

# Second-Party Opinion

## AGSM AIM Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the AGSM AIM Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.



**PROJECT EVALUATION AND SELECTION** AGSM AIM's Green Finance Committee will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. AGSM AIM has a process in place to address environmental and social risks associated with the projects financed. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** AGSM AIM's Green Finance Committee will oversee management of the proceeds using an internal tracking system. AGSM AIM intends to allocate proceeds within two years of the respective issuance date. Pending the full allocation to the eligible projects, AGSM AIM will invest the balance of issuance proceeds in accordance with its liquidity management policy. This is in line with market practice.



**REPORTING** AGSM AIM commits to report on allocation of proceeds on its website on an annual basis until maturity. In addition, AGSM AIM intends to report on impact metrics. Sustainalytics views this as aligned with market practice.

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<b>Evaluation Date</b>	June 7, 2024
<b>Issuer Location</b>	Verona, Italy

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## Introduction

AGSM AIM Group (the “Group” or “AGSM AIM”) is a utilities group that operates mainly in the north-eastern regions of Italy. The Group was formed in 2021 as a result of the merger of AGSM Verona S.p.A. and AIM Vicenza S.p.A. The parent company of the Group is AGSM AIM S.p.A. (the “Company”) which is 61% owned by the Municipality of Verona and 39% by the Municipality of Vicenza. The Group has six business units with its business operations mainly focused in the following sectors: electricity production, sale and distribution of electricity and gas, district heating, public lighting, telecommunications services, electric mobility and waste collection services. Headquartered in Verona, Italy, the Company had 1,821 employees as on 31 December 2023.<sup>1</sup>

AGSM AIM has developed the AGSM AIM Green Financing Framework dated June 2024 (the “Framework”) under which it intends to issue green loans and bonds through public or private placements<sup>2</sup> and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to support the transition to a low-carbon economy and create positive environmental impacts in Italy. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Pollution Prevention and Control

AGSM AIM engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>3</sup> and Green Loan Principles 2023 (GLP).<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA and Green Loan Principles 2023, as administered by LMA, APLMA, and LSTA
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of AGSM AIM’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. AGSM AIM representatives have confirmed (1) they understand it is the sole responsibility of AGSM AIM to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and AGSM AIM.

<sup>1</sup> AGSM AIM Group, “The Group”, at: <https://www.agsm-aim.it/agsm-aim>

<sup>2</sup> AGSM AIM has communicated to Sustainalytics that private placements will not include the sale of stock shares to investors.

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>4</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#>

<sup>5</sup> The AGSM AIM Green Financing Framework will be available on AGSM AIM’s website at: <https://www.agsm-aim.it/investitori>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that AGSM AIM has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the AGSM AIM Green Financing Framework

Sustainalytics is of the opinion that the AGSM AIM Green Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
    - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control – are aligned with those recognized by the GBP and GLP.
    - AGSM AIM has established a look-back period of two years for refinancing eligible projects. Sustainalytics considers this to be in line with market practice.
    - The eligible projects that AGSM AIM intends to finance may include capital expenditures, research and development, operating expenditures, and the acquisition of pure play assets or companies deriving at least 90% of their revenue from activities that meet the eligibility criteria described in the Framework.
    - Under Renewable Energy, the Group intends to finance investments and expenditures related to the construction, maintenance, acquisition or operations of renewable energy projects and ancillary technical equipment, including:
      - Solar photovoltaic projects and wind power projects. AGSM AIM has communicated to Sustainalytics that wind power projects will include onshore as well as offshore projects. Sustainalytics views this expenditure to be aligned with market practice.
      - Hydroelectric power facilities. AGSM AIM has communicated to Sustainalytics that an environmental and social risk assessment will be conducted for each new hydroelectric facility and AGSM AIM will ensure that there is no significant controversy surrounding the project.
      - Additionally, AGSM AIM has communicated to Sustainalytics that hydropower projects will meet one of the following criteria:
        - the facilities are run-of-river and do not have an artificial reservoir
        - the lifecycle carbon intensity is below 100 gCO<sub>2</sub>e/kWh
        - the power density generated is above 5W/m<sup>2</sup>
- Sustainalytics notes that AGSM AIM has defined an emissions intensity threshold of 100 gCO<sub>2</sub>e/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Therefore, Sustainalytics encourages AGSM AIM to favour projects with emissions intensities below 50 gCO<sub>2</sub>e/kWh.
- Under the Energy Efficiency category, AGSM AIM will finance investments and expenditures related to energy efficiency projects aimed at installing systems or products that reduce energy consumption, improve energy efficiency or mitigate greenhouse gas emissions. Eligible projects may include:
    - Installation of smart meters in the electricity distribution service.

- Geothermal energy plants for district heating. AGSM AIM has communicated to Sustainalytics that the geothermal energy projects will have direct emissions of up to 100 gCO<sub>2</sub>/kWh.
- AGSM AIM has confirmed to Sustainalytics that energy-efficient technologies designed or intended for processes that are inherently carbon intensive will be excluded. Sustainalytics considers investments under this category as aligned with market practice.
- For Clean Transportation, the Group intends to finance investments and expenditures related to the construction, development, operation, acquisition or maintenance of infrastructure meeting the following criteria:
  - Installation of green hydrogen plants. AGSM AIM has communicated to Sustainalytics that the production of hydrogen is achieved through electrolysis powered only by renewables. AGSM AIM has communicated to Sustainalytics that the green hydrogen produced in such plants will be used as fuel in vehicles with zero direct emissions.<sup>7</sup>
  - The installation of charging stations for electric vehicles.
- Sustainalytics considers investments under this category as aligned with market practice.
- Under the Pollution Prevention and Control category, the Group intends to finance investments and expenditures related to the construction, development, maintenance or operation of facilities and projects that meet the following criteria:
  - Installation of biomethane production plants from a separately collected organic fraction of municipal solid waste. AGSM AIM has confirmed to Sustainalytics that it will ensure the segregation of the majority of recyclables and exclude plastics before energy conversion.
  - Sustainalytics considers investments under this category as aligned with market practice.
- Project Evaluation and Selection:
  - The Green Finance Committee (the "GF Committee") will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The GF Committee is comprised of senior members from various functions, such as AGSM AIM's managing director and the parent company's finance, compliance and risk teams, among others, and will meet at least on an annual basis.
  - The eligible projects will have to comply with AGSM AIM's approved environmental objectives and are expected to adhere to AGSM AIM's internal guidelines, policies, procedures and external standards.
  - Based on the established process for project evaluation and selection, and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The GF Committee will oversee the monitoring of the proceeds. Net proceeds will be tracked internally and an amount equivalent to the net proceeds will be earmarked for allocation to eligible projects.
  - AGSM AIM intends to allocate proceeds within two years from the date of each issuance. Pending full allocation, AGSM AIM will invest the balance of proceeds in cash, cash equivalents, overnight or other short-term financial instruments, tradable on liquid markets with low or not significant risk, as per its liquidity management policy. The temporary use of proceeds will exclude carbon-intensive activities.
  - Sustainalytics notes that instruments issued under the Framework may include multi-tranche loan facilities. AGSM AIM has confirmed to Sustainalytics that it intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
  - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - AGSM AIM commits to report on the allocation and impacts of proceeds on its website on an annual basis until maturity.
  - Allocation reporting may include the following: i) an overview of outstanding Green Financing Instruments, ii) allocated amounts, at least at category level; iii) a brief description of the largest and most representative projects from each category, highlighting country of implementation, as well as type and sector of the project; iv) breakdown by types of

<sup>7</sup> AGSM AIM has communicated to Sustainalytics that over 95% of the vehicles fueled by the green hydrogen produced in the plants will be public transport buses and approximately 5% of the vehicles may include private cars.

- expenditures; v) the share of new financing versus refinancing of the eligible projects; vi) contribution to an environmental objective of the EU Taxonomy, where applicable; and vii) the balance of unallocated proceeds at the time of reporting, if any.
- Impact reporting may include increase in the installed electricity capacity compared to previous years, volume of green hydrogen produced and distributed per year (in tonnes), volume of biomethane produced per year (in m<sup>3</sup>).
- Based on commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the AGSM AIM Green Financing Framework aligns with the four core components of the GBP and GLP.

## **Section 2: Sustainability Strategy of AGSM AIM**

### **Contribution to AGSM AIM's sustainability strategy**

AGSM AIM focuses its sustainability efforts through its focus on energy transition and the sustainable management of energy resources. Through its Business Plan 2025, the Group aims to: i) increase the share of renewable energy in its energy production; ii) promote circular economy; iii) digitize networks and iv) improve smart services.<sup>8</sup>

In 2023, the Group produced more than 268 GWh of electricity from renewable sources, thereby contributing to 47% of its total energy production.<sup>9</sup> AGSM AIM has communicated to Sustainalytics that it intends to complete the construction of three photovoltaic power facilities with a combined annual energy production of approximately 20 GWh in 2024. In relation to providing public lighting, the Group managed over 78,956 lighting points in 2023, 89.5% of which were LED.<sup>10</sup> In relation to improving smart services, AGSM AIM has communicated to Sustainalytics that the Group plans to develop a green hydrogen facility for providing fuel to approximately 100 electric buses used for public transportation. The Group also deals with waste collection, treatment, recovery and urban health and was responsible for serving approximately 590,000 inhabitants in the 66 municipalities that AGSM AIM operates in. In 2022, AGSM AIM sent 387,621 tonnes of sorted urban waste for recycling.<sup>11</sup>

AGSM AIM has communicated to Sustainalytics that the Group has been reporting on its scope 1 and 2 emissions since 2021. In 2023, as part of its efforts towards the energy transition, the Group carried out a preliminary assessment to be able to start reporting on scope 3 emissions in line with the GHG Protocol Corporate Standard. The Group has planned to progressively set specific decarbonization targets by 2027.

Sustainalytics is of the opinion that the Framework is aligned with the Group's overall sustainability strategy and initiatives and will further support the Group's action on its key environmental priorities. Nonetheless, Sustainalytics encourages AGSM AIM to develop quantified time-bound targets related to its activities in support of its sustainability strategy, and to publicly disclose and report on its progress towards these goals.

### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving: i) emissions, effluents and waste; ii) land-use and biodiversity loss associated with large-scale infrastructure projects; iii) occupational health and safety and iv) community and stakeholder relations.

Sustainalytics is of the opinion that AGSM AIM is able to manage or mitigate potential risks through implementation of the following:

- Regarding emissions, effluents and waste generated across its operations, AGSM AIM has established an Environmental Protection Policy, under which the Group is committed to: i) encouraging waste reduction and promoting the collection, reuse and recycling of materials; ii) incentivizing the use of highly durable, recyclable and easy to dismantle equipment; iii) implementing improvement plans to reduce emissions; and iv) promoting training programmes

<sup>8</sup> AGSM AIM, "Sostenibilità", at: <https://www.agsmait.it/sostenibilita>

<sup>9</sup> Ibid.

<sup>10</sup> AGSM AIM, "Report di Sostenibilità 2022", at: [https://www.agsmait.it/documents/43075/618940/AGSM AIM\\_DNF2022\\_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177](https://www.agsmait.it/documents/43075/618940/AGSM AIM_DNF2022_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177)

<sup>11</sup> Ibid.

related to environmental safeguards.<sup>12</sup> Furthermore, the Group manages its environmental systems following ISO 14001:2015, which requires robust processes to enable the effective mitigation of negative impacts of its business activities on the environment.<sup>13, 14</sup> The Company also adopted a Quality, Safety and Environmental Management Policy, which promotes greater environmental sustainability in its activities and processes set for the selection of suppliers and control of materials and services.<sup>15, 16</sup> Additionally, the Group has an internal system in place for waste classification and proper dismantling procedures.<sup>17</sup>

- To address land use and biodiversity risks, AGSM AIM developed a Sustainability Management Policy, which takes into consideration the protection of at-risk species and their habitats during project assessments and operational activities.<sup>18</sup> Specifically, the Group identifies and assesses the potential impacts of its activities on biodiversity and subsequently implements mitigation actions to minimize adverse effects.<sup>19</sup> Moreover, projects in the EU must comply with the Environmental Impact Assessment Directive 2011/92/EU, which provides a framework to ensure that land-intensive projects are adequately assessed before they are approved to take appropriate measures to prevent, reduce and offset significant adverse effects on the environment, particularly on soil, species and habitats.<sup>20</sup> In addition, projects in the EU must adhere to the EU Habitats Directive and Birds Directive, which are part of the EU's Biodiversity Strategy for 2030 and require EU Member States to conserve the diversity of their wild flora and fauna, with a special focus on threatened and endemic species.<sup>21, 22</sup>
- AGSM AIM adheres to Italy's Consolidated Law on Health and Safety in the Workplace (Legislative Decree 81/2008).<sup>23</sup> In this context, the Group has adopted a Risk Assessment Document that mandates an analysis of health and safety risks associated with work activities within the Group and among its suppliers, aimed at identifying the correct safety measures to prevent workplace accidents.<sup>24</sup> The Group also has a Human Rights policy in place, mandating it to adopt high safety standards to protect the health and well-being of its workers.<sup>25</sup> Additionally, under the Quality, Safety and Environmental Management policy, the Group raises awareness on health and safety issues across the Group.<sup>26</sup> Moreover, to manage risks associated with occupational health, safety and employee well-being, the Company as well as four of its business units hold certification under ISO 45001:2018 for occupational health and safety management, which requires the presence of established processes and safety protocols aimed at minimizing work-related injuries and illnesses.<sup>27, 28</sup>
- In addressing risks pertaining to community and stakeholder relations, AGSM AIM's Sustainability Management Policy guides the Group's efforts in fostering the economic, social, cultural development of communities through: i) the creation of job opportunities; ii) the preference for selecting local suppliers; iii) the investment of sponsorship and donations targeted at achieving a positive impact on people; and iv) the promotion of initiatives focused on preserving the local historical and cultural heritage, as well as providing educational training

<sup>12</sup> AGSM AIM, "Politica per la Tutela dell'Ambiente", at:

[https://www.agsmait.it/documents/43075/749361/Policy\\_Tutela\\_Dell%27ambiente.pdf/d7a81056-b5cf-3a2d-2d2d-51b53b3e12d0?t=1708939093525](https://www.agsmait.it/documents/43075/749361/Policy_Tutela_Dell%27ambiente.pdf/d7a81056-b5cf-3a2d-2d2d-51b53b3e12d0?t=1708939093525)

<sup>13</sup> ISO, "ISO 14001 - Environment Management Systems", at: <https://www.iso.org/standards/popular/iso-14000-family>

<sup>14</sup> AGSM AIM, "Report di Sostenibilità 2022", at: [https://www.agsmait.it/documents/43075/618940/AGSM AIM\\_DNF2022\\_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177](https://www.agsmait.it/documents/43075/618940/AGSM AIM_DNF2022_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177)

<sup>15</sup> Five business units out of six also created their own Quality, Safety and Environmental Management Policy, inspired by the parent company.

<sup>16</sup> AGSM AIM, "Politica per la Qualità, Sicurezza e Ambiente di AGSM AIM", at:

[https://www.agsmait.it/documents/43075/512662/\\_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716](https://www.agsmait.it/documents/43075/512662/_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716)

<sup>17</sup> AGSM AIM, "Report di Sostenibilità 2022", at: [https://www.agsmait.it/documents/43075/618940/AGSM AIM\\_DNF2022\\_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177](https://www.agsmait.it/documents/43075/618940/AGSM AIM_DNF2022_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177)

<sup>18</sup> AGSM AIM, "Politica per la Gestione della Sostenibilità", at:

[https://www.agsmait.it/documents/43075/749361/Politica\\_Gestione\\_Sostenibilit%C3%A0.pdf/d808d424-08b7-51a9-27e4-a59a35315a94?t=1708939092127](https://www.agsmait.it/documents/43075/749361/Politica_Gestione_Sostenibilit%C3%A0.pdf/d808d424-08b7-51a9-27e4-a59a35315a94?t=1708939092127)

<sup>19</sup> Ibid.

<sup>20</sup> European Parliament, "Directive 2011/92/EU of the European Parliament and of the Council", (2011), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32011L0092>

<sup>21</sup> European Commission, "Biodiversity strategy for 2030", at: [https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030\\_en](https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en)

<sup>22</sup> European Parliament, "Directive 2009/147/EC of the European Parliament and of the Council", (2009), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02009L0147-20190626>

<sup>23</sup> Gazzetta Ufficiale della Repubblica Italiana, "Decreto legislativo 81/2008", (2008), at:

<https://www.gazzettaufficiale.it/eli/id/2008/04/30/008G0104/sq>

<sup>24</sup> AGSM AIM, "Report di Sostenibilità 2022", at: [https://www.agsmait.it/documents/43075/618940/AGSM AIM\\_DNF2022\\_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177](https://www.agsmait.it/documents/43075/618940/AGSM AIM_DNF2022_PSW.pdf/f4cec666-e618-ce9b-903c-0c4495ce630b?t=1689237011177)

<sup>25</sup> AGSM AIM, "Politica per la Tutela dei Diritti Umani", at: [https://www.agsmait.it/documents/43075/749361/Policy\\_Diritti\\_Umani.pdf/aae2fe4c-d631-e15e-3c66-5b95773a3170?t=1708939093116](https://www.agsmait.it/documents/43075/749361/Policy_Diritti_Umani.pdf/aae2fe4c-d631-e15e-3c66-5b95773a3170?t=1708939093116)

<sup>26</sup> AGSM AIM, "Politica per la Qualità, Sicurezza e Ambiente di AGSM AIM", at:

[https://www.agsmait.it/documents/43075/512662/\\_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716](https://www.agsmait.it/documents/43075/512662/_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716)

<sup>27</sup> ISO, "ISO 45001:2018 - Occupational health and Safety Management Systems", at: <https://www.iso.org/standard/64285.html>

<sup>28</sup> AGSM AIM, "Politica per la Qualità, Sicurezza e Ambiente di AGSM AIM", at:

[https://www.agsmait.it/documents/43075/512662/\\_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716](https://www.agsmait.it/documents/43075/512662/_Politica+QSA+Agsm+Aim.pdf/989b6f2c-8e3f-ce2d-2170-77d35432fbfb?t=1673428225716)

to young people.<sup>29</sup> Additionally, the Group collaborates with local associations and communities to raise stakeholders' awareness on the importance of environmental and ecosystem protection and biodiversity conservation.<sup>30</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that AGSM AIM has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of financing renewable energy projects in Italy

The energy sector accounts for 75% of greenhouse gas emissions in the EU, where fossil fuels account for as much as 39% of the electricity generation.<sup>31,32</sup> In November 2023, the EU set a target for 2030 to have the share of renewable energy reach a minimum of 42.5% of EU energy consumption, with the aspiration to reach 45%.<sup>33</sup> Additionally, during the COP28 World Climate Action Summit in December 2023, the President of the European Commission announced the Global Renewables and Energy Efficiency Pledge, aiming to triple the global installed capacity of renewable energy sources to at least 11 TW by 2030.<sup>34</sup>

In Italy, the dependence on fossil fuels is even higher: renewables accounted for only 18.5% of its gross energy availability in 2022, with natural gas (37.6%), oil and petroleum products (35.7%) predominating.<sup>35</sup> From 2014 to 2022, Italy saw an increase of 8.6 GW in new renewable capacity, with solar photovoltaic contributing 5.6 GW.<sup>36</sup> Energy production from renewable sources rose in the last decade, reaching 74% of domestic production in 2021.<sup>37</sup> In this context, to align with the EU's energy and climate policy framework, Italy needs to add at least 5 GW of new renewable generation capacity annually between 2020 and 2030.<sup>38</sup> In 2023, the Italian government revised the National Energy and Climate Plan, setting a target for renewable sources to contribute 40.5% to final energy consumption.<sup>39</sup> Additionally, to reduce fossil fuel use, Italy's National Recovery and Resilience Plan (NRRP) initially earmarked EUR 70 billion to promote clean energy and a low-carbon transition between 2021 and 2026.<sup>40</sup> In December 2023, the NRRP was updated to allocate an additional EUR 11.18 billion to support energy measures in line with the REPowerEU.<sup>41, 42</sup>

Given this context, Sustainalytics considers that AGSM AIM's investments in renewable energy projects in Italy are expected to support the country's efforts towards an energy transition, ultimately contributing to a decarbonization of the economy.

#### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments

<sup>29</sup> AGSM AIM, "Politica per la Gestione della Sostenibilità", at: [https://www.agsmait.com/documents/43075/749361/Politica\\_Gestione\\_Sostenibilit%C3%A0.pdf/d808d424-08b7-51a9-27e4-a59a35315a94?t=1708939092127](https://www.agsmait.com/documents/43075/749361/Politica_Gestione_Sostenibilit%C3%A0.pdf/d808d424-08b7-51a9-27e4-a59a35315a94?t=1708939092127)

<sup>30</sup> AGSM AIM, "Politica per la tutela dell'Ambiente", at: [https://www.agsmait.com/documents/43075/749361/Policy\\_Tutela\\_Dell%27ambiente.pdf/d7a81056-b5cf-3a2d-2d2d-51b53b3e12d0?t=1708939093525](https://www.agsmait.com/documents/43075/749361/Policy_Tutela_Dell%27ambiente.pdf/d7a81056-b5cf-3a2d-2d2d-51b53b3e12d0?t=1708939093525)

<sup>31</sup> European Commission, "Questions and Answers – Making our energy system fit for our climate targets", (2021), at: [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_3544](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3544)

<sup>32</sup> Jones, D. (2023), "European Electricity Review 2023", EMBER, at: <https://ember-climate.org/insights/research/european-electricity-review-2023/>

<sup>33</sup> European Commission, "Renewable Energy Directive", at: [https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive\\_en](https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en)

<sup>34</sup> Global Renewables and Energy Efficiency Pledge, at: <https://www.cop28.com/en/global-renewables-and-energy-efficiency-pledge>

<sup>35</sup> Ministero dell'Ambiente e della Sicurezza Energetica, "La situazione energetica nazionale nel 2022", at: [https://www.mase.gov.it/sites/default/files/Archivio\\_Energia/LA%20RELAZIONE%20SULLA%20SITUAZIONE%20ENERGETICA%20NAZIONALE%20NEL%202022\\_MASE%20Luglio%202023.pdf](https://www.mase.gov.it/sites/default/files/Archivio_Energia/LA%20RELAZIONE%20SULLA%20SITUAZIONE%20ENERGETICA%20NAZIONALE%20NEL%202022_MASE%20Luglio%202023.pdf)

<sup>36</sup> IEA, "Italy 2023 Energy Policy Review", at: [https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy\\_2023\\_EnergyPolicyReview.pdf](https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy_2023_EnergyPolicyReview.pdf)

<sup>37</sup> Ibid

<sup>38</sup> Ibid

<sup>39</sup> Ministero dell'Ambiente e della Sicurezza Energetica, "Piano Nazionale per l'Energia e il Clima", (2023), at: [https://www.mase.gov.it/sites/default/files/PNIEC\\_2023.pdf](https://www.mase.gov.it/sites/default/files/PNIEC_2023.pdf)

<sup>40</sup> IEA, "Italy 2023 Energy Policy Review", at: [https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy\\_2023\\_EnergyPolicyReview.pdf](https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy_2023_EnergyPolicyReview.pdf)

<sup>41</sup> Parlamento Italiano, "Il PNRR Italiano. Un quadro di sintesi", at: <https://temi.camera.it/leg19/pnrr/pnrritalia/OCD57-2/pnrritalia.html>

<sup>42</sup> In May 2022, the European Commission launched the RepowerEU plan to reduce Europe's dependence on Russian fossil fuels and accelerate the green transition, by saving energy, investing in renewables and diversifying energy supplies.

issued under the AGSM AIM Green Financing Framework are expected to advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

## **Conclusion**

AGSM AIM has developed AGSM AIM Green Financing Framework under which it may issue green loans and bonds through public or private placements and use the proceeds to finance projects in the Renewable Energy, Energy Efficiency, Clean Transportation and Pollution Prevention and Control categories. Sustainalytics considers that the eligible projects will contribute to providing positive environmental impacts in Italy.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of AGSM AIM and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that AGSM AIM has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that AGSM AIM is well positioned to issue green instruments and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.



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