



Sustainable finance

The financial market has seen strong growth in recent years in sustainable and responsible investments and financing instruments that consider sustainability impacts, including offering more affordable rates based on the achievement of defined and measured goals.

The European Union has given an important impetus in this direction with the adoption, in 2018, of the Action Plan, which outlines strategies and measures for the realisation of a financial system capable of promoting sustainable development, contributing to the implementation of the Paris Agreement on Climate Change and the goals of the United Nations 2030 Agenda. The Plan recommends ten actions to be taken at European level to encourage the channelling of financial investment towards a more sustainable economy, consider sustainability in risk management procedures, and strengthen transparency and long-term investment.

Sustainable finance represents a very significant lever to support the investment plan envisaged in Iren Group's Strategic Plan to achieve the planned sustainability objectives.

European taxonomy

The Green Deal is Europe's strategy to become a carbon-neutral society by 2050, protect the health and well-being of its citizens, and conserve and enhance natural capital and biodiversity.

This challenge requires not only public funds, but also private funds. For this reason, as part of the Action Plan for Sustainable Finance, the European Commission has defined the Taxonomy (EU Regulation 2020/852), a single system of classification of economic activities that defines the criteria for assessing environmental sustainability, encouraging companies to make their models more environmentally sustainable, implementing investments in this direction, and to provide disclosure of information related to the environment and climate.

The Taxonomy identifies **six environmental objectives** to identify sustainable economic activities:

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems.

An **economic activity is aligned with the Taxonomy**, and therefore considered sustainable, if it meets three basic principles:

- contribute substantially to at least one of the six environmental objectives by meeting activity-specific technical screening criteria (*substantially contribute*);

- *Do Not Significant Harm (DNSH)* to the remaining environmental objectives;
- comply with the minimum safeguards set out in the OECD Guidelines for Multinational Enterprises⁽¹⁾ and the UN Guiding Principles on Business and Rights⁽²⁾ (*comply with minimum safeguards*).

An **economic activity eligible for the Taxonomy** is an activity included in the Delegated Acts, regardless of whether it meets the technical criteria established for it. Eligible economic activities, therefore, constitute the set of activities that have the potential to align with the technical screening criteria. **Non-eligible economic activities** are activities which are not included in the Climate Delegated Act. An **economic activity aligned with the Taxonomy** is one that meets all the requirements: the technical screening criteria, DNSH and compliance with minimum safeguards.

It is important to note that two different types of non-eligible activities are included:

- **activities not included in the Delegated Acts;**
- **activities excluded** because they are not considered to produce significant impacts on the environmental objectives considered by the Taxonomy. For example, one of these is the sale of electricity to end customers, which, according to Iren Group's evaluations, could contribute significantly to the mitigation of climate change in a logic of progressive electrification of consumption, oriented towards the marketing of electricity produced 100% from renewable sources.

In 2021, the EU Delegated Regulation (2021/2139) – so-called Climate Delegated Act – came into force, which defines the technical criteria for the first two objectives (climate change mitigation and adaptation), integrated on 15 July 2022 by the complementary Delegated Act (EU Delegated Regulation 2022/1214), which includes gas and nuclear energy production in the Taxonomy.

On 27 June 2023, the following were published in the Official Journal:

- Delegated Regulation (EU) 2023/3850 which, by amending the Climate Delegated Act, provides for the expansion of economic activities that contribute to climate change mitigation and adaptation, as well as updates to the technical assessment criteria for existing economic activities;
- Delegated Regulation (EU) 2023/3851 (so-called Environmental Delegated Act), which provides the technical criteria for assessing economic activities that have a significant impact on one or more of the four environmental objectives, in addition to climate change, which include the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and control of pollution, and the protection and restoration of biodiversity and ecosystems.

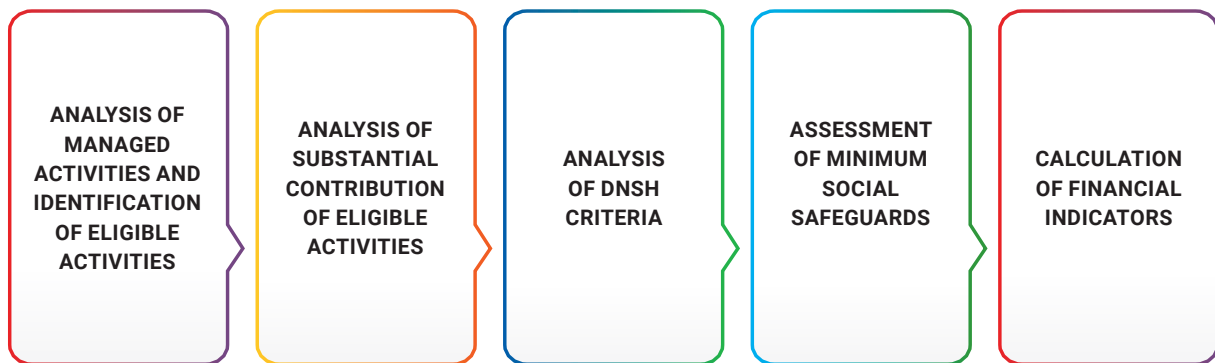
Companies required to publish the Non-Financial Statement (NFS) must report three indicators (KPIs): revenue, operating expenses (OpEx) and capital expenditures (CapEx), related to activities covered by Taxonomy.

As of 1 January 2023, the three KPIs for activities included in the Climate Delegated Act are to be referred to the activities aligned to the Taxonomy. As of 1 January 2024, the three KPIs must also be reported in relation to eligibility for the Taxonomy of Economic Activities covered by the Environmental Delegated Act (Taxo 4).

To implement the European Taxonomy in the monitoring and reporting system, Iren Group has structured a process and an inter-functional working group (Business Unit, Corporate Social Responsibility and Local Committees, Management Control, Regulatory Affairs, Corporate Affairs, Sustainable Finance and Technologies and Information Technologies and Systems) that carried out the analysis of all the activities managed, verifying their consistency with the requirements established by the Regulation, in the extension currently in force. The activity analysis process adopted by Iren is developed as outlined below (➤ [SEE PAGE 378](#) for more details).

⁽¹⁾ OECD Guidelines for Multinational Enterprises - aimed at multinational enterprises operating in Organisation for Economic Co-operation and Development (OECD) member countries - provide non-binding principles and standards for responsible business conduct based on applicable laws and internationally recognised standards.

⁽²⁾ United Nations Guiding Principles on Business and Human Rights (UNGPs) are a tool, consisting of 31 principles, that implement the United Nations' "Protect, Respect and Remedy" framework for human rights in business.



As part of the evaluation process, also in the face of the need to define homogeneous interpretative criteria, the fundamental comparison with the other players in the sector continued, both directly and through associative working groups (e.g. Utilitalia, Assonime).

The analysis carried out on the eligibility and alignment with the taxonomy objectives of Iren Group's economic activities is shown in the table below.



Focus Areas Iren Strategic Plan	Taxonomy Objectives	Eligible activities	
		Aligned	Non-Aligned
Decarbonization	Climate change mitigation	(4.1) Production of electricity using photovoltaic solar technology	
		(4.3) Production of electricity from wind energy	
		(4.5) Production of electricity from hydroelectric energy	
		(4.10) Electricity storage	
		(4.11) Thermal energy storage	
		(4.14) Distribution networks for renewable and low-carbon gases	
		(4.24) Production of heat/cooling from bioenergy	
			(4.29) Production of electricity from gaseous fossil fuels
			(4.30) High-efficiency cogeneration of heat/cooling and electricity from gaseous fossil fuels
			(4.31) Production of heat/cooling from gaseous fossil fuels in an efficient district heating and cooling system
	(7.6) Installation, maintenance and repair of renewable energy technologies		
		(8.1) Data centre	
Water resources	Climate change mitigation	(5.1) Construction, expansion, and operation of water collection, treatment, and supply systems (95%) ⁽¹⁾	(5.1) Construction, expansion, and operation of water collection, treatment, and supply systems (5%) ⁽¹⁾
		(5.3) Construction, expansion, and operation of wastewater collection and treatment systems (67%) ⁽¹⁾	(5.3) Construction, expansion, and operation of wastewater collection and treatment systems (33%) ⁽¹⁾
	Sustainable use and protection of water and marine resources	(1.1) Manufacture and installation (and related services) of leakage control technologies	
		(2.1) Water supply	
		(2.2) Urban wastewater treatment	
	Transition to a circular economy	(2.2) Production of alternative water resources for purposes other than human consumption	

Focus Areas Iren Strategic Plan	Taxonomy Objectives	Eligible activities		
		Aligned	Non-Aligned	
Circular economy	Climate change mitigation	(5.5) Collection and transportation of non-hazardous waste in source-separated fractions		
		(5.7) Anaerobic digestion of bio-waste		
		(5.8) Composting of bio- waste		
		(5.9) Material recovery from non-hazardous waste (71%) ⁽¹⁾	(5.9) Material recovery from non-hazardous waste (29%) ⁽¹⁾	
		(5.10) Closed landfills with biogas production		
	Transition to a circular economy	(2.3) Collection and transport of non-hazardous and hazardous waste		
		(2.5) Recovery of bio-waste through anaerobic digestion or composting		
		(2.6) Decontamination and dismantling of end-of-life products		
		(2.7) Sorting and recovery of materials from non-hazardous waste		
	Pollution prevention and control	(2.1) Collection and transport of hazardous waste		
(2.2) Treatment of hazardous waste				
Resilient cities	Climate change mitigation	(4.9) Electricity distribution		
		(4.15) District heating/cooling distribution		
		(6.3) Urban and suburban transport, road passenger transport		
		(6.4) Management of personal mobility devices, cycle-logistics		
		(6.5) Transportation by motorcycles, passenger cars and light commercial vehicles (26%) ⁽²⁾	(6.5) Transportation by motorcycles, passenger cars and light commercial vehicles (74%) ⁽²⁾	
		(6.15) Infrastructure that enables low-carbon road and public transportation		
		(7.1) Construction of new buildings		
		(7.2) Renovation of existing buildings		
		(7.3) Installation, maintenance and repair of energy efficiency devices		
		(7.4) Installation, maintenance and repair of electric vehicle charging stations in buildings		
		(7.5) Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings		
		(7.6) Installation, maintenance and repair of renewable energy technologies		
		(9.3) Professional services related to the energy performance of buildings		
		Pollution prevention and control	(2.4) Remediation of contaminated sites and areas	

⁽¹⁾ Percentage calculated on revenues

⁽²⁾ Percentage calculated on costs, as this activity does not generate revenues

From the analysis carried out, the following activities managed by Iren Group are ineligible for the Taxonomy: collection of unsorted waste for disposal; energy recovery from non-hazardous waste; waste disposal in landfills without biogas production; sale of "green" electricity and gas; distribution of non-renewable gas; management of information systems.



▲ %EE.51+ 81.511,00€ 8.411 700



1.2E4 UOMI
8.254 90MI
2.554 324M
E.144 8VM
51.502-
21.88E,25
20.421-
84.64E,51



▲ %22.E+ 51.502- 1.2E4 UOMI
▲ %EE.51+ 21.88E,25 8.254 90MI



5226-581700



▲ %42.5+ -11% -11%

STATEMENT OF THE ALIGNMENT OF IREN GROUP'S ACTIVITIES

The portions of eligible, aligned and non-eligible activities related to the three KPIs required by the Taxonomy are represented below. It should be noted that with regard to the economic activities covered by the Environmental Delegated Act (Taxo 4), alignment assessments will be carried out starting in the financial year 2024.

More detailed information on eligible, aligned and non-eligible activities, as well as the criteria for calculating the relative share of revenues, operating expenses (OpEx) and capital expenditures (CapEx), are contained in the tables on page 378.

Turnover (revenues)

1,710
million
Euro of
revenues

from activities
aligned to
UE Taxonomy

The total revenues considered to define the indicator (denominator) are those reported in the Consolidated Financial Statements, in compliance with international accounting standards, with the sterilisation of the effects deriving from assets under concession (IFRIC 12). In calculating the indicator, only revenues from external sales were considered in the numerator. By adopting said criteria, in 2023, the share of **revenues from activities eligible**

for the Taxonomy is 60%, of which **27%** (about 1,710 million Euro) **is aligned for the climate change mitigation objective** and mainly concerns hydroelectric generation, sorted waste collection activities, energy efficiency devices, water collection, treatment and supply systems, wastewater collection and treatment systems, and electricity distribution. It should be pointed out that Taxonomy does not consider as eligible activities that are of considerable

800
million
Euro of
OpEx

from activities
aligned to
UE Taxonomy

Operating expenses (OpEx)

The operating expenses considered for the purposes of calculating the indicator do not include the following expenses: overheads, raw materials, personnel for the management of activities, management of research and development projects, electricity, fluids or reagents necessary

for the operation of property, plant and equipment. **58% of the 2023 operational expenditure (OpEx) is related to activities eligible for the Taxonomy**, of which **52%**, or about 800 million Euro, **is aligned for the climate change mitigation objective**. These expenditures are mainly related

525
million
Euro of
CapEx

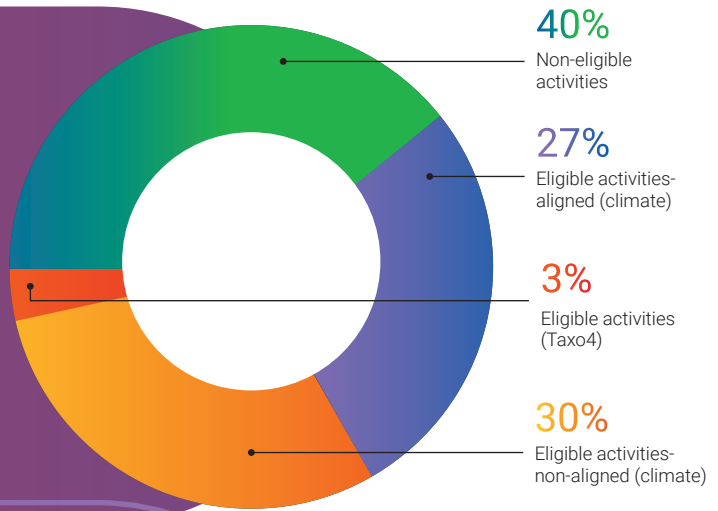
from activities
aligned to
UE Taxonomy

Capital Expenditure (CapEx)

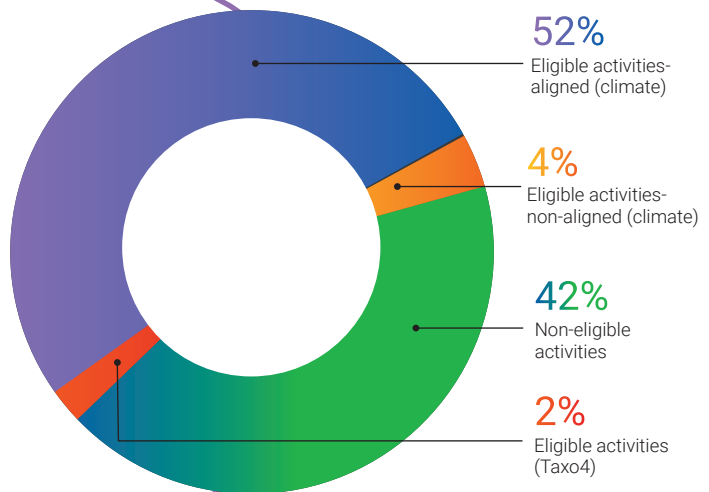
The capital expenditure used to define the indicator includes, at the denominator, increases in tangible and intangible assets before depreciation, amortisation, impairment and any revaluation, including also increases resulting from business combinations and capitalised long-term leases (IFRS 16).

68% of the 2023 capital expenditure (CapEx) is related to activities eligible for Taxonomy, of which **52%**, or over 525 million Euro, **is aligned for the climate change mitigation objective**. The largest share of this concerns investments in water collection, treatment and supply systems, wastewater collection

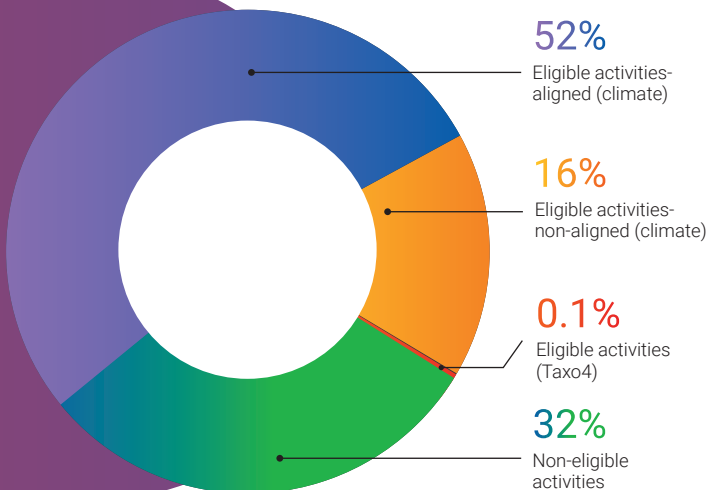
importance for the Group, such as, for example, the sale of electricity and gas (around 31% of total revenues), which could, in fact, have a positive impact on climate change mitigation if geared towards the marketing of electricity from renewable sources or low-carbon gas. By sterilising this effect, the share of revenues related to eligible activities would be about 90%.



to the activities of material recovery from waste, sorted waste collection, installation of energy efficiency devices, water collection, treatment and supply, wastewater collection and treatment, and electricity distribution.



and treatment systems, development of electricity distribution networks, collection and transport of sorted waste, anaerobic digestion of organic waste and photovoltaic production.



Sustainable finance instruments

Sustainable finance is one of the enabling levers of the Business Plan to 2030, thanks to an increasing and diversified use of **sustainable financial instruments, which will represent 77% of financing sources by the end of 2023**. The goal is to source 100% of medium- to long-term resources from sustainable sources by 2030. The financing operations concluded in 2023 - all linked to sustainability indicators and granted to support the Group's investment plans and financial needs - confirm the financial system's trust in the development projects and strategies outlined by the Group, also allowing to maintain an adequate balance between short-term and long-term financial exposure.

In order to achieve the objectives related to sustainable finance, the Group adopted a Sustainable Financing Framework for which a second party opinion was issued by an external body that ensures its compliance with precise environmental criteria and certifies its alignment with the ICMA (International Capital Market Association) Green Bond Principles and Sustainability-linked Bond Principles, and the LMA (Loan Market Association) Green Loan Principles and Sustainability-linked Loan Principles, which represent the most widespread standard among issuers and market operators. The Sustainable Financing Framework complements the Green Use of Proceeds instruments with Sustainability-Linked instruments, thus expanding the portfolio available to the Group and ensuring the necessary support for the realisation of strategies in the short term, through the use of proceeds to finance specific projects, and in the medium to long term, by linking the management of financial resources to sustainability targets (KPIs) integrated in the financial strategy.

The main sustainable finance transactions carried out during 2023 are summarised below:

- subscription in December of two 3-year RCF committed lines for 200 million Euro. Both loans are KPI-linked, i.e. they are linked to the achievement of two sustainability targets (KPIs) identified in the Business Plan and linked to the decarbonization path undertaken by the Group and the rational use of water resources, in line with as also included in the Sustainable Financing Framework. These loans are in addition to the six KPI-Linked Term Loan type contracts, already in place in 2022 for 650 million Euro, which consider the same strategic sustainability targets in the margin

adjustment mechanism. At the end of 2023, the total KPI-Linked loans subscribed by Iren Group amounted to 850 million Euro;

- signing, in October, of a new Green Use of Proceeds loan with Cassa Depositi e Prestiti (CDP) for 100 million Euro with a 12-year maturity to support the EfficienTO project (energy requalification of about 800 public buildings in the City of Turin) and a new loan agreement with EIB (European Investment Bank) signed in March, for 150 million Euro to support the Group's investments in the integrated water service with the aim of upgrading the water distribution network, wastewater collection and treatment plants in the provinces of Genoa and La Spezia. The two lines signed in 2023 are in addition to those already in place with the EIB and CEB (Council of Europe Development Bank), bringing the amount granted to around 1 billion Euro at the end of December 2023;
- issuance of guarantees in a "green" format on an existing line for 70 million Euro to support any underlying transactions with sustainable characteristics, in accordance with the Sustainable Financing Framework, which also includes a pricing benefit. This line is in addition to an existing ceiling with the same characteristics of 10 million Euro.

The transactions described above are in addition to the bonds issued for a total of more than 3 billion Euro, including four Green Bonds and a Green Private Placement in Use of Proceeds format for more than 2 billion Euro, under the existing EMTN Programme (ceiling of 4 billion Euro).

Since 2019, Iren has been an active member of the Corporate Forum on Sustainable Finance, which aims to support and develop sustainable finance as a tool to combat climate change and promote a more sustainable and responsible society. The 25 current members are European and UK companies, issuers of ESG bonds, committed to making a tangible contribution to reducing emissions by actively participating in consultations promoted by the European Union on Taxonomy, regulation, sustainability disclosure and reporting, financial markets, reference standards and ESG ratings.

For 2024, the Group's objective is to continue the activities to cover financial needs to support investments through a balanced relationship between short and medium/long-term funds with attention to the principles of sustainable finance, in addition to full compliance with the commitments undertaken towards Socially Responsible Investors (SRI) and defined in the Sustainable Financing Framework. To this end, in January 2024, Iren issued its fifth Green Bond.

IREN GREEN BONDS IN CIRCULATION AT 31/12/2023

Bond	Iren acronym	ISIN code	Bond amount (€/000)	Annual coupon (%)	Issue duration (years)	Expiry	Price	Rating Fitch/S&P
Green Private Placement 2028	GPP1	XS2512307229	50,000	2.875 %	6	05/08/2028	100.00	BBB
Tap Issue Green Bond 2031	Tap GB4	XS2275029085	200,000	0.250 %	10	17/01/2031	94.954	BBB/BBB
Green Bond 2031	GB4	XS2275029085	300,000	0.250 %	10	17/01/2031	99.030	BBB/BBB
Green Bond 2029	GB3	XS2065601937	500,000	0.875 %	10	14/10/2029	99.345	BBB/BBB
Green Bond 2025	GB2	XS1881533563	500,000	1.950 %	7	19/09/2025	99.129	BBB/BBB
Green Bond 2027	GB1	XS1704789590	500,000	1.500 %	10	24/10/2027	98.356	BBB/BBB
TOTAL			2,050,000					

ALLOCATION OF GREEN BOND FUNDS

In line with the Sustainable Financing Framework, the net proceeds from the Green Bonds issued are used to finance and/or refinance, in whole or in part, a list of sustainable projects and activities based on the criteria set forth in the international ICMA Green Bond Principles guidelines that Iren Group has adopted.

The allocation of net proceeds, for all green instruments, took place in compliance with the timing established by Iren within its Framework, i.e. within the 24-month term which represents, to date, the most common market practice.

All projects to which the proceeds have been allocated are confirmed and present in the Group's assets as at 31 December 2023. The table below shows the allocation status (Use of Proceeds) for each outstanding Green Bond based on the eligible categories identified in the Sustainable Financing Framework in which the different projects and activities financed are grouped.

PROCEEDS FROM GREEN BONDS ALLOCATED AS AT 31/12/2023 ⁽¹⁾

	Green Private Placement 2022		Tap Green Bond 2031 (Tap GB4)		Green Bond 2031 (GB4)		Green Bond 2029 (GB3)		Green Bond 2025 (GB2)		Green Bond 2027 (GB1)	
	Invest.	Prog. (n.)	Invest. (€/000)	Prog. (n.)	Invest. (€/000)	Prog. (n.)	Invest. (€/000)	Prog. (n.)	Invest. (€/000)	Prog. (n.)	Invest. (€/000)	Prog. (n.)
Energy efficiency			96,984	8	197,427	6	387,503	11	247,992	4	232,587	6
Renewable sources	50,000	1	9,076	1	33,361	5	4,263	1	134,658	5	160,950	7
Efficiency in waste management and recycling			43,238	4	57,909	6	35,388	3	7,265	1	42,124	1
Wastewater treatment			38,105	2	8,393	3	61,595	4	100,439	1	56,119	4
Water service efficiency			-	-	-	-	4,678	1	-	-	-	-
E-mobility			2,505	1	-	-	3,298	1	5,291	1	-	-
TOTAL ALLOCATED	50,000	1	189,908	16	297,090	20	496,725	21	495,645	12	491,780	18
Issue discount			10,092		2,910		3,275		4,355		8,220	
TOTAL ISSUE	50,000	1	200,000	16	300,000	20	500,000	21	500,000	12	500,000	18

⁽¹⁾ The 88 projects indicated in the table include projects common to the 6 Green Bond and Green Private Placement issues for different years (47 projects not including common projects).

The positive environmental impacts generated by the projects funded by the Green Bonds are outlined by the main indicators shown in the table below.

More information on Green Bonds and the projects they finance can be found at gruppoiren.it (Investors > Financial Profile > Sustainable Finance).

Project category and main indicators	u.m.	2023	2022	2021	2020	2019	2018	2017
Energy efficiency								
Electricity produced	MWh	3,096,505	3,586,415	3,847,662	3,486,789	3,833,955	3,887,199	3,884,511
Electricity produced from renewables	MWh	2,033	2,002	878	0	657	46	25
Primary energy saved	MWh	1,513,232	1,818,518	1,838,393	1,532,645	1,808,508	2,200,496	2,281,239
CO ₂ emissions avoided by non-fossil sources	t	495,461	518,485	578,080	492,287	616,258	636,478	724,744
Thermal energy produced	MWh	1,583,882	1,772,079	1,996,062	1,660,701	1,592,436	1,684,507	1,770,005
Electricity input to the grid	MWh	3,502,569	3,659,913	3,585,171	3,505,548	3,790,141	3,803,936	4,222,786
Electricity and gas smart meters installed	no.	1,476,508	1,467,723	1,418,954	1,385,339	1,330,716	1,188,480	966,569
Renewable sources								
Primary energy saved	MWh	2,296,726	2,568,895	2,497,041	2,101,596	2,827,848	3,254,066	3,663,699
Electricity produced from renewables	MWh	567,151	469,433	713,362	765,174	777,269	904,438	761,335
Thermal energy distributed	MWh	2,719,962	3,048,357	3,144,036	2,856,932	2,779,773	2,816,307	2,956,143
CO ₂ emissions avoided by non-fossil sources	t	974,090	839,626	1,057,353	1,074,207	1,320,889	1,371,073	1,581,848
Waste management and recycling efficiency								
Sorted waste collected	t	845,378	836,095	856,682	825,674	813,804	788,313	711,910
Unsorted waste treated	t	347,404	353,871	366,570	371,735	415,905	445,411	464,837
Plastic sent for recovery	t	234,597	225,509	221,783	59,635	-	-	-
Blupolymer produced	t	19,181	26,564	19,137	7,054	-	-	-
Bluair produced	t	44,496	32,271	8,538	6,648	-	-	-
Biomethane produced	sm3	5,756,301	5,816,501	1,778,145	-	-	-	-
Emissions of CO ₂ avoided	t	406,442	400,018	367,637	102,162	-	-	-
Wastewater treatment								
Equivalent residents served (potential)	no.	641,033	634,578	628,878	625,806	531,528	515,650	295,650
Volumes of water for reuse/Volumes of treated water	%	34	41	32	31	32	30	30
Wastewater treatment plants	no.	1,322	1,323	1,291	1,310	1,293	1,278	1,122
Sewer networks	km	11,501	10,852	10,842	10,739	10,662	10,606	9,924
Water service efficiency								
Smart meters installed	no.	174,145	156,203	127,046	96,965	51,742	-	-
E-mobility								
CO ₂ emissions avoided by non-fossil sources	t	2,316	1,821	1,420	1,069	789	52	-