

SUSTAINABLE FINANCE FRAMEWORK

May 2021



a2a
LIFE COMPANY

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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:	<p>Increasing production of renewable energy, through acquisitions, construction or maintenance project, including:</p> <ul style="list-style-type: none"> • PV / Wind plants • New plants of biomethane production (through biogas recovery) • Bioenergy plants • Battery and thermal storage systems development 	<p>Reducing energy consumption or mitigate greenhouse gas emissions, including:</p> <ul style="list-style-type: none"> • Waste-to-Energy efficiency revamping/ upgrade (energy production and district heating) ($R1 \geq 0.60$) • 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) 		<p>Connecting renewable sources, enhancing distributed energy, improving smart grids (efficiency and reliability), decreasing electricity losses and gas leakages of the existing networks, including:</p> <ul style="list-style-type: none"> • 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 	<p>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:</p> <ul style="list-style-type: none"> • 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) 	<p>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:</p> <ul style="list-style-type: none"> • Waste-to-Energy Projects with materials recovery and recycling prior to incineration, anaerobic digestion, and acceptable levels of thermal efficiency⁸ (energy production and district heating) ($R1 \geq 0.65$) and a minimum energy efficiency of 25% • Waste collection services for municipalities • Plants to recover organic fraction⁹ • Material recovery and selection plants • Development & maintenance of district heating (pipelines, heat pumps/exchangers) • Recovery of heat sources from production activities 	<p>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:</p> <ul style="list-style-type: none"> • 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 CO₂eq/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	  	  			 	 	   

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)

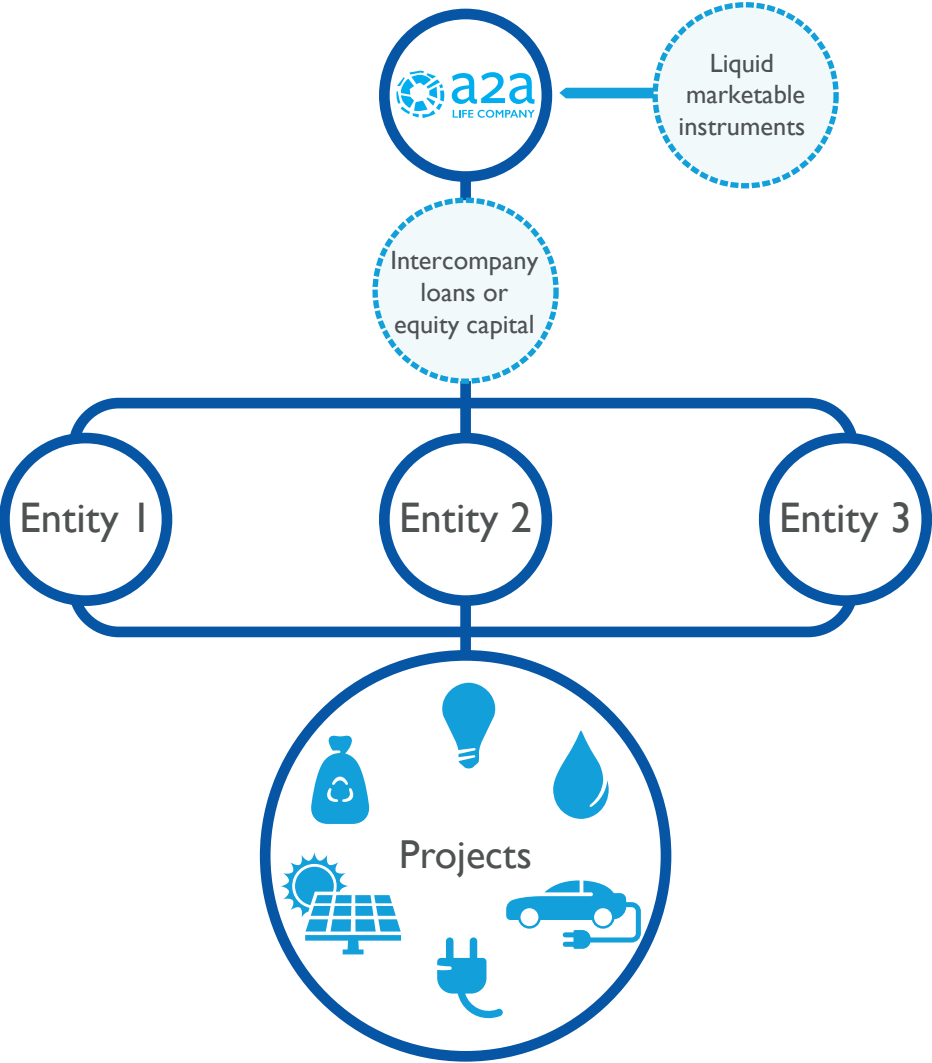
2. Process for project evaluation and selection

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.



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Examples of relevant metrics could include

Type of project		UN SDGs support	Metrics
	Pollution prevention and control	 	<ul style="list-style-type: none">Waste treatment capacity (municipal + special waste) aimed at recovering material and energy (kt/year)CO₂ 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 networkCO₂ avoided thanks to district-heating (tons)NO_x avoided thanks to district-heating (tons)
	Sustainable water and wastewater management	 	<ul style="list-style-type: none">Reduction in linear water losses (m³/km/days)Improvement in BOD (tons)Improvement in COD (tons)Water saving (m³)
	Renewable energy	  	<ul style="list-style-type: none">RES installed capacity (MW)Energy production from RES (MWh/year)CO₂ emission avoided (tCO₂eq)
	Energy efficiency	  	<ul style="list-style-type: none">Number of new LED light points installed on public lightingEnergy saving thanks to LED light points installation (MWh/year)CO₂ avoided thanks to interventions to promote energy efficiency in end uses (tons)Improvement in energy efficiency (kWh)
	Clean transportation	   	<ul style="list-style-type: none">Number of new low environmental impact Group's vehicles (by category)Number of electric vehicle charging stations installedKm travelled at zero emissions thanks to the electricity supplied by the charging points with 100% renewable energy suppliedCO₂ emissions per KmNO_x emissions avoided per Km (tons)
	Transmission and distribution networks		<ul style="list-style-type: none">Number of Smart Grid projectsCO₂ avoided thanks to the reduction of methane leakages from existent distribution networks (tCO₂eq)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 criteria¹⁰ 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 CO₂ Emission Intensity**
Scope 1 greenhouse gas (GHG) emissions (expressed in grams of CO₂ per kWh).


7 AFFORDABLE AND CLEAN ENERGY




11 SUSTAINABLE CITIES AND COMMUNITIES




13 CLIMATE ACTION




**KPI #2: Renewable Energy Capacity Installation**
Amount of renewable energy installed capacity (expressed in MW) as of a given date.

7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION



**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).

11 SUSTAINABLE CITIES AND COMMUNITIES

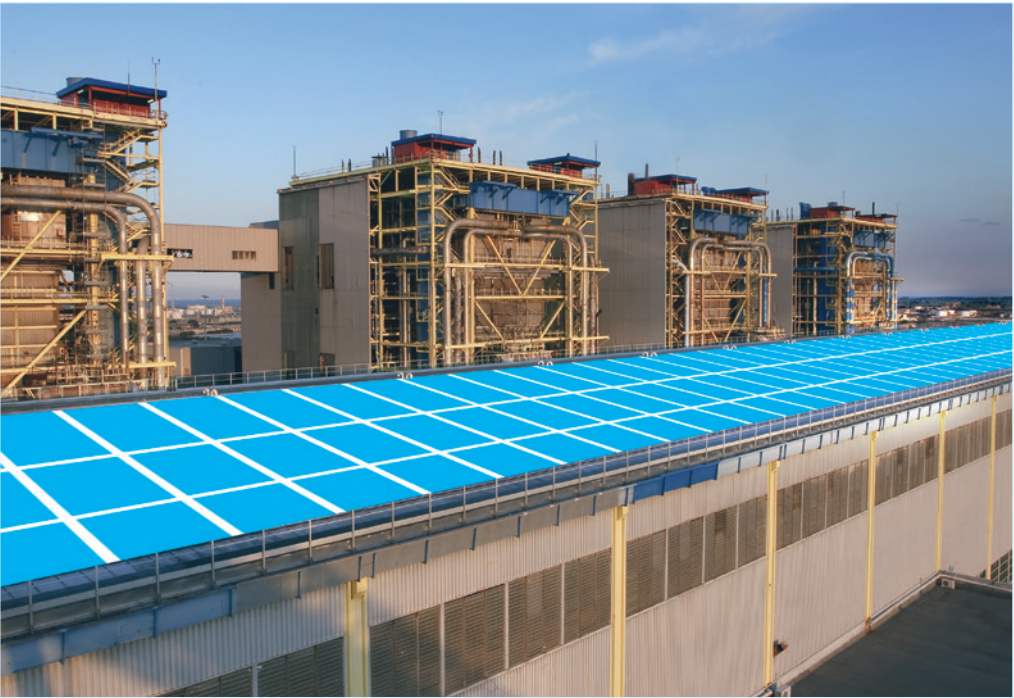


12 RESPONSIBLE CONSUMPTION AND PRODUCTION



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