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# IREN Green Bond Framework

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## 1. Introduction

IREN was established on 1st July 2010 through the merger of Enìa and Iride and is a top player in the Italian multi-utilities sector with a leading position in its business areas, a balanced mix of regulated, semi-regulated and market-based activities and a strong integration between upstream and downstream activities.

Thanks to its business assets, its past and current investments, its positioning in all its business areas in all phases of the energy value chain, and its roots in the local territory, IREN is now one of the major Multi-utilities Groups on the Italian scene.

The IREN Group operates in the following sectors: electricity, gas, district heating, integrated water service and waste, and it also provides other public utility services (public lighting, traffic light services and facility management). It is a diversified business model, characterized by a mix of market-based activities and regulated and semi-regulated activities (the last two generated more than 70% of 2016 EBITDA) which ensures solidity, development prospects and reduced risk levels. IREN is one of the main examples in Italy of a multi-utility oriented towards the provision of services and the creation of infrastructures for enriching and enhancing the territory, with respect for the environment and its customers.

The Group serves a multiregional catchment area with over 7,000,000 inhabitants, has 6,226 employees, revenues of 3,3 billion euros in 2016, a portfolio of around 1.6 million customers in the energy sector and more than 4.8 million inhabitants served in the integrated water and waste cycles.

The IREN Group draws up company strategies on the basis of a system of values which are aimed at applying a business model capable of satisfying the legitimate expectations of the stakeholders in a balanced way and in full respect of the environment and communities in which it operates.

Values on which Iren based its strategy are: Client satisfaction, health, safety, continuous improvement, people enhancement, innovation, sustainable development, responsibility and cooperation with local communities, efficiency in services, quality in supply, environmental protection and rational use of energy.

## 2. Rationale

IREN has been characterized by a “green soul” since its inception. Its strategy, in fact, has always been oriented towards

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- **economic sustainability**, that is, operating in such a way that the company's strategies create wealth to increase the Group's value, guaranteeing its continuity in the long term through the application of an advanced model of corporate governance;
- **environmental sustainability**, that is, minimizing direct and indirect environmental impacts and promoting a culture sensitive to the natural environment, for the benefit of future generations;
- **social sustainability**, that is, promoting ethical behaviour in conducting business and favouring the legitimate expectations of Group's stakeholders in line with the provisions laid down in the Ethical Code.

The Green Bond is further symbol of IREN's focus on respecting the planet, creating at the same time, wealth and development in the territories in which it operates.

It will allow the Group to further optimize IREN Group's financial profile, exploiting favourable market conditions and enabling the funding of several significant projects, which will bring important positive externalities.

More-over it is a signal of the attention of the Group towards a growing segment of investors, who include ESG parameters in their analysis as a tangible element of the sustainability of the investment choice.

### 3. Application of Green Bond Principles

The process follows the criteria set out in the Green Bond Principles ("GBP") of the International Capital Market Association ("ICMA") and has four pillars:

1. **Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance Eligible Projects/Activities. Eligible Projects/Activities should produce visible, relevant and measurable environmental benefits.
2. **Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.
3. **Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
4. **Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

A Green Bond Committee will oversee all the Green Bond process. It will be comprised of Iren's members from Finance, Business Planning, Accounting and Sustainability departments. The allocation of the proceeds of the Green Bond will be overseen by Finance department.

In order to provide the market and the stakeholders with disclosure and transparency, Iren will engage an external verifier of the Green Bond process and also for ongoing periodic verifications.

### **3.1 Use of Proceeds**

The net proceeds of Green Bond 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 Climate Bonds Standard.

Eligible Projects/Activities fall within the following main categories:

Renewable Energy:

- Mini Hydro Power;
- Solar PV Energy Generation;
- Energy Network Development;

Energy Efficiency

- Energy Distribution and Management;
- Cogeneration Facilities;

Waste Management Efficiency and Recycling

- Waste collection and sorting upgrades;

Waste Water Treatment

- Wastewater treatment plant upgrades

All the Eligible Projects/Activities are carried out directly or/and indirectly through Iren's subsidiaries.

Appendix 1 includes details on allocation of net proceeds of Green Bond.

### **3.2 Process for Project Evaluation and Selection**

All the Eligible Projects/Activities are selected in respect of "Relevant Eligibility Requirements". The eligible investments projects must have a clear positive environmental impact and shall be aligned with the sustainability policies defined by Iren.

"Relevant Eligibility Requirements" 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 and disposal and Reduction of waste disposed in landfills.

Appendix 2 includes details on key performance indicators (KPIs) to be used during the process of evaluation and selection of Eligible Projects/Activities.

The Green Bond Committee half yearly reviews the Sustainability criteria (Appendix 3) 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 Principles and the Climate Bonds Standard.

The internal process for evaluation and selection involves:

Technical assessment:	each project is proposed with a technical card describing characteristics, environmental benefits (KPI) and annual financial data (see Appendix 4);
Accounting /Planning assessment:	annual data are checked and reported in respect of accounting and planning procedures;
Sustainability assessment:	each project is selected according to key performance indicators (KPIs) and in respect of Sustainability criteria set in Appendix 3
Finance assessment:	each project is selected according to finance criteria and objectives

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

### **3.3 Management of Proceeds**

To secure the Green Bond 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 6 months of issue date of the Green Bond.

In case of asset divestment or cancellation of a project, Iren will use the net proceeds to finance other Eligible Projects/Activities.

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 Green Bond Committee half yearly will review the allocation of proceeds to ensure it meets the Green Bond Principles.

### **3.4 Reporting**

As long as Notes qualifying as “Green Bonds” are outstanding, annually Iren will provide on its website and in a dedicated appendix in the non-financial report (today the “Sustainability Report”), which will be verified by an independent third party:

- the list of Eligible Projects/Activities refinanced with the net proceeds of the Notes;
- 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 Projects/Activities and will track funds invested in each of these Eligible Projects/Activities.

DNV GL has been appointed by Iren to act as an external verifier of the Green Bond Framework and in order to provide a Second Party Opinion which represents an independent opinion as to whether the established criteria have been met.

DNV GL will be appointed by Iren to provide also an annual assessment report, until all the proceeds of the bonds have been allocated, confirming the respect of all material ICMA Green Bond Principles.

All the annexes mentioned in this Framework will be made available on Iren's corporate website. The institution of Green Committee and all the other requirements are in progress and will be formalized by the first periodic Control date coinciding with the first quarter 2018.

Appendix 1: Use of Proceeds in Eligible Projects/Activities Financed for Iren GB

Appendix 2: Eligible Projects/Activities Financed and KPIs

Appendix 3: Climate Bonds Standard (CBI) categories and minimum levels for KPIs (Sustainability criteria)

Appendix 4: Analytics Card Eligible Projects/Activities Financed