

ASSESSMENT

21 June 2024



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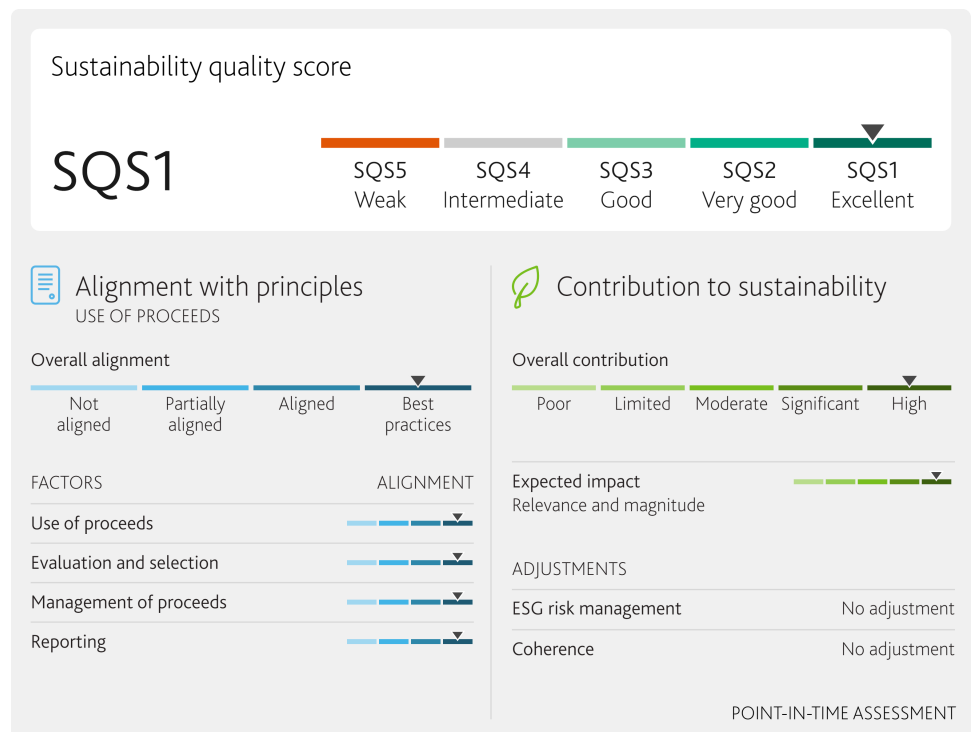
ERG S.p.A.

Second Party Opinion – Green Bond Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 Sustainability Quality Score (excellent) to ERG S.p.A.'s green bond framework dated June 2024. ERG has established its green bond framework with the aim of financing projects across one eligible green category: renewable energy. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), and the issuer has also incorporated all Moody's Ratings identified best practices. The framework also demonstrates a high contribution to sustainability.

Within the scope of our assessment¹, all economic activities linked to the eligible category adhere to the EU Taxonomy Criteria, see Appendix 3.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of ERG's green bond framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1). Under its framework, the issuer plans to issue green bonds to finance projects under one green category — renewable energy (as outlined in Appendix 2 of this report).

We have also provided a supplementary opinion about whether or not the economic activities in the framework adhere to the Technical Screening Criteria (TSC) set out in the EU Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486, and the Minimum Safeguards (MS) set out in Regulation (EU) 2020/852 (amended from time to time and jointly referred to as "EU Taxonomy Criteria"). Our assessment is performed at the economic activity level in respect of the EU Taxonomy Criteria relating to Substantial Contribution and Do No Significant Harm (DNSH), and at the entity level for MS. Our work does not constitute an assurance, verification or audit of alignment with the EU Taxonomy Criteria.

Our assessment is based on the last updated version of the framework received on 5 June 2024, and our opinion reflects our point-in-time assessment² of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Headquartered in Italy, ERG S.p.A. is one of the largest European operators of clean energy from renewable sources. It converts clean forms of energy, such as solar and wind power, into electrical energy. Its total installed capacity in operation currently stands at 3,674 MW, of which 3,042 MW is wind power and 632 MW is solar power, distributed geographically in nine European countries and in the US. In 2024, ERG entered the renewable energy market in the US through an agreement with an independent American green energy developer, Apex Clean Energy Holdings LLC. According to its green strategy, the company commits to achieve "Net Zero" by 2040 and "No net loss" on biodiversity by 2030 through conservation strategies and compensation measures. Since 2019, ERG is an issuer of sustainable debt instruments, mostly green bonds, which currently make up 95% of the group's funding.

Strengths

- » The environmental benefits associated with the eligible category are clearly defined and relevant, and are likely to be highly impactful in mitigating climate change.
- » The eligible categories follow the TSC of the EU Taxonomy Climate Delegated Act for Climate Change Mitigation.
- » A comprehensive and transparent project evaluation and selection process, including robust environmental risk mitigation practices, is available.
- » An external auditor will verify the tracking and allocation of funds to the eligible projects until full allocation and in the event of significant changes, and the environmental benefits of the eligible projects until the green financing instruments' maturity.

Challenges

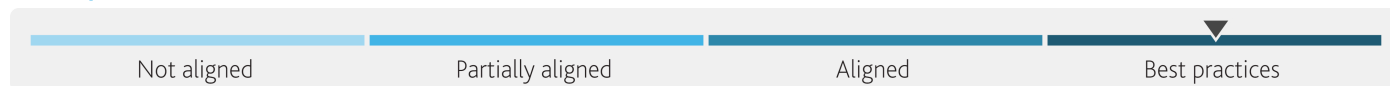
- » The issuer has not committed to only storing renewable electricity in batteries; however, it is likely that a considerable share of the installations will be located close to the issuer's green energy production facilities.

Alignment with principles

ERG's green bond framework is aligned with the four components of the ICMA's GBP 2021 (including the June 2022 Appendix 1):

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- Green Loan Principles (GLP)
- Social Loan Principles (SLP)
- Sustainability-Linked Bond Principles (SLBP)
- Sustainability Linked Loan Principles (SLLP)

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

The issuer has clearly and comprehensively communicated the nature of expenditures, and the eligibility and exclusion criteria for the eligible green category. The company has defined the location of the eligible projects at the country level, clarifying that the projects to be financed will be located in Bulgaria, France, Germany, Italy, Poland, Romania, Spain, Sweden, the UK and the US. The company has provided granular descriptions of the eligible projects that could be financed with each issuance. The definition of eligible categories follows the TSC contained in the EU Taxonomy Climate Delegated Act for Climate Change Mitigation, thus incorporating stringent, internationally recognized technical thresholds.

Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly outlined climate change mitigation as the environmental objective associated with its eligible category. The category is relevant to the environmental objective of climate change mitigation. The company has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) and the EU Taxonomy in articulating the objective of the eligible category, which is coherent with recognized international standards.

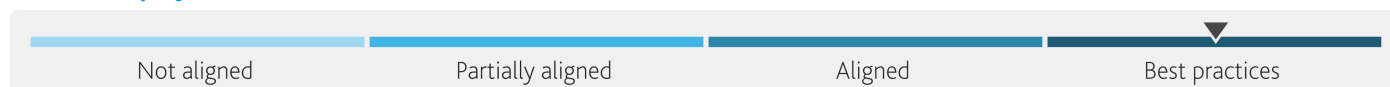
Clarity of expected benefits – BEST PRACTICES

ERG has identified clear expected and relevant environmental benefits for the eligible category based on the projects to be financed. The company has identified measurable indicators for its eligible category, which will be quantified in the reporting. Further, ERG commits to disclose the estimated share of refinancing before any green bond issuance, and has defined a maximum lookback period of no more than two financial years.

Best practices identified - use of proceeds

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of the process for defining eligible projects – BEST PRACTICES

ERG has established a clear and structured decision-making process for determining the eligibility of projects and assets in its framework, which will be published on the company's website. The process for the evaluation and selection of eligible projects is coordinated by ERG's ESG Committee. The roles and responsibilities of the committee are clear and rely on internal expertise from different departments within the company. Traceability of decision-making processes is ensured via meeting minutes. The company will monitor continued compliance of the selected projects with the eligibility criteria at least once a year. If a project no longer complies with the eligibility criteria, the ESG Committee will exclude such a project from the Eligible Green Project Portfolio and reallocate the funds.

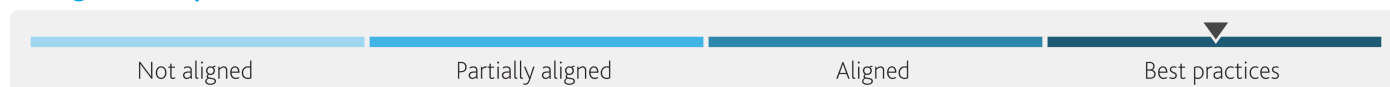
Environmental and social risk mitigation process – BEST PRACTICES

The company has established a comprehensive environmental and social (E&S) risk mitigation process, including the monitoring of controversies and a process to identify and manage potential significant E&S risks. The company commits to implement measures related to the management of significant ESG risks by combining monitoring, identification and corrective measures for all projects. Adaptation solutions (physical and nonphysical) with corresponding measures intended to reduce the most critical physical risks are applied to both existing and newly built assets. In addition, the issuer conducts environmental impact assessments on its assets, which comply with the ISO 14001 certification.

Best practices identified - process for project evaluation and selection

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The issuer has defined a clear process for the management and allocation of proceeds, which is detailed in its green bond framework, which will be publicly available on the company's website. Net proceeds raised via the green bond framework will be held in the company's general treasury and managed by the ERG Funding and Sustainable Finance department, operating unit of the Treasury and Funding department. The ERG Funding and Sustainable Finance department will ensure these proceeds are only used for eligible projects. As long as the green bond instruments are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match the allocations to eligible projects made during that period. The issuer has committed to allocate net proceeds within 2 financial years.

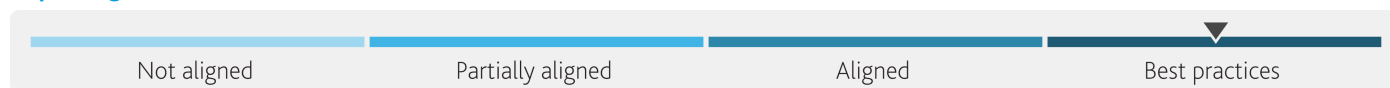
Management of unallocated proceeds – BEST PRACTICES

Unallocated funds may be temporarily used for other cash management purposes or other treasury businesses in accordance with the company's treasury management policy. In addition, ERG has defined exclusion criteria for controversial and greenhouse gas (GHG)-intensive investments, in line with best market practices. In case of project divestment or postponement, the issuer has provided information on the procedure that will be applied, and it has committed to reallocate the divested proceeds to projects that comply with the green bond framework within 2 financial years.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

The company will report annually on the use of proceeds until the green bond instruments' maturity, and in the event of material developments or the detection of ESG controversies related to the eligible green projects. The issuer report will be publicly available on ERG's website. The reporting will cover relevant information on the allocation of proceeds and the expected sustainable benefits of the projects. The company has stated that the report will include a list of projects financed, the outstanding amount of unallocated net proceeds, and the share of financing and refinancing.

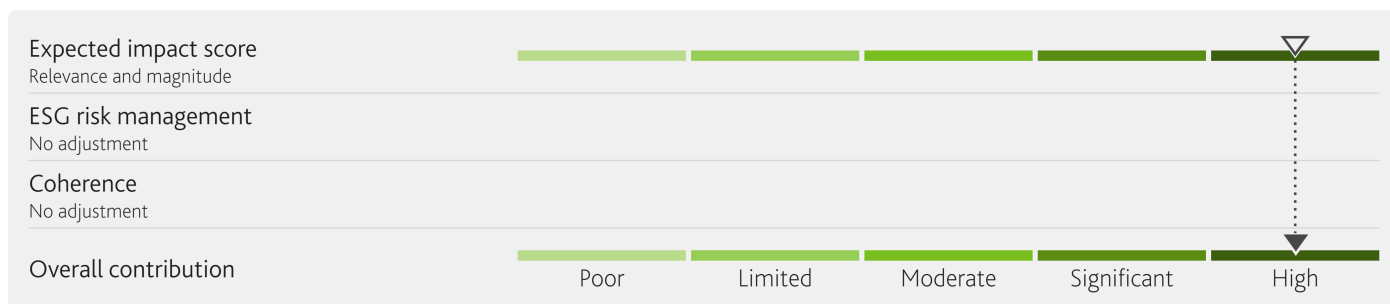
The company has identified relevant environmental reporting indicators for each of its eligible subcategories within the eligible category and has clearly disclosed these indicators in its publicly available framework. The methodologies and assumptions used to report on the environmental impact of the eligible projects are publicly disclosed in the framework. External auditors will verify the allocation to the eligible projects and the environmental benefits on an annual basis and until the green bonds' maturities.

Best practices identified - reporting

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

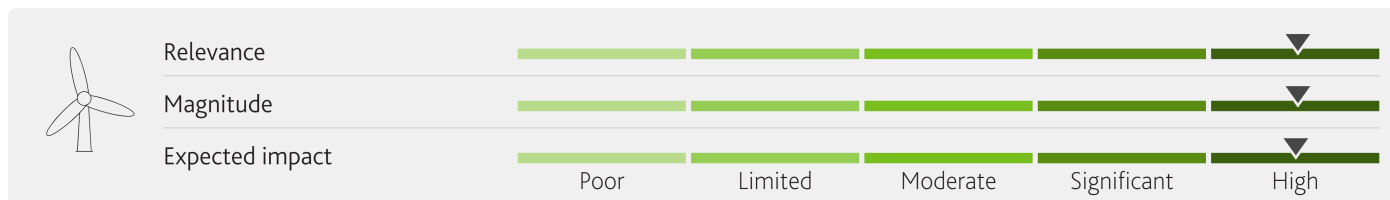
The framework demonstrates a high overall contribution to sustainability.



Expected impact

The framework demonstrates a high overall contribution to sustainability. All net proceeds will be allocated to one eligible category. A detailed assessment by eligible category is provided below.

Renewable energy



Financing renewable energy projects comprising solar (photovoltaic panels only), wind (onshore only) and battery storage capacities is highly relevant to increasing the amount of renewable energy production capacity and thereby promoting the energy transition. The assets will be located in Europe and the US, regions where there is currently no saturation of renewable energy projects and where electricity production still relies on fossil fuel energy sources. In general, decarbonization of electricity and heat production and increasing energy storage capacity are highly relevant to the company's sector and operations.

The eligible projects under this category will have a highly positive long-term impact on the objective of climate change mitigation by directly avoiding GHG emissions in electricity production. The company's eligibility criteria for solar and wind power and battery storage systems align with the best available technology and strictest standards, namely the substantial contribution criteria contained in the EU Taxonomy Climate Delegated Act for Climate Change Mitigation. The issuer has not explicitly specified that it would only store electricity from renewable electricity; however, the installation of batteries currently in the pipeline is likely to be located close to one of the issuer's renewable energy production facilities, which de facto amounts to storing of clean energy.

ESG risk management

We have not applied a negative adjustment to the expected impact score for ESG risk management. In general, wind and solar projects have only limited inherent environmental risks, which are effectively managed by ERG. Regarding biodiversity, ERG has in place preliminary assessments as well as monitoring programs to protect the environment from negative effects from the development of wind or solar parks. Environmental impact assessments are performed at ERG's locations before the construction of the facilities while particular attention is paid to circular economy practices along the supply chain. In addition, the eligible projects are in line with the screening criteria of the EU Climate Delegated Act. Therefore environmental externalities are well managed because the category follows one of the most stringent standards available. On the social side, ERG focuses on managing the risks of human rights breaches and employees' health and safety effectively through its comprehensive code of ethics, by implementing a whistle-blowing process, and by conducting third-party and on-site audits, among others.

Coherence

We have not applied a negative adjustment to the expected impact score for coherence. Projects to be financed under ERG's green bond framework align with its broader sustainability priorities as the company's business is entirely dedicated to renewable energy. The firm has integrated emission reduction targets into its business strategy, demonstrating a corporate commitment toward environmental sustainability. In 2023, Science Based Targets initiative (SBTi) certified that ERG commits to reach net-zero GHG emissions across the value chain by 2040 from a 2020 base year, in addition to having identified comprehensive near- and long-term targets for Scope 1, 2 and 3 emissions. The issuer effectively aligns with its sustainability objectives and pledges by establishing a structure for the funding and refinancing of green initiatives. This approach also addresses SDG 7 - Affordable and Clean Energy, and SDG 13 - Climate Action.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The eligible category included in ERG's green bond framework is likely to contribute to two of the UN SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	<i>Renewable Energy</i>	7.1: Ensure universal access to affordable, reliable and modern energy services 7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 13: Climate Action	<i>Renewable Energy</i>	13.2: Integrate climate change measures into national policies, strategies and planning

The UN SDGs' mapping in this SPO takes into consideration the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer/borrow/lender's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in ERG's green bond framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> -Development, construction, acquisition, operation and maintenance of onshore wind farms -Development, construction, acquisition, operation and maintenance of solar (Photovoltaic or "PV") farms -Development, construction, acquisition, operation and maintenance of Battery Energy Storage Systems 	Climate Change Mitigation	<ul style="list-style-type: none"> - Installed renewable energy capacity in MW - Produced Green Energy in MWh - Estimated annual CO2 tons emissions avoided - Electricity storage capacity added

Appendix 3 - Adherence to the EU Taxonomy³

We have provided a supplementary opinion on the green bond framework's adherence to the EU Taxonomy Criteria, as defined in the Scope section of this report.

As detailed in the tables below, we consider all economic activities to adhere to the EU Taxonomy Criteria. Our assessment is based solely on information provided by the issuer.

Limited to the eligible projects that adhere to the EU Taxonomy Criteria, the issuer has implemented processes to ensure that all selected projects adhere to TSC and MS as applicable under the EU Taxonomy Regulation. The issuer has concluded a detailed screening of the EU Taxonomy Criteria for each of the economic activities and identified where existing national law is likely to cover the requirements and where it needs to be complemented by additional measures. This process is described in the "Project evaluation and selection" section, under Alignment with Principles.

Exhibit 1

Substantial contribution criteria - Climate change mitigation (CCM)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Eligible Sub-category	Economic Activity	Adherence	Related issuer information
Renewable Energy	Solar (Photovoltaic or "PV") farm	4.1 Electricity generation using solar photovoltaic technology.	Adheres	ERG's activities include the development, construction, acquisition, operation and maintenance of solar (Photovoltaic or "PV") farms.
	Onshore wind farms	4.3. Electricity generation from wind power	Adheres	ERG's activities include the development, construction, acquisition, operation and maintenance of onshore wind farms.
	Battery Energy Storage Systems	4.10. Storage of electricity	Adheres	ERG's activities include the development, construction, acquisition, operation and maintenance of Battery Energy Storage Systems. Activities related to chemical energy storage or electricity storage via hydrogen or ammonia, are excluded.

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 2

Do No Significant Harm - Climate change adaptation (CCA)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Economic Activity	Adherence	Related issuer information
Renewable Energy	4.1 Electricity generation using solar photovoltaic technology	Adheres	Across CCM economic activities 4.1., 4.3., and 4.10., all eligible projects adhere to Appendix A. ERG conducts a climate risk and vulnerability assessment, as well as an analysis of climate change's impacts on its business, which was developed following the guidelines of the TCFD (Task Force on Climate-related Financial Disclosure). The risk level is estimated based on the extent of an asset's exposure to climate variables. The evaluation assesses only the most impacting risks (medium level and above). Adaptation solutions (physical and non-physical) with corresponding implementation measures intended to reduce the most critical physical risks are applied to both existing and newly built assets.
	4.3 Electricity generation from wind power	Adheres	
	4.10. Storage of electricity	Adheres	

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 3

Do No Significant Harm - Sustainable use and protection of water and marine resources (WMR)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Economic Activity	Adherence	Related issuer information
Renewable Energy	4.1 Electricity generation using solar photovoltaic technology	<i>Not applicable</i>	N/A
	4.3 Electricity generation from wind power	<i>Not applicable</i>	ERG does not engage in offshore wind activities.
	4.10. Storage of electricity	<i>Not applicable</i>	ERG does not engage in pumped hydropower storage activities.

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 4

Do No Significant Harm - Transition to a circular economy (TCE)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Economic Activity	Adherence	Related issuer information
Renewable Energy	4.1 Electricity generation using solar photovoltaic technology	Adheres	ERG ensures waste limitation and the recyclability of materials through comprehensive waste management plans based on the waste hierarchy. ERG integrates in its Health, Safety and Environment Management System considerations regarding the end-of life impact of products and services delivered, as a result ERG is ISO 14001 certified. For example, in 2023, at the Group level 91% of the waste produced by the Group was earmarked for recovery. In addition, circular economy strategies are implemented. For example, solar plant modules with no longer functioning or with non-repairable defects are transferred to dedicated consortia that recover the materials, while structurally intact modules are donated for social use projects to NGOs. In regards to wind turbines, ERG relies on an accredited supplier for the dismantling and removal of turbines and towers through the virtuous cycle of reuse (second-hand market sale and material recycling), ensuring that no wind turbine material goes to landfill.
	4.3 Electricity generation from wind power	Adheres	
	4.10. Storage of electricity	Adheres	

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 5

Do No Significant Harm - Pollution prevention and control (PPC)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Economic Activity	Adherence	Related issuer information
Renewable Energy	4.1 Electricity generation using solar photovoltaic technology	Not applicable	N/A
	4.3 Electricity generation from wind power	Not applicable	N/A
	4.10. Storage of electricity	Not applicable	N/A

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 6

Do No Significant Harm - Protection and restoration of biodiversity and ecosystems (PBE)

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.10

Eligible Category	Economic Activity	Adherence	Related issuer information
Renewable Energy	4.1 Electricity generation using solar photovoltaic technology	Adheres	Across CCM economic activities 4.1, 4.3 and 4.10. all eligible projects, for which this DNSH criteria applies, adhere to Appendix D.
	4.3 Electricity generation from wind power	Adheres	<p>The PBE requirements are linked to the assessment of impacts on the environment. ERG ensures the respect of the environment and the protection of biodiversity in the countries where it operates via policies and processes in place. ERG is aiming at preserving natural capital based on a no net loss target by 2030, no net deforestation by 2025, and the mitigation-hierarchy approach. In addition, ERG will select the preferred solution related to mitigation, compensation, and rehabilitation measures according to internal procedures based on environmental reports, including but not limited to geological and archaeological surveys, habitat assessments, and the International Union for Conservation of Nature (IUCN) species assessments.</p> <p>In particular, Environmental Impact Assessments are performed for all PV installation.</p> <p>In addition, in case of wind power projects, electricity will be generated only from onshore wind resources.</p>
	4.10. Storage of electricity	Adheres	

Sources: Moody's Ratings and ERG S.p.A.

Exhibit 7

Minimum Safeguards

Assessment at the issuer level

Minimum Safeguards	Adherence	Related issuer information
Human Rights	Adheres	<p>ERG has established a human rights due diligence process in accordance with the steps and procedures outlined in the OECD Guidelines for Multinational Enterprises (MNEs), the United Nations Guiding Principles (UNGPs) on Business and Human Rights, including the principles and rights established by the eight fundamental conventions identified in the International Labour Organisation's (ILO's) Declaration on Fundamental Principles and Rights at Work and the International Charter of Human Rights. All ERG suppliers and subcontractors are subject to a global reputation assessment, carried out at the qualification phase and throughout the contractual period, as well as to recurrent on-site checks and annual ESG controls.</p> <p>Additionally, there are currently no labor or human rights convictions pending, nor are there any allegations made against ERG by the Business and Human Rights Resource Center (BHRRRC).</p>
Corruption	Adheres	<p>ERG has anti-corruption processes in place, which consider various anti-bribery laws and regulations from numerous relevant jurisdictions. The main procedures and measures adopted are presented in the publicly available Anti Corruption Policy, Code of Ethics and Compliance Plan.</p> <p>Furthermore, there are currently no court convictions for corruption pending.</p>
Taxation	Adheres	<p>The issuer is committed to complying with tax laws and regulations in the various jurisdictions in which it operates. The details on the application of good tax practices are publicly available in the ERG Group Tax Strategy and a Tax Control Framework which covers an internal audit system for tax risk. In addition, ERG has integrated in its Business Plan a Tax commitment on further increasing Tax Transparency by 2030.</p> <p>In addition, there are currently no court convictions pending for violations of tax laws.</p>
Fair Competition	Adheres	<p>ERG is a member of the European Federation of Energy Traders (EFET), promoting competition, transparency, and free access to the European energy sector. ERG is committed to complying to all competition and antitrust laws in the countries where it operates. On the supplier side, ERG has implemented various actions such as Sustainable Procurement with ESG assessments of suppliers and Health Safety and Environment field audits and activities to monitor supplier performance.</p> <p>ERG has adopted a code of conduct, which includes the requirement for recipients to comply with applicable antitrust laws and regulations and to pursue principles of fair and transparent competition. Recipients are also prohibited, in conducting their activities, from engaging in any restrictive practice or unlawfully disturbing the market.</p> <p>ERG has measures in place to promote the employee awareness of the importance of compliance to applicable competition laws and regulations. The issuer has implemented appropriate competition law training programs and communication plans for all the firm's employees.</p> <p>In addition, there are currently no court convictions pending for violations of competition laws.</p>

Sources: Moody's Ratings and ERG S.p.A.

Endnotes

- [1](#) Please refer definitions set out for both EU Taxonomy Criteria and EU GBS Regulation in the Scope section of this report.
- [2](#) Point-in-time assessment is applicable only on the date of assignment or update.
- [3](#) See Appendix C - Adherence to the EU taxonomy in our [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022.

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

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