

# ERG GREEN BOND FRAMEWORK

June 2024

**We ARE #SDGs**  
**CONTRIBUTORS**



# SUSTAINABLE DEVELOPMENT GOALS




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# 1. INTRODUCTION TO ERG

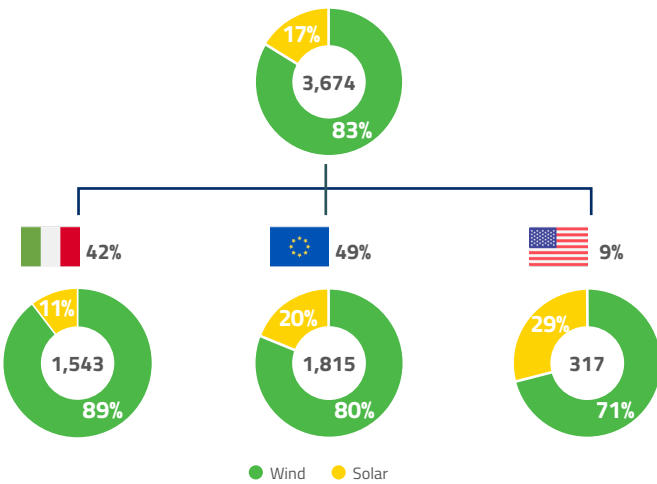
## WE ARE ERG #VALUES

<p>Foundation of ERG in Genoa, by Edoardo Garrone</p>		<p><b>1938</b></p>		
<p>Production begins at the ISAB refinery in Priolo</p>		<p><b>1975</b></p>	<p><b>1947</b></p>	<p>Production begins at the refinery in Genoa San Quirico</p> 
<p>ISAB Energy: production and marketing of electricity begins from the gasification of heavy refinery residues.</p>		<p><b>2000</b></p>	<p><b>1997</b></p>	<p>ERG listed on the stock market</p> 
<p>Sale to LUKOIL of 49% of the ISAB refinery</p>		<p><b>2008</b></p>	<p><b>2006</b></p>	<p>Entry into Renewables: acquisition of EnerTAD.</p> 
<p>ERG 1st wind operator in Italy (1,087 MW) and among the top 10 in Europe (1,340 MW). Acquisition of a company for O&amp;M activities of the wind farms. Definitive exit from refining</p>		<p><b>2013</b></p>	<p><b>2010</b></p>	<p>Start-up of ERG Power's CCGT plant (480 MW). Creation of TotalERG</p> 
<p>Entry into the hydroelectric business with the purchase of the Terni Complex (527 MW). Wind: growth in France and Poland (+146 MW)</p>		<p><b>2015</b></p>	<p><b>2014</b></p>	<p>Sale of the ISAB Energy plant and ERG Oil Sicilia fuel networks</p> 
<p>Solar capacity increases to 141 MW with the purchase of 51 MW in Italy. Further growth in wind power in France and Germany (+86 MW)</p>		<p><b>2019</b></p>	<p><b>2018</b></p>	<p>Entry into the solar sector: 30 photovoltaic plants acquired in Italy (89 MW). Definitive exit from the oil sector with the sale of TotalERG</p> 
<p>Solar: entry in France (79 MW). Wind: entry in Sweden, and start of operations in the United Kingdom</p>		<p><b>2021</b></p>	<p><b>2020</b></p>	<p>Wind: ERG acquires 38 MW in France. At year end, installed wind capacity in Europe is 1,967MW. ERG publishes its inaugural Green Bond Report on the back of the issuance occurred in 2019. Further Green Bond issued in 2020 and 2021</p> 
<p>Sale of the thermoelectric business. Start-up of 2 wind farms at the end of repowering activities. Further growth in solar in Spain (+ 149 MW). Installed capacity at the end of the year: 2,747 MW from wind power and 519 MW from solar power</p>		<p><b>2023</b></p>	<p><b>2022</b></p>	<p>Sale of the hydroelectric business. Solar: entry in Spain (92 MW) Wind: 172 MW acquired in Italy, and ~ 230 MW started up in Europe. IFM NZIF indirect shareholder (with 35% in SQ Renewables), alongside the Garrone-Mondini Family</p> 
			<p><b>2024</b></p>	<p>ERG enters the renewable energy market in the United States. Strategic partnership signed with Apex Clean Energy for the acquisition of a 317 MW portfolio of wind and solar assets in Iowa and Illinois</p> 

## ERG OVERVIEW

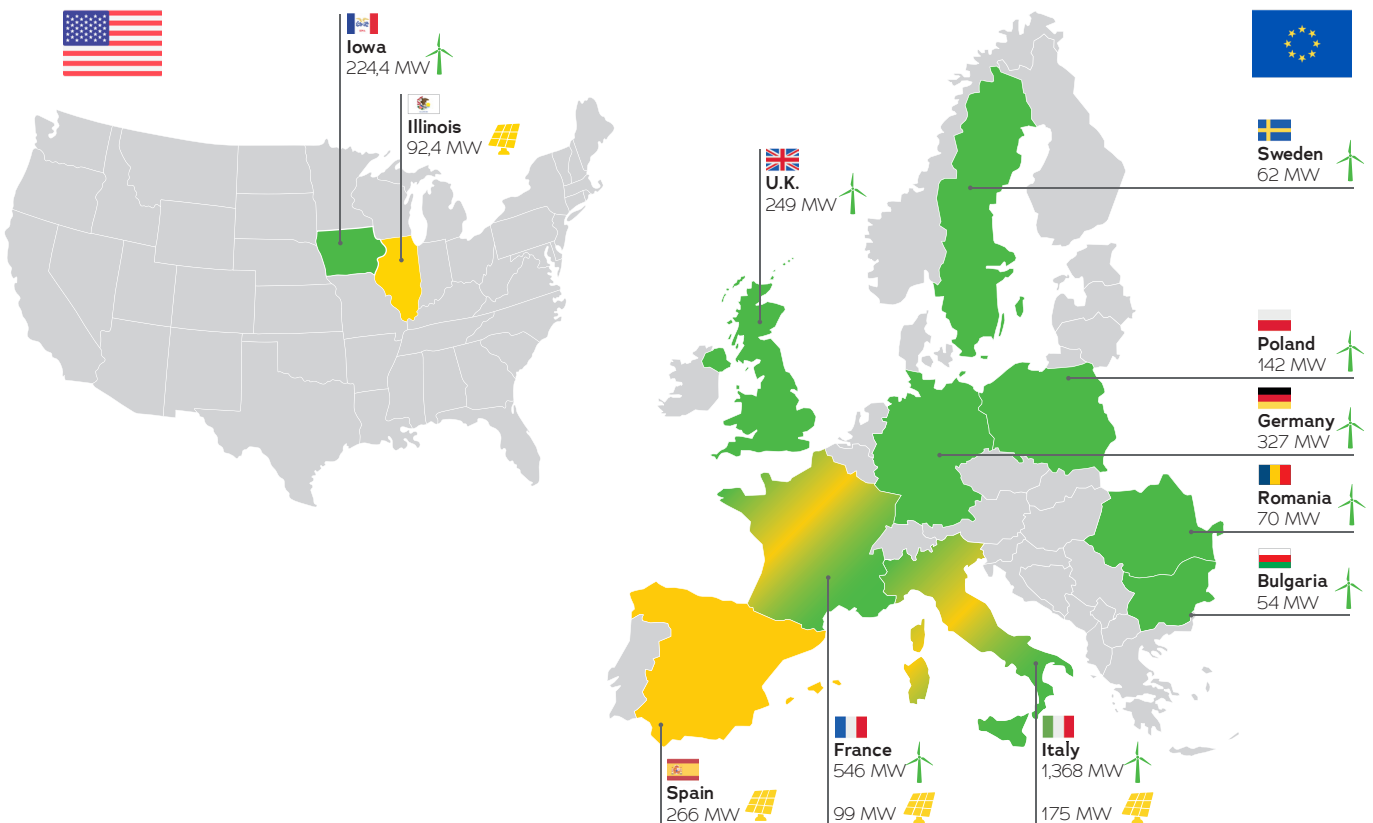
ERG (hereinafter referred to the “Group” and/or the “Company”) is a leading independent player in the production of electricity from renewable sources, entirely focused on the production of wind and solar power. ERG has radically changed its business portfolio in just over a decade, anticipating long-term energy scenarios and completing a successful corporate transformation from an oil operator to a pure Wind & Solar business model. Through an asset rotation program that began in 2021 with the sale of the hydroelectric asset, ERG completed its path with the sale of the thermoelectric asset CCGT of Priolo Gargallo in 2023.

The latest cornerstone achieved by ERG in its decarbonization path stems from the entry into the US market through the signature of an important agreement with Apex Clean Energy Holdings LLC (Apex), a leading independent American green energy developer, creating a strategic partnership in the renewable sector. As of today, the Group has installed 3,674 MW of installed capacity of which 3,042MW in wind power and 632MW in solar, distributed geographically in nine European countries and in the United States (“US”), as illustrated in the picture below:

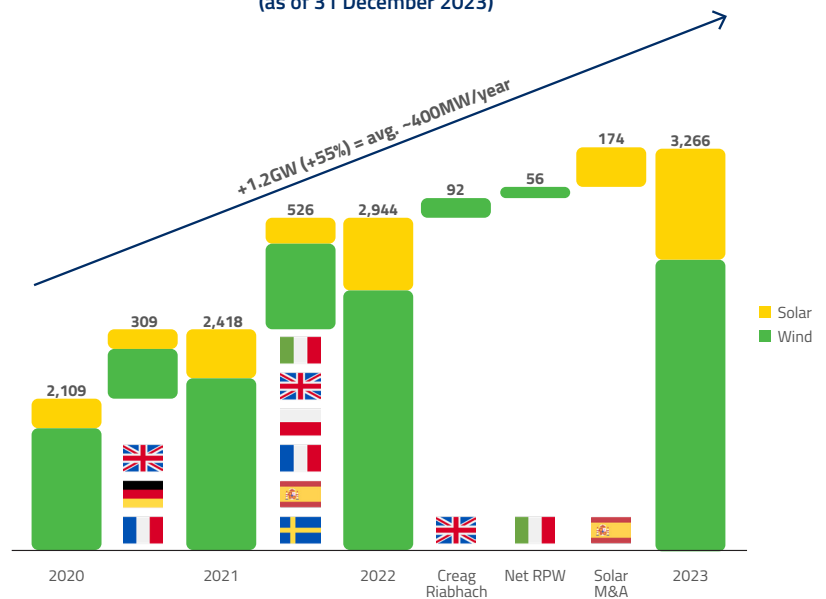


**WIND:** ERG operates in the wind power generation sector with 3,042 MW of installed Power.

**SOLAR:** ERG is active in the generation of electricity from solar sources, with an installed capacity of 632 MW.



**ERG's Evolution of Total Installed Capacity (in MW)**  
(as of 31 December 2023)



Following its transformation into a pure Wind & Solar player, since the end of 2020 ERG has managed to add 1.2GW of new installed capacity in wind and solar, in different geographies in just three years. At the end of 2023 the installed capacity was equal to 3,266 MW and more than 400MW have been further added in the first months of 2024, reaching the current installed capacity of 3,674 MW.

On 16th May 2024, ERG released the Business Plan for the years 2024-2026, continuing to be focused on a strategy leveraging on geographically and technologically diversified renewables with securitized revenue streams. The Key pillars for the Business Plan are listed in the table below:

	Selective growth	<b>Ca. 4.5GW (+1.2GW)</b> installed Capacity in 2026 (> 5.0GW in 2028) pursued via a cherry-picking approach from our Pipeline and/or M&A
	Investments/EBITDA	<b>CAPEX: €1.2bn 2024-2026; EBITDA: €600-€650mn @2026</b>
	Route to market	<b>Confirmed target 85-90%</b> regulated on total EBITDA through CFD & PPA
	Value creation	<b>Unlevered IRR targeted 200-400bps over WACC</b>
	Geographical diversification	<b>~10 countries in 2024:</b> Selective Prioritization of geographies Assessing <b>asset rotation</b> opportunities Targeting <b>0.5-0.7GW in the US</b>
	Storage, ibridization & Digitilisation	Storage and hybridization under development to increase Asset PTF Flexibility; <b>STORAGE:</b> Storage Systems are crucial to support and accompany the development and penetration of non-programmable renewable sources. We have our first Italian project under construction. <b>HYBRID:</b> Through hybridization projects we aim at rising energy production of our assets. This will help our growth and energy transition path as well. It either leverages on existing interconnection infrastructure or produces a material saving for the new interconnection infrastructure, which services several and complementary technologies. Digitalization to optimize the performance of assets
	ESG	Leveraging on ESG 2021-2023 track record to pursue new targets in all the pillars
	Enhanced Shareholders Remuneration	Annual shareholder remuneration with a floor at €1ps as dividend and a cap at €1.3ps based on yearly performance and perspectives (upside payable also through buyback)

## ESG STRATEGY

The ESG plan integrated in the 2024-2026 Business Plan sets out 18 well-defined objectives that are measurable through constantly monitored KPIs, with a view to contributing to the creation of value over time for all our stakeholders, in addition to reaching 14 of the 17 SDGs of the United Nations.

ERG's ESG strategy is based on four 'pillars', which are

closely integrated in our business model:

- 1. Planet:** fight against climate change;
- 2. Engagement:** commitment to local areas;
- 3. People:** attention to the growth and well-being of people;
- 4. Governance:** management bodies and principles inspired by best practices.



In the **Planet** Pillar, ERG confirms the goal of becoming Net Zero by 2040, and reaffirms its commitment to the circular economy with the objective of recovering or reusing materials from the dismantling of all its wind and solar plants, minimizing waste sent to landfill. ERG further strengthened its commitment to Natural Capital with a target of No net loss on biodiversity by 2030 through strategies of minimizing nature losses and compensating where possible (mitigation hierarchy approach).

In the **Engagement** Pillar, ERG will continue to be committed to supporting its local areas, with a contribution of at least 1% of turnover to the communities where ERG operates with its plants. The ERG Academy involves the younger generations in educational programs on sustainability and Renewable energy, with a target of at least twenty-four thousand five hundred students by 2026 in five Countries. The ERG Academy will also provide training activities for all ERG's people and will be the

basis for defining ERG employees' development plans. In addition to this, ERG launched the 'Social Purpose for Solar Revamping' project, where the repowered modules still in an excellent state of efficiency are allocated to projects with a significant social impact, donating them to some selected non-profit organisations in Italy and Africa.

Indeed, in the **People** Pillar ERG envisages employee growth programmes with objectives up to 2026 that focus on both defining individual development plans (for at least 80% of ERG People) and internal training activities (for 100% of ERG's people). A pillar of ERG's ESG strategy is Diversity & Inclusion, in which ERG already has a strong foundation with the D&I Policy and specific training programmes, but ERG wants to move even further towards a more international and inclusive ERG: by 2028 ERG intends to increase both the percentage of female key leaders to at least 20-25% and the percentage of key leaders abroad to at least 25%, as well as to maintain at least 30% women

in the ERG Group. ERG also intends to achieve the Italian certification on Gender Equality during 2024 and an International Diversity & Inclusion certification by 2026. In the **Governance** Pillar, ERG maintains the commitment to having best in-class governance with the inclusion of ESG targets in the short- and long-term remuneration systems. In relation to taxes, ERG plans to strengthen Tax Transparency by 2030. ERG has Sustainable Procurement

targets on measuring the Carbon Footprint on Diversity & Inclusion programmes in the supply chain. In the area of Cyber Security, ERG plans to achieve Information Security Management System certification by 2028 at the Group level. Furthermore, growth is accompanied by a Sustainable financial strategy: the goal is to have at least 90% of ERG's funding classified as "Sustainable Funding" during the Business Plan period.

## ERG'S COMMITMENT TO THE SDGS

The United Nations 2030 Agenda for Sustainable Development identifies 17 Sustainable Development Goals (SDGs) that represent common goals for sustainable development and provide an international reference for advancing the global challenges. In this context, the energy sector plays a strategic role in all countries. ERG has

pioneered the energy transition and placed sustainable development at the center of its strategy, with a mission to contribute to the achievement of 14 of the 17 UN SDGs

ERG's commitment is substantial and concrete, outlined in specific and measurable lines of action.

 <p><b>Social purpose</b> for Solar Revamping (circular economy of photovoltaic modules)</p>	 <p><b>HSE objective</b> on Wind&amp;Solar businesses. <b>Employees' well-being</b> target</p>	 <p><b>ERG Academy</b> for Next Generation (24.5k students by 2026 involved in educational Activities)</p>	 <p><b>Diversity &amp; Inclusion</b> target on ESG Plan and certification program</p>
 <p>One of the leading European RES operator. Working towards <b>4.5 GW</b> of installed capacity by 2026</p>	 <p>At the end of the BP period, CAPEX of <b>EUR 1.2 billion</b> and an EBITDA of <b>EUR 600-650 million</b></p>	 <p><b>Storage and ibridization</b> to increase asset portfolio flexibility</p>	 <p>Joined the <b>UN Global Compact</b>, and <b>WEP<sup>(*)</sup></b> for a <b>just transition</b>, not leaving anyone behind</p>
 <p>Allocate at least <b>1%</b> of <b>revenues</b> at the Group level to the local communities</p>	 <p>Circular Economy: no waste to landfill on Wind Repowering and <b>&gt; 90%</b> of dismantled Solar Plants</p>	 <p><b>Net Zero by 2040:</b> at the forefront of the fight against Climate Change</p>	 <p><b>No net loss by 2030.</b> Biodiversity assessment for 100% of RES organic projects</p>
 <p><b>"Zero tolerance"</b> principle towards corruption with a best-in-class governance system</p>	 <p>Sustainable Procurement: <b>+10%</b> suppliers with carbon footprint and D&amp;I measurement</p>		

(\*)WEP = Women Empowerment Principles

## 2023 ESG KEY RESULTS



### ESG DATA

	2023	2022	= Δ
<b>PLANET</b>  	<b>CO<sub>2</sub> avoided</b> equal to no. flights from London to New York 2,087 kt 4,174 flights	1,688 <sup>(a)</sup> kt 3,376 flights	+24%
	<b>Circular economy wind</b> 100%	100%	-
	<b>Solar circular economy</b> 93%	92%	+1%
<b>ENGAGEMENT</b>  	<b>Contribution to local communities</b> 9,061 EURk	9,351 EURk	-3%
	<b>Students involved in educational activities</b> 23,407	16,377	+43%
	<b>Social purpose projects</b> 2	0	+2
<b>PEOPLE</b>  	<b>Employees at year end</b> 636 69% men, 31% women	573 71% men, 29% women	+11%
	<b>Women key leaders</b> 18%	18%	0%
	<b>Training per employee</b> 6.0 days	6.2 days	-4%
<b>GOVERNANCE</b>  	<b>Composition of the BoD</b> 12 members 58% men, 42% women	12 members 58% men, 42% women	-
	<b>Average ESG score of strategic suppliers</b> 64.1	61.1	+5%
	<b>ESG Finance</b> 95%	88%	+8%

(a) Please consider that 2022 data have been adjusted based on the new IEA factors, which the Group has decided to implement starting from 2023.

## ESG ASSESSMENT OF INVESTMENTS

In 2023 all ERG's investments were analysed according to ESG parameters with a positive outcome. ERG assessed the impact of ERG's investments via a qualitative/quantitative analysis of 16 topics (across the 4 pillars of the ESG Plan Planet, Engagement, People

and Governance), consistent with the mandatory topics established by Italian Legislative Decree 254/2016, the European Taxonomy and the requirements of the ESG Rating Agencies.

### ESG topics assessed in investments<sup>1</sup>



## EU TAXONOMY

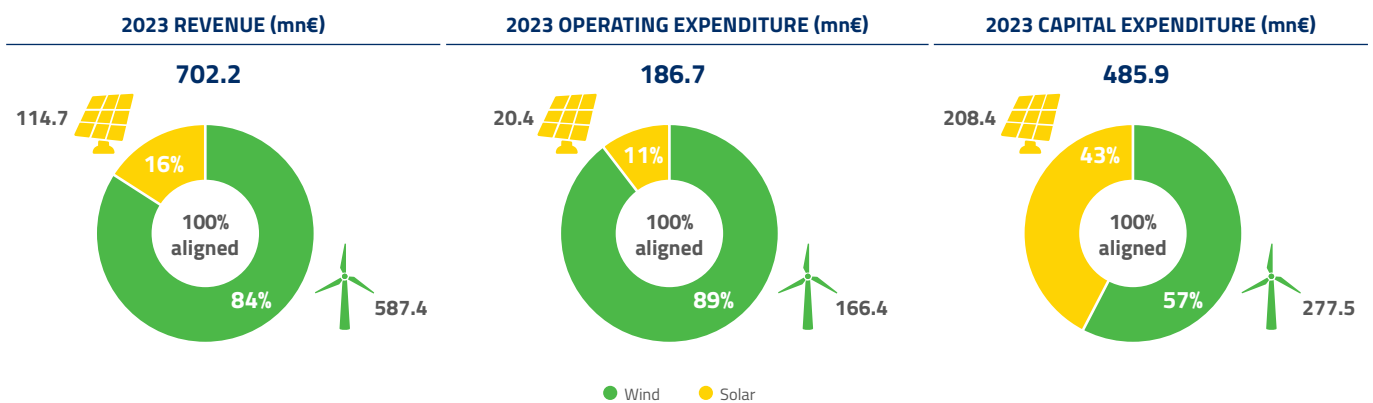
The alignment with the provisions of the EU Taxonomy is summarised below.

### Technical Screening Criteria

All activities carried out by ERG are 100% aligned with the EU Taxonomy. Indeed, under this Framework both

Activity 4.1 (Electricity generation using solar photovoltaic technology) and Activity 4.3 (Electricity generation from wind power) contribute in a significant manner to mitigating climate change. The CapEx and OpEx plans are also 100% in line with the EU Taxonomy as presented in the following graph.

### EUROPEAN TAXONOMY – ANALYSIS OF RESULTS



Therefore, under the current definitions established by the EU taxonomy, the Eligible Green Projects below defined

(incl. Activity 4.10) make a Substantial Contribution to the EU Environmental Objective of Climate Change Mitigation.

<sup>1</sup> ERG's Non-Financial Statement (NFS) 2023

## Do No Significant Harm (DNSH)

To ensure the alignment with the “do not have a significant negative environmental impact”, ERG has carried out an internal analysis and assessed the following factors together with Activity 4.1 & 4.3:

- the environmental authorizations obtained for the construction and operation of the Wind & Solar plants (also called W&S);
- the analysis of chronic and acute climate-related risks and their compensation and mitigation measures;

- the durability of the technologies;
- the disposal and recyclability of components at the end of the useful life of W&S plants.

Based on that, ERG can conclude that those economic activities comply with the technical criteria of DNSH. The alignment of Activity 4.10 that is planned to be installed in 2025 according to our Business Plan will use the same approach.



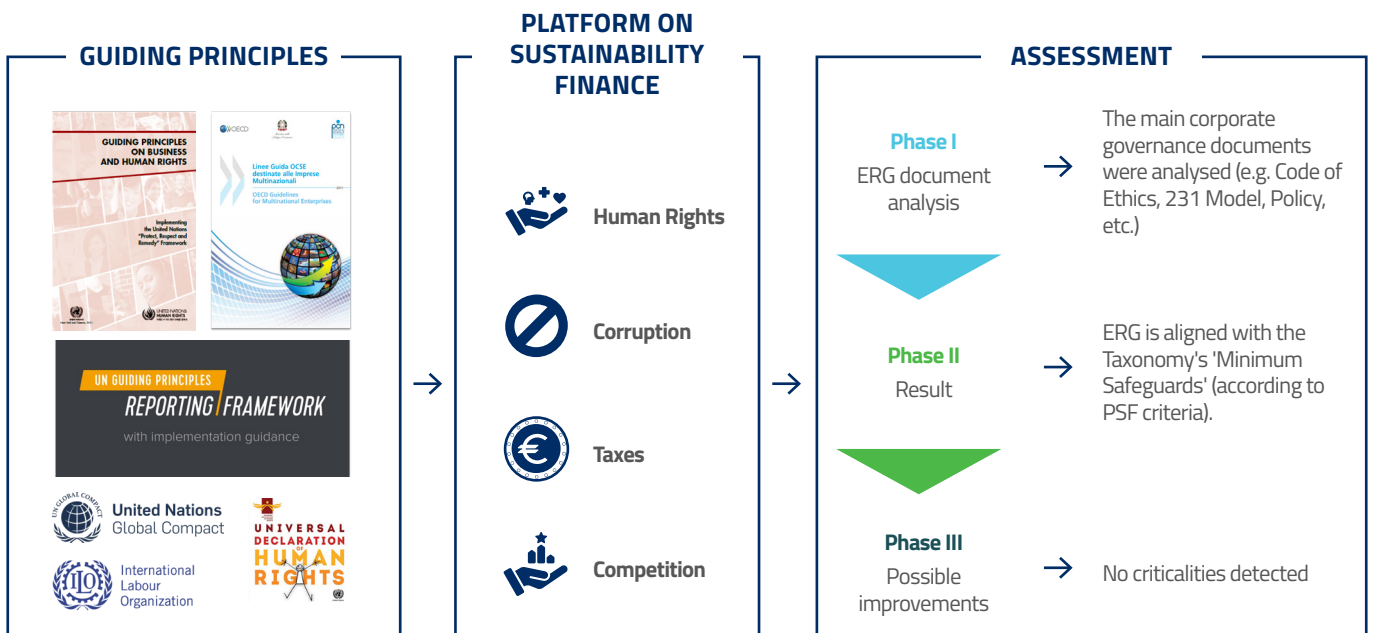
Internships	Requirements (Annex I)	Satisfaction	Satisfaction
Climate change adaptation	The activity fulfils the criteria of Annex A of the Delegated Acts supplementing Regulation (EU) 2020/852.	✓	✓
Sustainable use and protection of water and marine resources	Not applicable (Does not apply to On-shore Renewable Energy Plants)		
Transition to a circular economy	The activity assesses the availability of equipment and components of high durability and recyclability and easy dismantling and upgrading, using them where possible.	✓	✓
Pollution prevention and reduction	Not applicable (Does not apply to Renewable Sources)		
Protection and restoration of biodiversity and ecosystems	The activity fulfils the criteria of Annex D of the Delegated Acts supplementing Regulation (EU) 2020/852. In the case of offshore wind installations, the activity does not hinder the achievement of good environmental status as set out in Directive 2008/56/EC	✓	✓

## Minimum Social Safeguards

To ensure the alignment with Article 18 of the EU Taxonomy, ERG has carried out an analysis to assess whether the structure and internal processes involved are adequate to safeguard and comply with the minimum safeguards. In this regard, the non-binding

opinion of the Platform on Sustainability Finance (PSF) was taken as a reference.

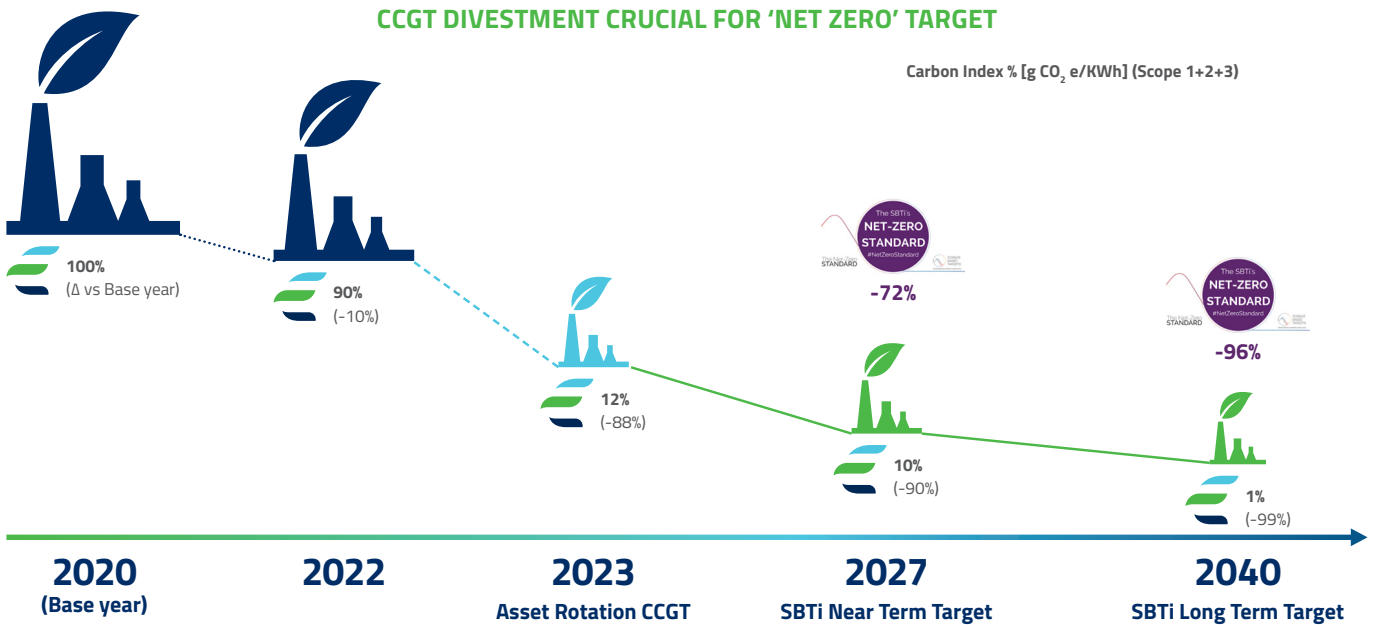
The analysis carried out made it possible to reach the conclusion that ERG conducts its activities in compliance with the minimum safeguards.



## BECOMING NET ZERO BY 2040

The completion of the asset rotation, with the disposal of the CCGT Plants, allowed ERG to almost zeroing the Scope 1 and 2 emissions in 2023. Consequently, the Carbon Index was reduced by 88% in 2023 compared to the 2020 baseline, aligning with ERG’s Net Zero strategy, approved by SBTi.

ERG remains committed to enlarging its RES portfolio and will continue to cover its energy needs with green energy. Additionally, ERG is working towards converting all its company cars to green vehicles by 2030.

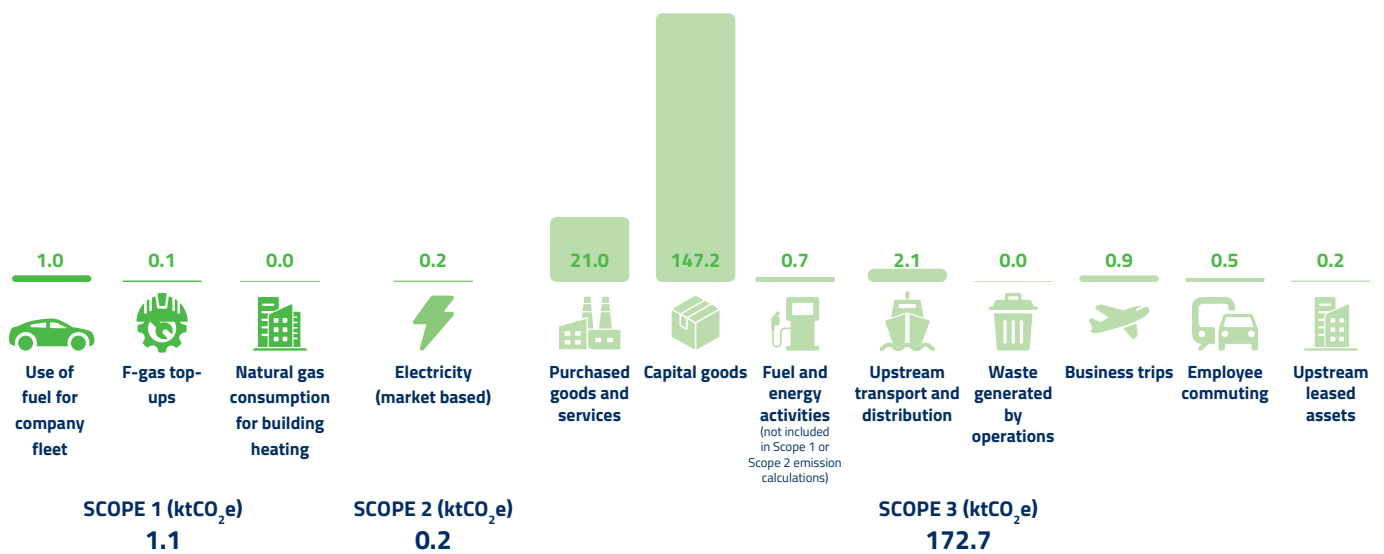


## SCIENCE BASED TARGET APPROVES OUR DECARBONISATION TARGETS

On 7 July 2023, the Science Based Target initiative (SBTi) approved the ERG Group’s greenhouse gas (GHG) emission reduction targets, in line with the threshold necessary to keep the global temperature increase within 1.5°C. ERG is committed to achieving Net Zero by 2040 through a

number of specific actions both in the short term to 2027 (near-term target) and in the long term (long-term target). For details, see the Press Release of 7.07.2023<sup>2</sup>.

ERG’s carbon footprint as of 31 December 2023:



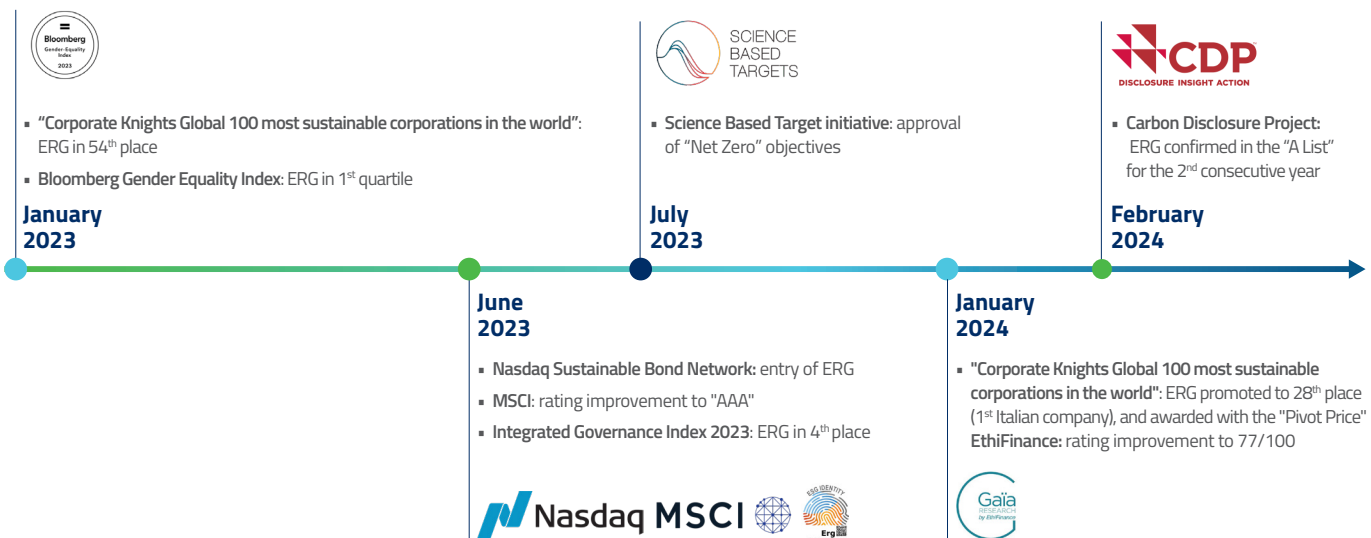
For more information on the calculation of emissions, please refer to the methodological note of ERG’s Non-Financial Statement 2023.

<sup>2</sup> SBTi - Press release

## ESG MAIN RECOGNITIONS

As reward of its ESG profile, ERG is constantly rated by different ESG rating providers. Indeed, all company departments constantly collaborate in reporting to the ESG rating agencies, as ERG considers their assessments (all "unsolicited") as an important

opportunity to improve its sustainability performance. In 2023, ERG's ranking in all the major ESG ratings allowed ERG to maintain the "leadership" bracket. As a proof of ERG's ESG commitment, ERG has been getting some of the most recognized achievements in the market.



## ERG JOINS THE NASDAQ SUSTAINABLE BOND NETWORK

In June 2023, following the complete allocation of earnings deriving from all the previous issuance of Green Bonds, ERG joined the Nasdaq Sustainable Bond Network, a platform dedicated to Sustainable Finance of the New York electronic stock exchange that brings together investors, issuers and investment banks.

The entry into the Nasdaq Sustainable Bond Network is an important recognition of ERG's commitment to sustainable finance which supports the Group's development programmes contained in the Business Plan and which aims to reach and maintain at least 90% of loans in 2026 classified as "Sustainable Funding"



*The ERG logo projected on the Nasdaq Tower in Times Square*

## 2. GREEN BOND FRAMEWORK

### RATIONALE

In just over a decade, ERG transformed its entire business portfolio and diversified its funding sources. Indeed, ERG launched its first Green Bond in 2019 and since then green issuances have become the leading component of ERG's total capital structure by amounting to a total of EUR 1,600 million and representing approximately 83% of all sustainable sources.

As of 31st, December 2023, nearly 95% of the Group's funding is made up of sustainable finance sources which are equal to EUR 1,930 million out of a total gross debt of EUR 2,027 million (in nominal value) and include:

- Green Bonds, which amount to a total of EUR 1,600 million and represent approximately 83% of sustainable sources.
- Sustainability-Linked Senior Unsecured loans that amount to EUR 330 million and represent the remaining 17% of sustainable sources.

Therefore, to reflect its sustainable finance structure, as well as its ambition to be constantly aligned to the best market practice, ERG has decided to release a new version of its framework. This new Green Bond Framework (the "Framework") has been established in accordance with the following major changes:

- Alignment with 2021 ICMA Green Bond Principles (the GBP<sup>3</sup>) with June 2022 Appendix I<sup>3</sup>.
- Alignment with the UN Sustainable Development Goals (UN SDGs) and related Targets set by United Nations.
- Alignment with the Regulation EU 2020/852 (known as the "EU Taxonomy") and the related Delegated Acts on Climate Change Mitigation and Adaptation.
- Alignment with the Supplementary Delegated Climate Act (Delegated Reg. 2023/2485) and the Delegated Environment Act (Delegated Reg. 2023/2486), which set out the requirements for the four environmental objectives.
- Alignment with the recommendations of the proposed EU Green Bond Standards ("EU GBS") on a best effort basis while ERG will continue to follow closely the evolution of the EU Green Bond Standards Regulation.



The Framework follows ICMA's four components including recommendations of GBP on external review and reporting

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds, and
4. Reporting

<sup>3</sup> Green Bond Principles, June 2021 (with June 2022 Appendix 1)

## 2.1 USE OF PROCEEDS

An amount equal to the net proceeds of the ERG Green Bonds issued from time to time will be used to finance and/or refinance Eligible Green Projects, which are required to meet the Eligibility Criteria defined in the table below.

Eligibility Criteria				
Eligible Green Project Category <sup>4</sup>	Eligible Green Project	Contribution to EU environmental objectives	EU Taxonomy activity and NACE code mapping	Contribution to UN SDGs
Renewable Energy	Development, construction, acquisition, operation and maintenance of onshore wind farms	Climate Change Mitigation	4.3 Electricity generation from wind power (NACE: D35.11, F42.22)	 
	Development, construction, acquisition, operation and maintenance of solar (Photovoltaic or "PV") farm	Climate Change Mitigation	4.1 Electricity generation using solar photovoltaic technology (NACE: D35.11, F42.22)	
	Development, construction, acquisition, operation and maintenance of Battery Energy Storage Systems	Climate Change Mitigation	4.10. Storage of electricity (NACE: N/A)	

### Expected Environmental Benefits

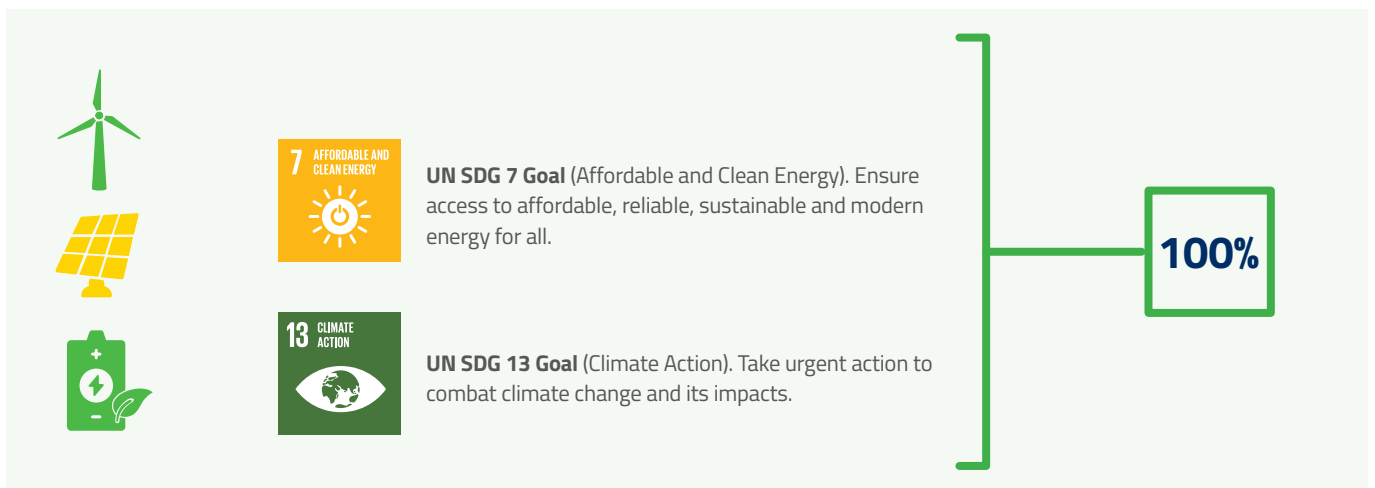
ERG is a pure green player and all the Eligible Green Projects listed above represent the 100% of ERG's business activities. Such categories are expected to bring positive impacts on the environment by:

- increasing the renewable energy installed capacity;
- reducing/avoiding the CO<sub>2</sub> emissions through the production of energy from wind and solar power and,
- helping the penetration of non-programmable renewable sources through the Battery Energy Storage Systems.

### Alignment with UN SDGs and related Targets

The Eligible Green Projects are also mapped to, as well as aligned with, the UN SDGs. Indeed, ERG Green Bonds

support projects having positive environmental impact and contributing to:

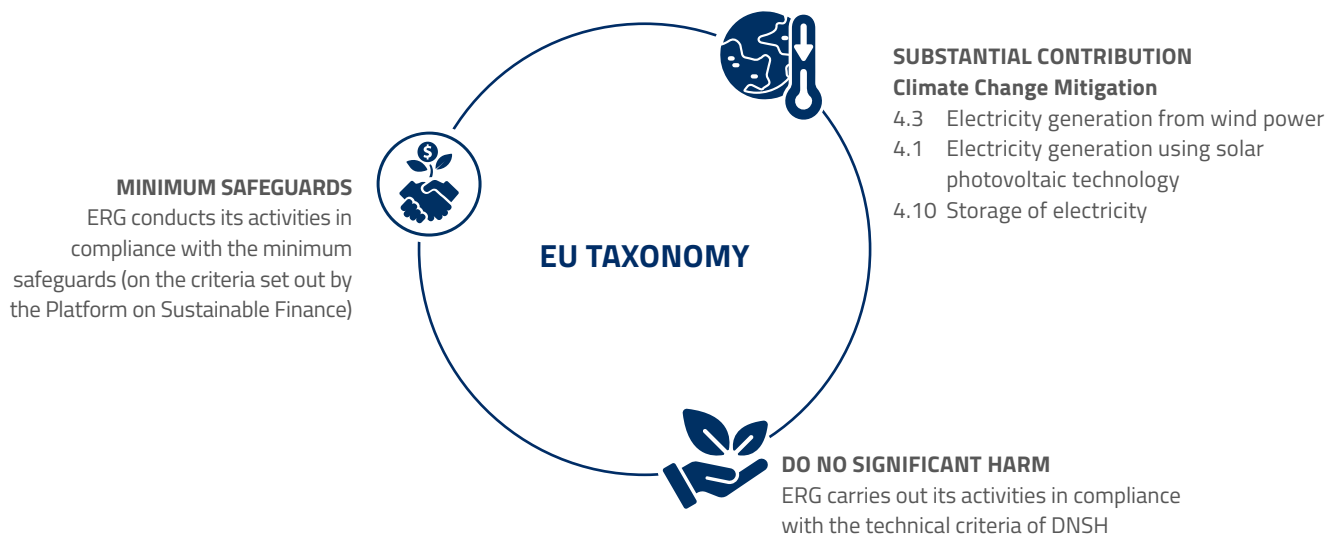


<sup>4</sup> Eligible Green Project categories have been mapped in alignment with ICMA High Level Mapping to GBP Environmental Objectives and other Green Classifications (June 2021)

## Alignment with EU Taxonomy requirements

This Framework’s Use of Proceeds section aligns with the EU Taxonomy Regulation and the Delegated Acts on Climate Change Mitigation and Adaptation (EU Reg. 2020/852). In addition to the two climate objectives, the Supplementary Delegated Climate Act (Delegated Reg. 2023/2485) and the Delegated Environment Act (Delegated Reg. 2023/2486), which set out the requirements for the four environmental objectives, have been analyzed.

According to the EU Taxonomy, Eligible Green Projects must contribute to at least one EU Environmental Objective and ensure they do no significant harm (“DNSH”) to any other EU Environmental Objectives. Furthermore, Eligible Green Projects comply with the minimum social safeguards established at the company level. In this regard, the non-binding opinion of the Platform on Sustainability Finance (PSF) was taken as a reference.



## Eligible Types of Expenditures

Under this Framework, an amount equal to the net proceeds of the ERG Green Bonds will be used to finance and/or refinance, in whole or in part, capital expenditures (CAPEX) and operating expenditures (OPEX<sup>5</sup>) in compliance with the eligibility criteria set forth in the Framework itself.

An amount equivalent to the net proceeds will be used to (re)finance Eligible Green Projects.

ERG relies on an ample pipeline of projects: alongside organic development, greenfield, repowering and co-development agreements also acquisitions represent a viable complementary growth stream providing flexibility

and modularity of the resources to be deployed. These acquisitions, that formally occur through a share purchase, are comparable with acquisitions of the underlying projects, as ERG does not plan to channel proceeds from bond issued under this Framework into companies that have a broader scope of business activity. Rather, targets of these acquisitions would be single SPV (or a portfolio of SPVs) only engaged in eligible activities reported above. Proceeds will be allocated on a pro-rata basis, considering only the share (%) of the acquisition / participation dedicated to the eligible projects.

<sup>5</sup> Eligible OPEX will be those related to the improvement and maintenance of the Eligible Green Projects either acquired or developed in accordance with the eligible criteria set forth in the Framework.

## Forward-Looking Period

ERG Green Bond's proceeds that will be allocated over a period of two financial years from the issuance of the relevant ERG Green Bond will address Eligible Green Projects located in different European countries, including UK and US. As previously anticipated, the Eligible Green Projects will comprise:

- On-shore Wind and PV Solar plants, at different stage of development or construction, included those that are already in operations and those which are on the way to be authorized.
- Battery Energy Storage Systems, in form of lithium-battery storage, complementary to wind & solar generation capacity.

## Look-Back Period

Before any ERG Green Bond issuance under the Green Bond Framework, ERG will disclose the estimated refinancing share of any ERG Green Bonds' proceeds

and the applicable look back period with a maximum outreach of two financial years before the relevant bond issuance year<sup>6</sup>.

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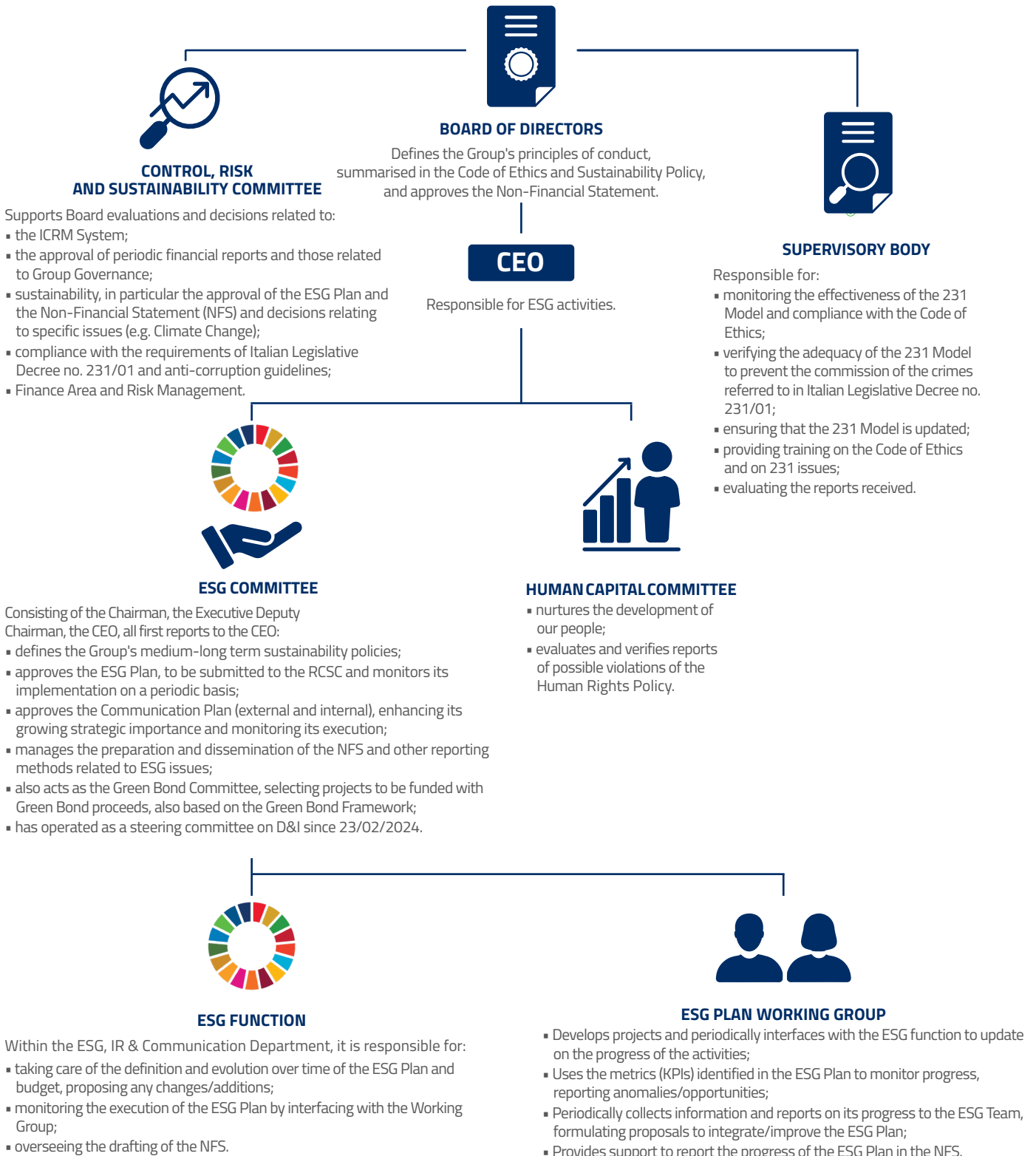
<sup>6</sup> Projects are considered new financing if they are not older than two years.

## 2.2 PROCESS OF EVALUATION AND SELECTION

### a. ERG Green Bond Committee

ERG has established a “best in class” sustainability governance system, recognised as such by the leading ESG rating agencies internationally. Through the setting

up of several committee, ESG objectives are at the heart of ERG’s business strategy and are aimed at maximising sustainable value creation for the ERG Group.



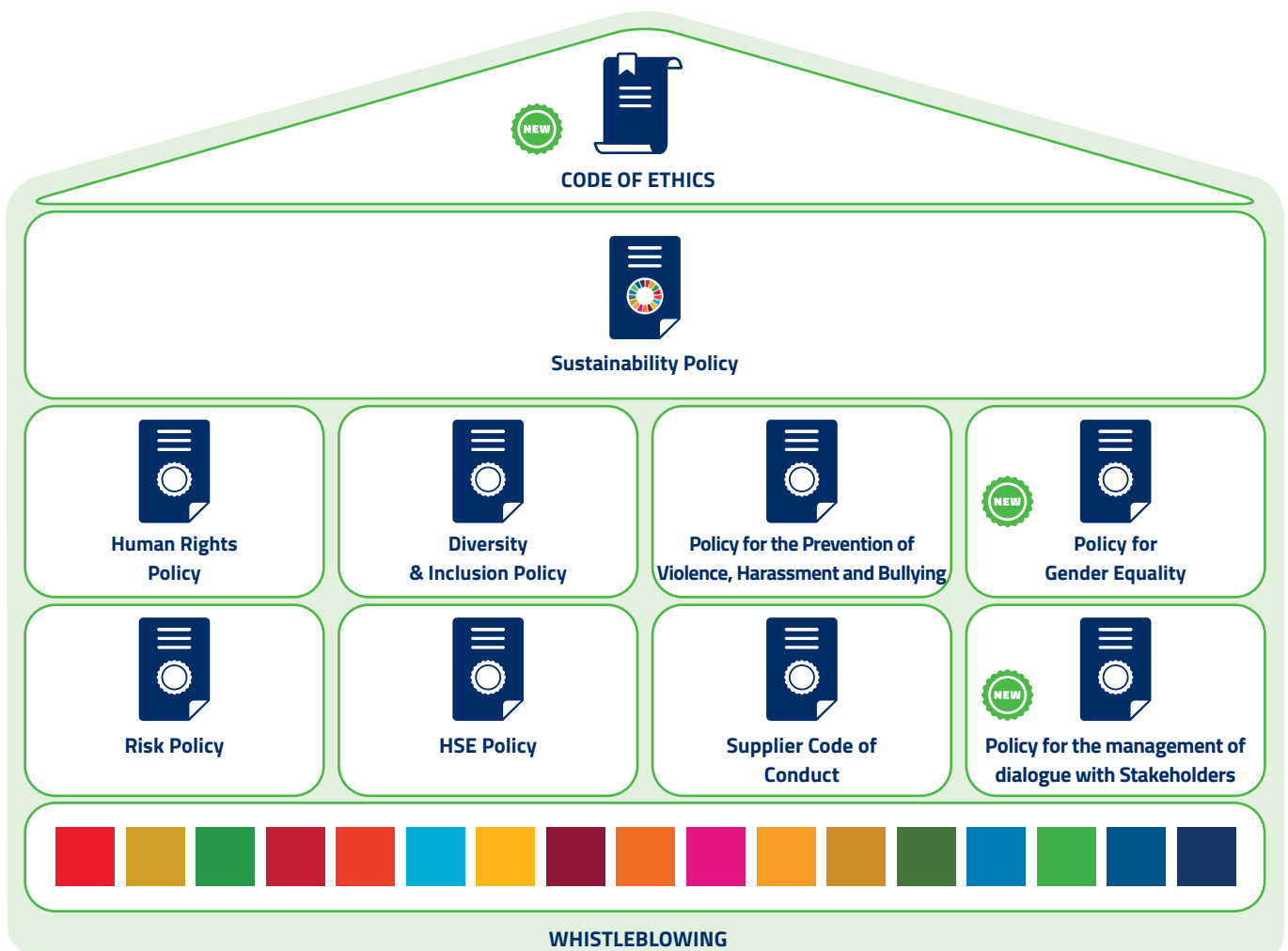
The ESG Committee is appointed as Green Bond Committee and is responsible for the Eligible Green Portfolio validation process yearly held, with particular attention to:

- identification, review and validation of the Eligible Green Projects in accordance with the defined Eligible Green Project Categories;
- monitoring the Eligible Green Project Portfolio during the life of the Green Bonds. The Committee may decide to remove an Eligible Green Project from the Eligible Green Project Portfolio, if it no longer meets the eligibility criteria;
- monitoring any ESG controversy (such as controversies that may impact local communities or changes in ecosystems) affecting ERG and directly related to an Eligible Green Project. If the Committee deems an eligible project as subject to a major ESG controversy, the Committee will analyse it and may decide to exclude such Eligible Green Project from the Eligible Green Project Portfolio.
- Monitoring the project’s alignment with EU Taxonomy

### b. ESG Policies

ERG’s business is driven by the Code of Ethics through which ERG declares its principles and specify the desire to invest in transparent dialogue with stakeholders, managing the company in an ethical and responsible manner. As the cornerstone of ERG’s way of doing business, the Code was updated in December 2023 following the completion of the transformation of the ERG Group into a Pure Wind & Solar operator and following the increasingly deep integration of the ESG strategy within ERG Business Plan. This important document is flanked by various policies, such as

the Sustainability Policy, the Human Rights Policy, the D&I Policy, the Policy Against Violence, Harassment and Bullying, and the new policies approved by the ESG Committee: the Gender Equality Policy, the Policy for the Management of Dialogue with Stakeholders and the Whistleblowing Procedure. This set of reference principles allows ERG not only to be socially responsible by complying with laws and regulations, but also to create an inclusive environment that can bring out everyone’s talents and thus create shared value strategy within ERG Business Plan.



### c. ESG Risk Management

ERG updated Impact Materiality in 2023, identifying the impacts generated by the ERG Group on the economy, the environment and people, including human rights. In summary, ERG assessed:

- the main “negative” events that do not allow ERG to achieve the objectives stated in the Business Plan as risks (including those in the ESG Plan);
- positive events as opportunities, which conversely enable ERG to achieve its strategic goals

ESG Committee was the main stakeholder and the scope of its analysis included the Wind & Solar business and all































the countries in which ERG is present as at 31 December 2023.

The main risks, both negative and positive, current and prospective, generated by the ERG Group were:

- assessed according to their degree of severity, negative in the case of risks and positive in the case of objectives, according to a “high, medium, low” scale;
- evaluated in terms of both inherent risk (without mitigation strategies) and residual risk (after implementation of mitigation strategies), identifying the mitigation strategies adopted.

A summary of the results is shown below:

High Severity
 
 Medium severity
 
 Low Severity

Relevant Topic	Severity (Inherent Risk)	Mitigation strategy (Main actions)	Severity (Residual Risk)
 <b>Climate Action</b>		<ul style="list-style-type: none"> <li>- Development strategy of RES sources 100% aligned with the EU Taxonomy;</li> <li>- Technological and geographical (Wind &amp; Solar) diversification of the generation portfolio;</li> <li>- Decarbonisation objectives of the ERG Group throughout the value chain (including the supply chain).</li> <li>- Asset efficiency programmes (Repowering / Revamping)</li> </ul>	
 <b>D&amp;I &amp; Human Rights</b>		<ul style="list-style-type: none"> <li>- HR policies and procedures (Code of Ethics; Sustainability; Human Rights; D&amp;I; Anti-Harassment and Bullying; Gender Equality);</li> <li>- D&amp;I objectives in the ESG Plan (gender balance; gender equality certification; etc.).</li> <li>- Human Resources Committee</li> <li>- Whistleblowing process</li> </ul>	
 <b>Energy Efficiency &amp; Innovation</b>		<ul style="list-style-type: none"> <li>- Technological innovation targets in the Industrial Plan (storage) to accompany RES penetration and the decarbonisation process;</li> <li>- Energy efficiency targets and programmes (Repowering Wind and Revamping Solar) added to the ESG Plan integrated in the Business Plan</li> </ul>	
 <b>Engagement with stakeholders</b>		<ul style="list-style-type: none"> <li>- Mapping of stakeholders with identification of expectations and engagement methods;</li> <li>- Stakeholder engagement model and programme based on transparency and valorisation. Relations with stakeholders</li> </ul>	
 <b>Environment &amp; Biodiversity</b>		<ul style="list-style-type: none"> <li>- Development of 100% RES sources aligned with the EU Taxonomy;</li> <li>- Sustainability Policy with section on Environment and Biodiversity;</li> <li>- Biodiversity targets in the ESG Plan;</li> <li>- Decarbonisation objectives of the ERG Group throughout the value chain (including the supply chain);</li> <li>- Impacts on Biodiversity assessed during permitting for our Wind &amp; Solar plants;</li> <li>- Monitoring programme to reduce impacts on Biodiversity (where envisaged).</li> </ul>	
 <b>Financial Results</b>		<ul style="list-style-type: none"> <li>- Risk Policy and Risk Committee to support the CEO in the management and monitoring of eco / financial risks</li> <li>- Assessment of each new investment on the impact it may have on eco-fin results;</li> <li>- Systematic cash generation by its business activities;</li> <li>- Continuous monitoring of the final and expected results and of the financial balances.</li> </ul>	
 <b>Governance &amp; Ethics</b>		<ul style="list-style-type: none"> <li>- Code of Ethics and Policies ("Sustainability"; "Human Rights"; "D&amp;I" etc.) approved by the BoD;</li> <li>- Supervisory Committee, established pursuant to the 231 Model, acting as "Ethics Committee";</li> <li>- Endorsement of the Corporate Governance Code for Listed Companies issued by Borsa Italiana;</li> <li>- Internal Control and Risk Management System compliant with other standards and best practices.</li> </ul>	
 <b>HSE &amp; Employee care</b>		<ul style="list-style-type: none"> <li>- OHSAS 18001 certified management systems;</li> <li>- HSE on-site audits + Third-party audits (RINA);</li> <li>- Periodic HSE reporting;</li> <li>- Specific well-being objectives in the ESG Plan (e.g. Remote working).</li> </ul>	
 <b>Risk management</b>		<ul style="list-style-type: none"> <li>- Risk Policy defining the most effective strategies to respond to the risks to which the Group is exposed;</li> <li>- Enterprise Risk Management process for identifying, assessing, managing and monitoring the main (current and emerging) risks;</li> <li>- Crisis Risk Management Policy for the management of corporate crisis events;</li> <li>- Cybersecurity processes and procedures to mitigate ICT risks;</li> <li>- Insurance policies covering damage.</li> </ul>	
 <b>Sustainable Supply Chain</b>		<p>Sustainable Procurement Project involving (main actions):</p> <ul style="list-style-type: none"> <li>- Selection of suppliers who manage their production processes from an ESG perspective;</li> <li>- Use of a "K-technique" for tenders &gt; EUR 100K that favours the most ESG-friendly suppliers;</li> <li>- Contracts with safeguard clauses (Code of Ethics, Supplier Code of Conduct, etc.).</li> </ul>	

## 2.3 MANAGEMENT OF PROCEEDS

The net proceeds of any green bonds issued by ERG are managed on a project basis by the ERG Funding and Sustainable Finance department, operating unit of the Treasury and Funding department.

Unallocated proceeds will be held on a temporary placement and re-allocated to Eligible Types of Expenditure as soon as reasonably practicable. Pending full allocation, unallocated proceeds may be temporarily used for other cash management purposes or other treasury businesses in accordance with ERG's treasury management policy, excluding financing of GHG

intensive activities, controversial activities<sup>7</sup>, or activities facing material ESG issues.

During the life of any Green Bonds, if a project ceases to fulfil the eligibility criteria, ERG's ESG Committee will remove the project from the Eligible Green Project Portfolio. ERG commits to allocate as soon as reasonably practical any unallocated proceeds from Eligible Projects removed from the Eligible Green Project Portfolio. ERG's ESG Committee will review any potential ESG controversy on an annual basis.

## 2.4 REPORTING

ERG commits to publish annually an allocation and impact reporting, as detailed below.

In addition, the allocation and the impact reporting will be provided until each ERG Green Bond maturity.

### a. Allocation reporting

The reporting will be produced on a project basis. It will provide:

MAIN INFORMATION	ADDITIONAL DETAILS
List of outstanding ERG Green Bonds	FIRST VIEW ✓ ISIN ✓ Amount ✓ Issuance Date ✓ Maturity Date ✓ Coupon
	SECOND VIEW ✓ Eligible Green Category pursued ✓ UN SDG ✓ Allocated Proceeds ✓ Unallocated Proceeds ✓ Installed Capacity (MW) ✓ CO <sub>2</sub> Avoided (kt)
	THIRD VIEW ✓ Average life of the Project Portfolio (%) ✓ Eligible Green Project Category (%) ✓ Country Allocation (%) ✓ Status at reporting date ✓ Capex allocated to fully EU Taxonomy aligned projects (%) ✓ Opex allocated to fully EU Taxonomy aligned projects (%)
List of Eligible Green Projects	PROJECT VIEW ✓ Project Name ✓ Green Project Category ✓ EU Taxonomy environmental objective ✓ Country ✓ Year of entry in operation (COD) ✓ Status at reporting date ✓ Refinancing (%) ✓ Proceeds allocated to new capacity (€ mn) ✓ Proceeds allocated to new capacity (%) ✓ Co-Financing, if any (%) ✓ Impact Reporting KPIs (see Impact Reporting paragraph)

This information will be publicly available on the ERG website in the Debt Area<sup>8</sup> and/or in ERG's non-financial reporting.

<sup>7</sup> Related to fossil fuels, tobacco, cannabis, alcohol, gambling, weapons or adult entertainment.

<sup>8</sup> <https://www.erg.eu/en/investor-relations/debt>

## b. Impact reporting

ERG intends to publish an impact reporting that will provide information on the expected output and environmental benefits of the selected projects. The relevant metrics will be in line with ICMA 2023

Harmonised Framework for Impact Reporting for Renewable Energy and Energy Efficiency Projects and will include<sup>9</sup>:

ELIGIBLE GREEN PROJECT CATEGORY	IMPACT INDICATORS
Renewable Energy Generation Wind Onshore	Installed renewable energy capacity in MW Produced Green Energy in MWh Estimated annual CO <sub>2</sub> tons emissions avoided <sup>10</sup>
Renewable Energy Generation Solar (Photovoltaic)	Installed renewable energy capacity in MW Produced Green Energy in MWh Estimated annual CO <sub>2</sub> tons emissions avoided <sup>10</sup>
Renewable Energy Storage	Electricity storage capacity added

The calculation of avoided emissions from green bond proceeds assumes that wind and solar farm outputs replace an equivalent amount of power from natural gas. Operations of these renewable assets are considered emission-free. Avoided emissions are derived by multiplying the output of the wind or solar farms by an emission factor, which reflects the average emissions

from natural gas-generated electricity at the asset's specific geographical location. In case of material developments or ESG controversy relating the Eligible Green Projects, any controversy or replacement of Eligible Green Project will be reported on an annual basis.

<sup>9</sup> [Suggested-Impact-Reporting-Metrics-for-Energy-Efficiency-and-Renewable-Energy-Projects-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/impact-reporting-metrics-for-energy-efficiency-and-renewable-energy-projects-june-2023-220623.pdf)

<sup>10</sup> Impact reporting: the quantity of CO<sub>2</sub> avoided is determined according to ERG's sustainability reporting procedures, by multiplying actual production to the carbon factor per MWh, as extracted from IEA reporting system and according to the following formula: CO<sub>2</sub> avoided emission ( tons)= Project yearly actual production (MWh) x Emission Factor (kg CO<sub>2</sub>/MWh)/1.000.

## 3. EXTERNAL REVIEW

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### 3.1 SECOND PARTY OPINION

ERG has appointed Moody's Ratings to provide a Second Party Opinion on this Green Bond Framework and its consistency with the ICMA 2021 Green Bond Principles

and EU-Taxonomy. This Second Party Opinion document is publicly available on ERG's website<sup>11</sup>.

### 3.2 POST ISSUANCE EXTERNAL VERIFICATION

External independent auditors appointed by ERG will ensure that the Allocation Report is consistent with ERG Green Bond Framework, on an annual basis until each ERG Green Bond maturity.

Auditors will review the compliance of the selected Eligible Green Project and reporting metrics, with the Green Bond Framework.

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<sup>11</sup> <https://www.erg.eu/en/investor-relations/debt>

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