



# Invitalia Social Bond Framework

July 2022

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# Foreword

Following to the pandemic crises, the Italian Government strongly felt the need to promote a structural change in the national economy, starting with the fight against gender, territorial and generational inequalities.

Invitalia plays a key role within this strategy, giving a boost to the country's economic growth, focusing on strategic sectors for development and employment, and committing to relaunching disadvantaged areas.

In alignment with the EU objectives, Invitalia is committed to accelerate the country's progress on the ecological transition, digitalisation and innovation, and social inclusion, focusing on targeted labour policies and special interventions for territorial cohesion.

The key sectoral interventions envisaged in this plan are, overall, aimed at reducing territorial, generational and gender gaps, addressing significant investments for young people and women, with a specific emphasis on Italy's Southern regions, the least economically developed part of the country.



## The Agency supports investment planning and their implementation through:



Management of incentive measures to support the economic production system



Acting as the implementing body of Public Investments, the *Centrale di Committenza* (Commissioning Authority) and the *Stazione Appaltante* (Tender Authority)



Offering operational and technical support for the implementation of the projects carried out by the public administration bodies

This new Social Bond Framework provides a perfect fit for Invitalia's approach to the debt capital markets, with a detailed description of its strategy, financing initiatives and impact measurement indicators of its activities. This structure will foster initiatives of both Invitalia and its subsidiaries to target their 2030 Agenda main objectives.

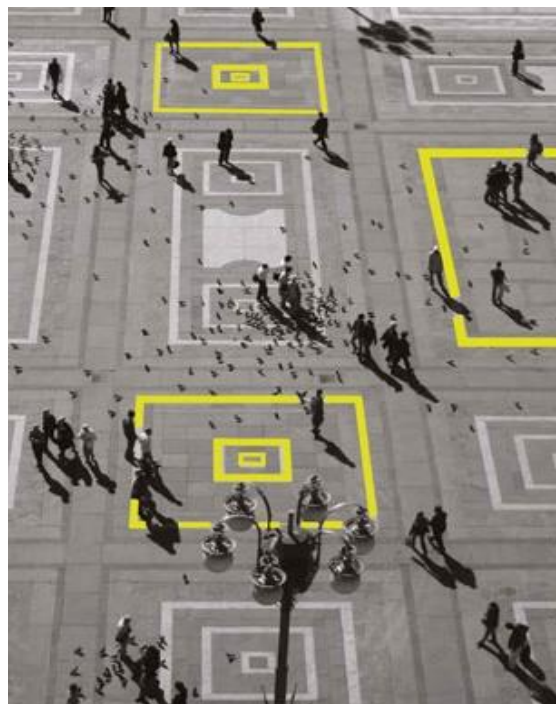


# **Section 1: Introduction to Invitalia**

# 1.1 Introduction to Invitalia

Invitalia is the Italian national agency for inward investment and economic development (Invitalia, also the “Agency” or “Group”), owned by the Italian Ministry of Economy (MEF). Invitalia aspires to boost Italy’s economic growth, focusing on strategic sectors for development and employment. Committed to reviving areas under economic distress and operating mainly in the South of Italy, Invitalia manages national incentives that promote the creation of new companies and innovative start-ups. The Agency finances small to large projects, targeting entrepreneurs with concrete development plans, especially in innovative and high added-value sectors. It also provides services to the public administration for timely disbursement of European Union (EU) and national funds, as well as promoting cultural heritage.

Invitalia’s process of creating value is based on a business model which above all develops the capital available to the Group, while simultaneously determining strategic guidelines and pursuing environmental, social, and economic objectives associated with the United Nations Sustainable Development Goals (UN SDGs).



## Invitalia Group is composed of the following subsidiaries:



**Infratel Italia:**<sup>1</sup>  
carries out the government’s Broadband and Ultra-broadband Plans to reduce the digital divide between the Italian regions



**Mediocredito Centrale (MCC):**<sup>2</sup>  
was acquired by Invitalia in August 2017 to generate synergies by providing financial support for enterprises and to promote growth policies. The bank’s mission is to support investments and growth mainly in Southern Italy



**Invitalia Partecipazioni:**<sup>3</sup>  
manages and divests Invitalia’s non-strategic investments



**Italia Turismo:**<sup>4</sup>  
redevelops and revives major facilities, especially in Southern Italy<sup>5</sup>

<sup>1</sup> <https://www.infratelitalia.it>

<sup>2</sup> <https://www.mcc.it/>

<sup>3</sup> [Invitalia Partecipazioni \(https://www.invitalia.it/chi-siamo/il-gruppo/invitalia-partecipazioni\)](https://www.invitalia.it/chi-siamo/il-gruppo/invitalia-partecipazioni)

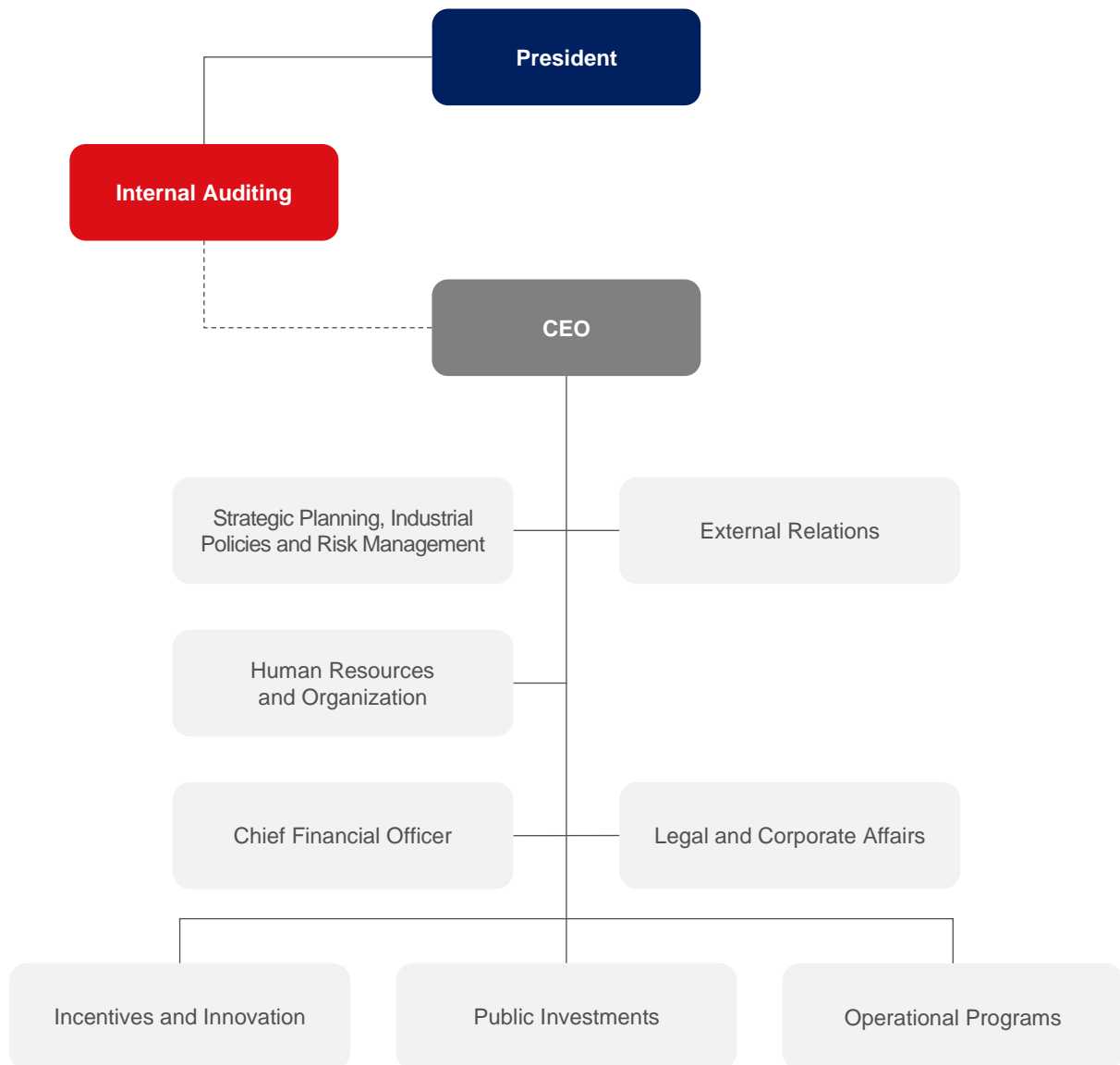
<sup>4</sup> [Italia Turismo \(https://www.invitalia.it/chi-siamo/il-gruppo/italia-turismo\)](https://www.invitalia.it/chi-siamo/il-gruppo/italia-turismo)

<sup>5</sup> This is no longer a strategic activity for the Group and divestment programmes are underway

## 1.2 How are We Governed

### 1.2.1 Internal Governance

Invitalia's governance model is a "traditional" one, consisting of a Board of Directors and Board of Statutory Auditors, the President, and Chief Executive Officer. They are appointed, for a term of three years, by the Ministry of Economic Development in agreement with the Ministry of Economy and Finance.



## 1.2.2 Integrity, Transparency, and Responsibility

In their activities to support the development of Italy, Invitalia and the companies of the Group have at their core the respect for rules, correctness and transparency. This is realised through the adoption of the highest ethical and integrity standards and through compliance with laws and regulations, both in the Agency's operations and externally.

Additionally, the Group ensures responsible management of the supply chain by paying attention to quality, safety, and social and environmental requirements, as well as guaranteeing that the values and procedures set out in the corporate Code of Ethics<sup>6</sup> are respected, as a mean of preventing corruption.



## 1.2.3 Code of Ethics and Values

Invitalia and its subsidiaries pursue their missions through corporate actions conducted with respect for the rule of law and the fundamental human rights, based on clear and transparent norms, in harmony with the external environment and with the goals of the community. The staff of the Group—in the performance of their duties—ensures the quality of services, the prevention of corruption, respect for the constitutional duties of diligence, loyalty, impartiality, and service exclusively rendered in the public interest.

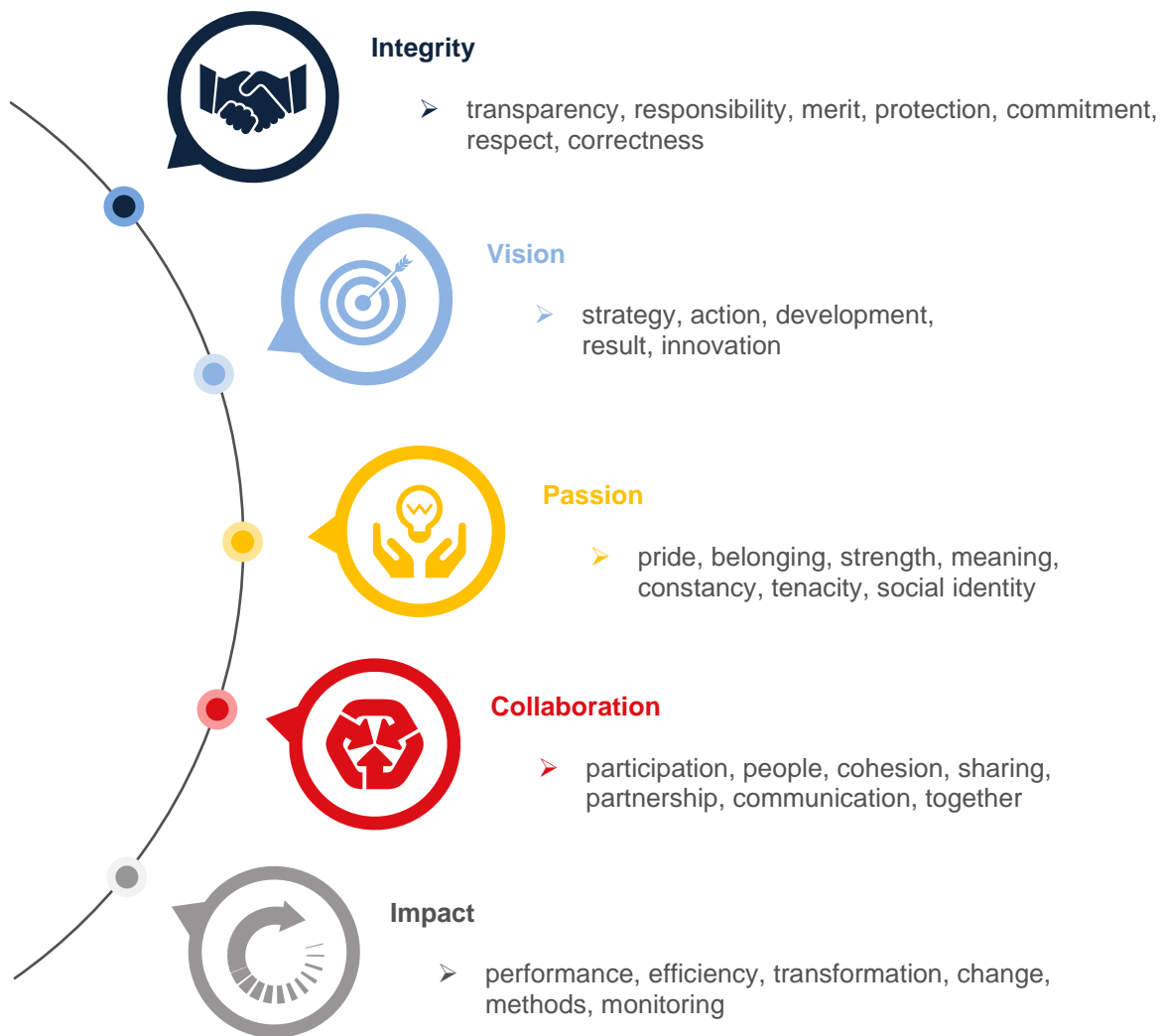
To this end, each of the Group's companies has its own Code of Ethics which, in line with the principles of loyal and honest behaviour, is aimed at regulating corporate activity through behavioural norms.

The Group's identity is rooted in its Charter of Values, both in relation to strategic decisions and in daily operations, which inspires the conduct of employees in their relations with stakeholders.

Furthermore, Invitalia bases its identity on five values, each of which underlies a series of behaviours and references that inspire employees:

<sup>6</sup> Code of Ethics ([https://invitaliacdn.azureedge.net/-/media/invitalia/documenti/trasparenza/altri-contenuti/codice-etico-invitalia-luglio-2021-\(003\).pdf?la=it-it&hash=182C38C96714104F9C45366DA4116CBCB94F15CE](https://invitaliacdn.azureedge.net/-/media/invitalia/documenti/trasparenza/altri-contenuti/codice-etico-invitalia-luglio-2021-(003).pdf?la=it-it&hash=182C38C96714104F9C45366DA4116CBCB94F15CE))





## 1.3 Invitalia's Sustainability Agenda

As described in its social mandate, defined in the Articles of Association, supporting the country's development represents Invitalia's *raison d'être* and the ultimate goal of all its actions. For Invitalia, sustainability means multiplying its efforts to guarantee investments to support the development of the entire country, disadvantaged populations, and sectors in difficulty, focusing on underdeveloped areas. This means including and connecting the territories and communities of the South, inland areas or areas affected by natural disasters, supporting the entrepreneurial drive of young people and women, guaranteeing quality employment in lagging areas, and working with attention to environmental impact.

Having always undertaken social actions, Invitalia is inherently social. It plays a major role in developing the national economy, creating significant positive social and environmental impact. The core of Invitalia's activities is centred around forging tangible paths to make the country a better place to do business, especially in areas where it is more difficult to invest.

Invitalia believes that creating long term and consistent value requires a business model that develops the capital available to the Group by determining strategic guidelines that simultaneously pursue environmental, social, and economic objectives associated with the UN SDGs. Through several engagements with our internal and external stakeholders, the following material topics have been identified:

| Material Topics  | Objectives of Sustainable Development Goals (SDG)  |
|--|--|
| <ul style="list-style-type: none"> <li>Dissemination of entrepreneurial culture</li> <li>Reinforcing the production system</li> <li>Creation and safeguard of jobs</li> <li>Support for enterprises liquidity</li> </ul> |    |
| <ul style="list-style-type: none"> <li>Strengthening public administration actions</li> <li>Digitalisation</li> <li>Acceleration and control of EU and national fund usage</li> </ul>                                    |     |
| <ul style="list-style-type: none"> <li>Acceleration of development public interventions</li> <li>Support for territorial cohesion</li> <li>Regeneration and enhancement of the territories</li> </ul>                    |     |
| <ul style="list-style-type: none"> <li>Sustainable use of energy resources</li> </ul>  |      |
| <ul style="list-style-type: none"> <li>People well-being</li> </ul>  |     |
| <ul style="list-style-type: none"> <li>Transparency and integrity</li> <li>Responsible supply chain management</li> </ul>  |     |

### 1.3.1 Economic Sustainability

For Invitalia, supporting economic growth means working to multiply the resources available to the system thanks to an efficient use of EU and national funds, and the acceleration of public and private investments.

For this reason, Invitalia is committed to making an increasingly large share of EU and national funds available to the economic-productive system, to support the activation of new public and private investments and ensure the injection of new liquidity for businesses.



### 1.3.1.1 Public and Private Investments

Whilst in 2020 Invitalia's actions were mainly aimed at combating the credit crunch phenomena resulting from the pandemic, in 2021 Invitalia's activities provided support for the start of the economy's recovery and, consequently, of the relaunching of public and private investments.

In 2021, a total of €24.8bn in investments was activated, corresponding to 1.4% of Italy's 2021 GDP. Investments triggered through incentives experienced an increase of c.90% in the period, while a 50% growth was recorded in investments initiated through guarantees on loans to businesses granted by the Fondo Garanzia (Guarantee Fund). On the other hand, investments activated through public tenders decreased by c.60% compared to 2020, a year that was strongly influenced by the support provided to the management of covid-19.

### 1.3.1.2 Liquidity Injected into the System

Invitalia also gives particular importance to the injection of liquidity into the system to ensure its vitality, through the acceleration of disbursement of funds to support private investments.

This commitment has contributed to supporting a production system strongly tested by the pandemic in 2020, and has continued, albeit in a naturally smaller size, in 2021.

In 2021, Invitalia supported the injection of €96bn of liquidity into the Italian economy through guaranteed financing for investments and cash flow, and disbursement of subsidised financing (€124bn in 2020).

### 1.3.1.3 Support to the Entrepreneurial Systems

Invitalia manages a considerable portion of the support granted to the Italian productive economic system. Its presence in the promotion sector, strongly influenced in 2020 by the need to provide immediate support to businesses to cope with the pandemic, through the guarantees granted by the Guarantee Fund, remains as a key element of the Agency's strategy.

- 55% of the total financial aid granted to companies in Italy was managed by Invitalia in 2021, corresponding to 34% of the number of benefits (88% of the value and 57% of the number of aids in 2020)

The effectiveness of the support provided to businesses also depends on the timeliness with which it is provided. Therefore, for Invitalia, supporting the stability and growth of the production system means paying great attention to how timely the support is provided.

**33%** is the average time saving in deciding on a subsidized loan compared to the time limits set by the law (2021 vs. 2020)

**50%** is the time savings in granting guarantees (2021 vs. 2020)

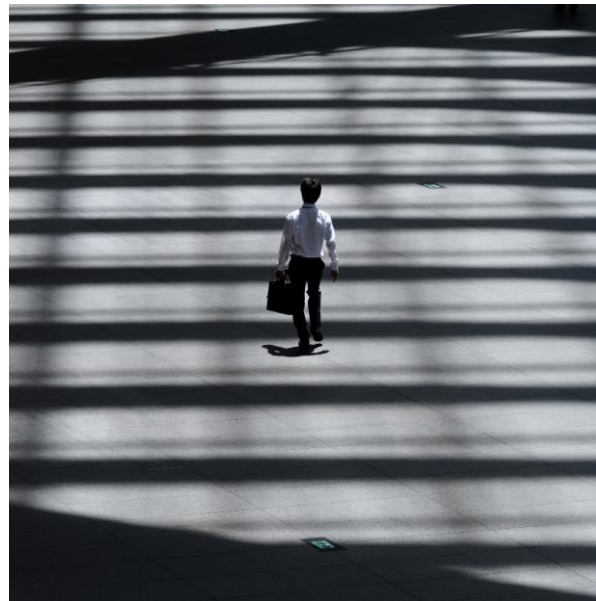
Likewise, the focus on prompt assistance allows entrepreneurs making the investment when it is most required, and to also increase the number of supported companies and the value of investments.

### 1.3.1.4 Support to Businesses

Similar to the trend observed for the value of the liquidity injected into the system, the number of companies supported in 2020 was also strongly influenced by requests for guarantees from companies that needed financing at a time of decline or hindered production. In 2021, the companies that requested this type of financing decreased by about 50%, while an increase of requests for financing for new investments was recorded. 2021 (and 2020) figures:

**673,049** enterprises supported  
(1.2m in 2020)

**601** economic operators who have been awarded contracts for the realization of public investments supported



### 1.3.1.5 Acceleration of Spending on EU and National Funds

The acceleration for the disbursement of expenditure aimed at supporting the economic-productive system granted through EU and national funds represents another important tool for increasing the overall resources available for the economic development.

Within its role, Invitalia is committed to supporting the programming, management and control of programs and plans crucial for the development of the country, which aim at strengthening the infrastructural and entrepreneurial system, improving the institutional capacity of public authorities, innovation, energy and environmental efficiency, health protection and culture enhancement.

As a result of its role of in-house company and operational arm of the public administration, Invitalia supports central and local administrative bodies, by strengthening their development programmes management capacity, optimising processes, providing support to transform policies into concrete actions in the local areas, and optimising activities associated with managing EU and national funds.

In 2021, these activities made possible to achieve important results in terms of freeing up resources, progress in spending and capacity to absorb funds. 2021 (and 2020) figures:

**€31.8bn**

in supported programs  
(€8.6bn in 2020)

**€1.3bn**

reimbursed expenditure from community  
funds in 2021 (€618m in 2020)

## 1.3.2 Social Sustainability

For Invitalia, creating social value means making the development of the economic-productive system increasingly inclusive. This implies contributing to the creation of quality and stable employment over time; encouraging the entry of young people and women into the production system, also by the dissemination of business culture; supporting the development of infrastructure and connectivity in the territories of the South of the country or undergoing complex industrial crisis; and accelerating the implementation of investments aimed at enhancing the artistic and cultural heritage of the country.

This endeavour also means always managing public funds with responsibility, integrity and transparency.



### 1.3.2.1 Job Inclusion

In 2021, Invitalia continued its commitment to supporting employment growth, particularly in the Southern areas, and to making investments aimed at safeguarding existing employment, especially in the event of companies in difficulties. 2021 (and 2020) figures:



**26,899** jobs will be created and retained thanks to the investments activated in 2021 (28,294 in 2020)



**2,889** new businesses of young people under 36 years-old, of which 94% in Southern Italy in 2021 (1,973 in 2020, of which 90% in Southern Italy)

### 1.3.2.2 Digital Inclusion

Bridging the digital gap means removing a significant obstacle to social inclusion, by guaranteeing access to connectivity services in a widespread manner and at a fair price, no matter the economic condition and geographical location – it means increasing the possibility of access for all to information, communication, knowledge, participation in the life of communities and the country.

In 2021, through Infratel, Invitalia has promoted the digital infrastructure of the country with particular attention to the most disadvantaged and peripheral areas. 2021 (and 2020) figures:

**119,091** vouchers granted to disadvantaged families for the purchase of connectivity and devices – additional vouchers were granted in 2022, which brought the total amount to **200,000** vouchers (by end of May 2022)

Ultra-broadband connection: **47,074** real estate units, **176** hospitals and **7,690** schools (**13,000** schools connected as of end of May 2022)

**18,321** kms of fibre cables installed in 2021. Investments made in 2021 were part of a multi-year project, that only in the last three years had installed **43,835** kms of fibre cables directly operated by Infratel and indirectly through incentives

### 1.3.2.3 Territorial Inclusion

In a territory characterized by great discontinuity and geographical, economic, and cultural diversity, inclusion can only mean bridging the gap between territories and communities.

Being the development of the South its main focus area, over the years Invitalia has set a path of listening and support to the territories that are lagging behind in the economic development, suffering from crisis or affected by natural disasters.

Inclusion means creating quality work in places suffering from high unemployment, developing the infrastructures of the territories, promoting lawfulness in places affected by high crime rates, and making communities more beautiful and welcoming. 2021 (and 2020) figures:

**18,070** jobs will be created in the South and 2,288 in multiregional projects thanks to the new investments activated (11,015 in the South and 13,000 in multiregional projects in 2020)

**4,000** new businesses in the South (2,068 in 2020)

**€358m** of investments approved for the creation of 116 projects aimed at the recovery of the territories hit by the 2016's earthquake in the centre of Italy and the recovery of the terra dei fuochi, through the instrument of Institutional Development Agreement

### 1.3.2.4 Dissemination of the Entrepreneurial Culture

Supporting the dissemination of the country's entrepreneurial culture is one of the most effective tools for promoting the creation of quality employment. Invitalia invests in the development and dissemination of knowledge, as the increase in productivity and competitiveness of the country also depends on the growth of awareness on the issues of entrepreneurship and management.

In 2021, the collaboration with schools, universities, research centres, associations, incubators and other public and private entities continued to create a network, increasing the propensity for entrepreneurship, by raising awareness on the actors of the innovation ecosystem, making incentives available, and encouraging, sharing and opening innovation.

In addition, together with the provision of funding, Invitalia provides tutoring, training and mentorship services. It provides the country with the knowledge and professional experience acquired over decades of business creation and development, and does so through constant communication via webinars and meetings. 2021 figures:

**246**

Tutoring meetings for new entrepreneurs

**171**

In-person or virtual events for the dissemination of new business development tools

**970**

Meetings with potential entrepreneurs to support them in the path of business creation

### 1.3.3 Environmental Sustainability

Invitalia contributes to the environmental sustainability by supporting investments aimed at protecting the ecosystem and the renewal of natural resources.

In these areas, Invitalia contributes to improving the focus towards sustainable objectives by committing, on the one hand –through its role as centrale di committenza and stazione appaltante-, to carry out public investments to protect the environment, as well as to guarantee compliance of the sustainability criteria by companies receiving public tenders. Likewise, Invitalia commits to support, through subsidized loans and guarantees, companies that intend to invest in sustainability.

The Group finances investments in the green reversion and environmental remediation, some of which we highlight below (2021 results):

- €1.3bn invested in green activities (*contratti di sviluppo*<sup>7</sup> for environmental protection and Ecobonus)
- €54m invested in circular economy projects

- €203m of public investments for projects aimed at environmental remediation, energy efficiency or infrastructures designed with low environmental impact criteria

In particular, through a specific incentive, *contratti di sviluppo* for environmental protection, Invitalia finances the implementation of large investment programs, above €20m, aimed at raising the level of environmental protection beyond the thresholds set by current EU legislation (or new EU standards not yet in force). Our focus is on:



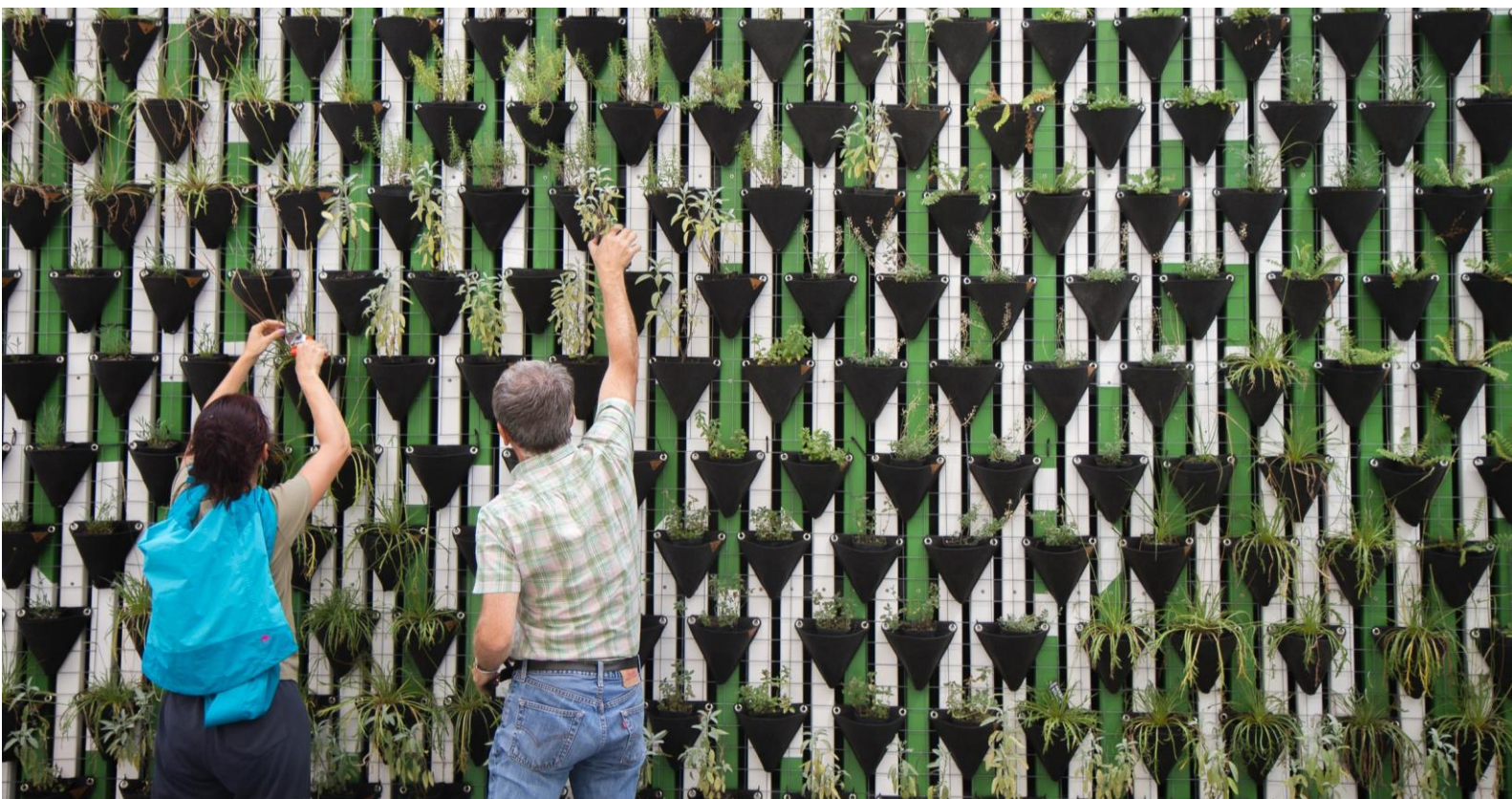
Enable greater energy efficiency



Build high-efficiency cogeneration plants



Carry out waste recycling and reuse activities



<sup>7</sup> Development contract



# **Section 2. Social Bond Framework**



## 2.1 Framework’s Rationale

This Social Bond Framework (the “Framework”) aligns Invitalia’s strategic priorities in sustainability with its funding strategy. Invitalia has selected a number of eligible areas that reflect the core of the business and produce the most positive social impacts.

The development of this Framework demonstrates Invitalia’s holistic approach towards sustainability and the commitment to implement this value throughout the organisation.

## 2.2 Core Components of Invitalia’s Framework

This Framework sets out how Invitalia intends to enter into Social Bond Transactions (“SBTs”) to finance and/or refinance projects that have a positive social impact.

SBTs may include social labelled bonds, private placements, and other debt capital market products, where proceeds are applied to eligible social projects (“Eligible Projects”) as defined in this Framework.

The Framework has been created in alignment with internationally recognised principles. SBTs issued under the Framework will be aligned to the International Capital Market Association (ICMA) Social Bond Principles 2021 (“SBPs”), or as they may be subsequently amended.<sup>8</sup>

**The ICMA Principles consist of the following four core components:**

-  1 Use of proceeds
-  2 Project Evaluation and Selection
-  3 Management of Proceeds
-  4 Reporting

Invitalia may further update or expand this Framework to align with emerging market standards and best practices.

## 2.3 Use of Proceeds

Invitalia intends to use an amount equivalent to the net proceeds raised by SBTs to finance and/or refinance Eligible Projects as defined in this Framework, which will enable the Agency to fulfil its mission. The (re)financing in the Eligible Projects can be measured through asset value (in the case of refinancing existing assets), capital expenditure (“Capex”) or operating expenditure (“Opex”). Example expenditures include, but are not limited to, direct investments, grants, loans and subsidised loans. A look-back period of up to 36 months prior to the issue date of the relevant SBTs will apply. In accordance with this Framework, Invitalia intends to allocate an amount equivalent to the net proceeds raised to Eligible Projects within 24 months of the issue date of the relevant SBTs.

<sup>8</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/> )

| Social ICMA<br>Category for use of<br>proceeds  | Eligibility Criteria   | Target Populations   | Alignment to<br>UN SDG  |
|---|--|--|---|
| <b>Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises</b> | <p>Disbursements designed to support Italian economic growth and employment generation, including the provision of financing and microfinancing to:</p> <ul style="list-style-type: none"> <li>• Micro, Small- and medium-sized (MSMEs<sup>9</sup>) in areas economically underperforming<sup>10</sup></li> <li>• MSMEs in areas affected by natural disasters</li> <li>• Companies run by female entrepreneurship<sup>11</sup></li> <li>• Companies run by youngster under 36 years old</li> <li>• Areas affected by natural disaster and industrial sector crises</li> <li>• Non-profit organisations</li> <li>• Social enterprises<sup>12</sup></li> <li>• Support technological transformation and competitiveness of enterprises</li> </ul> | <ul style="list-style-type: none"> <li>• Self-employed</li> <li>• Unemployed or jobseeker</li> <li>• Workers of SMEs from economically disadvantaged areas</li> <li>• Vulnerable population due to crisis and natural disasters</li> <li>• Female entrepreneurs</li> <li>• Unemployed young people</li> <li>• Vulnerable populations<sup>13</sup></li> </ul> |    |
| <b>Affordable basic infrastructure</b>  | <p>Programmes and initiatives improving the economic and infrastructural gap between Italian regions, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Improvement of infrastructure to promote enhanced connectivity</li> <li>• Programmes and initiatives aimed at reducing the digital division between Italian regions</li> </ul>  | <ul style="list-style-type: none"> <li>• Low-income and underserved populations</li> <li>• People without access to fair and effective infrastructures</li> <li>• Vulnerable population</li> <li>• Population in economically underperforming regions</li> </ul>   |   |
| <b>Socioeconomic advancement and empowerment</b>  | <p>Supporting local development and competitiveness by promoting and managing programmes and actions aimed at enhancing and disseminating research, technological development, and innovation, with the aim of reviving areas with low income and underperforming growth rate.</p> <p>Programmes and initiatives to support local economic and social growth by enhancing cultural heritage, nature, landscape and regeneration of areas affected by natural disasters</p>   | <ul style="list-style-type: none"> <li>• Population in economically underperforming regions</li> <li>• Excluded and/or marginalised populations and /or communities</li> <li>• Vulnerable populations</li> <li>• Vulnerable youth</li> <li>• People living in areas affected by natural disasters</li> </ul>   |  |

<sup>9</sup> MSMEs defined according to the European Commission categorisation: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>10</sup> Economically underperforming areas are defined as the Italian regions with GDP per capita lower than the national GDP per capita, according to the ISTAT (*Istituto Nazionale di Statistica*).

<sup>11</sup> Companies run by female entrepreneurship include: (i) cooperatives or partnerships with at least 51% female members; (ii) joint-stock companies with at least two-thirds of the shares owned by women and at least two-thirds of the administrative bodies be composed by women; (iii) sole proprietorships with female owners; (iv) self-employed women with VAT number

<sup>12</sup> Social enterprises as defined in the Decreto Legislativo (D.Lgs.) 3 July 2017, n. 112, established in the form of a company; social cooperative (Legge 8 November 1991, n. 381 and subsequent changes) and related consortia; cooperative society with the ONLUS qualification (D.Lgs. 4 December 1997, n. 460 and subsequent changes and integrations).

<sup>13</sup> People living below the poverty threshold, migrants/refugees, women, internal areas population and communities living in less development areas, young people, and in general those who have difficulties in accessing credit.

## Target Populations

Through the (re)financing of the Eligible Projects, Invitalia will be supporting specific target populations uniquely defined for each initiative. Generally, this covers MSMEs, start-ups, unemployed people, those unable to access financial services, businesses located in economically underperforming regions and businesses led by women. Example eligibility criteria for beneficiaries of some programmes are outlined below:

**Resto al Sud (Remain in the South)** – Residents under 56 years-old<sup>13</sup> in Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia, Sicily or in the 116 municipalities included in the area of the seismic crater of Central Italy (Lazio, Marche Umbria), in the smaller marine islands of the Centre-North, as well as in the lagoon and lake islands or those transferring their residence in the aforementioned areas within 60 days (120 if resident abroad) from the positive outcome of the investigation. Beneficiaries must not already be owners of other business activities in operation as of 21/06/2017, received other national facilities for self-entrepreneurship in the last three years or have a permanent job at the time and for the entire duration of the loan

**Nuove imprese a tasso zero (New zero-interest enterprises)** – Micro and small enterprises composed mainly of young people between 18 and 35 years old or women of all ages, throughout the national territory. Companies that have a social structure composed of at least 51% of people under 35 and women of all ages are eligible. The majority refers both to the number of female and/or young members present in the shareholding structure and to the shares of capital held. Different rules apply depending on the time frame in which the company was established. People can also apply for funding, with the commitment to set up the company after the possible admission to the facilities

## Exclusions

Any Project related to the following activities and/or sectors will be excluded from the Social Eligible Projects:

- Exploration, production and transport of fossil fuels
- Nuclear energy
- Mining
- Deforestation and forest degradation
- Armaments and defense
- Tobacco, gambling, or arms
- Activities violating the rights of indigenous populations or activities in protected areas

<sup>14</sup> For the areas of the seismic crater: there are no age limits for the 24 municipalities included in the areas of the seismic crater of Central Italy in which more than 50% of the buildings have been declared uninhabitable.

## 2.4 Process for Project Evaluation and Selection

The Eligible Projects defined in this Framework provide clear social impact and comply with Invitalia's internal policies and standards.

Invitalia has established a cross divisional Internal Social Bond Working Group (the "Internal Working Group") consisting of senior representatives from Finance, Risk and Strategy, Investor Relations, and Legal departments. The Internal Working Group's responsibilities include:

- To oversee the establishment of the Framework and review the content, updating it to reflect changes in market standards (such as relevant ICMA Principles) and the organisation's strategy on a best-efforts basis
- To approve Eligible Projects/ Expenditures
- To oversee the Eligible Project portfolio, maintaining compliance with this Framework
- To exclude projects or investments that no longer comply with the eligibility criteria or have been disposed of, and subsequently replenishing the Eligible Project portfolio on a best-efforts basis
- To oversee the process of gathering the information required to produce periodic impact reports, in accordance with this Framework and the respective ICMA Principles
- Oversight of any social and environmental risks associated with Eligible Projects
- Continued alignment of project categories with appropriate national and international sustainability taxonomies and legislation, reviewing any impact on Invitalia's strategy



The Internal Working Group will meet regularly, but at least once a year.

## 2.5 Management of Proceeds

Invitalia intends to allocate an amount equivalent to the net proceeds from any SBT under the Framework to Eligible Projects, selected in accordance with the use of proceeds criteria and the evaluation and selection process described above. Invitalia will ensure that at all times (re)financed Eligible Projects are at least equal or greater than the net proceeds raised, until the maturity of the relevant SBT.

In case of any reduction on the Eligible Project portfolio, as a result of, for instance, divestments, additional Eligible Projects will, on a best-efforts basis, be added to such portfolio whenever feasible, ensuring the maintenance of the ratio between Eligible Projects and SBTs detailed above.

Pending the full allocation to the Eligible Project portfolio, Invitalia will use any unallocated funds in line with our treasury policy – which can include deposits, money market funds and other similar instruments. The internal tracking system used to allocate the SBT proceeds will be annually assessed by our auditors in line the ICMA guidance.

Invitalia will ensure that there will be no double counting of Eligible Assets between Invitalia and MCC social bonds (and that of any other subsidiaries).

The primary responsibility for managing this process will lie with the Internal Working Group.

## 2.6 Reporting

Until full allocation, Invitalia will strive to report at least annually on the allocation and impact of SBTs issued under the Framework. Where relevant, Invitalia will seek to align the reporting with the latest standards and practices publicised by the ICMA, such as the “Harmonised Framework for Impact Reporting”.<sup>15</sup> The report will include updates on the allocation of proceeds and an impact evaluation of the funded Eligible Projects.

### 2.6.1 Allocation Reporting

Invitalia will make and keep publicly available on the Group’s website a report on the allocation of the SBTs’ net proceeds. The report will set out:

- The amount issued and outstanding for the SBT(s)
- The total value of Eligible Projects
- A description of the portfolio of Eligible Projects, including a breakdown of the allocated amounts by ICMA categories where appropriate; and
- The amount and/or percentage of new and existing Eligible Projects (share of financing and refinancing)
- Geographical distribution of the allocated amounts (i.e. by region)

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<sup>15</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

## 2.6.2 Impact Reporting

Where possible, Invitalia will report on the impact of the outstanding SBTs issued under the Framework, covering the following indicative impact indicators:<sup>16</sup>

| ICMA Category for use of proceeds   | Indicative KPI Reporting Metrics   |
|---|--|
| <b>Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises</b> | <ul style="list-style-type: none"> <li>• Value of grants and subsidized loans aimed to support the start-ups and growth of MSMEs</li> <li>• Value of grants and subsidized loans aimed to support the start-ups and growth MSMEs owned by women/ youngster (under 36 years old)</li> <li>• Jobs created and/or retained</li> <li>• Number of MSMEs that receive support for equipment and facilities and technological modernization<sup>16</sup></li> <li>• Value of grants and subsidized loans aimed to support the energy efficiency</li> <li>• Number of enterprises supported with grants and subsidized loans aimed to support reconversion of the production according with the principle of circular economy</li> </ul> |
| <b>Affordable basic infrastructure</b>  | <ul style="list-style-type: none"> <li>• Number of residents/households benefitting from new/upgraded basic infrastructure which is otherwise not accessible (e.g. 5G connection, 1GB connection in areas with market failure areas)</li> <li>• Kms. of fibre cables installed in market failure areas</li> <li>• Number of municipalities connected with fibre cable in economically deprived areas</li> <li>• Number of schools and hospitals connected with fibre cables</li> </ul>   |
| <b>Socioeconomic advancement and empowerment</b>  | <ul style="list-style-type: none"> <li>• Number of beneficiaries in vulnerable and low income territory (e.g. enterprise created in the least developed areas of the country)</li> <li>• Investment in areas affected by natural disasters</li> </ul>  |

## 2.7 External Review

### 2.7.1 Second Party Opinion

Invitalia commissioned DNV GL to conduct an external review of this Framework and they have subsequently confirmed alignment with the ICMA's SBPs.

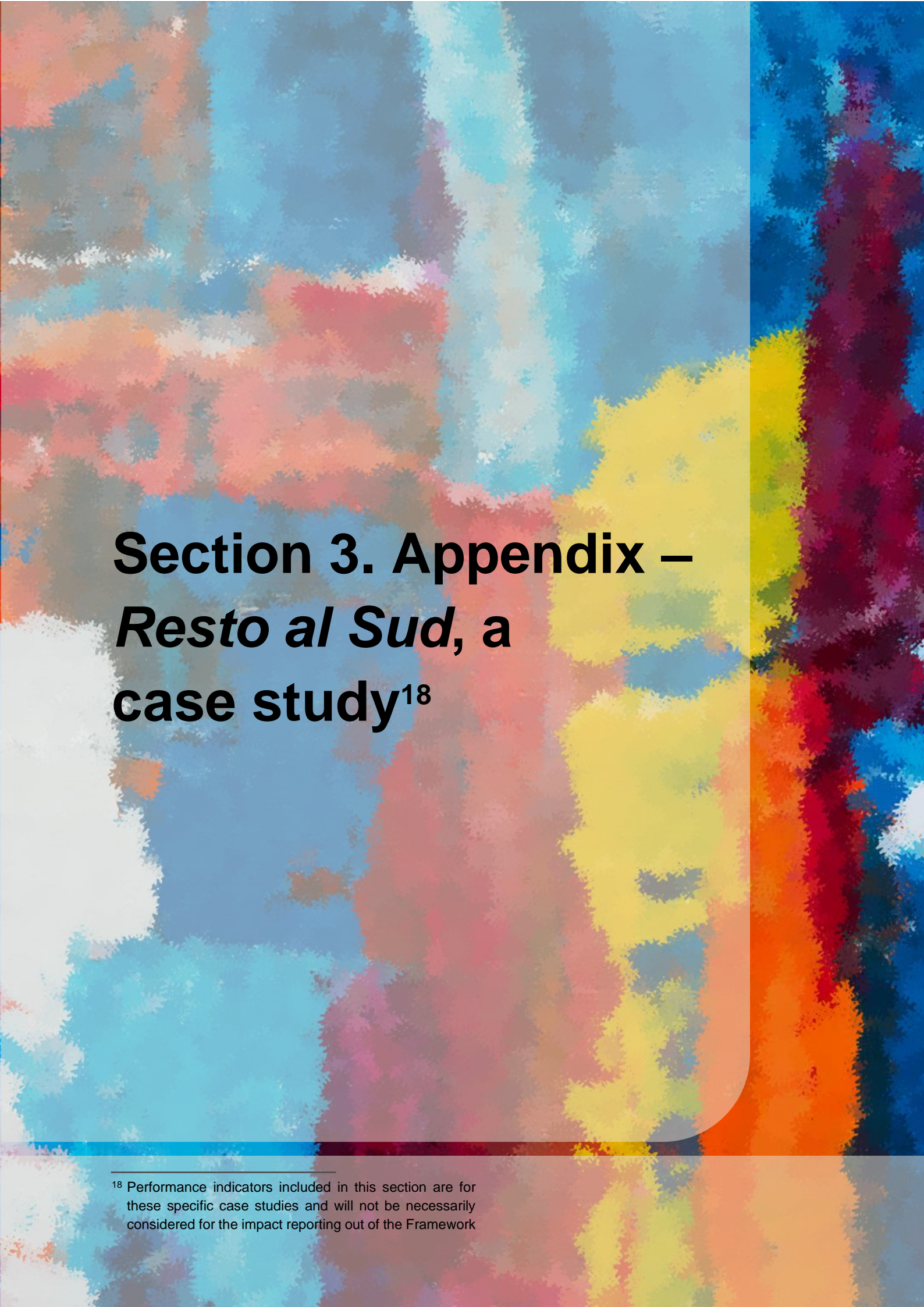
The SPO is available at Invitalia's website.

### 2.7.2 External Verification

External verification of the tracking of the SBTs proceeds will be provided by a qualified external party appointed by Invitalia, that will review and provide an opinion on all allocation reports issued in line with this Framework.

<sup>16</sup> Along with the social impacts, Invitalia will strive, whereas possible, to report also on the environmental impacts and benefits of its investments, as considered within the KPI table

<sup>17</sup> <https://www.invitalia.it/cosa-facciamo/rafforziamo-le-imprese/investimenti-sostenibili-40>



## **Section 3. Appendix – *Resto al Sud*, a case study<sup>18</sup>**

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<sup>18</sup> Performance indicators included in this section are for these specific case studies and will not be necessarily considered for the impact reporting out of the Framework

## 3.1 Appendix – Resto al Sud, a case study



*Resto al Sud* (Remain in the South)<sup>19</sup> was created with the aim of providing a lever for the development of those areas of the country characterised by a growing rate of youth unemployment, an elevated demographic decrease combined with a high rate of emigration, the poor development of innovative economic sectors and a strong presence of organised crime in the socio-economic context. In addition, in the regions in the Southern part of Italy, there is a greater difficulty in accessing credit, with a higher cost than in the Northern regions.

*Resto al Sud* aims at boosting the socio-economic growth of territories and creating job opportunities for people who have difficulty accessing it, reducing the exposure of people to conditions of vulnerability to economic and social difficulties, inequalities and the dissimilar distribution of skills and knowledge within a territory. The support takes the form of grants (50%) and subsidized loans (50%) for the entire value of the investment. Impact in the period 2017-2021:



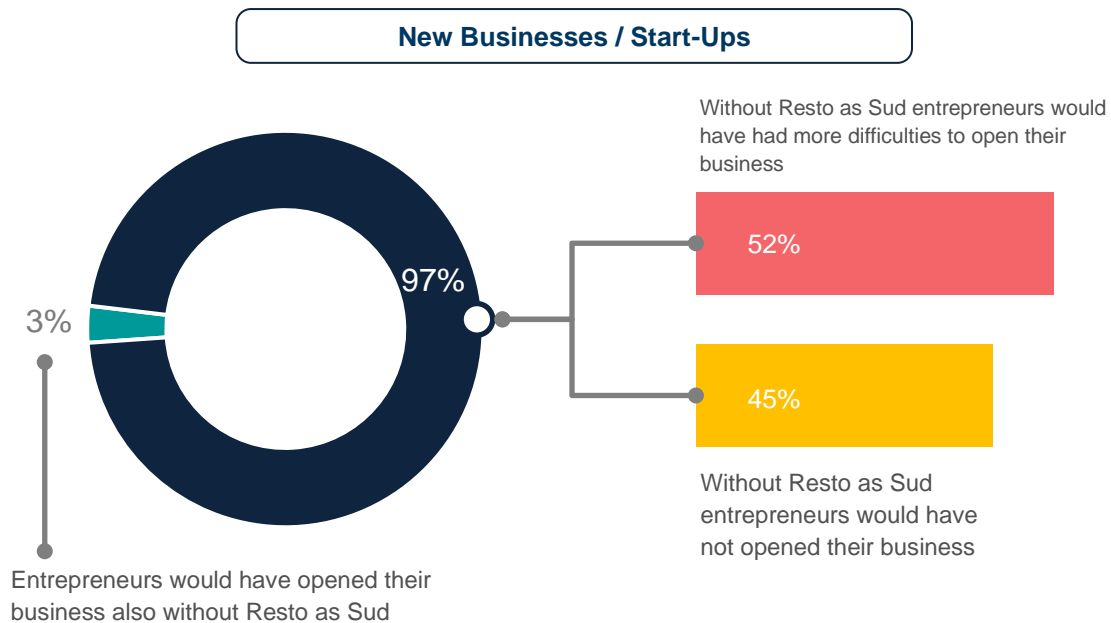
*Resto al Sud* enables a multiplier effect through which for each €1 invested, €1.89 were generated in the economic system, as companies financed were able to generate an economic impact of €993m.

<sup>19</sup> Established under Decree Law No. 91 of 20 June 2017. Beneficiaries are people between 18 and 55 years old. The initiative targets the 24 common seismic craters in which more than 50% of the buildings have been declared uninhabitable. The geographic scope is Abruzzo, Basilicata, Campania, Calabria, Molise, Puglia, Sardinia, Sicily, the 116 municipalities of Lazio, Marche and Umbria.



From the total funding provided through the programme, €391m have been already disbursed by Invitalia, corresponding to the fondo perduto contributions (non-repayable funding), liquidity contribution and payment of bank interests.

An external evaluator has estimated that for every €1 spent in the programme, €1.04 euro returned to the Italian State. The payback largely relates to the tax revenue from new jobs and companies created, and also the reduction of previously paid unemployment benefits. Additionally, considering exclusively the public funds disbursed by Invitalia, the €993m of economic impact generated a multiplier effect on public funds equal to 2.54.



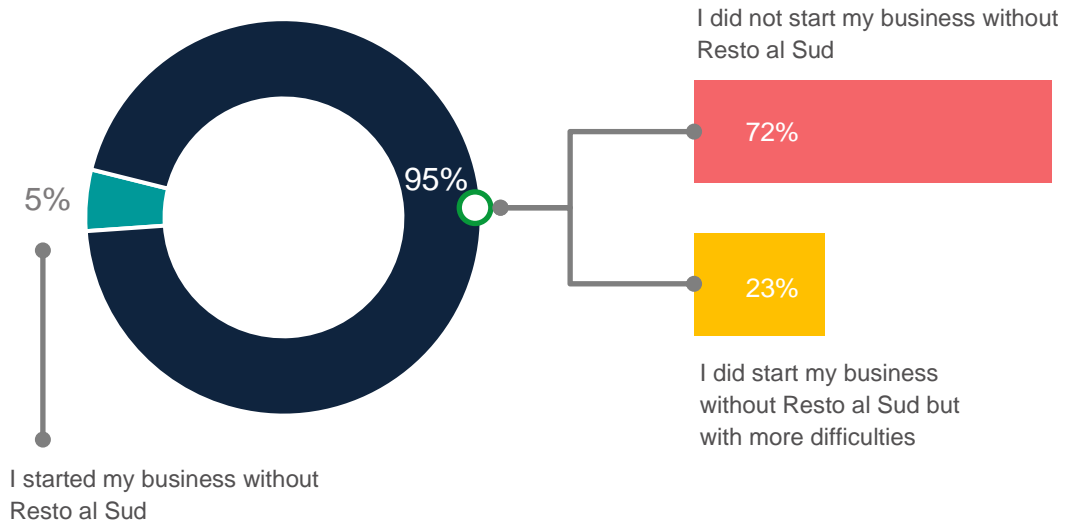
The importance of the access to *Resto al Sud* for start-up emerges from the answers to the questionnaires of both the beneficiary entrepreneurs and those who have not seen their request accepted.

*Resto al Sud* supported the creation of 28,166 jobs (70% of the entrepreneurs was unemployed or unoccupied before participating to the initiatives).

97% of the entrepreneurs who requested the incentive to start a new business believe that, without *Resto al Sud*, it would not have been possible to give life to their business with the same availability of economic resources and within the same timescale.

This is also evidenced and supported by the answers of the applicants who have not obtained the incentive. 95% of the non-beneficiaries recognises the value added by the initiatives, of which 72% say they have not started their business without the aid of the incentive.

### Additional Value



The initiative supports gender equality, with 40% of women participants, compared to 22.1% of female businesses in Italy and 23.7% in the territories targeted by the programme.

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While it is Invitalia's intention to apply the proceeds of any "social" bonds to Eligible Projects substantially in the manner described in this document, there can be no assurance that the relevant project(s) or use(s) which are the subject of, or related to, any Eligible Projects will be capable of being implemented substantially in such manner. Any event or failure to apply the proceeds of any issue of "social" bond to any Eligible Projects and/or the withdrawal of any such opinion or certification or any such opinion or certification attesting that Invitalia is not complying, in whole or in part, with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of such "social" bond and also potentially the value of any other securities which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

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