

Iren Sustainable Financing Framework

2022 March



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IREN SUSTAINABLE FINANCING FRAMEWORK



Introduction

IREN is one of the most important and dynamic Italian multiutilities, operating in the sectors of electricity, gas, thermal energy for district heating, management of integrated water services, waste management services and technological solutions for energy efficiency.

Shaping tomorrow, every day is the purpose that guides the IREN Group in its sustainable development strategy with the aim of creating value and satisfying the needs

of all stakeholders in a balanced way, with a strong focus on people, the quality of services, the environment and on the creation of infrastructures to enrich and enhance the territory.

IREN's leading position in the various business areas, its business model diversified between regulated, quasi-regulated and free market activities (70% of EBITDA stable over the course of the business plan), the strong integration between upstream and downstream activities and its territorial roots make IREN one of the main multiutility groups able to guarantee solidity, development prospects and low levels of risk.

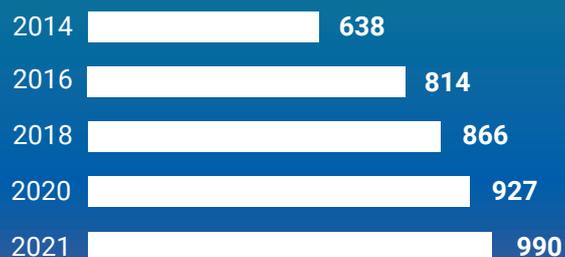
The Group operates in a multi-regional area of more than 7,000,000 inhabitants, with 9,050 employees, over €3.7 billion in revenues in 2020, a portfolio of approximately 2,025 million customers in the energy sector and a total of almost 6 million inhabitants served in the water and environmental cycle.



In recent years IREN has shown solid and rapid growth in its core businesses, strengthened by solid financial performance¹.

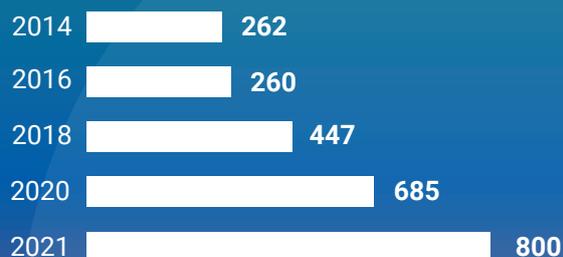
EBITDA

Mln Euro



INVESTMENT

Mln Euro



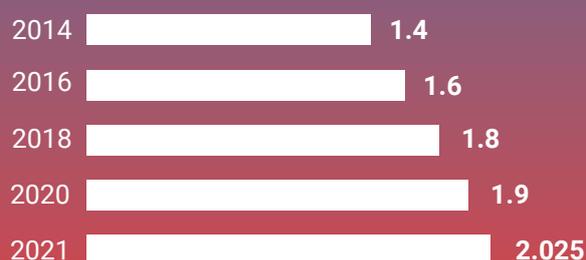
WASTE MANAGED

Mln Ton



ENERGY SERVICES CUSTOMERS

Mln



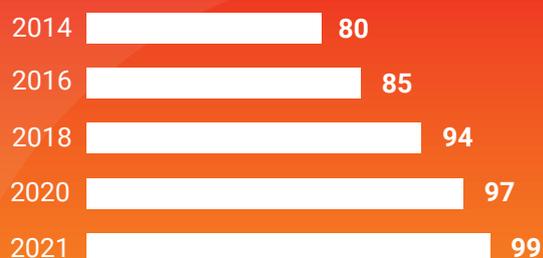
INHABITANTS SII SERVED

Mln



INHABITANTS SII SERVED

Mln



¹ FY 2021 EBITDA and FY 2021 investments refer to the guidance disclosed in the Strategic Plan presentation

INTRODUCTION



IREN's Strategic plan to 2030

In 2021 IREN presented its new Strategic Plan to 2030², which outlines a growth path based on pillars that find their foundation in the main macro-trends of the sector: decarbonization, development of renewables, circular economy, energy efficiency and sustainable use of natural resources. The IREN's Sustainability Strategy is integrated in the Strategic Plan which is in line with the Sustainable Development Goals of the UN 2030 Agenda.

The Group's ambition is based on three strategic pillars: **ecological transition**, with a progressive decarbonisation of all activities and the strengthening of leadership in the circular economy and sustainable use of resources; **territoriality** with an extension of the perimeter in the historical territories and the evolution as a reference partner for communities, expanding the portfolio of services offered; and **service quality** through the improvement of performance and the maximization of customer/citizen satisfaction levels.

12.7 bn EUR investments in 2021-30

ECOLOGICAL TRANSITION

80%

Taking the lead in the ecological transition to accelerate sustainability in all businesses

- Progressive decarbonisation of businesses
- Strengthening leadership in the circular economy

80% of the total investment is sustainable

47% reduction of Scope 1 GHG intensity per MWh generated by 2030 from a 2020 base year 

Treated waste +180% by 2030

TERRITORIALITY

85%

Territorial expansion to maximize opportunities for growth and synergies among all businesses serving the territory

- Entry into new territories, also through acquisitions
- Becoming a reference partner for local stakeholders

85% of investments involve the territories in which we are present

2,5x Provinces served by more than 4 services @2030

65,000 electric charging stations installed by 2030

SERVICE QUALITY

50%

Improve services in all business sectors to be the first choice of reference in the territory

- Excel in network performance and resilience
- Strengthen customer satisfaction in all business sectors

50% of the investment aims to achieve quality standards of excellence in all businesses

-15% electricity service interruptions by 2030

Water losses <20% by 2030 (vs <40% Italian average)

100% digital gas and energy meters by 2030

² https://www.grupporenen.it/documents/21402/701038/Iren_Business+Plan+%402030_ENG.pdf/c3654e16-3d17-4537-a3be-31af0aadfb0a

Ecological transition

The **ecological transition** focuses on the progressive decarbonization of the IREN Group's activities, the circular economy and the sustainable management of water resources.

The decarbonization plan is based on the development of 2.2 GW of new renewable capacity (in addition to the 0.6 GW of existing hydroelectric capacity), on the application of innovative technologies to district heating, aimed to increase the contribution of CO₂-free sources to 25%, on the divestment of thermoelectric assets not functional to district heating, and on the preparation of 95% of the gas network to enable the integration of hydrogen the network. These initiatives will allow the Group to almost halve its carbon intensity in energy production, reaching 176 gCO_{2eq}/kWh in 2030, which is a target validated by the Science Based Target Initiative in the Well Below 2 Degrees scenario, and to project itself towards carbon neutrality in 2040.

IREN intends to become a leader in the circular economy through the continuous growth of separate waste collection in the historical territories (from 69% in 2020 to 76% in 2030) and leading the new managed territories to the same levels of excellence. To support this development and to respond to the needs of the country, the investments of the Strategic Plan are aimed at increasing by 2.3 million tons the capacity of material recovery (+1.8 million tons) and energy recovery (+0.5 million tons) from waste, reaching a total capacity of 3.6 million tons and developing the production of biomethane from waste (60 million cubic meters to 2030).

For IREN Group, the management of water resources, which has always been efficient, is driven by the reduction of withdrawals from the environment and the preservation of quality. The percentage of water leaks in the managed aqueduct networks (currently about 33%) is significantly lower than the Italian average (over 40%) and it is expected to be further reduced to reach levels below 20% by 2030. In addition to reducing leaks, the Group's commitment is aimed at increasing the purification capacity of the managed plants and the reuse of purified water for agricultural and industrial uses (from 6 million cubic meters in 2020 to around 20 in 2030).

Territoriality

85% of the investments of the Strategic Plan are intended to increase the **territorial roots** in the historical areas, through the expansion of the range of services offered, extending to 34 the number of provinces in which IREN provides more than 4 services and increasing the customer base of all businesses. The ambition is to be a reference partner for municipalities by expanding the portfolio of services in the field of energy efficiency, energy communities, smart cities, public and private electric mobility, public lighting and urban and infrastructural requalification.

Quality of service

The targets set on the increase in the customer base and the extension of services will also be possible thanks to an improvement in the **quality** of services offered and performance. The reduction in the frequency of interruptions in the distribution of electricity, water and gas leaks will be supported by a digitization process that will involve almost all the networks and measurement systems (smart meters), allowing greater efficiency and effectiveness in management. Furthermore, the increase of the electrical transformation capacity (+40%) and water purification (+15%) is planned to guarantee to the territories the best quality of the resource returned to the environment. Finally, IREN's commitment will be aimed at maximizing the level of customer satisfaction on all businesses, through the strong digitalization and internalization of the main activities of customer operation, the strengthening of the local presence with an 80% increase of physical stores, the development of the portfolio of innovative and value-added services (IrenPlus platform) and the complete omni-channel experience offered to customers.

Investment for sustainable growth

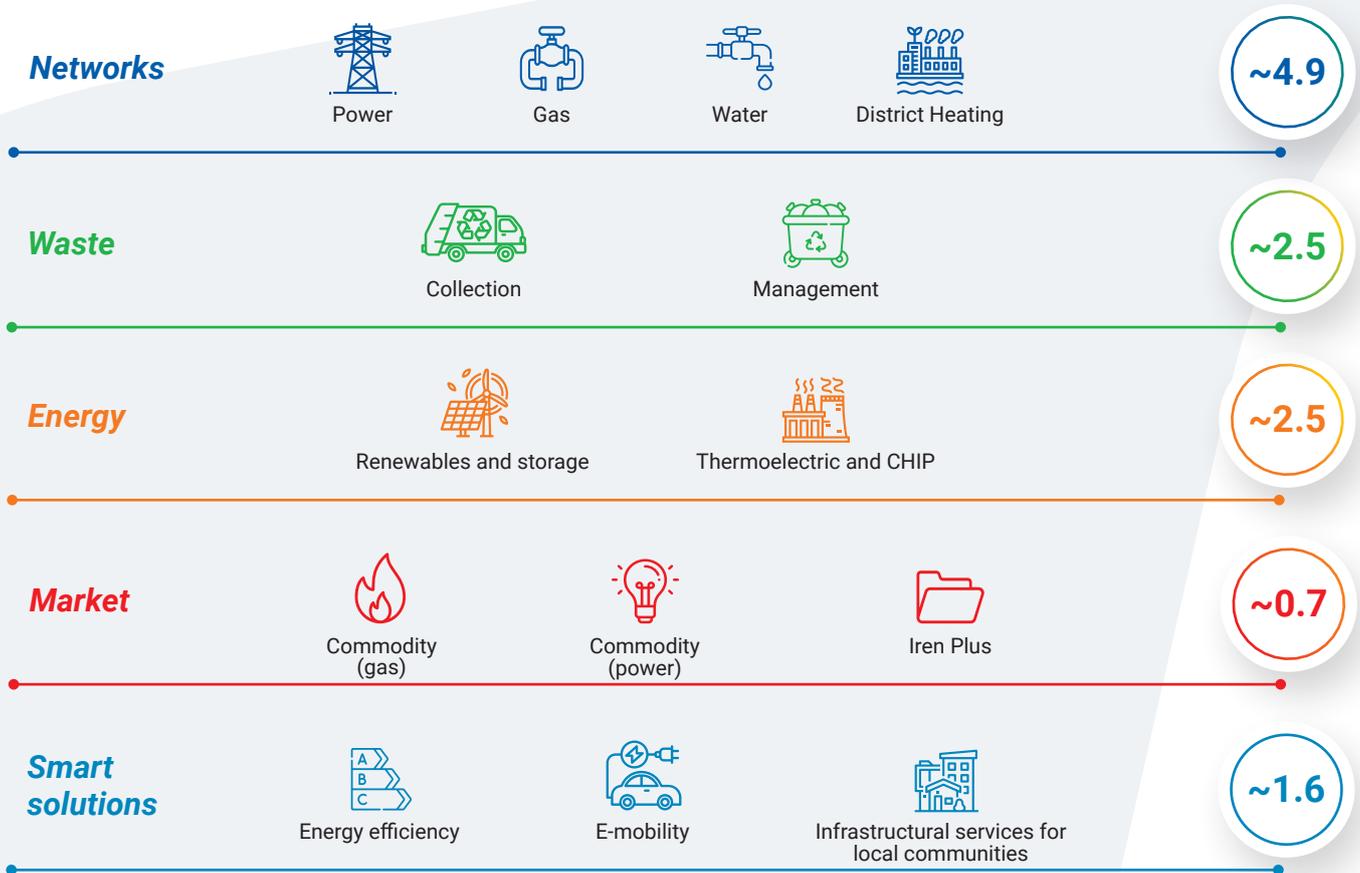
The Strategic Plan is supported by an ambitious investment program, which sees a doubling of average annual investments compared to the last five years and a cumulative amount of 12.7 billion euros over 10 years. The substantial investments will support the solid EBITDA growth, which will reach 1.8 billion euros in 2030 compared to 927 million in 2020 (CAGR 7%) and 80% will be reinvested annually. Also, from a financial point of view, the Strategic Plan presents a balanced profile with a declining NFP/EBITDA ratio, with the confirmation of the BBB/Stable rating by Fitch and the recognition of the BBB-/Positive rating by Standard & Poor's.

Iren most ambitious investments plan ever

Doubling our investments
Average annual Investment Mn Eur



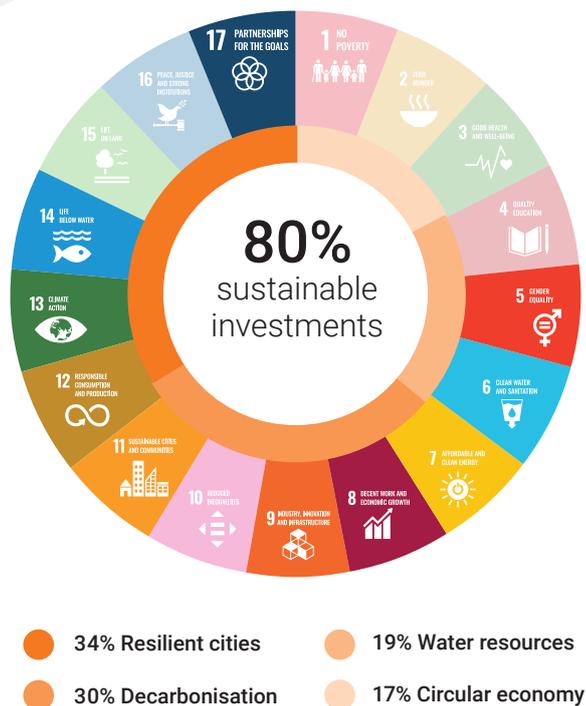
NEW ACTIVITIES REPORTING



Commitment to sustainability

Sustainability is fully integrated into IREN's business strategy, in its investment decision process and in the Group's daily practices. It is a fundamental lever for the creation of value over time for the Group and its stakeholders. A way of doing business that finds its foundation in the strategy, which includes a concrete commitment to the Sustainable Development Goals of the UN 2030 Agenda (SDGs), in its implementation and monitoring and in stakeholder engagement. This approach allows to highlight and catch the opportunities for the business development. The strategy - which integrates ESG factors throughout all business lines and sets out commitments to improve the Group's sustainability performance and manage and mitigate the environmental, social and governance risks (ESG risks) to which it is exposed - allocates 80% of total organic investments (more than 8.7 billion euros), to achieving the sustainability goals, in line with 10 SDGs of the UN 2030 Agenda. The sustainability strategy, consistent with the guidelines of ecological transition, territoriality and quality of service, is articulated according to 5 focus areas: decarbonization, circular economy, water resources, resilient cities and people, which guide all business initiatives and for which precise medium and long-term targets are defined (see below in detail).

ESG targets drive all business initiatives



ENVIRONMENTAL

- Decarbonisation across activities
- Leadership in the **circular economy**
- Sustainable use of **natural resources**
- Halved **carbon intensity**
- 5x **Waste recovery**
- Best-in-class **water leakages** reduction

SOCIAL

- **Diversity and inclusion**
- ESG best practices dissemination and support to **local communities**
- 30% **women in managerial positions**
- Engagement of **supply chain** in ESG best practices

GOVERNANCE

- Top management **ESG accountability**
- ESG best-in-class **transparency** and communication
- Strengthen ESG-linked **variable remuneration**
- Boost up **ESG-oriented policies** (H&S, supply chain, climate change)

Environmental factor – such as decarbonization, circular economy and sustainable use of resources – are crucial to the IREN Group's businesses. In the same way social factors – such as the diversity and inclusion, the enhancement of employees, the wellbeing of the communities, the engagement of suppliers in ESG best practices – are areas that IREN focuses on.

IREN's activities impact the most part of 17 United Nation's Sustainable Development Goals ("SDG"). In line with its strategic path, however, IREN has chosen to target the following goals:

- **SDG 5 Gender equality and women's empowerment** – increasing the presence of women in managerial position and supporting women's empowerment within the Group and in the local communities;
- **SDG 6 Clean water and sanitation** – investing in the sustainable use of water resources both in production processes and in the management of the integrated water service for communities;
- **SDG 7 Affordable and Clean Energy** – increasing the production of energy from renewable sources, improving the energy saving of IREN's processes and developing energy efficiency products and services for customers and citizens;
- **SDG 8 Decent work and economic growth** – defining specific goals for employment, development and enhancement of skills, promoting the culture of diversity&inclusion, building a structured corporate welfare system and caring employees, boosting up ESG policies in supply chain management, creating value for the Group and its stakeholders;
- **SDG 9 Industry, innovation and infrastructure** – developing more resilient and sustainable infrastructure for gas, heat and water distribution, power grid to support the energy transition, sustainable mobility and digitalization;
- **SDG 11 Sustainable cities and communities** – creating new products and services for energy efficiency, e-mobility and public transport, urban renovation, energy communities and supporting local communities in the development of cultural, environmental and social projects;
- **SDG 12 Responsible consumption and production** – increasing in separate waste collection in the served

territories and in waste treatment capacity with a strong focus on waste-to-material and innovative project on waste-to-chemical technology;

- **SDG 13 Climate Action** - with the goal of being a relevant player in the energy transition towards decarbonisation, IREN is committed to increase the renewable energy production, to recover biomethane from organic waste, to build electricity and heat storage infrastructure and to gas network hydrogenation;
- **SDG 14 Life below water** – investing in the upgrading of wastewater treatment plants to protect the receiving water bodies, preserving seas and rivers;
- **SDG 17 Partnership for the goals** – working with institutions, other companies and associations to promote sustainable development, build the conditions to implement the initiatives and investments of IREN's Strategic Plan and increase the culture of sustainability in Italy.

The integration of sustainability into the strategy, is supported by strong governance coherence.

The Board of Directors defines the strategic guidelines and objectives, examines the risks and opportunities linked to the socio-environmental and economic context, and defines the sustainability policies.

The IREN Group's Enterprise Risk Management (ERM) model is one of the main elements of the Internal Control and Risk Management System that, reporting to the Board of Directors, guides activity and assesses adequacy.

The ERM system is based on a Group risk map that identifies the main risks in terms of impact and probability and any mitigation actions. For each risk category of the risk map, the environmental, social and governance (ESG) impacts are assessed, with the production of a complete, detailed and integrated risk register, which also considers the ESG impacts. The operational, contractual and insurance mitigation measures implemented, being implemented and to be implemented to reduce the risk profile, are identified for each risk category.

The sustainability targets of the Strategic Plan are an important part of the medium- and long-term remuneration policies - whose definition also involves the Remuneration and Appointments committee and the Control, Risk and Sustainability Committee - which concern all the Group's management. The Control, Risks and Sustainability

Committee is responsible for assessing the guidelines of the Sustainability Plan, integrated into the Strategic Plan, and the risks and economic, environmental and social performance. The Committee supervises the methods for implementing the Sustainability Plan, the system for assessing and improving its environmental, economic and social impact, and the results of stakeholder involvement.

The coordinated integration of ESG (Environment, Social, Governance) factors, from strategic planning to the management and monitoring of the Group's activities, is entrusted to the ESG Strategic Integration Committee (which includes the Directors of the main Staff and Business Unit functions) which operates in close relation with the Sustainable Financing Committee responsible for defining and managing the Group's Sustainable Financing Framework.

Stakeholders are involved in defining the priority issues for the sustainable development of the IREN Group, which feeds into the strategic planning.

IREN, considering transparency a relevant factor of governance, reports on its sustainability progress annually in its Sustainability report, which also performs the function of Non-Financial Statement (NFS) according to the D.lgs. 254/2016. The report is in compliance with the Global Reporting Initiative (GRI) guidelines and is assured by an independent auditor according to the International Standard on Assurance Engagements 3000 (ISAE 3000).

IREN's commitment to a sustainable development model is confirmed also with its membership of Global Compact, the largest voluntary initiative in the world on sustainability issues, launched in 2000 by the United Nations.

IREN, at EU level, is member of the Corporate Forum for Sustainable Finance, an initiative between European companies from eight countries and five business sector, designed as a permanent network for exchanging views and ideas, to contribute more towards the development of a broader set of financial market instruments under the umbrella of sustainable finance.

Rationale and Basis of IREN Sustainable Financing Framework

Starting from 2017, through the issuance of its first Green Bond, the IREN Group has strengthened the path taken in sustainable finance. As of today, IREN is the first Italian multiutility for number of debt capital markets instruments issued in the use of proceeds format, with 4 Green Bonds issued so far, for a total amount of 2,000 million euros that represent, jointly with other sustainable finance instruments, about 63% of total debt. Over the years, the Group has adopted a Green Financing Framework and in 2018 a Sustainable Financing Framework.

In line with the abovementioned path and to strengthen the Group's commitment to sustainable finance, IREN intends to adopt a new Sustainable Financing Framework that combines both the Use of Proceeds type and the Sustainability Linked type.

The Sustainable Financing Framework has been developed to highlight how IREN intends to continue to support its sustainability strategy and vision and to combine the use of different Green & Sustainability-Linked financing instruments. The Sustainable Financing Framework is aligned with the ICMA Green Bond Principles (GBP) 2021³ and the LMA Green

³ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

Loan Principles (GLP) 2021⁴, ICMA Sustainability-linked Bond Principles (SLBP) 2020⁵, and LMA Sustainability-linked Loan Principles (SLLP) 2022⁶.

Under the above Sustainable Financing Framework (here after the "Framework"), the Company may issue any type of debt instruments such as bonds (in various formats, such as, but not limited to, senior unsecured, subordinated unsecured or hybrid, or project bond), loans, guarantees, derivatives and/or any other type of debt.

IREN with this Framework intends to support the financing of investments and activities across the Group which demonstrate positive environmental or social impacts aligned with the sustainability guidelines of the Group.

All Green and Sustainability-Linked Financing Instruments are a further commitment of IREN's focus on respecting the planet, while creating wealth and development in the territories in which it operates. Moreover, it will allow to further optimize IREN Group's financial profile, exploiting favourable market conditions and enabling the funding of several significant projects, which will bring relevant positive externalities.

To optimize the use of the different financing sources, IREN has implemented a centralized approach to the banking and capital market, with funding raised directly by IREN S.p.A. and then made available to all the companies of the Group through intercompany agreements.

The Framework has been created to facilitate transparency, disclosure and integrity of IREN's Sustainable Financing Activities and this version will apply to any Green or Sustainability-Linked Instruments issued by IREN after its publication. The documentation for each individual financing instrument issued by IREN will define the applicable format.

IREN commits to periodically review this Sustainable Financing Framework to ensure alignment with market expectations, voluntary standards such as the SLBP, SLLP, GBP, GLP and any relevant future principles or regulatory developments, including potential changes in calculation methodologies of its KPIs.

For the avoidance of doubt and to ensure consistent tracking of performance over time, IREN commits to recalculate its SPT(s) included in this Framework, as needed, to reflect significant changes that would otherwise compromise the target's relevance (e.g., change in perimeter, change in methodology or material mistakes, where applicable).

The Sustainable Finance Framework for both the Use of Proceeds and Sustainability-Linked sections has been reviewed by DNV.

In the contest of any Framework update, IREN will involve the SPO Provider and, in case of material changes to the Eligible green category/projects/activities and related eligibility criteria, KPIs and/or the SPTs calibration, will ask for an updated SPO that be published on IREN's website.

⁴ <https://www.lsta.org/content/green-loan-principles/#>

⁵ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

⁶ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/#>

Sustainable Financing Committee

In order to further strengthen its commitment, as well as to ensure the transparency of the process underlying the selection of projects, the allocation of proceeds and the definition of KPIs and/or SPTs, IREN has created a Sustainable Financing Committee.

This Committee is chaired by the CFO and composed of members of the following functions:

- Corporate Social Responsibility and Territorial Committees;
- Finance and Credit Policy;
- Investor Relations;
- Planning and Control.

The Business Units and other Functions are involved to ensure the integration of ESG factors at all levels of the Group.

The Sustainable Financing Committee meets at least on an annual basis, and has the responsibility to:

- validate and monitor the Eligible Projects/Activities, in line with the Sustainable Financing Framework
- identify the most relevant and material KPIs and SPTs to be included in the Framework
- monitor the sustainable finance markets, relevant initiatives and evolutions in the regulations to ensure the alignment with the market best practices
- supervise the duly implementation of the Framework in any relevant transaction
- verify and validate the annual reporting as defined in the Framework and in the relevant outstanding legal documentation
- review and update the Framework, including changes to the Eligible Categories, KPIs and SPTs to align the Framework to relevant changes in the IREN's sustainability strategies and to any material event.

The Sustainable Financing Committee works in strict collaboration with the ESG Strategy Integration Committee, which has, among others, the following objectives:

- sharing of scenario analyses for the proposition of guidelines and policies aimed to integrate sustainability into the strategy and business processes
- analysis of risks/opportunities related to ESG issues
- assessment of the implications for the Group of national and European guidelines and standards relating to ESG profiles
- sharing of environmental and social impact assessments arising from the Group's activities.

IREN SUSTAINABLE FINANCING FRAMEWORK



Green Financing Component

When issuing financial instrument based on Use of proceeds format the Green Financing Component is based on the four core components of Green Bond Principles and Green Loan Principles as described below, including:

1. **Use of Proceeds**
2. **Process for Project/Activities Evaluation and Selection**
3. **Management of Proceeds**
4. **Reporting**

Use of Proceeds

The net proceeds of Green Bond/Loan will be totally used by IREN to finance or re-finance, in whole or in part, a pool of nominated Eligible Projects/Activities qualified under the terms of the Green Bond/Loan Principles.

IREN's Eligible Projects/Activities are coherent with the development strategy and fall within the main eligible categories of GBP. Eligibility Criteria define the Relevant Eligibility Requirements set out for Eligible Projects/Activities. These criteria have been set, to the greatest extent possible in accordance with the best market-wide environmental performance standards and where feasible the EU Taxonomy for environmentally sustainable activities.

Eligible green category	Eligible Projects/Activities	Eligible Projects/Activities	Environmental benefits	Contribution to UN-SDGs
RENEWABLE ENERGY	<ul style="list-style-type: none"> Hydroelectric power electricity generation Solar Photovoltaic electricity generation Wind power electricity generation 	<ul style="list-style-type: none"> Projects and assets associated with the generation of electrical energy through Solar PV or wind equipment, Hydropower electricity generating facility with a power density above 5 W/m² or under 10MW or run-of-river electricity generation facility without artificial reservoir 	<p>Contribution to climate change mitigation</p> <ul style="list-style-type: none"> Reduction of greenhouse gas emissions Increase generation and transmission of electricity from renewable energy 	
ENERGY EFFICIENCY	<ul style="list-style-type: none"> Energy network development Electricity storage Thermal storage capacity Cogeneration facilities District heating networks Gas network hydrogenation Buildings energy efficiency Waste to Energy facilities Waste-to-chemical facilities 	<ul style="list-style-type: none"> Projects and assets critical to the distribution and transmission of electrical energy related to the interconnected European system Development of electricity or thermal storage capacity with a focus on technological innovation to promote decarbonization The production achieves primary energy savings of at least 10% compared with the references to separate production of heat and electricity Heating or cooling system using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat Conversion/retrofitting of gas distribution networks to reduce the methane leakages and enable the integration of hydrogen and other low-carbon gases, totally or in blend, in the network Energy efficiency measures aimed at improving the efficiency such as (but not limited to): <ul style="list-style-type: none"> replacement of existing windows and doors with new energy efficient windows installation and replacement of energy efficient light sources installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems addition of insulation to existing envelope components, such as external walls, roofs, lofts, basements and ground floors and products for the application of the insulation to the building envelope Installation, maintenance and repair of renewable energy technologies, on-site, such as (but not limited to): 	<p>Contribution to climate change mitigation</p> <ul style="list-style-type: none"> Reduction of greenhouse gas emissions Improving energy efficiency Increase storage of renewable energy 	

Eligible green category	Eligible Projects/Activities	Eligible Projects/Activities	Environmental benefits	Contribution to UN-SDGs
		<ul style="list-style-type: none"> • solar photovoltaic systems and the ancillary technical equipment • solar hot water panels and the ancillary technical equipment • heat pumps • Waste-to-Energy Projects with materials recovery and recycling prior to incineration and acceptable levels of efficiency (energy production and district heating) ($R1 \geq 0.65$) and a minimum energy efficiency of 25% • Waste-to-Chemical plants to produce hydrogen and methanol from waste treatment 		
CIRCULAR ECONOMY	<ul style="list-style-type: none"> • Waste urban collection • Waste urban recycling • Waste Urban treatment 	<ul style="list-style-type: none"> • Projects related to separately collected and transported non-hazardous waste that is segregated at source and intended for preparation for reuse or recycling operations • Projects related to development of recovery and recycling facilities of paper, cardboard, wood, plastic and other type of waste to be used as secondary raw materials • Projects related to biowaste recovery to produce compost and biomethane to be used directly for the generation of electricity or heat, or for injection in the natural gas grid, or as vehicle fuel 	<p>Contribution to transition to circular economy</p> <ul style="list-style-type: none"> • Waste prevention, re-use and recycling 	
SUSTAINABLE WATER AND WASTEWATER MANAGEMENT	<ul style="list-style-type: none"> • Wastewater treatment system upgrades • Water distribution network efficiency 	<ul style="list-style-type: none"> • Capacity improvements to wastewater treatment facilities to handle loads higher than baseline performance in terms of population equivalent (p.e.) • Projects related to construction, extension, maintenance, and operation of water supply systems to reduce water leakages to 20% by 2030 	<p>Contribution to sustainable use of water resources</p> <ul style="list-style-type: none"> • Improving water management and efficiency 	
CLEAN TRANSPORTATION	<ul style="list-style-type: none"> • Electric Vehicles • E-mobility 	<ul style="list-style-type: none"> • Zero direct tailpipe Co2 emissions electric vehicles and dedicated electric recharging stations 	<p>Contribution to climate change mitigation</p> <ul style="list-style-type: none"> • Increasing clean or climate-neutral mobility 	

By operating responsibly in all these areas of sustainability, IREN confirms its strategic support to UN-SDGs.

All the Eligible Projects/Activities are carried out directly or/and indirectly through IREN's subsidiaries. Eligible Projects/Activities are mainly located in Italy and from time to time in European's mainland.

Process for Project Evaluation and Selection

All the Eligible Projects/Activities are selected in respect of Eligibility Criteria and must have a clear positive environmental impact and shall be aligned with the sustainability policies defined by IREN.

Eligibility Criteria means the requirements / characteristics which grant visible, relevant and measurable environmental benefits associated with defined categories such as: increase of energy production by non-fossil fuels, increase of energy efficiency, improvement of WTE plants for waste treatment, improvement of wastewater treatment plants, increase of sorted waste collection, reduction of water networks leaks and avoided CO2 emissions from fossil sources due to electricity production from renewables and to use of electric vehicles.

The Sustainable Financing Committee, described above, oversees all the process, the allocation of the proceeds of the Green Bond/Loan is supervised by Finance department.

The Sustainable Financing Committee on an annual basis reviews the Eligibility criteria and key performance indicators (KPIs) to be used during the process of evaluation and selection to facilitate the reporting and to ensure they meet the Green Bond/Loan Principles.

The internal process for evaluation and selection involves:

- 1 TECHNICAL ASSESSMENT**

each project/activity is proposed with a technical card describing characteristics, environmental benefits (KPI) and annual financial data
- 2 ACCOUNTING/PLANNING ASSESSMENT**

annual data are checked and reported in respect of accounting and planning procedures
- 3 SUSTAINABILITY ASSESSMENT**

each project/activity is selected according to key performance indicators (KPIs) in respect of Eligibility Criteria set
- 4 ESG RISK IDENTIFICATION AND MITIGATION**

the ESG Strategy Integration Committee ensures that the ESG risks are duly identified and managed
- 5 FINANCE ASSESSMENT**

each project/activity is selected according to finance criteria and objectives

At the end of this process, if all assessments are positive, the project/activity will be included in a portfolio of Eligible Projects/Activities (Portfolio of Eligible Projects/Activities).

Management of Proceeds

To secure the Green Bond/Loan and the coverage through the bond maturity, the Portfolio of Eligible Projects/Activities is greater than the booked proceeds.

The net proceeds after issue have to be distributed and invested in Eligible Projects/Activities possibly within 24 months of issue date of the Green Bond/Loan. A look-back period of 36 months applies for refinanced Eligible Projects/Activities.

In case of asset divestment or cancellation of a project/activity and/or in case a project/activity ceases to meet the Eligibility Criteria and/or faces a material controversy, IREN will use the net proceeds to finance other Eligible Projects/Activities in the extent of possible.

In the event of pending application of the net proceeds toward financing of Eligible Projects/Activities, IREN will hold such amounts, at its discretion, in cash or other liquid marketable instruments in its liquidity portfolio. Until full allocation, on each reporting date, IREN discloses the amount equal to the net proceeds not yet allocated to Eligible Projects/Activities.

The above-mentioned process will be monitored along the entire period in which the expected capex/opex will be incurred. The Sustainable Financing Committee, at least on an annual basis, will review the allocation of proceeds to ensure it meets the Green Bond/Loan Principles.

Reporting

As long as Financial Debt qualifying as Green Bonds/Loans are outstanding and until full allocation of the Proceeds, annually IREN will provide on its website and/or in a dedicated part of the non-financial report (today the "Sustainability Report"), which will be subject to external verification by a qualified auditor or any other provider of third-party assurance:

- the list of Eligible Projects/Activities financed or refinanced with the net proceeds of the Bond/Loan
- information on key performance indicators (KPIs) related to such Eligible Projects/Activities
- an update of the allocation of the net proceeds described above.

The details of the disbursement and the outstanding value will be tracked using IREN's internal financial reporting system (Accounting System – SAP and Treasury System – Piteco).

IREN will establish a register of all Eligible Projects/Activities, updated on a periodic basis with relative KPI monitored, which will identify each Eligible Project/Activity and will track funds invested in each of these Eligible Projects/Activities. The table below presents the eligible green categories and indicative impact indicators selected by IREN to track the environmental contribution of eligible Projects/Activities:

Eligible green category	Indicative key performance indicators	UN-SDGs
RENEWABLE ENERGY	<ul style="list-style-type: none"> • Avoided GHG emissions from fossil (tCO_{2eq}) • Electrical energy produced from renewable non-fossil sources (MWh) • Renewable energy share in percent on total (%) • Primary energy saving per operating year (MWh) • RES installed capacity (MW) 	
ENERGY EFFICIENCY	<ul style="list-style-type: none"> • Primary energy saving per operating year (MWh) • Percentage of smart meters on the total (%) • Smart meters installed (N) • Avoided GHG emissions from fossil sources (tCO_{2eq}) • Average network losses (% of underground network measured with planned inspection) • Thermal energy produced/stored per operating year (MWh) 	
CIRCULAR ECONOMY	<ul style="list-style-type: none"> • Total sorted waste collection (t) • Plastics treated (t) • Paper and cardboard treated (t) • Production of compost (% on organic waste in input) • Production of biomethane (sm3) • Avoided GHG emissions from fossil sources per operating year (tCO_{2eq}) 	
SUSTAINABLE WATER AND WASTEWATER MANAGEMENT	<ul style="list-style-type: none"> • Treated population equivalent (potential) • Annual absolute (gross) amount of wastewater treated (t) • Smart meters installed (N) • % of water networks leaks • Water treatment plants (N) • Sewage systems (km) 	
CLEAN TRANSPORTATION	<ul style="list-style-type: none"> • Avoided GHG emissions from fossil sources (tCO_{2eq}) • Number of clean vehicles deployed (N) • Electric vehicle charging stations installed (N) 	

Verification

An external verifier appointed by IREN will provide a Second Party Opinion which represents an independent opinion as to whether the established criteria have been met.

The external verifier will provide also an annual assessment report, until all the proceeds of the Bond/Loan have been allocated, confirming the respect of all material ICMA Green Bond Principles (GBP), and LMA Green Loan Principles (GLP).

All the documents mentioned in this Framework rev.03.2022 will be made available on IREN's corporate website in connection with any Green and Sustainability-Linked Bond/Loan issued by IREN after its publication.

IREN SUSTAINABLE FINANCING FRAMEWORK



Sustainability-Linked Component

This Framework has been established in accordance with the Sustainability-Linked Bond Principles (SLBP) 2020 version, as administered by the International Capital Market Association (ICMA).

The following five core components form the basis of The Company's Framework:

- 1. Selection of Key Performance Indicators (KPIs)**
- 2. Calibration of Sustainability Performance Targets (SPTs)**
- 3. Financial characteristics**
- 4. Reporting**
- 5. Verification**

Sustainability-Linked Bonds (SLBs) are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined SPTs measured through predefined KPIs. In that sense, issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. SLBs are forward-looking performance-based instruments. The proceeds of SLBs are intended to be used for general purposes.

IREN commits to periodically review this Sustainable Financing Framework to ensure alignment with market expectations, voluntary standards such as the SLBP, SLLP, and any relevant future principles or regulatory developments, including potential changes in calculation methodologies of its KPIs.

For the avoidance of doubt and to ensure consistent tracking of performance over time, IREN commits to recalculate its SPT(s) included in this Framework, as needed, to reflect significant changes that would otherwise compromise the target's relevance (e.g., change in perimeter, change in methodology or material mistakes, where applicable).

Selection of Key Performance Indicator (KPIs)

IREN selected the following four KPIs as they are aligned with the Group's overall Sustainability Strategy. The selected KPIs are core, relevant, and material to the IREN's business and measure the sustainability improvements of the Group. They are therefore the most suited to the requirements of the ICMA SLBP and LMA SLLP.

The KPIs support the United Nations SDGs 6 (Clean water and sanitation), SDGs 7 (Affordable and clean energy) 12 (Responsible consumption and production) and 13 (Climate action). IREN intends to issue Sustainability Linked Bonds with coupon structures to be considered potentially eligible by the European Central Bank as collateral for Eurosystem credit operations and for outright purchases in Euro system monetary policy operations, provided that all other eligibility criteria are met.

KPI #1: SCOPE 1 GHG EMISSIONS INTENSITY

$\text{gCO}_{2\text{eq}}/\text{kWh}$



KPI

Scope 1 GHG Emissions generated from power plants divided by the electric energy and heat produced by IREN ($\text{gCO}_{2\text{eq}}/\text{kWh}$)

Rationale

- The target is coherent with the overall IREN's strategy to achieve net carbon neutrality in scope 1 emissions by 2040;
- Scope 1 emissions account for about 50% of the total Group emissions as of 2020 (baseline year);
- The 2030 target is validated by the Science Based Target Initiative (SBTi)- Well-below 2°C scenario .

IREN has conducted a 10-year scenario analysis and drawn up 3 different roadmaps to align its energy production with SBTi criteria. IREN foresees emissions intensity reduction ($\text{tonCO}_{2\text{eq}}/\text{MWh}$) leveraging on different factors, such as: the strong growth in renewable electricity production, divestment of thermoelectric assets not functional to district heating, use of low carbon fuel blends for energy production, improvements in Carbon Capture and Storage technology and others. Each roadmap identifies the intensity reduction caused by each factor, targeting by 2030 an emission intensity in line with the ambition required by SBTi. These factors are mixed differently in the 3 roadmaps, and the most-likely scenario projects 15,139,000 MWh by 2030.

Methodology

The total amount of GHG Scope 1 emissions is calculated in accordance with the Global Reporting Initiative Sustainability Reporting Standards issued by GRI - Global Reporting Initiative (the GRI Standards) and with the Greenhouse Gas Protocol (GHG Protocol).

Scope 1 GHG emissions include:

- Fuel and waste combustion in IREN power plants for electricity and heat production
- Electricity generated from biogas produced by landfills and wastewater treatment plants
- Fossil fuels consumption for internal use and company operations: company vehicles, buildings heating, company equipment
- Methane leakages from gas distribution (KgCO_{2eq})
- Fluorinated gases emissions. (KgCO_{2eq})

Perimeter

IREN S.p.A. and all its wholly consolidated subsidiaries included in the consolidated non-financial report.

KPI #1 contributes to the following EU Environmental Objective: Climate Change Mitigation

KPI#1 contributes to the following SDG



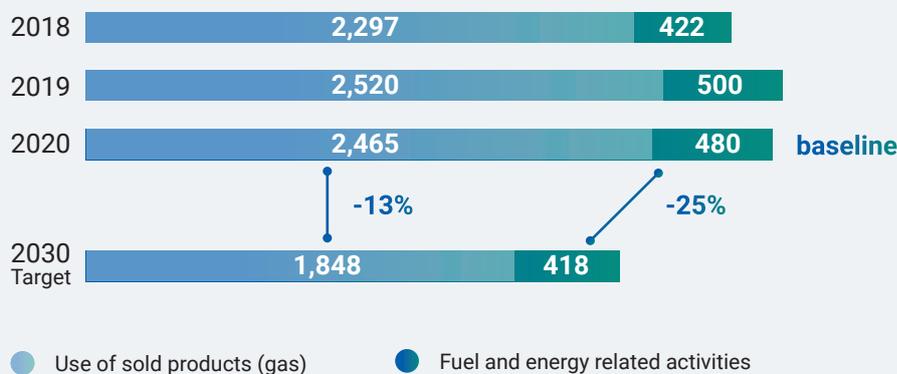
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

KPI #2: SCOPE 3 GHG EMISSIONS

Kt of CO_{2eq}



KPI

Absolute GHG Scope 3 emissions from use of sold products and fuel (category 11) and energy related activities (Category 3), calculated in tonnes of carbon dioxide equivalent (tCO_{2eq}).

Rationale

- The target is coherent with the overall IREN's decarbonization strategy
- Scope 3 emissions account for about 46% of the total Group emissions as of 2020 (baseline year)
- The 2030 target is validated by the SBTi - Well-below 2°C scenario
- IREN has conducted a 10-year scenario analysis to align its targets with SBTi criteria. IREN foresees emissions reduction (tCO_{2eq}) considering factors, such as: progressive electrification of customers consumptions, use of low carbon fuel blends both for energy production and customers consumptions, IREN Group's electricity consumptions 100% renewable by 2030 and others.

Methodology

- The total amount of GHG Scope 3 emissions is calculated in accordance with the Global Reporting Initiative Sustainability Reporting

Standards issued by GRI - Global Reporting Initiative (the GRI Standards) and with the Greenhouse Gas Protocol (GHG Protocol).

- Scope 3 GHG emissions included in the target, which account for 72% of the total Scope 3 emissions, are:
 - Use of sold products
 - Fuel and energy related activities

Perimeter

IREN S.p.A. and all its wholly consolidated subsidiaries included in the consolidated non-financial report.

KPI #2 contributes to the following EU Environmental Objective: Climate Change Mitigation

KPI#2 contributes to the following SDG



13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

KPI #3: WATER LEAKS

%



KPI

Ratio of total real water leaks volume to total volume entering the aqueduct system in the year.

Rationale

The percentage of total water leaks in Italy was 42% in 2018. The Istituto Nazionale di Statistica (ISTAT) reports that for every 100 litres introduced into the distribution network in 2018, over 42 do not reach the taps of the houses and it estimates that recovering these leaks could guarantee the water needs of about 44 million people in one year, more than two thirds of Italians⁷.

Methodology

The ratio of total real water leaks volume to total volume entering the aqueduct system in the year under consideration (%) as defined by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA).

Perimeter

IREN S.p.A. and all its wholly consolidated subsidiaries included in the consolidated non-financial report.

KPI #3 contributes to the following EU Environmental Objective: Sustainable use and protection of water and marine resources

KPI#3 contributes to the following SDG



6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, and substantially reduce the number of people suffering from water scarcity

6.b Support and strengthen the participation of local communities in improving water and sanitation management



13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

⁷ https://www.istat.it/it/files//2021/03/GMA2021_ENG.pdf

KPI #4: WASTE TREATED IN GROUP'S MATERIAL RECOVERY PLANTS

Kt

2018  159

2019  305

2020  492 **baseline**

2024 Target  1,490 [x3]

2026 Target  1,690 [x3,4]

2030 Target  2,310 [x4,7]

KPI

Waste treated in IREN Group's material recovery plants (kt).

Rationale

- Circular Economy is embedded in the IREN's sustainability strategy. Reuse and recycling are considered the better options in the waste hierarchy as they could deliver higher climate mitigation benefits, reducing the portion from residual non-recyclable waste.
- Waste Framework Directive (as amended by 2018/851) defines that by 2030, the preparing for re-use and the recycling of municipal waste shall be increased to a minimum of 60 % by weight. IREN will contribute to the achievement of this target.
- The largest potential to improve circularity is in plastics, where recycling rates today are low (recycled volumes are just 10% of plastics in the market), and CO₂ gains would be substantial⁸.
- The recovery of organic waste significantly contributes to CO₂ reduction as well through the production of biomethane.
- Plastic, organic and wood waste recovery is part of the National Recovery and Resilience Plan.

Methodology

Tonnes of plastic, organic, wood, paper and any other waste recovered in the plants owned by IREN S.p.A. and its subsidiaries.

Perimeter

IREN S.p.A. and all its wholly consolidated subsidiaries included in the consolidated non-financial report.

KPI #4 contributes to the following EU Environmental Objective: Transition to a Circular Economy

KPI#4 contributes to the following SDG



12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse



13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

⁸ <https://media.sitra.fi/2018/06/12132041/the-circular-economy-a-powerful-force-for-climate-mitigation.pdf>

Calibration of Sustainability Performance Targets (SPTs)

All Sustainability Performance Targets are aligned with the Group’s decarbonization strategy to 2030.

Furthermore, all applicable SPTs will be detailed in the relevant documentation of the specific transaction, as applicable (e.g. Final Terms of any Sustainability Linked Bond or Facility Agreement of any Sustainability- Linked Loan).

Factors that support and/or might put at risk the achievement of the SPTs will be disclosed in the documentation of the relevant sustainability-linked transactions, according to applicable regulations and market practice.

SPT #1: SCOPE 1 GHG EMISSIONS INTENSITY

gCO_{2eq}/Kwh

Scope 1 GHG Emissions generated from power plants divided by the electric energy and heat produced by IREN (gCO_{2eq}/kWh)

Metric	u.m.	Baseline 2020	2024	2026	2030
Scope 1 GHG Emissions generated from power plants divided by the electric energy and heat produced	gCO_{2eq}/kWh	332	317	298	176

Sustainability Performance Target #1 Observation Dates: 2024, 2026, 2030

Baseline year: 2020

These targets were defined on a scientific basis taking into account, inter alia, the expected temperature increase scenarios. The 2030 target has been validated by SBTi (Science Based Target Initiative).

Strategy to achieve the target

- Development of new RES assets, focused mainly on photovoltaic and wind power (+2.2 GW installed capacity)
- Renewal of hydro concessions, through revamping
- Divestment of thermoelectric assets (not functional to district heating) planned in the 2026-30 period
- Increase in the use of low carbon gases for energy production

SPT #2: SCOPE 3 GHG EMISSIONS

tCO_{2eq}

Absolute GHG Scope 3 emissions from use of sold products (category 11) and fuel and energy related activities (Category 3), calculated in tonnes of carbon dioxide equivalent (tCO_{2eq})

Metric	u.m.	Baseline 2020	2030
<i>Absolute Scope 3 GHG emissions from use of sold products</i>	<i>Tonnes of CO_{2eq}</i>	2,464,655	1,848,491
<i>Absolute Scope 3 GHG emissions from fuel and energy related activities</i>	<i>Tonnes of CO_{2eq}</i>	480,459	417,999
Absolute Scope 3 GHG emissions (categories 11 e 3)	Tonnes of CO_{2eq}	2,945,114	2,266,491

Sustainability Performance Target #2 Observation Dates: 2030

Baseline year: 2020

The 2030 target has been validated by SBTi (Science Based Target Initiative)

Strategy to achieve the target

- Purchase of 100% renewable electricity
- Biomethane from waste used for mobility and to feed the gas networks
- Gas networks hydrogenation
- Push towards electrification compensating for gas consumption reduction

SPT #3: WATER LEAKS

%

Ratio of total real water leaks volume to total volume entering the aqueduct system in the year

Metric	u.m.	Baseline 2020	2024	2026	2030
Real Water Leaks	%	33.3%	30.1%	26.5%	20%

Sustainability Performance Target #3 Observation Dates: 2024, 2026, 2030
 Baseline year: 2020

Strategy to achieve the target

- Renovation of water supply networks
- Grid compartmentation
- Smart solutions for the early identification of leakages

SPT #4: WASTE TREATED IN GROUP’S MATERIAL RECOVERY PLANTS

kt

Waste treated (kt) in IREN Group’s material recovery plants.

Metric	u.m.	Baseline 2020	2024	2026	2030
Waste treated in Group’s material recovery plants	ktons	492	1,490	1,670	2,310

Sustainability Performance Target #4 Observation Dates: 2024, 2026, 2030
 Baseline year: 2020

Strategy to achieve the target

IREN has acquired in 2020 I.Blu, which operates in the selection of plastic waste to be sent to recovery and recycling. The Company plans to increase the existing plant's capacity and build a new plant to treat heterogeneous plastics (plasmix) that currently have no outlet in the recycling market.

Furthermore, IREN plans to improve its capacity of recycling organic waste, with the production of compost and biomethane, and wood, building new and increasing existing plants.

Financial characteristics

If the SPTs have not been reached at the target observation date as per the annual reporting published following the target observation date, an increase will apply in the coupon of the notes or a margin adjustment of the interest rate for other Sustainability-Linked financing instruments (loans, Revolving Credit Facilities, etc.).

The Increase amount in the coupon or the margin adjustment will be specified in the documentation of the Sustainability-Linked Finance Instruments payable from the first coupon payment date following the target observation date until maturity or at the point of maturity as specified in the documentation.

If, for any reason, the performance level against the SPT cannot be calculated or observed, or not in a satisfactory manner (non-satisfactory manner to be understood as a verification assurance certificate provided by the independent auditor containing a reservation or the independent auditor not being in the position to provide such certificate), the change in the financial and/or structural characteristics of the notes (as defined above) will be applicable.

If, for any reason, the Company does not publish the relevant SPT within the time limit as prescribed by the terms and conditions of the notes, the change in the financial and/or structural characteristics of the notes will be applicable.

The step-up margin or margin adjustment will not be triggered in case of:

- a. an amendment to, or change in, any policies, laws, regulations, rules and guidelines applicable to and/or relating to the IREN's business activities, or a decision of a competent authority which has a direct and/or indirect impact on the issuer's ability to satisfy the relevant SPTs as of the observation date
- b. any concession granted to the issuer or its Subsidiaries being amended, revoked or terminated for any reason whatsoever prior to the relevant expiration date (and such revocation or termination becomes effective in accordance with its terms) or the relevant expiration date being shortened, which has a direct and/or indirect impact on the Issuer's ability to satisfy the relevant SPTs as of the observation date.

Recalculation Policy

The GHG emissions SPTs will be recalculated at the occurrence of any event or structural change in the Issuer for which a recalculation is requested by SBTi.

The water leaks SPTs will be recalculated at the occurrence of any event or structural change (in Issuer's operations) causing a material variations in the length (in Km) of the water network managed (i.e. more or less of 5%).

In such events and without prejudice to the bondholders, the SPTs will be recalculated in good faith by the issuer and the framework will be externally verified by a Second Party Opinion provider to ensure that the recalculated SPTs are consistent with IREN's sustainability strategy and are of the same level of ambition. Baselines and SPTs adjustments will be reported by IREN in its Non-Financial Report or in its website. For the avoidance of doubt, the recalculation policy does not apply to the KPI#4 Waste treated in Group's material recovery plants .

Reporting

The Company's various SPTs will be reported by the company at least on an annual basis on its website and/or in its Annual Reports.

Reporting may include:

1. Up-to-date information on the performance of the selected KPIs, including the baseline where relevant;
2. Up-to-date information on Company's performance against the SPTs and the related impact, and timing of such impact, on any financial instrument performance
3. Any relevant information enabling investors to monitor the progress of the SPTs
4. A verification assurance report relative to the reporting including the above points; and

Information may also include when reasonably feasible and available:

1. Qualitative or quantitative explanation of the contribution of the main factors, including the evolution of the performance/KPIs on an annual basis
2. Illustration of the positive sustainability impacts of the performance improvement; and/or
3. Any re-assessments of KPIs and/or restatement of the SPTs and/or pro-forma adjustments of baselines or KPI scope, if relevant.

Verification

This Framework and the associated annual reporting will benefit from three layers of external verification:

1. Second-party opinion by a recognised independent assurance provider about the alignment of the Framework and the associated documentation with the relevant market principles, including an assessment of the relevance, robustness and reliability of the selected KPIs, the rationale and level of ambition of the proposed SPTs, the relevance and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant
2. A verification assurance certificate confirming whether the performance of the KPI meets the relevant SPT, published on the Company's website following a target observation date
3. The non-financial financial report, which is accompanied by the assurance statement by an auditor, includes information on the sustainability performance of the company which concerns also the KPIs and SPTs defined in this framework.

Both the Framework and Second Party Opinion are available on the Company's website.

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IREN SUSTAINABLE FINANCING FRAMEWORK



Appendix

SBTi certification letter



info@sciencebasedtargets.org
www.sciencebasedtargets.org



Approved science-based target

The Science Based Targets initiative has validated that the corporate greenhouse gas emissions reduction target(s) submitted by

Iren Group

have been deemed to be in conformance with the SBTi Criteria and Recommendations (version 4.2). The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a well-below 2°C trajectory.

The official target wording is:

Italian multi-utility Iren Group commits to reduce scope 1 GHG emissions 47% per MWh of electricity generated by 2030 from a 2020 base year. Iren Group commits to increase annual sourcing of renewable electricity from 0% in 2020 to 100% by 2030. Iren Group also commits to reduce absolute scope 3 GHG emissions from fuel and energy related activities 13% by 2030 from a 2020 base year. Iren Group commits to reduce absolute scope 3 GHG emissions from use of sold products 25% by 2030 from a 2020 base year.

Date of issue: Mar, 2022

Certificate Number: IREN-ITA-001-OFF

An initiative by



www.gruppoiren.it



Sustainable Financing Framework

2022 March

www.gruppoiren.it