often the focus of public and media attention. Thus, the information available on those companies is often more comprehensive than for less prominent companies.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ISS-oekom Universe (company portrayed in this report: dark blue).

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

Depending on this classification, the two dimensions of the ISS-oekom Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS-oekom 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 ISS-oekom 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.

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).

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

Status & Prime Threshold - Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by ISS-oekom for a specific industry (absolute best-in-class approach) in the ISS-oekom Corporate Rating. Prime companies rank among the sustainability leaders in that industry.