SUSTAINABLE FINANCE FRAMEWORK

May 2021

a2a LIFE COMPANY

Green & Sustainability-Linked financing components

For each green and/or Sustainability-Linked financing set-up, A2A asserts that it will select or combine the following ESG formats set out in this Framework: Use of proceeds format, aligned with the Green Bond Principles (GBPs), published by the International Capital Market Association (ICMA) – 2018 version and the Green Loan Principles (GLPs) published by the Loan Market Association (LMA) – 2021 version, and, to the extent feasible, with the draft European Green Bond Standard and the European Commission's recommendations.

Sustainability-Linked format, aligned with the Sustainability-Linked Bond Principles (SLBPs) published by the International Capital Market Association (ICMA) - 2020 version and the Sustainability-Linked Loan Principles (SLLPs) of the Loan Market Association (LMA) - 2020 version.
When selecting the preferred ESG format for a financing instrument (i.e. use of proceeds format only or Sustainability-Linked format only), A2A shall not be bound by the terms and commitments applying for the other format.

Sustainable Finance Committee

In 2019 A2A set up a dedicated cross-departmental Green Financing Committee (GFC) aimed at identifying and selecting Eligible Green Projects from a pool of investments. In 2021 the Committee, now called Sustainable Finance Committee (SFC), has further developed his role to include Sustainability-Linked Instruments.
The SFC, chaired by Finance, includes members from the following departments:

- Finance
- Sustainability Projects and Reporting
- Strategy
- Planning & Control
- Subsidiaries/Business Units involved, relating to specific project(s) and KPI(s)

The Committee meeting takes place on a semi-annual basis and as and when the situation requires.

KEY RESPONSIBILITIES

- Review, select, validate and monitor the pool of Eligible Green Projects, based on A2A's sustainability strategy, enterprise risk valuation and the Sustainable Finance Framework
- Monitoring ESG controversies associated to the projects and replacing
- Select and propose eligible sustainable financing KPIs and review and monitor the related SPTs
- Identify the proper impact metric that best describes the environmental benefits
- Draft, verify and validate annual reporting for investors
- Monitoring the on-going evolution related to the Sustainable Capital Markets in terms of disclosure/reporting to be in-line with market best practices
- Review and update the Framework, including expansions to the list of Eligible Categories and KPIs, to reflect any changes about the Company's sustainability strategies and initiatives

4.1 The Green Financing Component

Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the following four core components:

- Use of proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

1. Use of proceeds

An amount equal to the net proceeds from the issuance of the Green Financing Instruments will be used to finance or refinance, in part or in full, new or existing, **Eligible Green Projects**.

EU Taxonomy alignment: a dedicated assessment of the allocated Eligible Green Projects alignment with the EU Taxonomy will be performed within the annual allocation report. Eligible Green Projects may include capital expenditures, operating expenditures related to improvement and maintenance of Eligible Green Projects, research and development, materials purchase costs, and acquisitions of renewable energy (solar and wind) assets. Where feasible, A2A will disclose in its annual reporting the year of operation of the acquired asset. A2A intends to prioritize, where possible, newer over older assets.
A2A will use its best effort to replace any assets that are no longer eligible, and/or if any material and critical controversies emerge, as soon as practical once an appropriate replacement has been identified giving evidence in the allocation report. Moreover, all potential projects, throughout their life-cycle, will be evaluated and monitored also considering ESG factors.

Exclusion criteria: A2A will exclude any project that does not meet the internationally acknowledged sustainable best practices such as, for example, Global Compact or International Labour Organization.
Any project, asset, expenditure or investment (included unallocated proceeds) related to the following activities will be excluded:

- Fossil energy generation
- Nuclear energy generation
- Development of new gas distribution pipelines/networks.

Since 2019, A2A conducted analyses of the potential interference of the A2A Group's activities with the system of protected areas, namely with sites belonging to the Natura 2000 Network, IBA (Important Bird and Biodiversity Area) areas. These analyses will be adopted in the Do Not Significant Harm (DNSH) assessment.

1. Use of proceeds

	Renewable energy	Energy Efficiency		Transmission and distribution networks	Sustainable water and wastewater management	Pollution prevention and control	Clean transportation
Eligible green projects aimed at:	Increasing production of renewable energy, through acquisitions, construction or maintenance project, including: • PV / Wind plants • New plants of biomethane production (through biogas recovery) • Bioenergy plants • Battery and thermal storage systems development	Reducing energy consumption or mitigate greenhouse gas emissions, including: • Waste-to-Energy efficiency revamping/ upgrade (energy production and district heating) (R1 ≥ 0.60) • Services to improve energy efficiency of public lighting from traditional lighting to LEDs technology • New product and services related to energy efficiency for end customers • Ensure maximum efficiency throughout BAT (best available technologies) for the Group assets (new and refurbished buildings)		Connecting renewable sources, enhancing distributed energy, improving smart grids (efficiency and reliability), decreasing electricity losses and gas leakages of the existing networks, including: • Investments in smart grid • Smart meters installation (energy and gas) • Reduction of gas leakages of the existing networks making "hydrogen ready" on A2A's infrastructure • Improved grid efficiency (New primary electric stations, electrolyzers and synchronous condensers, replacement of network joints on the electricity grid) • Infrastructure development and improvement projects of IT platforms and application	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, including: • Wastewater treatment and purification plants, networks and appliances; • Reduction of water losses projects (automatic systems to find leakages, new pipelines, water smart meters): target to reduce water leakage of 20% by 2030 (2020 base year)	Construction, development, operation and maintenance of facilities, systems or equipment used to reduce GHG emissions and waste disposal and reducing the environmental impact of the cities, including: • Waste-to-Energy Projects with materials recovery and recycling prior to incineration, anaerobic digestion, and acceptable levels of thermal efficiency[8] (energy production and district heating) (R1 ≥ 0.65) and a minimum energy efficiency of 25% • Waste collection services for municipalities • Plants to recover organic fraction[9] • Material recovery and selection plants • Development & maintenance of district heating (pipelines, heat pumps/exchangers) • Recovery of heat sources from production activities	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, including: • Low environmental impact waste- collection vehicles (Electric and biomethane powered) • Low impact cars (Electric and biomethane powered) used for operations in the DSO activities; • Electric car charging hub • Biomethane filling station for vehicles (with emissions below 50g CO_2eq/km until 2025) • Development of hydrogen use for sustainable local transport purposes
Environmental benefits	Climate change mitigation	Climate change mitigation		Climate change mitigation & Natural Resource Conservation	Natural Resource Conservation	Climate change mitigation & Pollution prevention and control	Climate change mitigation
SDG Contribution	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION		9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION

8 Assessed by reference to gross efficiency benchmarks published in the European Union Best Available Techniques (BAT) Reference Document for Waste Incineration, 2019

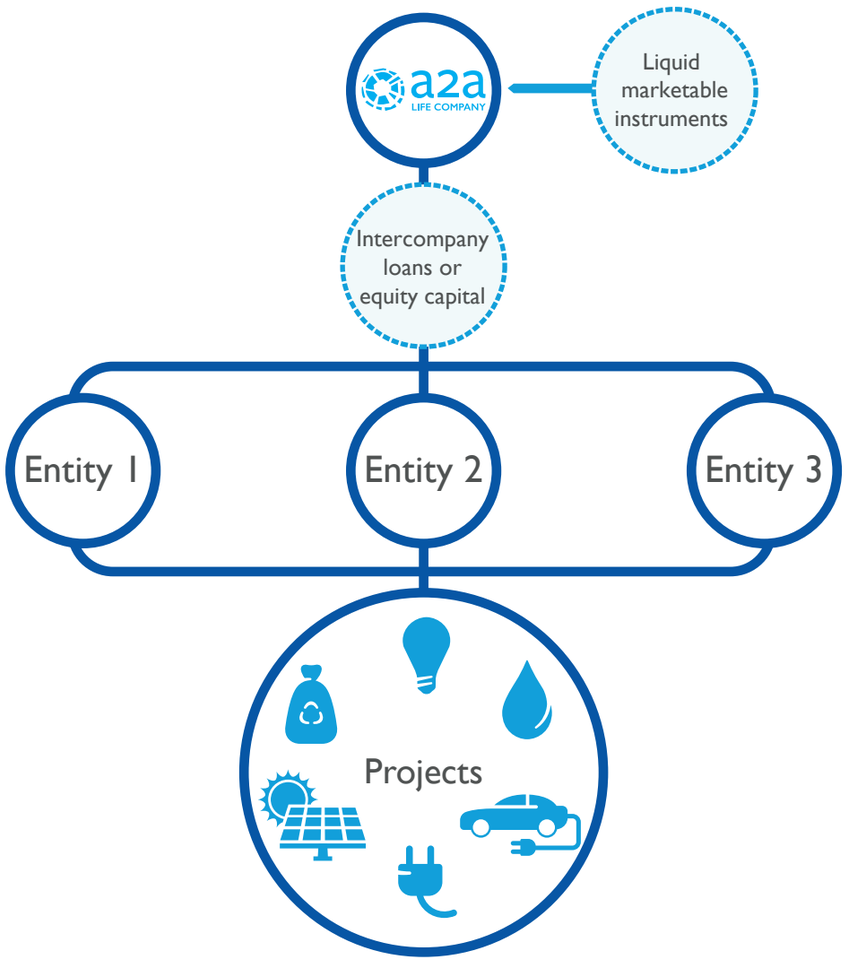
9 OFMSW (https://eippcb.jrc.ec.europa.eu/sites/default/files/2020-01/JRC118637_WI_Bref_2019_published_0.pdf)

2. Process for project evaluation and selection

Project evaluation and selection is a key process in ensuring that the projects financed and/or refinanced through the Green Financing proceeds meet the Eligibility Criteria reported in this Sustainable Finance Framework.
A revision of the Investment Valuation Function (VIG) procedure is going to be developed in order to include also the estimation and monitoring of sustainability KPIs in the scope of capex analysis.
The selection process for Eligible Green Projects is performed and coordinated by the Sustainable Finance Committee previously described.
Key responsibilities: the Committee is responsible for the review, selection, validation and monitoring of the pool of Eligible Green Projects, based on Group sustainability strategy, enterprise risk valuation and this Sustainable Finance Framework.
After the approval by the Committee, the list of selected potential eligible projects is recorded in the Green Financing Register.

3. Management of proceeds

The net proceeds from A2A's Green Financing Instruments will be earmarked for allocation to the Eligible Green Projects as selected by the SFC. The process will be in accordance with A2A's Sustainable Finance Framework. Net proceeds will refinance Eligible Green projects disbursed, delivered or acquired up to 24 months before the issuance of a Green Financing instrument.
A2A's Treasury will allocate the financing instrument proceeds to the corporate entities in charge of the projects via intercompany loans or equity capital, with the purpose to finance the disbursements in connection with the Eligible Green Projects carried out by A2A's subsidiaries. Pending the allocation or reallocation, as the case may be, of the net proceeds, A2A will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments which will not include GHG intensive activities as per the company's financial policy. The payment of principal and interests on any financing instrument issued by A2A under the Framework will be made from its general funds and will not be linked to the performance of any Eligible Green Project.



4. Reporting & Verification

Reporting

On an annual basis, at least until full allocation or in case of material changes, A2A will provide the following reporting on its Green Financing instrument(s):
Allocation reporting: detailing the financing instrument proceeds allocation by category of Eligible Green Projects; the proportion of net proceeds used for financing versus refinancing; the percentage of EU Taxonomy aligned Eligible project financed with each Green Bond; if feasible, the co-financing share; and, the balance of any unallocated proceeds. The Allocation report will be available on A2A's website.
Impact/Performance reporting: A2A will report, where feasible, on a number of impact metrics by category of Eligible Green Projects for projects funded with the net proceeds of the Green Financing instrument. Impacts, methodologies and assumptions of indicators are disclosed in the annual Non-Financial Disclosure Report that is available on A2A's website.

Verification

External verifiers appointed by A2A will verify on an annual basis and until the full allocation, the allocated proceeds to Eligible Green Projects and the remaining balance of unallocated proceeds, within the annual report review.
External verifiers will also verify the compliance of the allocated proceeds with the Eligible Project categories. The external verifiers' report will be made available on A2A's website.

Examples of relevant metrics could include

Type of project	UN SDGs support	Metrics
Pollution prevention and control	11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Waste treatment capacity (municipal + special waste) aimed at recovering material and energy (kt/year) • CO_2 avoided thanks to WtE energy production (tons) • Increase of recycling capacity (tons) • Increase of collection capacity (tons) • Percentage of thermal energy produced from renewable sources and process recovery with respect to total thermal energy collected into the district heating network • CO_2 avoided thanks to district-heating (tons) • NO_x avoided thanks to district-heating (tons)
Sustainable water and wastewater management	6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Reduction in linear water losses (m^3/km/days) • Improvement in BOD (tons) • Improvement in COD (tons) • Water saving (m^3)
Renewable energy	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	• RES installed capacity (MW) • Energy production from RES (MWh/year) • CO_2 emission avoided (tCO_2eq)
Energy efficiency	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	• Number of new LED light points installed on public lighting • Energy saving thanks to LED light points installation (MWh/year) • CO_2 avoided thanks to interventions to promote energy efficiency in end uses (tons) • Improvement in energy efficiency (kWh)
Clean transportation	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	• Number of new low environmental impact Group's vehicles (by category) • Number of electric vehicle charging stations installed • Km travelled at zero emissions thanks to the electricity supplied by the charging points with 100% renewable energy supplied • CO_2 emissions per Km • NO_x emissions avoided per Km (tons)
Transmission and distribution networks	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Number of Smart Grid projects • CO_2 avoided thanks to the reduction of methane leakages from existent distribution networks (tCO_2eq) • Total energy savings (MWh)

4.2 Sustainability-Linked Component

Sustainability-Linked Bonds are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined SPTs. In that sense, issuers are thereby committing explicitly (through the bond documentation) to future improvements in sustainability outcome(s) that are relevant, core and material to their overall business within a predefined timeline. SLBs are forward-looking performance-based instruments. The proceeds are intended to be used for general purposes; hence, the use of proceeds is not a determinant in their categorization. In accordance with SLBPs and SLLPs the basis of A2A's Sustainable Financing Component are the following five core elements:

- Selection of Key Performance Indicators (KPIs)
- Calibration of Sustainability Performance Targets (SPTs)
- Financial characteristics
- Reporting
- Verification

A2A's intention is to issue Sustainability-Linked Bonds with coupon structures linked to certain sustainability performance targets and eligible as collateral for Eurosystem credit operations and for outright purchases in Eurosystem monetary policy operations under the relevant eligibility criteria[10] available at the time of each issuance.

10 https://www.ecb.europa.eu/paym/coll/standards/marketable/html/ecb.slb-qa.en.html

1. Selection of Key Performance Indicators

A2A has selected the following three KPIs, which are core, relevant and material to its business and measure the sustainability improvements of the Group as a whole. These KPIs contribute to the United Nations SDGs 7 (Affordable and Clean Energy), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption and Production) and 13 (Climate Action) related to climate change or environmental degradation.

KPI #1: Scope 1 CO_2 Emission Intensity

Scope 1 greenhouse gas (GHG) emissions (expressed in grams of CO_2 per kWh).

KPI #2: Renewable Energy Capacity Installation

Amount of renewable energy installed capacity (expressed in MW) as of a given date.

KPI #3: Waste Treated In Group's Material Recovery Plants

Total amount of waste treated (municipal + special), including preparation prior to recovery, aimed at recovering material at the Group's plants (expressed in Mt).