

# SECOND PARTY OPINION<sup>1</sup>

## ON THE SUSTAINABILITY OF A2A'S GREEN FINANCING FRAMEWORK

June 12<sup>th</sup>, 2019

### SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Financing Framework (or the “Framework”) prepared by A2A and dated June 11<sup>th</sup>, 2019, to govern the potential Green Financing Instruments to be issued under this Framework.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology, to the International Capital Market Association’s Green Bond Principles (“GBP”) (edited in June 2018) and to the Green Loan Principles (GLP) of the Loan Market Association (edited in December 2018).

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed A2A’s Environmental, Social and Governance (ESG) performance, its management of potential ESG controversies and its involvement in controversial activities.<sup>2</sup>
- 2) **Issuances:** we assessed the Framework, including the analysis of the coherence between the Framework and the Issuer’s strategy and commitments, the Framework’s alignment with the four core components of the GBP, and its potential contribution to sustainability.

Our sources of information are multichannel, combining information gathered from our exclusive ESG rating database, public sources, press content providers and stakeholders, and information provided by A2A through documents and interviews with managers involved in the preparation of the framework. We carried out our due diligence assessment from April 29<sup>th</sup> to June 12<sup>th</sup>, 2019.

We consider that we were provided access to all the documentation we requested and to interview all solicited people. We consider that the information provided enables us to establish our opinion with a reasonable<sup>3</sup> level of assurance on its completeness, precision and reliability.

### VIGEO EIRIS’ OPINION

**Vigeo Eiris is of the opinion that the Framework considered by A2A is overall aligned with the four core components of the Green Bond Principles voluntary guidelines (June 2018) and of the Green Loan Principles voluntary guidelines (December 2018).**

**We express a reasonable assurance (our highest level of assurance) on the Issuer’s commitments and on the Framework’s contribution to sustainable development.**

**The Framework is considered likely to contribute to six United Nations’ Sustainable Development Goals, namely Goal 6 Clean water and sanitation; Goal 7 Affordable and clean energy; Goal 9 Industry, innovation and infrastructure; Goal 11 Sustainable cities and communities; Goal 12 Responsible production and consumption; and Goal 13 Climate action.**

#### 1. Issuer (see Part I):

- ▶ As of October 2018 - date of Vigeo Eiris’ last rating cycle - A2A displays an advanced performance on the three ESG pillars: Environmental, Social and Governance.
- ▶ As of today, A2A faces two isolated controversies, related to “Anti-competitive practices” and “Corruption”. The severity is considered significant, based on the analysis of their impact on both the company and its stakeholders, and the company is considered overall reactive.

<sup>1</sup> This opinion is to be considered as the “Second Party Opinion” described by the Green Bond Principles (see <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>).

<sup>2</sup> The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

<sup>3</sup> Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section of this document):

Level of Performance evaluation: Advanced, Good, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

- ▶ A2A has a major involvement in 2 of the 15 controversial activities<sup>2</sup> screened under Vigeo Eiris methodology, namely: Fossil Fuels Industry and Coal. A2A is not involved in any of the other 13 controversial activities.

## 2. Issuances (see Part II):

- ▶ A2A has formalized a Green Financing Framework (or “Framework”, dated June 11<sup>th</sup>, 2019) in view of issuing several Green Financing Instruments (bonds, loans and other financial instruments). The Issuer has committed to make this Framework publicly accessible on its website<sup>4</sup> before the issuance, in line with good market practices.

We are of the opinion that the Green Financing Framework prepared by A2A is coherent with the main sustainability issues of its sector, with A2A’s sustainability priorities and commitments; and that it contributes to achieve the realisation of these commitments.

### Use of Proceeds:

- ▶ The net proceeds of the Green Financing Instruments will exclusively finance and/or refinance, in full or in part, six categories of Eligible Green Projects (“Eligible Projects”), namely: Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Clean Transportation, and Transmission and Distribution Networks. We consider that the categories and the Eligible Projects are clearly defined for all categories in A2A’s Framework.
- ▶ The Eligible Projects are intended to contribute to three main environmental objectives, namely: Climate change mitigation, Natural resource conservation and Pollution prevention and control. These objectives have been defined and formalised in the Framework. We consider that these objectives are clearly defined and relevant.
- ▶ Eligible Projects are considered to provide clear environmental benefits. The Issuer has committed to publicly communicate to investors on the benefits of each bond issuance, within one year of issuance. An area of improvement is to assess and - when feasible - quantify the expected environmental impacts and to establish ex-ante environmental targets.
- ▶ A2A has not communicated an ex-ante refinancing share that will be applied to the proceeds of the Green Financing Instruments. An area of improvement is to communicate the expected refinancing share before each instrument’s issuance, in line with best market practices.
- ▶ A2A has transparently communicated that the look-back period for refinanced Eligible Projects (disbursed, delivered or acquired), will not exceed 36 months prior to the date of issuance. The Issuer has reported that this look-back period may exceed 36 months only in the case of wind and solar energy project acquisition. In these cases, A2A commits to prioritize these acquisitions, where possible, from the most recent to the oldest facilities. An area of improvement is to limit the look-back period for acquisitions to 36 months, based on the year of operation, for all Eligible Projects.

### Process for Project Evaluation and Selection:

- ▶ The governance and the process for the evaluation and selection of the Eligible Projects are clearly defined and formalised in the Framework and in internal documentation. We consider that the process is reasonably structured, transparent, and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives of the Green Financing Instruments.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are considered to be good.

### Management of Proceeds:

- ▶ The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.

### Monitoring and Reporting:

- ▶ The reporting processes and commitments are good. The selected indicators fully cover the allocation of funds and the environmental benefits (outcomes and impacts) of the Eligible Projects.

<sup>4</sup> See A2A’s corporate website at <https://www.a2a.eu/>.

A2A has committed to support its Green Financing Framework and Green Financing Instruments issuances with the following external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion (“SPO”) delivered by Vigeo Eiris, covering all the features of the Green Financing Framework dated June 11<sup>th</sup>, 2019, based on pre-issuance assessment and commitments. A2A has committed to publish this SPO on its website before the date of issuance of the Green Financing Instruments.
- An annual verification: i.e. a third-party auditor verification, covering the allocated proceeds to Eligible Green Projects and the remaining balance of unallocated proceeds, until full allocation of proceeds. The main environmental indicators will be audited by a third party. An area for improvement is to commit to an external audit of all impact metrics that will be used to report on environmental benefits of Eligible Projects.

*This Second Party Opinion is based on the review of A2A’s Green Bond Framework according to the GBP 2018 and GLP 2018.*

Paris, June 12<sup>th</sup>, 2019

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## DETAILED RESULTS

### Part I. ISSUER

A2A S.p.A is an Italian utility company involved in electricity generation through hydroelectric and thermoelectric plants. The Company is also involved in energy management, in the sale of electricity and gas and in the management of heating plants. Furthermore, A2A distributes heat and is involved in waste disposal, street cleaning and waste recovery. The Company employs around 12,000 people, mainly in Italy.

#### Level of A2A's ESG performance

As of October 2018, A2A displays an advanced ESG performance overall.

| Domain      | Comments  | Opinion  |         |
|-------------|---|----------|---------|
| Environment | A2A's performance in the Environment pillar is advanced.  | Advanced |         |
|             | The Company displays an advanced environmental strategy. A2A has set specific quantitative targets in terms of developing renewable energy, reducing GHG emissions from distribution networks, and regarding energy demand-side management. A majority (57%) of the Company's sites are reported to be certified ISO 14001 (Environmental management system).   |          |         |
|             | A2A reports on its environmental investments (such as actions to reduce emissions, increase energy efficiency, develop renewable sources and innovation) In 2017, the share of energy generation from renewable sources stood at 25.8%. This share stands among the second quartile of the sector. In 2018, the installed capacity of renewable sources (2,448 MWe) represented 26.2 % of total installed capacity (increase of 4.3 percentage points from 2017). Still, the Company's performance remains limited in terms of Management of energy consumption and GHG from Transmission & Distribution activities.  |          | Good    |
|             | A2A has set quantitative targets to reduce its carbon intensity by 2022. Major investments have been made to improve its power plants' efficiency. The share of Combined Cycle Gas Turbines (CCGT) and Combined Heat and Power (CHP) in the thermal installed capacity stood at 71.9% and 25% in 2017, respectively. Both shares increased by 10 percentage points since 2015. The Company's carbon factor stood at 400 kg CO <sub>2</sub> /MWh in 2017, which was in line with the sector average. The company carbon factor of thermal facilities (fossil-based generation) stood at 687 kg CO <sub>2</sub> per MWh in 2017, in the third quartile of the sector. |          | Limited |
|             | The Company has invested in technologies developed to reduce air emissions (i.e. SO <sub>x</sub> , NO <sub>x</sub> , Particulates) in a majority of its thermal plants. The company's SO <sub>2</sub> and NO <sub>x</sub> emissions normalised to production have respectively remained stable between 2015 and 2017 and decreased by 18% over this period. In addition, A2A's particulates emissions normalised to fossil generation decreased by 14% over the period 2015-2017.   | Weak     |         |
|             | Finally, A2A has a general commitment to protect biodiversity in operations, and reports on relevant measures and indicators in this area.  |          |         |
| Social      | A2A's performance in the Social pillar is advanced. The main improvements are observed Career management, Health & Safety, Non-discrimination and diversity.  | Advanced |         |
|             | A2A's performance on the Human Resources domain is considered advanced. Employee's turnover rate has decreased by 3.8 percentage points between 2015 (9.77%) and 2017 (5.92%) and 92% of employees received training in 2017 and the trend has continuously improved since 2015. In addition, the number of training hours per employee has increased between 2015 and 2017.  |          |         |
|             | As for health & safety issues, A2A's KPIs such as injury rates display a positive trend (namely on the employees' absenteeism rate and accident frequency and severity rates at contractors'). In addition, the majority of employees (97%) work in sites that are OHSAS 18001 certified.   |          | Good    |
|             | A2A's performance in the Human Rights domain is advanced. The Company's commitment to prevention of human rights is supported by grievance mechanisms to report any violation related to this issue. In addition, A2A has implemented extensive measures to prevent discrimination. Finally, as for freedom of association, this is guaranteed by the National Collective Labour Agreements applying to all workers.  |          | Limited |
|             | Regarding community involvement domain, A2A's performance is limited. A2A refers to addressing fuel poverty in its Sustainability Plan 2018-2022, but no formalised commitments to promote access to energy in developing countries is in place. In addition, only limited measures are implemented. Moreover, indicators on fuel poverty deteriorated between 2015 and 2017 and there are no indicators disclosed concerning access to energy.   |          |         |
|             | A2A's performance on the integration of social factors in the supply chain is advanced, as the Company has recently disclosed specific targets on responsible procurement in its Sustainability Plan 2018-2022. A2A aims to have 50% of qualified suppliers integrating sustainability criteria by 2022 and 80% of the value of the Group order assigned to certified suppliers by 2030.  | Weak     |         |

|   |   |          |
|---|---|----------|
| Governance  | A2A's performance in the Corporate Governance domain is advanced.   | Advanced |
|   | Members of the Board of Directors display a high level of independence (66%). In addition, the Chairman is considered independent and a third of A2A's directors are women. The Board oversees CSR issues including health and safety, climate change, and community relations.   | Good     |
|   | Furthermore, CSR risks are reported to be covered by the Company's internal control systems (health and safety, climate change and corruption). Information regarding the independence of the firm's external auditors continues to be insufficient as A2A does not disclose detailed to assess the amount of audit fees paid vs and non-audit fees.  |          |
|   | On the issue of shareholders' rights, A2A attains an advanced performance. No restrictions are reported with regards to shareholders' ability to vote, but it not possible to vote through online services. Not all major items are put to a shareholder vote at the AGM, i.e.: selection of external auditors and moreover, the nomination of directors continues to be voted upon collectively. | Limited  |
| A2A's performance on executive remuneration is advanced, as all three members of the Appointments and Compensation Committee are considered independent. Moreover, CSR performance of the Company is reported to be linked to variable remuneration, notably on the issues of Health & Safety and Climate change. However, information on performance targets is not disclosed. The ratio of CEO compensation vs. average employee salary decreased by 54% between 2015 and 2017. This is the result of a decrease in the CEO total compensation. | Weak  |          |
| In terms of business ethics, A2A's performance on corruption prevention is advanced, while performance on anti-competition prevention is limited. This is due to a lack of transparency on the number or nature of antitrust incidents reported internally. On the issue of lobbying, A2A's reports on measures allocated to ensure the transparency and integrity of the Company's influence strategies and practices.   |   |          |

### **Management of stakeholder-related ESG controversies**

As of today, A2A faces isolated controversies, which is below the sector average, related to one (Business Behaviour) of the six domains analysed by Vigeo Eiris. These controversies are linked to ongoing investigations regarding alleged claims of corruption and anti-competitive practices in 2017 and 2019.

**Severity:** The level of severity is considered significant (scale: minor, significant, high, critical), in line with the sector average, and based on the analysis of their impact on the Company and its stakeholders.

**Responsiveness:** A2A is considered overall reactive (scale: proactive, remediative, reactive, non-communicative), in line with the sector average.

### **Involvement in controversial activities**

Regarding the involvement in the 15 controversial activities analysed by Vigeo Eiris, A2A has a major involvement in the Fossil Fuels Industry and Coal.

- The Company's revenue from fossil fuels is estimated to be less than 10% of the company's total revenue. The revenue is derived from the Company's Generation and Trading business' use of coal in one of its power plants. The Monfalcone plant has two mixed use coal/oil units for a total of 336MW of installed generation capacity. A second 640MW coal plant at Brindisi was shut down in 2012. In 2017 the Company's power generation fuel mix was 13% coal based. A2A reports that the company plans to cease energy production from coal by 2025.

A2A is not involved in any of the other 13 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

## Part II. ISSUANCES

### Coherence of the issuances

Context note: The Electric & Gas Utilities sector has a major role to play in the fight against climate change and energy efficiency through the promotion and development of renewable energy sources. However, renewable energy facilities such as wind farms call for specific measures to ensure biodiversity protection, health and safety and the promotion of sustainable relations with the communities where they operate. The complexity and specificities of impacts related to renewable energy generation also imply comprehensive environmental strategies backed by widespread environmental management systems.

**We are of the opinion that the Green Financing Framework prepared by A2A is coherent with the main sustainability issues of its sector, as well as with A2A's sustainability priorities and commitments; and that it contributes to the realisation of these commitments.**

As part of integrating sustainability into its corporate strategy process, A2A has redesigned its Sustainability Policy and defined its contribution to the UN Sustainable Development Goals through four policy pillars, namely: Circular Economy, Decarbonisation, Smart Networks and Services, and People Innovation.

A2A's 2030 Sustainability Policy is supported by a Sustainability Plan with medium-term objectives (2016-2020). In April 2019, the Board of Directors examined and approved an updated version of the Plan for 2019-2023, for which the Sustainability and Territory Committee (part of the Board of Directors) is accountable.

The Company had set quantified targets to develop renewable energy by 2022:

- 49% of thermal energy produced from renewable sources (51% reached in 2018).
- 1,818 GWh of green energy sold to the mass market segment (1,065 GWh reached in 2018).

As part of its Sustainability Plan revision for 2019-2023, A2A has disclosed the following objectives for 2023:

- 55% of thermal energy produced from renewable sources.
- 2,000 GWh of green energy sold to the mass market segment.

In 2018, environmental investments made by A2A reached EUR 113.5 million, from which 18% was dedicated to the development of renewable sources and 65% to reduce emissions and increase energy efficiency.

By issuing Green Financial Instruments to finance and refinance Eligible Projects, A2A coherently responds to the above-mentioned commitments and addresses the main issues in terms of environmental responsibility of its sector.

### Use of Proceeds

The net proceeds of the Green Financing Instruments will exclusively finance and/or refinance, in full or in part, six categories of Eligible Green Projects (“Eligible Projects”), namely: Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Clean Transportation, and Transmission and Distribution Networks. We consider that the categories and the Eligible Projects are clearly defined for all categories in A2A’s Framework.

The Eligible Projects are intended to contribute to three main environmental objectives, namely: Climate change mitigation, Natural resource conservation and Pollution prevention and control. These objectives have been defined and formalised in the Framework. We consider that these objectives are clearly defined and relevant.

Eligible Projects are considered to provide clear environmental benefits. The Issuer has committed to publicly communicate to investors on the benefits of each bond issuance, within one year of issuance. An area of improvement is to assess and - when feasible - quantify the expected environmental impacts and to establish ex-ante environmental targets.

A2A has not communicated an ex-ante refinancing share that will be applied to the proceeds of the Green Financing Instruments. An area of improvement is to communicate the expected refinancing share before each instrument’s issuance, in line with best market practices.

A2A has transparently communicated that the look-back period for refinanced Eligible Projects (disbursed, delivered or acquired), will not exceed 36 months prior to the date of issuance. The Issuer has reported that this look-back period may exceed 36 months only in the case of wind and solar energy project acquisition. In these cases, A2A commits to prioritize these acquisitions, where possible, from the most recent to the oldest facilities. An area of improvement is to limit the look-back period for acquisitions to 36 months, based on the year of operation, for all Eligible Projects.

A2A has formalised the main characteristics of the Eligible Project categories in its Framework, which have been analysed by Vigeo Eiris in the table below.

A2A commits to use the Green Financing Instruments proceeds to finance or refinance, in full or in part, new or existing Eligible Green Projects. Eligible Green Projects may include capital expenditures, operating expenditures, related to improvement and maintenance of the Eligible Projects, research and development, materials acquisition costs, as well as acquisitions of renewable energy assets. Eligible Green Projects will be mainly located in Italy (with the possibility of some projects being located in other European Union country). In case of project acquisition, A2A commits to disclose, when feasible, the year of operation of the acquired asset in its annual reporting.

An area of improvement is to specify, in all cases of project acquisition (notably in the case Eligible wind and solar project acquisitions), how A2A will ensure additionality and positive environmental impacts linked to these acquisitions.

| Content of the Green Financing Framework    |  |   |  |   | Vigeo Eiris' analysis   |
|---|--|---|--|---|---|
| Eligible Projects' categories               | Definition   | Examples of projects  | Environmental objectives and SDG contribution                            | Expected environmental benefits   | Clarity and relevance of project categories   |
| Pollution Prevention and Control            | Projects aimed at the construction, development, operation and maintenance of facilities, systems or equipment used to reduce GHG emissions and waste disposal.  | <ul style="list-style-type: none"> <li>Plastic selection plants</li> <li>Waste collection services for municipalities</li> <li>New waste to energy plant (urban waste) (R1≥ 0.65)<sup>5</sup></li> <li>Plants to recover organic fraction (OFMSW)</li> </ul>  | <p>Pollution prevention and control</p> <p>Climate change Mitigation</p> | <p>Increase of recycling capacity (tons)</p> <p>Increase of collection capacity (tons)</p> <p>CO2 emissions avoided (tCO2e)</p> | <p>The definition is clear and relevant.</p> <p>The objectives are clear and relevant and measurable but partially precise due to the lack of quantitative targets.</p>   |
| Sustainable Water and Wastewater Management | Projects aimed at the construction, development, operation and maintenance of facilities, systems or equipment used for sustainable infrastructure for clean and/or drinking water, wastewater treatment and sustainable urban drainage systems. | <ul style="list-style-type: none"> <li>Wastewater treatment and purification plants, networks and appliances</li> <li>Reduction water losses projects (automatic systems to find leakages, new pipelines, smart water meters)</li> </ul>  | Natural Resource Conservation  | <p>Wastewater quality improvement</p> <p>Water savings (m3)</p>   | <p>The definition is clear and relevant.</p> <p>The objectives are clear, relevant and measurable but partially precise due to the lack of quantitative targets.</p>  |
| Renewable Energy                            | Projects aimed at increasing the Group production of renewable energy, through acquisitions, construction or maintenance projects  | <ul style="list-style-type: none"> <li>PV / Wind grid parity green-field</li> <li>Small hydro power plants (&lt; 25MW of installed capacity)</li> <li>Onshore Photovoltaic plants</li> <li>Onshore Wind farm</li> <li>Conventional plant reconversion</li> <li>New plants of biomethane production (through biogas recovery)</li> </ul> | Climate change mitigation  | <p>CO2 emissions avoided (tCO2e)</p> <p>Generation of renewable energy (MWh).</p>   | <p>The definition is clear and relevant.</p> <p>The objectives are clear, relevant and measurable but partially precise due to the lack of quantitative targets. A2A has defined targets at corporate level concerning CO2 emissions avoided through renewable energies, but not at the issuance level. The Issuer commits to communicate targets at issuance level at the time of the issuance</p> |

<sup>5</sup> The Waste Framework Directive 2008/98/EC of the European Parliament determines whether a Waste-to-Energy plant performs a "Recovery operation" (R1). Incineration facilities dedicated to the processing of municipal solid waste can be classified as R1 only when their energy efficiency is equal to or above:

- 0,60 for installations in operation and permitted in accordance with applicable Community legislation before 1 January 2009;
- 0,65 for installations permitted after 31 December 2008.

The Commission Directive (EU) 2015/1127 amended Annex II to Directive 2008/98/EC. It introduced a climate correction factor in the calculation of the energy efficiency value.

| Content of the Green Financing Framework |   |   |   |  | Vigeo Eiris' analysis   |
|--|---|---|---|--|---|
| Eligible Projects' categories            | Definition  | Examples of projects  | Environmental objectives and SDG contribution | Expected environmental benefits                                      | Clarity and relevance of project categories   |
| Energy Efficiency                        | Projects aimed at systems or products that reduce energy consumption or mitigate greenhouse gas emissions   | <ul style="list-style-type: none"> <li>Storage systems development</li> <li>Waste to energy efficiency revamping/upgrade (energy production and district heating) (<math>R1 \geq 0.60</math>)<sup>9</sup></li> <li>Services to improve energy efficiency of public lighting from traditional lighting to LED technology</li> </ul>                      | Climate change mitigation                     | <p>CO2 emissions avoided</p> <p>Improvement in energy efficiency</p> | <p>The definition is clear and relevant.</p> <p>The objectives are clear, relevant and measurable but partially precise due to the lack of quantitative targets. A2A has set targets for the installation of LED lighting at corporate level, but not at the issuance level. The issuer commits to communicate targets at issuance level at the time of the issuance.</p>   |
| Clean Transportation                     | Projects aimed at construction, development, operation, acquisition and maintenance of infrastructure for sustainable mobility and cleaner vehicles with a lower environmental impact, for communities and for the Group's fleet. | <ul style="list-style-type: none"> <li>Low environmental impact waste collection vehicles (Euro 6; full methane gas; full electric powered)</li> <li>Low impact cars (full methane gas, full electric powered) used for operations in the DSO activities</li> <li>Electric car charging hub</li> <li>Biomethane filling station for vehicles</li> </ul> | Climate change mitigation                     | <p>CO2 emissions avoided</p> <p>Reduction of NOx emissions</p>       | <p>The definition is clear although partially relevant.</p> <p>No thresholds have been defined in terms of gCO2/p-km for methane gas vehicles.</p> <p>Methane gas vehicles are relevant with respect to the reduction of other air emissions (NOx in particular), but partially relevant with regards to energy transition and climate change mitigation.</p> <p>Methane gas, being a fossil fuel with negative impacts on the environment, it is considered a transitional fuel by several experts, including the European Commission.</p> <p>An area of improvement is to set a threshold to limit the CO2 emissions generated from methane gas vehicles.</p> <p>The objectives are clear, and measurable but partially relevant due to the impact on GHG emissions (methane gas vehicles, diesel or fuel based vehicles), and partially precise due to the lack of quantitative targets.</p> |

| Content of the Green Financing Framework |  |   |   |  | Vigeo Eiris' analysis  |
|--|--|---|---|--|--|
| Eligible Projects' categories            | Definition   | Examples of projects  | Environmental objectives and SDG contribution | Expected environmental benefits                        | Clarity and relevance of project categories  |
| Transmission and Distribution Networks   | Projects aimed at connecting renewable sources, enhancing distributed energy, improving smart grids (efficiency and reliability), decreasing electricity losses and gas leakages of the existing networks. | <ul style="list-style-type: none"> <li>• Investments in smart grid (electricity)</li> <li>• New district heating development</li> <li>• Smart meters installation (electricity and gas)</li> <li>• Investments with the aim to reduce gas leakages of the existing networks (replacement of parts of gas networks, new system to predict gas losses)</li> <li>• New primary electric stations to improve the resilience of grid</li> <li>• Investment aimed at reducing electricity losses in the networks (replacement of network joints on the electricity grid)</li> </ul> | Climate Change mitigation                     | <p>CO2 emissions avoided</p> <p>Energy savings MWh</p> | <p>The definition is clear and relevant.</p> <p>The objectives are clear, relevant and measurable but partially precise due to the lack of quantitative targets.</p> <p>A2A has set targets at corporate level on total emissions avoided by reducing methane gas leaks (tCO2eq) in the distribution networks, but not at issuance level. The issuer commits to communicate targets at issuance level at the time of the issuance.</p> |

A2A has provided Vigeo Eiris with a list of potential Eligible Projects for all categories: Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Clean Transportation and Transmission and Distribution Networks.

The Eligible Projects are likely to contribute to six United Nations' Sustainable Development Goals ("UN SDGs"), namely: **SDG 6 Clean water and sanitation**; **SDG 7 Affordable and clean energy**; **SDG 9 Industry, innovation and infrastructure**; **SDG 11 Sustainable cities and communities**; **SDG 12 Responsible production and consumption**; and **SDG 13 Climate action**.

| Eligible Project Category                   | Identified SDG   | Target        |
|---|--|---------------|
| Pollution Prevention and Control            | SDG 6. Clean water and sanitation                            | 6.1; 6.3      |
| Sustainable Water and Wastewater Management | SDG 12. Responsible production and consumption               | 12.2; 12.4    |
|   | SDG 11. Sustainable cities and communities                   | 11.6          |
| Renewable Energy                            | SDG 7. Affordable and clean energy<br>SDG 13. Climate action | 7.1; 7.2; 7.3 |
| Energy Efficiency                           |  |               |
| Clean Transportation                        |  |               |
| Transmission and Distribution Networks      | SDG 9. Industry, innovation and infrastructure               | 9.4           |



UN SDG 6 consists in ensuring availability and sustainable management of water and sanitation for all. More precisely, SDG 6 targets by 2030 include:

- 6.1 Achieving universal and equitable access to safe and affordable drinking water for all.
- 6.3 Improving water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.



UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all. More precisely, SDG 7 targets by 2030 include:

- 7.1 Ensuring universal access to affordable, reliable and modern energy services.
- 7.2 Increasing substantially the share of renewable energy in the global energy mix.
- 7.3 Doubling the global rate of improvement in energy efficiency.



UN SDG 9 consists in building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation. More precisely, SDG 9 targets by 2030 include:

- 9.4 Upgrading infrastructure and retrofitting industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



UN SDG 11 consists in making cities and human settlements inclusive, safe, resilient and sustainable. More precisely, SDG 11 targets by 2030 include:

- 11.6 Reducing the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.



UN SDG 12 consists in ensuring sustainable consumption and production patterns. More precisely, SDG 12 targets by 2030 include:

- 12.2 Achieving the sustainable management and efficient use of natural resources.
- 12.4 Achieving the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reducing their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
- 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse.



UN SDG 13 consists in taking urgent action to combat climate change and its impacts.

Companies operating in the energy sector can contribute to this goal by supporting the transition to net-zero carbon energy, and by developing and sharing scalable systems to improve efficiency and sustainability of production and consumption.

## Process for Project Evaluation and Selection

**The governance and the process for the evaluation and selection of the Eligible Projects are clearly defined and formalised in the Framework and in internal documentation. We consider that the process is reasonably structured, transparent, and relevant.**

The process for the evaluation and selection of Eligible Projects is reasonably structured.

- The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined internal roles and responsibilities:
  - A2A has created a cross-departmental Green Financing Committee for reviewing, selecting and monitoring Eligible Projects. The Department will include members from A2A's Departments of Finance (chair), Corporate Social Responsibility, Strategy, Planning and Control, and Innovation. The Committee will also involve representatives of Subsidiaries/Business Units when projects in their area are put under scrutiny. The Business Units for Waste, Generation and Trading, Networks and District Heating and Market and Smart City are the ones likely to be involved.
  - Suitable investment projects are first assessed by A2A's Investment Steering Committee according to economic criteria. Within the same assessment, the Investment Steering Committee makes a pre-selection of potential green projects to be reviewed by the Green Financing Committee.
  - The Green Financing Committee assesses whether the projects meet the requirements to be funded through Green Financing Instruments.

An area of improvement is the formalisation of the whole process in the Framework.

The Green Financing Committee will be responsible for:

- (i) Reviewing, selecting, validating and monitoring the pool of Eligible Green Projects, based on A2A's Sustainable Policy, enterprise risk valuation<sup>6</sup> and the Green Financing Framework;
- (ii) Identifying the proper impact metric that best describes the environmental benefits of the projects;
- (iii) Drafting, verifying and validating annual reporting for investors;
- (iv) Monitoring the on-going evolution related in the Sustainable Capital Markets in terms of disclosure/reporting in order to be in-line with market best practices; and
- (v) Reviewing the Framework to reflect any changes about the Company's sustainability strategies and initiatives.

The verification and traceability are ensured throughout the process:

- The Committee will meet every six-months, and as the situation requires, and will keep minutes of the meetings.
- After approval by the Committee, potential eligible projects will be recorded in a Green Financing Register.
- The Committee will monitor that Eligible Projects continue to meet the eligibility criteria set in the Framework throughout the life of the financing instrument.

An area of improvement is to commit to an external review to verify the compliance of the Eligible Projects with the eligibility criteria.

**The process relies on explicit eligibility criteria (selection and exclusion) and relevant to the environmental objectives of the Green Financing Framework.**

- Selection criteria are based on the definition of the Eligible Project categories as described in the Use of Proceeds.

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<sup>6</sup> As per A2A's internal procedures, a risk management function assesses potential risks – including ESG risks - associated with A2A's activities in order to identify mitigation strategies and actions.

- Exclusion criteria:
  - o Projects related to fossil fuel energy generation
  - o Projects related to nuclear energy generation.

The Issuer commits to substitute projects in case any material or critical controversy emerges<sup>7</sup>.

**The identification and management of the environmental and social risks associated with the Eligible Projects to be financed are considered to be good.**

**Environmental risks:** the identification and management of environmental risks is considered to be good.

- The identification and management of environmental risks is considered good, including: environmental management, protection of water, pollution prevention, management of local pollution, and waste management. Most of A2A's subsidiaries undertaking Eligible Projects, are covered by ISO 14001 and ISO 9001 certifications and some plants are also covered by EMAS certification. In addition, A2A reports that Environmental Impact Assessments are conducted when required by the law. These are embedded in local authorities' permits and include the respect of legal provisions concerning air, water emissions, waste management and noise.

An area of improvement is to systematically implement environmental impact assessments for all Eligible Categories.

- Regarding pollution prevention and control, guidelines and emergency procedures are in place for all projects and include water pollution, waste discharges, methane gas leakages, and plans for the control of odours. Employees have been trained on pollution prevention and control issues, including on current laws and regulations and on monitoring and managing air emissions from waste-to-energy plants and waste water and water pollution (industrial and urban).
- Regarding energy efficiency, companies operating in waste to energy, pollution prevention and controls are ISO 50001 certified. Moreover, A2A monitors KPIs on energy efficiency and heat recovery, as the Issuer promotes the installation of cogeneration plants in existing purification sites and through sludge digestion processes. Projects to be financed aim at preventing energy losses in transmission and distribution networks, for which KPIs are monitored.
- In terms of water protection, the Issuer puts in place rainwater recovery systems for irrigation and implements reduced water consumption technologies for projects related to pollution prevention and controls projects. Some of the projects to be financed aim at reducing water leakages and improve water quality at corporate level. In addition, A2A monitors relevant indicators including wastewater treated, discharges, BOD, COD and water recovered for all project categories.
- A2A reports that training will be conducted for employees in terms of biodiversity protection for all projects, but it is unclear which measures are in place to protect biodiversity. An area of improvement is to set specific measures to protect biodiversity for all projects.
- Regarding the integration of environmental factors in the supply chain, A2A has set up a system to assess and score all potential suppliers/service providers to establish a supplier register and maintain a qualified vendor list. The system assesses the performance of potential suppliers in the management of environmental risks through verifying the existence of environmental certifications (e.g. ISO 14001) or of environmental management systems. Procurement officers also verify the existence of a system to assess CO2 emissions, of procedures for management of waste and for environmental emergencies across all suppliers.
- All suppliers must sign the Integrity Pact, which includes a clause on the respect of laws and regulations on the protection of the environment and of sustainable and efficient use of energy sources. A2A reserves the right to audit its suppliers, including on environmental law and regulations during the qualification phase or during the execution of the contracts in case of non-conformity in the supply of goods and services. According to A2A's 2018 Integrated Report, in 2018 the company has carried out environmental and health and safety on-site inspections on 12% of total sites opened in 2018 (up from 6% in 2017).
- Regarding decommissioning of facilities, there is evidence that A2A engages with external contractors to manage the end-of-life of equipment and infrastructures of thermoelectric plants. Among the requirements for sub-contractors is the establishment of an environmental management plan covering the management and disposal of hazardous and non-hazardous waste, procedures in case of emergency, and the management of air emissions and noise pollution. The contractor is also asked to provide documentation

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<sup>7</sup> The Issuer defines in the Framework a non-exhaustive list of definitions of critical controversies: losing of environmental licenses and permits, extended violation of the law that cause plant downtime, exceeding air emissions limits imposed by the law that could lead to penal sanctions, and failure to respect A2A's Code of Ethics and Anticorruption Policy

covering the management of health and safety issues and to appoint a person in charge of health and safety and environmental aspects and of coordination with A2A's site managers to manage environmental and social risks. No information is available for other types of projects/plants.

**Social risks:** The identification and management of social risks is considered to be good.

- Nearly all (98%) of the group's employees are covered by OHSAS 18001 certifications and employees also receive training and awareness raising on health and safety. A2A's 2018-22 Sustainability Plan includes health and safety targets, and the Issuer monitors KPIs related to health and safety (injury frequency rate, injury severity rate and days losts to accidents) in its annual Integrated Report.
- The Issuer has implemented measures to promote the respect of human rights and labour standards and of prevention of violations applicable to all project categories. This system consists in awareness raising through the Code of Ethics, which must be signed by all employees and third parties involved in A2A's activities. A grievance mechanism has been put in place to allow employees and other stakeholders to confidentially report on illicit conduct or violations of human rights of which they have become aware. According to A2A's Integrated Report 2018, trainings on the respect of the Code of Ethics have been provided to a majority of employees in 2018 (77%).
- The Issuer reports to promote local social and economic development by hiring (with a ratio of local hiring at provincial level of at least 70%) and sourcing locally (at corporate level, more than 90% of orders are placed with Italian suppliers) and by providing capacity building to its suppliers on sustainability issues. A2A published an annual Territorial Sustainability Report for several areas in which it operates. The reports include an analysis of economic, environmental and social impacts of A2A's activities at local level including data on wealth distributed, investments on services, local hiring and sourcing, training provided to employees of the area, CO2 avoided, and trend in work injuries. A2A affirms that social and stakeholders impact evaluations are carried out within the framework of the Environmental Impact Assessments; we don't have information however on the content of these evaluations. An area of improvement is to systematically carry out social impact assessments or disclose mitigation measures in this regard, for all infrastructure projects financed through the Framework.
- Regarding the integration of social factors in the supply chain, the same system mentioned above to establish a qualified vendor list also applies. The social performance of suppliers is assessed by verifying the existence of health and safety certifications (e.g. ISO 45001 or OHSAS 18001), or of health and safety management systems in the absence of certifications, and of monitoring of occupational injuries. The Integrity Pact that must be signed by all suppliers includes clauses on the respect of laws and regulations on health and safety at work, protection of employees and young workers, freedom of association and collective bargaining. A2A reserves the right to audit its suppliers, including on law and regulations on health and safety at work during the qualification phase or during the execution of the contracts in case of non-conformity in the supply of goods and services. According to A2A's 2018 Integrated Report, in 2018 the company has carried out environmental and health and safety on-site inspections on 12% of total sites opened in 2018 (up from 6% in 2017).
- Regarding the management of business behaviour risks, A2A has a Code of Ethics which must be signed by all employees and third parties involved in A2A business, as well as an Anti-corruption Policy. Grievance mechanism are in place for all employees and other stakeholders to confidentially report on illicit conduct and violations of the Code of Ethics. Complaints received are handled by the Legal and Compliance Department.
- Regarding the integration of business behaviour risks in the supply chain, A2A carries out an integrity due diligence on potential suppliers to assign an integrity risk rating, on the basis of which it takes a decision on whether to continue or not the qualification process and to investigate further on potential red flags. The Integrity Pact also includes clauses on the respect of A2A's Code of Ethics and Anticorruption Policy and of all laws and regulations on corruption, fight against infiltration of organised crime and anti-competitive practices. A2A reserves the right to exclude suppliers from its vendor list and tendering procedures and to terminate and suspend existing contracts in case of non-respect of the clauses. When potential reputational risk have been identified during the vendor assessment process, a reputational team carries out a monthly screening on suppliers to identify potential controversies.
- The management of project governance risk is conducted through internal financial audits carried out on a sample basis. The audit activity has recently started (6 months ago) and final audit reports are not available to date.

### **Management of proceeds**

**The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.**

The allocation and tracking processes are clearly defined and formalised in the framework:

- An amount equal to the net proceeds from Green Financing Instruments will be credited to A2A's Treasury general account and will be earmarked for allocation to the Eligible Green Projects as selected by the Green Financing Committee and in accordance with the Framework.
- A2A's Treasury will allocate the proceeds from the Green Financing Instruments (via intercompany loans or equity capital) to A2A's subsidiary companies to cover the disbursements for Eligible Projects.
- A2A commits to fully allocate the Green Financing Instruments' proceeds to Eligible Projects within 24 months. An area of improvement is to formalise the commitment on allocation duration in the Green Financing Framework.
- The unallocated proceeds will be invested in cash and/or cash equivalents and/or other liquid marketable instruments, as per the company's financial policy, before being redrawn for investments or disbursements to Eligible Projects. A2A commits to apply, for unallocated proceeds, the same exclusion criteria applied for project selection and evaluation (exclusion of fossil fuel and nuclear energy generation). In addition, A2A also commits not to invest temporary placements in GHG intensive activities.
- In case of project divestment or in case a project becomes no longer eligible, A2A reports that it will use its best effort to substitute any assets no longer eligible with projects meeting the eligibility criteria as soon as practical, once an appropriate replacement option has been identified. An area of improvement is to specify the maximum expected period for the reallocation of proceeds in the Framework.

The verification and traceability are ensured throughout the process:

- The Committee will keep a record of the allocation of proceeds to Eligible Projects in the Green Financing Register.
- The Committee will monitor that Eligible Projects continue to meet the eligibility criteria set in the Framework throughout the life of the financing instrument.
- An external auditor will verify, on an annual basis and until full allocation, the allocated proceeds to Eligible Green Projects and the remaining balance of unallocated proceeds.

### **Monitoring and Reporting**

**The reporting processes and commitments are good. The selected indicators fully cover the allocation of funds and the environmental benefits (outcomes and impacts) of the Eligible Projects.**

The process for monitoring, data collection, consolidation and reporting are clearly defined in internal documentation and partially defined in the Framework. An area of improvement is formalizing this whole process in the Framework.

The process relies on relevant internal expertise and involves relevant departments of the Issuer:

- According to A2A's internal procedures, the Sustainability and Territory Committee is in charge of monitoring the preparation of non-financial reporting and the Corporate Social Responsibility Department is in charge of managing the process of data collection from relevant departments within the Group.
- The Green Financing Committee will be in charge of:
  - drafting, verification and validation of the reporting on the allocation of proceeds and on the environmental benefits and impacts; and
  - identifying the proper impact metrics that best describes the environmental benefits of the projects.

The Issuer commits to annually report at Eligible project category to all investors, and at least until full allocation of proceeds or in case of material changes. An area of improvement is to define what would qualify as a material change.

The reporting commitments include:

- Allocation reporting: The indicators defined to report on the allocation of proceeds are considered clear and relevant and will be available on the company's website. This report will include:

| Use of Proceeds Indicators   |
|--|
| <ul style="list-style-type: none"> <li>- Proceeds allocated, by category of Eligible Green Projects</li> <li>- Share of net proceeds used for financing versus refinancing</li> <li>- Balance of unallocated proceeds kept in cash and/or cash equivalents.</li> <li>- Co-financing share for Eligible Projects (%), where feasible</li> </ul> |

- Environmental reporting: The indicators selected to report on the environmental benefits (outcomes and impacts) are clear, and relevant for most of the project categories, as described in the table:

| Project category                            | Environmental benefits indicators   | Vigeo Eiris analysis   |
|---|---|--|
| Pollution Prevention and Control            | <ul style="list-style-type: none"> <li>• Waste treatment capacity (municipal + special waste) aimed at recovering material (kt/year)</li> <li>• Waste-to-energy treatment capacity (kt/year)</li> <li>• CO2 avoided thanks to WTE energy production (tons)</li> <li>• Increase of recycling capacity (tons)</li> <li>• Increase of collection capacity (tons)</li> </ul>  | The indicators are clear and relevant.   |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> <li>• Reduction in linear water losses (m<sup>3</sup>/km/days) –</li> <li>• Improvements in BOD (mg/l)</li> <li>• Improvement in COD (mg/l)</li> <li>• Water saving (m<sup>3</sup>)</li> <li>• Reduction hexavalent chromium concentration (µg/L)</li> </ul>   | <ul style="list-style-type: none"> <li>• Indicators are clear and relevant.</li> </ul> |
| Renewable Energy                            | <ul style="list-style-type: none"> <li>• Percentage of thermal energy produced from renewable sources and process recovery with respect to total thermal energy collected into the district heating network (%)</li> <li>• RES installed capacity (MW)</li> <li>• Energy production from renewable energy (MWh/year).</li> <li>• Co2 emission avoided (tCO2eq)</li> </ul>   | Indicators are clear and relevant.   |
| Energy Efficiency                           | <ul style="list-style-type: none"> <li>• Number of new LED light points installed on public lighting</li> <li>• Energy saving thanks to LED light points installation" (MWh/year)</li> <li>• CO2 avoided thanks to interventions to promote energy efficiency in end uses (tons)</li> <li>• Waste-to-energy treatment capacity (CO2 avoided thanks to WTE energy production)</li> <li>• Improvement in energy efficiency (ton/kWh)</li> </ul> | Indicators are clear and relevant.   |
| Clean Transportation                        | <ul style="list-style-type: none"> <li>• Number of new low environmental impact Group's vehicles (by category)</li> <li>• Number of electric vehicles charging stations installed</li> <li>• Km travelled at zero emissions thanks to the electricity supplied by the charging points with 100% renewable energy supplied CO2 emissions per Km</li> <li>• NOx emissions avoided per Km (tons)</li> </ul>                                      | Indicators are clear and relevant.   |
| Transmission and Distribution Networks      | <ul style="list-style-type: none"> <li>• Number of Smart Grid projects</li> <li>• CO2 avoided thanks to the reduction of methane leakages from existent distribution networks - (tCO2eq)</li> <li>• Total energy savings (MWh)</li> <li>• CO2 avoided thank to the extension of district heating (tons)</li> </ul>  | Indicators are clear and relevant.   |

A2A commits to report on environmental impacts, methodologies used and assumptions of the main indicators in its annual Integrated Report.

A2A will appoint an external auditor that will verify on an annual basis, and until full allocation of proceeds, the allocated proceeds to Eligible Green Projects and the remaining balance of unallocated proceeds, within the annual report review. The auditors' report will be made available on A2A's website. The main environmental indicators that are also included in A2A's annual Integrated Report are audited by a third party. An area for improvement is to commit to an external audit of all impact metrics that will be used to report on environmental benefits of Eligible Projects.

## METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the Issuance through the objectives, management and reporting of the projects to be (re)financed.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on our generic sector ESG assessment frameworks and specific issues considering the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

### Part I. ISSUER

*NB: The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. Furthermore, this assessment has been completed by Vigeo Eiris Enterprise based on additional public information and stakeholders' views and opinion collected from public documentation.*

#### Level of the Issuer's ESG performance

Vigeo Eiris' methodology to define and to assess corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Electric & Gaz Utilities assessment framework, projects specificities and emerging issues.

A2A has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 25 relevant ESG drivers organized in the 6 sustainability domains. A2A's performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

#### Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventive, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).
- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

#### Involvement in controversial activities

15 controversial activities have been analysed following 30 parameters to verify if the Issuer is involved in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

## Part II. ISSUANCE

### Use of proceeds

The use of proceeds guidelines is defined to ensure that the funds raised are used to finance and/or refinance Eligible Projects and are traceable within the issuing organisation. Each Project endorsed shall comply with at least one of the Eligible Projects category definition in order to be considered as eligible. Vigeo Eiris evaluates the definition of the eligible category, the relevance, visibility, precision and measurability of the associated environmental and/or social objectives. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals and associated targets.

### Process for evaluation and selection

The evaluation and selection process have been assessed by Vigeo Eiris regarding its transparency and governance. The relevance and explicitness of selection criteria and associated supporting elements integrated in the framework, and the coherence of the process are analysed. We also assess the identification and management of material ESG risks associated to the categories of eligible projects, based on Vigeo Eiris' methodology.

### Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency and coherence and efficiency.

### Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental and social benefits (outcomes and impact indicators) and on the responsible management of Eligible Projects financed by the Green Financing Instruments proceeds, collected at project level and potentially aggregated at instrument level. Vigeo Eiris has evaluated the relevance of the reporting framework regarding its transparency, exhaustiveness and relevance.

## VIGEO EIRIS' ASSESSMENT SCALES

| Performance evaluation |   | Level of assurance |  |
|------------------------|---|--------------------|--|
| Advanced               | Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks. | Reasonable         | Able to convincingly conform to the prescribed principles and objectives of the evaluation framework                 |
| Good                   | Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.   | Moderate           | Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework       |
| Limited                | Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.                                     | Weak               | Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework |
| Weak                   | Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.  |                    |  |



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9 001 standard. Vigeo Eiris is an approved Verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 6 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan and Mexico.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)

#### DISCLAIMER

**Transparency on the relation between Vigeo Eiris and the Issuer:** Vigeo Eiris has not executed any previous audit missions for A2A and no consultancy over the past 5 years. No relationship (financial or other) exists between Vigeo Eiris and A2A.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Green Financing Framework, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by A2A S.p.A. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of A2A S.p.A. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the assets to be financed under the Green Financing Framework. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the financing instruments, nor on the effective allocation of their proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to A2A S.p.A. and can only be used by A2A S.p.A. The distribution and publication are at the discretion of A2A S.p.A., submitted to Vigeo Eiris approval.