



GREEN BOND REPORT 2020

MARCH 2021

We are #SDGsContributors



INTRODUCTION

On April 11th 2019, ERG S.p.A. (hereinafter **“ERG”**) issued its inaugural green bond (**“ERG Green Bond 2019”**), listed on Luxembourg Stock Exchange (*ISIN XS1981060624*) for an amount of Euro 500 million, with a maturity date falling on 11 April 2025.

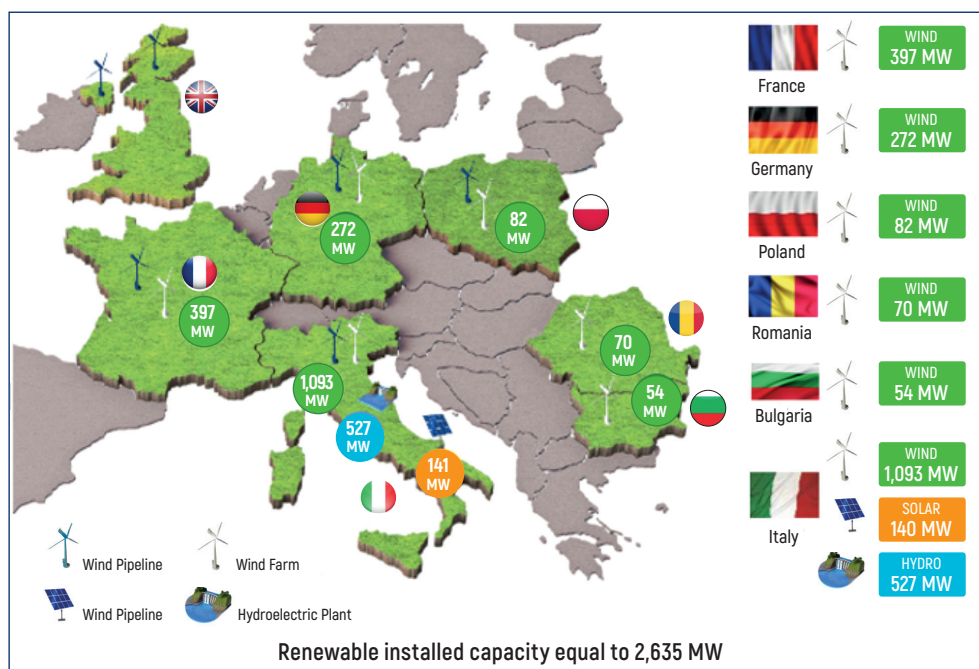
On September 11th, 2020 ERG issued its second green bond and subsequently tapped this issue on 23 December 2020 (**“ERG Green Bond 2020”** and together with ERG Bond 2019 **“ERG Green Bonds”**). ERG Green Bond 2020 is listed on Luxembourg Stock Exchange (*ISIN XS2229434852*) for a total amount of Euro 600 million, with a maturity date falling on 11 September 2027.

ERG Green Bonds have been set up in accordance with ERG Green Bond Framework (available on ERG website) and in alignment with the *“Green Bond Principles”* 2018 set up by an independent secretariat hosted by ICMA (‘International Capital Market Association’).

1. OVERVIEW OF ERG AND COMMITMENTS TOWARDS SUSTAINABILITY

ERG is a European independent power producer present in 7 different countries in Europe. As a leading European producer of electricity from renewable energy sources, ERG is committed to achieve its sustainable development targets and contribute to address major climate change challenges. ERG has 80 years of experience in the energy sector, founded as an oil company in 1938, since 2006 has been deeply committed to renewable energy. In 2018 completed the exit from the oil sector and kept on pursuing its technological diversification to become a leading European operator in the production of energy from renewable sources. As of 31 December 2020, ERG has an overall renewable installed capacity of 2.6 GW, and in 2020 it produced 5.2 TWh in terms of green power.

Renewable installed capacity as of 31.12.2020


















The 2018 – 2022 Business Plan¹, is totally focused on a continuous development of plants producing energy from renewable sources, sets targets on three main sustainability areas:

- a) Tackling Climate Change with particular focus on the SDG 7 (*affordable and clean energy*), SDG 9 (*Industry, innovation and infrastructure*), the SDG 12 (*responsible consumption and production*), SDG 13 (*climate action*) through:
 - avoiding 15Mt of CO₂ emissions thanks to the production of energy from renewable sources;
 - reducing the group's carbon index of electricity generated by 14%;
 - a continuous effort on extracting value from ERG technologies (i.e. technological improvement of assets).
- b) People enhancing (SDG 4 quality education, SDG 8 decent work and economic growth) through:
 - new leadership model;
 - skills development.
- c) Sustainable thinking, sustainable acting (SDG 8 decent work and economic growth, SDG 12 responsible consumption and production, SDG 17 partnerships for the goals), through:
 - Carbon Disclosure Project reporting;
 - Integration of HSE certification in compliance with the Group Organisation's Model;
 - Consolidation of relationships with communities;
 - Technological development;
 - Introduction of new pillars to qualify and monitor the main vendors on environmental, health & safety and human rights performance (ERG Sustainable Procurement Project)
 - Tax risk control system adoption (ERG Group's Tax Strategy).

ERG has also achieved the main ESG rating scores, as shown in the figure below. Over the last year, ERG has obtained the following achievements within the ESG landscape:

- positioning in the leadership range obtaining the "A-" rating (upgraded from B rating) by Carbon Disclosure Project – Climate change (CDP);
- affirmation of "AA" rating by MSCI;
- affirmation of Advanced rating from Vigeo Eiris;
- assignment of the maximum score for reporting the business impact of Climate Change according to the TCFD (Task Force on Climate-related Financial Disclosures) guidelines, by Vigeo Eiris positioning ERG at the top position.

¹ <https://www.erg.eu/en/investor-relations/business-plan>

| | Rating Company | Rating |
|---|---|---|
|  |  | Advanced |
| |  | A- |
| |  | EE+ |
| |  |  |
| |   |  |
| |  |  |
| |  |  |
| |  | E+ |
| |  | 78/100 |

The theme of sustainability, at the core of the Group's business principles, is headed by the ERG's Chief Executive Officer supported by the ESG Committee, the Investor Relation & CSR Department and the CSR Working Groups.

The ESG Committee, chaired by the Chairman of the Board of Directors and composed of the Executive Deputy Chairman, the Chief Executive Officer and all the top managers², is appointed as Green Bond Committee and it is responsible for:

- defining the Group's sustainability directions and promoting consistent practices in the context of corporate social responsibility;
- approving, monitoring and evaluating sustainability objectives and priority areas for CSR actions; and
- approving the materiality analysis, timing and modalities for the drafting of the "Consolidated Non-Financial Statement" (DNF) and CSR initiatives.

The ESG Committee, in its role of Green Bond Committee, is also responsible for the eligible green portfolio validation process, with particular attention to monitoring any ESG controversy (such as controversies that may impact local communities or changes in ecosystems) that

² Top managers being members of the ESG Committee are: Corporate General Manager & CFO, Chief Operating Officer, Chief Business Development Officer and M&A Officer, Chief Regulatory & Public Affairs Officer, General Counsel, Chief Engineering Development Officer, Head of Human Capital & ICT, Head of Communication and Head of Investor Relation & CSR.

affects ERG and are directly related to an eligible green project. If the ESG Committee deems that an eligible project becomes subject to a major ESG controversy, the ESG Committee may decide to exclude such project from the eligible green portfolio.

2. ERG GREEN BOND FRAMEWORK

Previously to each issuance and in order to facilitate transparency and quality of its Green Bonds, ERG has prepared and published specific "Green Bond Framework"³, established in accordance with the ICMA Green Bond Principles 2018.



The Green Bond Framework, updated in July 2020, was assessed on date 1st of September by Vigeo Eiris as external and independent advisor which expressed the highest level of assurance of the ERG's commitments and on the contribution of the Green Bonds to sustainability.

Within the framework, the categories related to eligible projects are aligned with the Sustainable Development Goals set by United Nations. In particular, ERG Green Bond supports projects having positive environmental impact and contributing to UN SDG 7 Goal (*affordable and clean energy*) by increasing the renewable energy produced and avoiding CO₂ emissions. Terms in capital letters have the same meaning as ascribed to them in the Green Bond Framework.

3. REPORTING

A reporting is provided annually and until full allocation for ERG Green Bonds. With this Green Bond Report 2020 (the "**Report**") ERG is delivering its commitment to report annually on the use and proceeds and environmental benefits resulting from the selected Eligible Green projects. As of 31st December 2020, with reference to the outstanding ERG Green Bonds:

- ERG Green Bond 2019 net proceeds have been fully allocated, as per Green Bond Report 2019, and no update reporting is required;
- the 57% of the net proceeds of ERG Green Bond 2020 have been allocated;
- percentage of refinancing capex is equal to 53% of the total net proceeds.

| Green Bond issuance | Categories | Sustainability target | Allocated Proceeds | Unallocated Proceeds | Installes capacity* | CO ₂ avoided |
|---------------------|---------------------------------------|---|--------------------|----------------------|---------------------|-------------------------|
| ERG Green Bond 2019 | Renewable power generation facilities |  | EU mn 500 | - | 526 MW | 641,229 kt |
| ERG Green Bond 2020 | Renewable power generation facilities |  | EU mn 341 | EU mn 259 | 226 MW | 261,804 kt |

* Note: Installed capacity refers to the Installed Capacity as of 31.12.2020 not including wind farms under construction

³ ERG Green Bond Framework 2020 is available at is available at https://www.erg.eu/documents/10181/434089/ERG_Green+Bond+Framework+2020

The Report and its reporting criteria (allocation and impact, including relevant metrics), prepared in compliance with the ERG Green Bond Framework, has been examined and approved by the ESG Committee as of 31 March 2021.


The use of proceeds via a "Green Bond Report" will be publicly available on the ERG website.

4. EXTERNAL REVIEW

4.1 Second Party Opinion

The "Green Bond Principles" compliance of the Green Bond Framework on Sept, 1st was validated by an external advisor, Vigeo Eiris. This Second Party Opinion document is available on ERG's website.⁴

A summary of this opinion is presented here below:



"overall advanced ESG performance"

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Bond considered to be issued by ERG is aligned with the four core components of the Green Bond Principles 2018.

We express a reasonable assurance (our highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainability.

1) Issuer (see Part i):

- As of August 2020, ERG displays an overall advanced ESG performance. The Issuer's managerial approach appears advanced in the Environmental and Governance pillars and good in the Social pillar. Our assurance that the Issuer's risk factors are adequately managed is reasonable, including reputational, human capital, legal and operational risks.
- As of today, no stakeholders-related ESG controversy involving ERG was identified over the last 3 years..

4.2 Post issuance verification

An external independent auditor confirmed that the selected Eligible Green Projects and reporting metrics of ERG Green Bond 2020 are consistent with the Green Bond Framework updated in July 2020. This Third-Party Opinion made by External independent auditor on ERG Green Bond Report is attached to this document.

⁴ https://www.erg.eu/documents/10181/434089/ERG_Second+Party+Opinion+Vigeo+2020

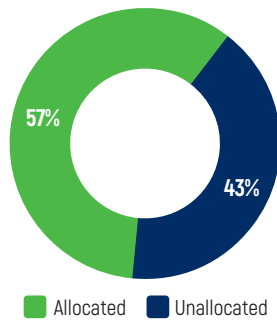
7. ALLOCATION REPORT

5.1 Summary

As of 31.12.2020, the ERG Green Bond 2020 allocated proceeds amount are equal to Eur 341 mn, as detailed in the table 5.2 "Allocation of proceeds 2020".

ERG Green Bond 2020

Proceeds status at 31.12.2020



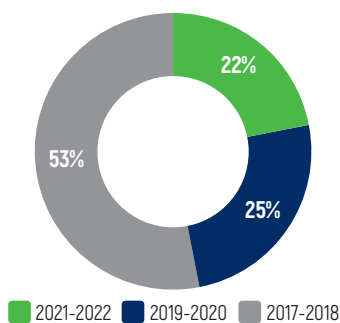
57% of the proceeds of the ERG Green Bond 2020 were allocated during the first year of issuance.

43% of the proceeds of the ERG Green Bond 2020 (Eur 259 mn) are unallocated.

In accordance with the Green Bond Framework, unallocated proceeds from the issuance are invested in cash or cash equivalents.

As of 31 12 2020, ERG has cash or cash equivalent available in its book equal to Eu 656 mn

Average life of the Project Portfolio

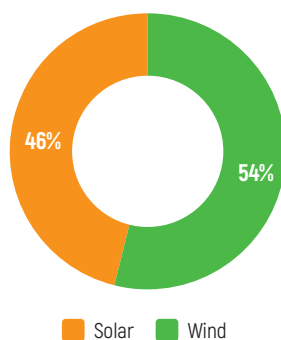


22% of the allocated proceeds of the ERG Green Bond 2020 (Eur 76 mn) were allocated to finance construction of plants that will start the operational phase during years 2021 and 2022.

25% of the allocated proceeds of the ERG Green Bond 2020 (Eur 86 mn) were allocated to refinance plants acquired or built during the years 2019-2020..

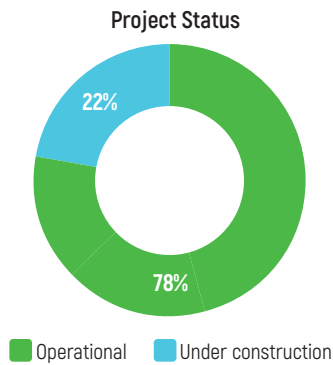
53% of the allocated proceeds of the ERG Green Bond 2020 (Eur 180 mn) were allocated to refinance plants acquired or built during the years 2017-2018.

Eligible Green Project Category



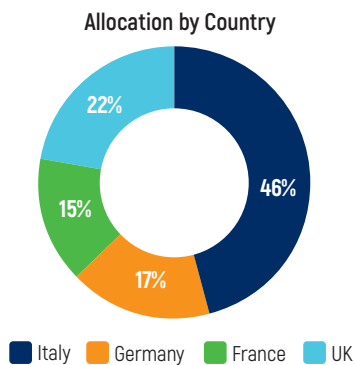
46% of the allocated proceeds of the ERG Green Bond 2020 (Eur 158 mn) were allocated to Solar Power Generation plants.

54% of the allocated proceeds of the ERG Green Bond 2020 (Eur 184 mn) were allocated to Wind Power Generation plants.



78% of the allocated proceeds of the ERG Green Bond 2020 (Eur 265 mn) were allocated to plants already in operation.

22% of the allocated proceeds of the ERG Green Bond 2020 (Eur 76 mn) were allocated to plant under construction.



In terms of location, the allocated proceeds involved plants in **Italy** (Eur 158 mn), **France** (Eur 50 mn), **Germany** (Eur 58 mn) and **UK** (Eur 76 mn), proving the presence of ERG investment across Europe.

Reporting criteria:

Allocation: The amount of the "Green Bond 2020 Proceeds" have been approved by ERG ESG Committee on the meeting held on 31 March 2021.

Impact reporting: the quantity of CO₂ avoided is determined according to ERG's sustainability reporting procedures, by multiplying actual production to the carbon factor per MWh, as extracted from TERNA reporting system as of 31 December 2020⁵.

⁵ Terna Reports as of 31 December 2020 refers to 2018 global production as per Enerdata sources. The indirect emissions are calculated on the basis of conversion factors related to the gross thermoelectric production of each country

7.2 Allocation of proceeds 2020 and Impact details at the project level

| Eligible Project | ERG Solar Holding 1 (ForVeI) | Trinity Portfolio | Former Dif Portfolio | Barkow Portfolio | Vent d'est | Windpark Linda | Evishagaran | Sandy Knowe | Creag Riabhach | Craiggorre | Tot. Green Capex |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|
| Eligible Category | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | Renewable energy | |
| Eligibility Criteria | Solar Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | Wind Power Generation plant | |
| Country | Italy | France | Germany | Germany | France | Germany | UK (Northern Ireland) | UK (Scotland) | UK (Scotland) | UK (Northern Ireland) | |
| Acquisition date | January 2018 | February 2020 | May 2017 | September 2019 | March 2018 | not relevant | not relevant | not relevant | not relevant | not relevant | |
| Date of entry in operation | not relevant | not relevant | not relevant | not relevant | not relevant | June 2019 | July 2021 | October 2021 | August 2022 | April 2021 | |
| Total Capacity in MW | 68 | 38 | 48 | 34 | 16 | 22 | 47 | 86 | 92 | 24 | 476 |
| Production actual 2020 (MWh) | 102,330 | 81,317 | 64,962 | 87,425 | 38,951 | 38,261 | 0 | 0 | 0 | 0 | 413,246 |
| Emission Factor (g CO ₂ /kWh) | 506 | 559 | 749 | 749 | 559 | 749 | 480 | 480 | 480 | 480 | |
| Environmental benefits 2020 (CO ₂ savings) - kt | 51,779 | 45,456 | 48,656 | 65,481 | 21,774 | 28,657 | 0 | 0 | 0 | 0 | 261,804 |
| Equity Participation % | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |
| Green Bond Proceeds allocated (Eu mn) | 158 | 42 | 14 | 37 | 8 | 7 | 26 | 25 | 8 | 17 | 341 |

Examples of projects financed

SOLAR POWER PLANT PROJECT: ERG SOLAR HOLDING PORTFOLIO



The project selected as representative of renewable solar power generation consist of 25 photovoltaic plants, within the Erg Solar Holding Portfolio, located in 7 regions across Northern and Southern Italy. These plants have an installed capacity of 68 MW and in 2020 recorded a total output of 102 GWh, corresponding to approximately 52 tons of avoided CO₂ emissions.



WIND POWER PLANT PROJECT: EVISHAGARAN



The project selected as representative of renewable wind power generation is located in the Londonderry county, Northern Ireland. Evishagaran is a wind plan project under construction, that will be equipped with n. 13 Vestas V112 wind turbines with an overall installed capacity of 47 MW Construction works started on March 2020 with a current progress of 50%.

Commissioning is expected in 4Q 2021 and the estimate average production amounts to around 130 GWh, corresponding to approximately 63,100 t of avoided CO₂ emissions per year.



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Independent auditors' report on the Green Bond Report

*To the board of directors of
 ERG S.p.A.*

We have been engaged to perform a limited assurance engagement on the Eligible Projects and related Reporting Metrics data as of 31 December 2020 included in the Allocation Report, presented in the attached Green Bond Report 2020 - March 2021 (the "Allocation Report" and the "Green Bond Report") of ERG S.p.A. (the "company") prepared on the basis of the Green Bond Framework dated July 2020 (the "Framework") and available on the company's website, developed by the company in accordance with the Green Bond Principles 2018 issued by the International Capital Market Association - ICMA (the "Principles") and related to the Green Bond issued on 11 September 2020 (the "Green Bond").

Responsibilities of the company's directors for the report

The directors are responsible for the preparation of the Green Bond Report and of the Allocation Report included therein in accordance with the Framework, developed by the company in accordance with the Principles. In particular, the directors are responsible for the preparation of the Eligible Projects and related Reporting Metrics data included in the Allocation Report in accordance with the Framework.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Green Bond Report and of an Allocation Report included therein that are free from material misstatement, whether due to fraud or error. It also includes identifying the content of the Green Bond Report and of the Allocation Report included therein, selecting and applying policies, and making judgments and estimates that are reasonable in the circumstances.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on



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Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the Eligible Projects and related Reporting Metrics data included in the Allocation Report, presented in the Green Bond. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board ("IAASB") applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the Eligible Projects and related Reporting Metrics data included in the Allocation Report are free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 Revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the Eligible Projects and related Reporting Metrics data included in the Allocation Report are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the Allocation Report, supporting evidence, recalculations and other evidence gathering procedures, as deemed appropriate.

Specifically, we carried out the following main procedures:

- analyzing the second party opinion which addresses the compliance of the Green Bond to the voluntary guidelines of the Principles;
- interviewing relevant staff at corporate and business level responsible for the Green Bond management and reporting;
- interviewing relevant staff at corporate and business level responsible for providing and consolidating data related to Eligible Projects and related Reporting Metrics;
- evaluating the design and implementation of the reporting processes and the controls regarding the Eligible Projects and related Reporting Metrics data;
- evaluating a sample of internal and external documentation to determine whether data related to Eligible Projects and Reporting Metrics are supported by sufficient evidence in line with the Framework.



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Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Eligible Projects and related Reporting Metrics data as of 31 December 2020 included in the Allocation Report, presented in the Green Bond Report 2020 - March 2021 of ERG S.p.A., are not prepared, in all material respects, in accordance with the Green Bond Framework dated July 2020.

Milan, 1° April 2021

KPMG S.p.A.

A handwritten signature in blue ink, appearing to read 'Luisa Polignano', written over a light blue circular stamp.

Luisa Polignano
Director of Audit

ERG S.p.A.

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