



GREEN BOND REPORT 2019

MARCH 2020



INTRODUCTION

ERG S.p.A. (hereinafter "**ERG**") placed on April 11th 2019 its inaugural green bond ("ERG Green Bond 2019") in accordance with the "Green Bond Principles" set up by an independent secretariat hosted by ICMA ("International Capital Market Association"). ERG Green Bond is listed on Luxembourg Stock Exchange (ISIN XS1981060624) for a total amount of Euro 500 million, with a maturity date falling on 11 April 2025.

1. OVERVIEW OF ERG AND COMMITMENTS TOWARDS SUSTAINABILITY

As a leading European producer of electricity from renewable energy sources, ERG is committed to achieve its sustainable development targets and contribute to address major climate change challenges. ERG has 80 years of experience in the energy sector and has recently completed its transformation from a leading Italian oil company to a leading European operator in the production of energy from renewable sources.

The five-year Business Plan (2018-2022) calls for approximately EUR 1.7 billion in investments in order to increase the installed capacity by roughly 850 MW. The 2018-2022 Business Plan¹, focused on a continuous development of plants producing energy from renewable sources, sets targets on three main sustainability areas:

Tackling Climate Change, with particular focus on SDG 9 (Industry, innovation and infrastructure), SDG 12 (responsible consumption and production), SDG 7 (affordable and clean energy) through:

- avoiding 15 Mt of CO₂ emissions thanks to the production of energy from renewable sources;
- reducing the group's carbon index of electricity generated by 14%;
- a continuous effort on extracting value from ERG technologies (i.e. technological improvement of assets).

People enhancing (SDG 4 quality education, SDG 8 decent work and economic growth) through:

- new leadership model;
- skills development.

Sustainable thinking, sustainable acting (SDG 8 decent work and economic growth, SDG 12 responsible consumption and production, SDG 13 climate action), through:

- CDP (Carbon Disclosure Project) reporting²;
- Integration of HSE certification in compliance with the Group Organisation's Model;
- Consolidation of relationships with communities;
- Technological development.

¹ <https://www.erg.eu/en/investor-relations/business-plan>

² <https://www.cdp.net/en>

The theme of sustainability, at the core of the Group's business principles, is headed by the ERG's Chief Executive Officer supported by the Sustainability Committee, the Sustainability Department and the CSR Working Groups.

The Sustainability Committee, chaired by the Chairman of the Board of Directors and composed of the Executive Vice President, the Chief Executive Officer and all the top managers³, is in charge of:

- defining sustainability guidelines of the Group and promoting the implementation of consistent corporate social responsibility practices;
- approving, monitoring and evaluating sustainability objectives and priority areas for CSR actions; and
- approving the materiality analysis, timing and modalities for the drafting of the "Consolidated Non-Financial Statement" (DNF) and CSR initiatives.

2. ERG GREEN BOND FRAMEWORK

Previously to the issuance and in order to increase transparency of the ERG Green Bond 2019, ERG has published the "Green Bond Framework"⁴, that was established in accordance with the Green Bond Principles 2018 published by the ICMA (International Capital Market Association). Within the framework, the categories related to eligible projects are aligned with the Sustainable Development Goals of the United Nations. In particular, ERG Green Bond supports projects that have positive environmental impact and that contribute to UN SDG 7 Goal (affordable and clean energy) by increasing the renewable energy produced and avoiding CO₂ emissions.

Terms in capital letters have the same meaning as ascribed to them in the Green Bond Framework.

3. ERG GREEN BOND 2019 USE OF PROCEEDS

The net issuance proceeds have been used to refinance renewable energy projects, solar and wind power generation facilities that are already in the ERG portfolio.

As eligible category, all the selected projects are renewable power generation facilities, both new and existing renewable installations. The eligibility criteria for the allocated proceeds are:

- affordable and Clean Energy made by Wind Power Generation plants;
- affordable and Clean Energy made by Solar Power Generation plants.

In the case of Wind Power Generation facilities, the selected wind farms are located in different European countries (France, German and Poland) with a commercial operation date or an acquisition date not earlier than February 2016. All the selected plants have been constructed according to EU and national legislation that requires specific environmental and

³ Top managers being members of the Sustainability Committee are: Chief Operating Officer, Chief Business Development and M&A Officer, Chief Public Affairs & Communication Officer, Corporate General Manager & CFO, General Counsel, Chief Engineering Development Officer, Head of Human Capital & ICT, Head of Institutional Affairs

⁴ The ERG Green Bond Framework is available at <https://www.erg.eu/documents/10181/388347/ERG+Green+Bond+Framework+2019>

social screening before receiving a building permit. The French and German ERG subsidiaries will be certified according to Environmental and Health & Safety standards within the end of 2020. The Polish power plants are managed and operated by turbine suppliers that operate according to an integrated management system (quality, environmental and Health & Safety). In case of Solar Power Generation, the selected plants are located in Italy, and have been acquired by ERG during the years 2018 and 2019, in accordance to the ERG Green Bond Framework.

All the selected facilities contribute to GHG emission reduction thanks to renewable energy production, and contribute to the reduction of global warming emissions by replacing carbon-intensive energy sources.

4. PROCESS OF EVALUATION AND SELECTION

ERG's Sustainability Committee has been in charge of monitoring the selection and allocation process as per the eligibility criteria defined in the Use of Proceeds section (acting as Green Bond Committee) and has been responsible for the following:

- Reviewing and validating the selection of Eligible Green Projects in accordance with the defined Eligible Green Project Categories listed in the Use of Proceeds section.

During the Green Bond period the Sustainability Committee will also be responsible for:

- Monitoring the Eligible Green Project portfolio during the life of the transaction. The Committee can decide to replace an Eligible Green Project if it no longer meets the eligibility criteria;
- Monitoring any ESG controversy (such as controversies that may have a negative impact on local communities or the environment) that may affect ERG and is directly related to an Eligible Green Project. If the Sustainability Committee deems that an eligible project becomes the subject of a major ESG controversy, the Sustainability Committee, after proper evaluation, may decide to exclude and replace the Eligible Green Project;
- Managing any future update to the Green Bond Framework.

5. MANAGEMENT OF PROCEEDS

In accordance with the ERG Green Bond Framework principles, the proceeds may be managed to finance projects under development or to refinance projects already in operation at the date of issue.

The net issuance proceeds of ERG Green Bond 2019 were used to refinance projects that are operating as of 31st December 2019. Considering that projects' costs were fully disbursed in the past, no separate management of proceeds is required. ERG is committed to performing an external assurance of the already invested capital⁵ in order to assure the correct use of proceeds in compliance with the ERG Green Bond Framework.

⁵ Invested capital allocated to Green Bond Proceeds will be net of the bank loans disbursed for the construction, development and acquisition of eligible green projects

6. REPORTING


The report will be provided annually and until full allocation. The reporting document hereof, being published for the first time, meets ERG's undertaking to report annually on the use of proceeds until full allocation. As of 31st December 2019, the net issuance proceeds of ERG Green Bond 2019 have been fully allocated.

The Report and its reporting criteria (allocation and impact, including relevant metrics), prepared in compliance with the ERG Green Bond Framework, has been examined and approved by the Sustainability Committee as of 11th March 2020.

The use of proceeds via a "Green Bond Report" will be publicly available on the ERG website.

External review – Second Party Opinion

The "Green Bond Principles" compliance was validated by an external advisor, Vigeo Eiris. This Second Party Opinion document is available on ERG's website⁶. A summary of this opinion is presented here below:



VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Bond considered to be issued by ERG is aligned with the voluntary guidelines of the 2018 Green Bond Principles.

"overall advanced ESG performance"

We express a reasonable assurance (our highest level of assurance) on the Issuer's commitments and on the Bond's contribution to sustainability.

- Issuer: ERG displays an overall advanced ESG performance. The company's performance appears advanced in the Environmental and the Governance pillars and good in the Social pillar.
- Issuance: We are of the opinion that the Bond is coherent with ERG strategic sustainability priorities and sector issues and contributes to achieving ERG sustainability commitments.

External review – Post issuance verification

An external independent auditor confirmed that the selected Eligible Green Projects and reporting metrics of ERG Green Bond are consistent with the Green Bond Framework. This Third Party Opinion made by External independent auditor on ERG Green Bond Report is attached to this document.

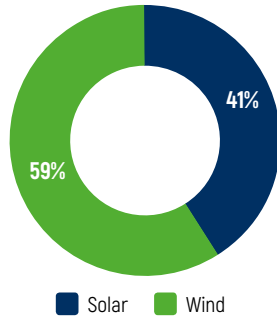
⁶ https://www.erg.eu/documents/10181/388347/ERG_Second+Party+Opinion

7. ALLOCATION SUMMARY

ERG Green Bond 2019 proceeds were fully allocated in the first year of the bond's life to refinance projects already operating, as detailed in the table "Allocation of proceeds".

7.1 Summary

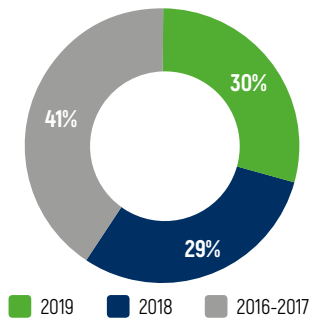
Eligible Green Project Category



41% of the proceeds of the ERG Green Bond 2019 (Eur 205 mn) were allocated to refinance the solar plants acquisitions occurred in January 2018 and February 2019.

59% of the proceeds of the ERG Green Bond 2019 (Eur 295 mn) were allocated to refinance the wind plants acquisitions and the wind plants construction, occurred since February 2016.

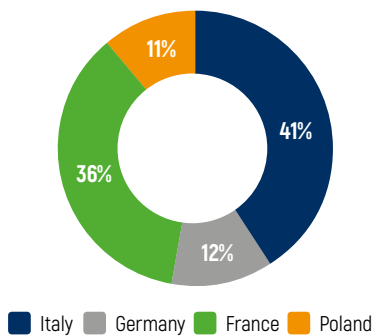
Allocation by COD/Acquisition date



30% of the proceeds of the ERG Green Bond 2019 (Eur 150 mn) were allocated to refinance renewable energy plants acquired during 2019.

70% of the proceeds of the ERG Green Bond 2019 (Eur 350 mn) were allocated to refinance plants acquired or built during the years 2016-2018.

Allocation by Country



In terms of location, the proceeds were allocated in Italy (Eur 205 mn), **France** (Eur 180 mn), **Germany** (Eur 61 mn) and **Poland** (Eur 54 mn), proving the presence of ERG investment across Europe.

7.2 Allocation and Impact details at the project level

Eligible Project	ERG Solar Holding 1 (ForVeI)	Andromeda PV	Former Dif Portfolio	Former Impax Germany Portfolio	Former Impax France Portfolio	PE Melier PE Vallée du Torfou	Vallée de L'AA2 (WP France 6)	Les Moulin de Fruges (Polaris)	Szydłowo (Hydro Investizye)	Slupia (Blachy Pruszyński E.)	Tot Green Capex
Eligible Category	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	Renewable energy	
Eligibility Criteria	Solar Power Generation plant	Solar Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	Wind Power Generation plant	
Country	Italy	Italy	Germany	Germany	France	France	France	France	Poland	Poland	
Acquisition date	January 2018	February 2019	May 2017	February 2016	February 2016	May 2018	not relevant	May 2019	not relevant	not relevant	
Date of entry in operation	not relevant	not relevant	not relevant	not relevant	not relevant	not relevant	December 2018	not relevant	March 2016	February 2016	
Total Capacity in MW	89	51	48	82	124	26	13	52	14	26	526
Production actual 2019 (MWh)	135.441	89.674	71.987	131.150	283.638	72.657	30.777	100.117	43.895	77.469	1.036.806
Emission Factor (g CO ₂ /kWh)	506	506	751	751	556	556	556	556	856	856	
Environmental benefits 2019 (CO ₂ savings) - t CO ₂ e	68.533	45.375	54.062	98.494	157.703	40.398	17.112	55.665	37.574	66.313	641.229
Equity Participation %	100%	78,5%	100%	100%	100%	100%	100%	100%	100%	100%	
Green Bond Proceeds allocated (Eur mn)	108	97	15	46	89	22	15	54	20	34	500

Reporting criteria:

Allocation: The amount of the "Green Bond 2019 Proceeds" have been approved by ERG Sustainability Committee on the meeting held on 3 December 2019. In case of third-party financing disbursed to projects to which ERG Green Bond 2019 proceeds have been allocated, ERG Green Bond 2019 Proceeds allocated have been calculated as the difference between the total costs capitalized as of 31 December 2018 and the amount of third-party financing disbursed to the specific project.

Impact: the quantity of CO₂ avoided is determined according to ERG's sustainability reporting procedures, by multiplying actual production to the carbon factor per MWh, as extracted from TERNA reporting system as of 31 December 2019⁷.

Examples of projects financed

SOLAR PLAN PROJECT: ANDROMEDA PV



As representative of the eligible green project Solar power plant category, Andromeda PV is a Solar plant composed of two photovoltaic power facilities located at Montalto di Castro (Lazio region), with an overall installed capacity of 51.4 MW.

The plants are equipped with Sun Power technology and monoaxial tracker, and in 2019 recorded a total output of 90 GWh, corresponding to approximately 45 tons of avoided CO₂ emissions.

WIND PLAN PROJECT: Vallè de l'Aa2



As representative of the eligible green project Wind power plant category, the wind farm built in Pas de Calais (France) named Vallè de l'AA2 has a total capacity of 13 MW and consists of 4 wind turbines of more than 3 MW each. The wind farm was set up and connected to the national electricity grid in December 2018.

In 2019, the wind farm recorded a total output of 31 GWh, corresponding to approximately 17 tons of avoided CO₂ emissions.

⁷ Terna Reports as of 31 December 2019 refers to 2017 global production as per Enerdata sources. The indirect emissions are calculated on the basis of conversion factors related to the gross thermoelectric production of each country



KPMG S.p.A.
Revisione e organizzazione contabile
Piazza della Vittoria, 15 int. 11
16121 GENOVA GE
Telefono +39 010 564992
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Independent auditors' report on the Green Bond Report

*To the board of directors of
ERG S.p.A.*

We have been engaged to perform a limited assurance engagement on the Eligible Projects and related Reporting Metrics data as of 31 December 2019 included in the Allocation Report, presented in the attached Green Bond Report 2019 - March 2020 (the "Allocation Report" and the "Green Bond Report") of ERG S.p.A. (the "company") prepared on the basis of the Green Bond Framework dated March 2019 (the "Framework") and available on the company's website, developed by the company in accordance with the Green Bond Principles 2018 issued by the International Capital Market Association - ICMA (the "Principles") and related to the Green Bond issued on 11 April 2019 (the "Green Bond").

Responsibilities of the company's directors for the report

The directors are responsible for the preparation of the Green Bond Report and of the Allocation Report included therein in accordance with the Framework, developed by the company in accordance with the Principles. In particular, the directors are responsible for the preparation of the Eligible Projects and related Reporting Metrics data included in the Allocation Report in accordance with the Framework.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Green Bond Report and of an Allocation Report included therein that are free from material misstatement, whether due to fraud or error. It also includes identifying the content of the Green Bond Report and of the Allocation Report included therein, selecting and applying policies, and making judgments and estimates that are reasonable in the circumstances.

Auditors' independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on Quality Control 1 (ISQC (Italia) 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the Eligible Projects and related Reporting Metrics data included in the Allocation Report, presented in the Green Bond. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board ("IAASB") applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the Eligible Projects and related Reporting Metrics data included in the Allocation Report are free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 Revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the Eligible Projects and related Reporting Metrics data included in the Allocation Report are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the Allocation Report, supporting evidence, recalculations and other evidence gathering procedures, as deemed appropriate.

Specifically, we carried out the following main procedures:

- analyzing the second party opinion which addresses the compliance of the Green Bond to the voluntary guidelines of the Principles;
- interviewing relevant staff at corporate and business level responsible for the Green Bond management and reporting;
- interviewing relevant staff at corporate and business level responsible for providing and consolidating data related to Eligible Projects and related Reporting Metrics;
- evaluating the design and implementation of the reporting processes and the controls regarding the Eligible Projects and related Reporting Metrics data;
- evaluating a sample of internal and external documentation to determine whether data related to Eligible Projects and Reporting Metrics are supported by sufficient evidence in line with the Framework.



ERG S.p.A.

*Independent auditors' report on the Green Bond Report
20 March 2020*

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Eligible Projects and related Reporting Metrics data as of 31 December 2019 included in the Allocation Report, presented in the Green Bond Report - March 2020 of ERG S.p.A., are not prepared, in all material respects, in accordance with the Green Bond Framework dated March 2019.

Milan, 20 March 2020

KPMG S.p.A.

A handwritten signature in blue ink, appearing to read 'Luisa Polignano', written over a faint grid background.

Luisa Polignano
Director of Audit

ERG S.p.A.

Torre WTC
via De Marini, 1
16149 Genoa
Phone 01024011
Fax 0102401859
www.erg.eu

Register Office:
via De Marini, 1
16149 Genoa

Share Capital EUR 15,032,000 fully paid
R.E.A. Genoa n. 354265
Company Register Genoa
and Fiscal Code 94040720107
VAT 10122410151

www.erg.eu

