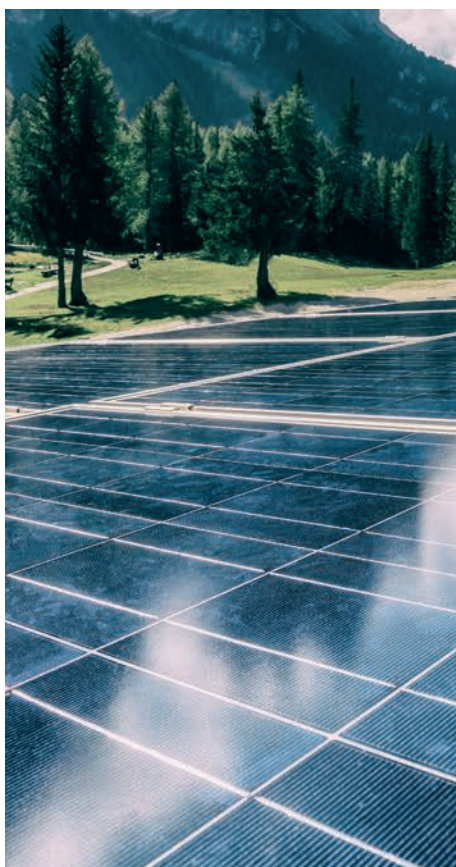


# ENERGY SECTOR POLICY



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# 1. INTRODUCTION AND PURPOSES OF THE DOCUMENT

The CDP Group promotes the country's growth, both in its capacity as a permanent shareholder in strategic infrastructure and assets, and by implementing special purpose actions aimed at business growth in key sectors. The Group plays a significant role in the allocation of financial resources in sectors, companies and projects, seeking an additional approach with respect to financial market operators, generating a multiplier effect of resources, partly thanks to its role of National Promotional Institution, which makes it a privileged contact of the Public Administration for the use of Italian and European funds and a catalyst for the financial resources of other public and private entities.

The progressive expansion of the role and operations of Cassa Depositi e Prestiti S.p.A. (hereinafter "CDP"), reflected in the 2021 amendment to its Articles of Association<sup>1</sup>, makes it necessary to adopt precise guidelines, as defined in the Strategic Plan. These guidelines provide for the systematic integration of environmental, social and governance aspects throughout the Financing and Investment process, as these are considered essential factors for ensuring sustainable development and the generation of greater value for both the companies in which it invests and for the community as a whole.

This awareness is in line with the increasing attention being paid globally by regulators<sup>2</sup>, standard setters and raters ("ESG driving forces") to sustainability issues. In this context, National Promotion Institutions and major European credit institutions have also adopted specific rules to guide their financing and investment decisions, in order to generate an appreciable impact at an economic, social and environmental level.

One of the country's main challenges, identified in the Strategic Plan, is to accompany the energy sector through the transition towards becoming climate neutral. This represents one of CDP's priority areas for action, considering that - to this day - the energy sector is the most significant contributor to greenhouse gas emissions (approximately 75%<sup>3</sup>). Based on these considerations, CDP has adopted this "Energy Sector Policy" (hereinafter the "Policy") to regulate activities in the Energy Sector, in compliance with the Sustainable Development Goals and the country's international commitments.

This Policy, consistent with CDP's general responsible lending and investment policies, as well as with the Sectoral Strategic Guidelines ("SSGL") - particularly the Strategic Guidelines for Energy Transition and Circular Economy - aims to guide CDP's operations in the Energy Sector by establishing the treatment, limitation and exclusion criteria and the aspects to be promoted.

As part of its institutional mission to support policies to encourage and foster Italy's economic development, CDP is also called upon to manage, through specific regulatory provisions, third-party funds (e.g. resources of government ministries). With regard to the Energy Sector, this activity is carried out, where applicable, in accordance with this document and, in any case, in compliance with the applicable laws and regulations in effect.

This document describes:

- the reference context (section 2);
- the scope of application (section 3);
- an analysis of the sectors covered by the Policy, the relevant treatment, limitation and exclusion criteria and the aspects to be promoted (section 4);
- the roles and responsibilities of the parties involved (section 5);
- how transparency and accountability are ensured (section 6).

<sup>1</sup> Introduction of the principle of sustainable development: "The company's corporate purpose, in pursuing long-term economic, social and environmental sustainability to the benefit of shareholders and taking account of the interests of other stakeholders relevant to the company, is..."

<sup>2</sup> In this regard, see, inter alia, the Bank of Italy's 'Expectations for monitoring climate and environmental risks', which contain general indications regarding the integration of climate and environmental risks into company strategies, governance and control systems, risk management frameworks and the disclosures of supervised banking and financial intermediaries.

<sup>3</sup> Data source: IEA "Net Zero by 2050 scenario."

This document is subject to periodic review, partly (but not exclusively) to reflect regulatory and legislative developments, changes to the reference context and consequent revisions of the CDP strategy. In any case, this document is reviewed every 3 years and/or when a new strategic plan is adopted.

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## 2. REFERENCE CONTEXT

### 2.1 External regulatory and legislative context

The UN Global Compact Principles have long encouraged companies around the world to adopt sustainable policies that respect human and labour rights, the environment, and that fight corruption.

With the ratification of the UN 2030 Agenda for Sustainable Development, signed in September 2015 by Italy together with the governments of 192 other countries, the international community has expressed, more overtly than in the past, a clear judgement on the unsustainability of a development model based exclusively on economic objectives and that fails to take account of environmental and social objectives. The 2030 Agenda and its implementation through the 17 Sustainable Development Goals (SDGs) represent a major challenge for countries around the world which, through the adoption thereof, are committed to actively contributing to this development path.

As far as environmental aspects are concerned, the Conferences of the Parties (COPs)<sup>4</sup> have assumed an increasing role in the international debate on combating climate change, starting with the adoption in 2015 of a universal and legally binding climate agreement during COP21 in Paris, renewed in 2021 with the Climate Pact during COP26 in Glasgow.

The European Union (EU) has, for some time now, embarked on a path aimed at reducing its environmental impact, seeking to reach “Net Zero” emissions by 2050: a scenario in which the economy reaches net zero greenhouse gas emissions, in which a mechanism exists to balance the amount of emissions produced and the amount removed, reducing its impact such as to achieve climate neutrality. Within this context, as an integral part of the European Green Deal<sup>5</sup>, the European Commission adopted the Fit for 55<sup>6</sup> package in July 2021. This comprises the target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, and to reach Net Zero by 2050. In addition, following Russia’s invasion of Ukraine, the European Commission, as part of the REPowerEU<sup>7</sup> plan presented in May 2022, further tightened the targets for renewables and energy efficiency, in order to break free from foreign dependence more quickly.

Lastly, Italy has also established areas of intervention at the national level aimed at developing and strengthening areas and sectors considered strategic. These are in line with the objectives of socio-economic, environmental and digital transition sustainability defined, for example but not only, by the 2030 Integrated National Energy and Climate Plan (PNIEC)<sup>8</sup>, the Circular Economy Package<sup>9</sup> and the 2026 Digital Italy Plan<sup>10</sup>. With the definition of the National Recovery and Resilience Plan (PNRR)<sup>11</sup>, moreover, Italy has adopted extraordinary measures, also launched at the European level, to overcome the structural, economic gaps aggravated by the COVID-19 pandemic.

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<sup>4</sup> <https://unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-cop>

<sup>5</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>6</sup> <https://www.consilium.europa.eu/en/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/>

<sup>7</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en)

<sup>8</sup> [https://www.mise.gov.it/images/stories/documenti/PNIEC\\_finale\\_17012020.pdf](https://www.mise.gov.it/images/stories/documenti/PNIEC_finale_17012020.pdf)

<sup>9</sup> [https://temi.camera.it/leg18/post/OCD15\\_14155/pubblicati-i-decreti-sull-economia-circolare.html](https://temi.camera.it/leg18/post/OCD15_14155/pubblicati-i-decreti-sull-economia-circolare.html)

<sup>10</sup> <https://innovazione.gov.it/italia-digitale-2026/il-piano/>

<sup>11</sup> <https://www.governo.it/sites/governo.it/files/PNRR.pdf>

## 2.2 Main related internal regulations

The company regulatory sources, in addition to this document, within which CDP establishes and recognises the ESG principles as fundamental values are, as an example and without limitation:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001;
- Sustainability Framework ;
- CDP General Responsible Lending Policy;
- CDP General Responsible Investment Policy;
- Sectoral Strategic Guidelines for the Energy Transition;
- Sectoral Strategic Guidelines for a Circular Economy;
- Risk Policy;
- Credit Risk Policy.

This document must be read together with the other general policies, particularly the responsible lending and investment policies. The regulatory and legislative framework of reference is supplemented by additional internal regulatory sources, which lay down the principles, methodologies and operating methods through which sustainability is pursued within the company organisation.

## 3. SCOPE OF APPLICATION

### 3.1 Scope by type of operation

The scope of application of this document is associated with the operation of CDP in the Energy Sector, relating to Financing and Investment operations and to the renewal of Financing which has already been issued, initiated after the approval of this Policy. The Policy is not applicable to operations<sup>12</sup> relating to equity investments already held in portfolio and to changes to financing already in existence at the time of the first issue of this Policy.

CDP's Board of Directors may approve exceptions or derogations from this document, in accordance with applicable internal regulations, always on a case-by-case basis and on the basis of evaluations conducted by the relevant departments, and particularly with the General Responsible Lending Policy and the General Responsible Investment Policy, respectively, for the two areas of operation through which CDP participates in the Energy Sector.

### 3.2 Scope of the Company

CDP undertakes to ensure that this Policy is gradually extended to Group entities subject to management and coordination<sup>13</sup> that carry out Financing and Investment activities, in accordance with the principle of proportionality and taking into account the decision-making autonomy of the Group Companies' Corporate Bodies, and, in particular, of the supervised entities<sup>14</sup>, as well as the specific legislation applying to the latter.

<sup>12</sup> It includes equity and other similar operations (e.g. purchase, capital increases, demergers, mergers, conversions of shares, transformations, granting shareholder loans or capital contributions, subscription of hybrid instruments, subscription of convertible bonds).

<sup>13</sup> Pursuant to Articles 2497 et seq. of the Italian Civil Code.

<sup>14</sup> Companies subjected to a system of authorisations, regulations, inspections and information provision by sectoral Regulators (e.g. Bank of Italy and IVASS).

## 4. POSITION OF CDP IN THE ENERGY SECTOR

CDP supports the transition of economies towards a more sustainable business model, aimed at ensuring levels of climate-altering emissions consistent with international commitments and with the sustainable curbing of global temperature, as well as effective use of natural resources, thus minimising negative externalities on the environment.

CDP, in compliance with the regulatory and statutory reference context, guides its strategic and operational approach by directing the use of resources towards priority areas as identified through the definition of the Strategic Plan and the resulting Sectoral Strategic Guidelines. With specific reference to the sector addressed by this document, the Sectoral Strategic Guidelines for the Energy Transition and the Sectoral Strategic Guidelines for a Circular Economy contain indications of actions to be taken - according to a logic of additionality and complementarity in regard to the market, which are crucial for reaching the targets defined under international agreements and at the EU and national level (e.g. Paris Agreement, PNIEC).

In this regard, CDP considers the sustainability of the energy sector initiatives in relation to their compatibility with the decarbonisation path, in keeping with that which the International Energy Agency has defined as the path for achieving carbon neutrality by 2050<sup>15</sup>. Its aim is to promote the initiatives that contribute to achieving this. In the meantime, given the international geopolitical context and the uneven distribution of part of the energy resources, it is not only necessary to ensure long-term carbon neutrality, but also to safeguard energy security by expanding options for supply diversification.

CDP intends to focus its operations on actions aimed at, inter alia: (i) increasing and integrating power generation capacity from renewable sources, efficiency and innovation of networks, as well as security of supply; (ii) the electrification of energy consumption, with particular reference to mobility sectors; (iii) greater energy efficiency, especially in sectors with high recovery potential (e.g. public buildings); (iv) the development of new energy carriers (i.e. hydrogen, biofuels); (v) the development of innovation and new technologies with a positive impact on the fight against climate change; (vi) increasing waste management efficiency by supporting the creation of plants for energy recovery.

In accordance with the stated objectives, this Policy focuses on the following energy sub-sectors, hereinafter referred to as "sectors":

- 1) Coal (Upstream and Generation);
- 2) Oil (Upstream, Refining and Generation);
- 3) Gas (Upstream and Generation);
- 4) Nuclear Energy (Generation);
- 5) Renewables and Storage;
- 6) Energy Networks;
- 7) Waste-to-Energy ;
- 8) Energy efficiency;
- 9) Hydrogen.

The following is provided for each sub-sector mentioned above:

- a description of the general context;
- a brief mention of the spheres of development as defined in the Sectoral Strategic Guidelines; the treatment, limitation and exclusion criteria and the aspects to be promoted.

Irrespective of the sub-sector, in the case of Projects that have a significant impact on the environment, CDP requires the Counterparty to adopt appropriate mitigation measures, fostering Best Available Practices (BAP), by:

<sup>15</sup> <https://www.iea.org/reports/net-zero-by-2050>

- confirming the substantial alignment of the main plant solutions with the Best Available Technologies (BAT) on the global market;
- confirming the adoption of operating and management procedures that are in line with the best market practices and procedures in terms of safety;
- assessing the technical and managerial capabilities of the Counterparty proposing the Project to ensure environmental and safety standards.

In the application of this Policy, CDP - in accordance with the procedures defined in the General Responsible Lending and Investment Policies, and as laid down in the detailed internal regulations - acquires from the Counterparty the documentation necessary (e.g. integrated report, self-declarations, press releases, etc.) to carry out the assessments<sup>16</sup>.

In certain specific circumstances, if deemed necessary, CDP may make use of an advisory contribution from independent experts to assist in the assessment of compliance to Policy requirements.

## 4.1 Coal Sector

Thermal coal, used for energy purposes, represents one of the biggest contributors to climate change, as it is the largest source of CO<sub>2</sub> emissions and, at the same time, of electricity generation.

Every climate change mitigation scenario requires a drastic reduction in the use of thermal coal in the medium term. However, in the short term, the reduction in thermal coal consumption by advanced economies - which may, nevertheless, slow down their reduction process due to the current tensions in global energy markets - is offset by increased use of this source in emerging countries. It is expected that the phase-out of coal, for most European countries, will happen by 2040 and subsequently, power generation from fossil fuels should be integrated with Carbon Capture, Utilization and Storage (CCUS) technologies.

As outlined in the International Energy Agency's (IEA) Net Zero 2050 scenario, CDP maintains that no further investments should be made in new mining capacity or coal-fired power generation. The least efficient coal-fired plants should be scrapped by 2030 and the remaining coal-fired plants still in use in 2040 should be subject to environmental remediation and modernisation.

CDP's Sectoral Strategic Guidelines also point in the same direction. Where electrification projects are not scalable and energy efficiency initiatives appear to be reduced, the guidelines recommend directing actions towards new CCUS technologies.

This Policy aims to guide CDP's operations in the Energy Sector, both in relation to upstream activities in the coal sector and the processes for thermal coal-fired power generation. The Policy is not applicable to the coal sector in areas of use other than those for energy purposes - as an example and without limitation - the metallurgical industry, where coke is used in processes such as the smelting of iron to produce steel, or in the cement industry.

### 4.1.1 Upstream activities

With regard to upstream activities in the coal sector, reference is made to the Projects and the Counterparties that are active in the extraction, transport, intermediate logistics and distribution sections, including the sale of or trade in thermal coal. CDP does not support Projects that provide for the development of new thermal coal mining capacity or the expansion of existing plants, including new infrastructure and related marketing and trading activities. For every other type of Project, as

<sup>16</sup> In conducting its assessment activities, in accordance with the Group Policy on Sanctions and Embargos, CDP complies with the objective restrictive measures identified therein (i.e. restrictions of an economic nature, relating to products, including restrictions relating to the oil & gas sector and/or energy infrastructure, as summarised in the individual Country Data Sheets annexed to the Group Policy on Sanctions and Embargos).

an example and without limitation, the extension of the useful life of a coal deposit, CDP requires the adoption of the BAP.

Moreover, CDP does not grant Financing to and does not carry out Investments in Counterparties that operate in the upstream segment of the coal sector (i) whose Revenues deriving from upstream activities exceed 10% of the overall Revenues of the group<sup>17</sup> or (ii) that have not adopted a Net Zero by 2050 Plan.

## 4.1.2 Power generation

With regard to coal-fired power generation activities, reference is made to the Projects and the Counterparties that promote the development and management of power plants.

CDP does not support Projects relating to coal-fired power generation, except in cases that envisage the reactivation or extension of the useful life of existing plants that contribute to achieving stringent national energy security objectives and that adopt the Best Available Practices.

Moreover, CDP does not grant Financing to and does not carry out Investments in Counterparties that operate in coal-fired power generation (i) where the coal or fuel oil-fired power generation of the group to which it belongs exceeds 20% of overall production; or (ii) that have not adopted a Net Zero by 2050 Plan.

## 4.2 Oil Sector

Today, oil represents one of the most used energy sources with impacts on production chains in various sectors (e.g. petrochemical, industrial, transport, etc.). Every climate change mitigation scenario requires a drastic reduction in the use of oil in the medium term across all sectors for which alternative technologies, which are more environmentally sustainable, are available, for example, in the transport and energy sectors. Oil maintains its use predominantly in the petrochemical sector, as the absence of final products intended for direct combustion helps to reduce the level of overall emissions, compared to other areas, as well as in sectors linked to the use of Carbon Capture, Utilization and Storage technologies

Within this context, it is clear that extraction and use of Unconventional oil, that is, resources trapped in rocky deposits characterised by low porosity and permeability, must not be promoted. Such exploitation consists of applying specific recovery technologies that have a high environmental impact. This position is reinforced by the absence of critical issues related to the distribution and transport of oil and, consequently, by the sufficient potential for supply diversification.

Within the context of these assessments, it is also important to take the refining sector into consideration. This has been suffering for some time from a profound structural crisis, where overcapacity in refining at the global level, mainly in Europe and in North America, has triggered a drastic change in investments that are, as things stand, increasingly oriented towards the production of fuels with a low carbon impact (e.g. biofuels) and towards greater integration with the petrochemical sector (Crude oil-to-Chemicals).

CDP does not consider fuel oil-fired electricity generation an energy transition technology that can help achieve the Paris Agreement goals and, therefore, in accordance with the International Energy Agency (IEA), it maintains that further investments should not be made in new extraction or power generation capacity.

CDP's Sectoral Strategic Guidelines for the Energy Transition also point in the same direction. Their aim is to minimise consumption of energy from fossil fuels, which includes fuel oil, as well as to promote the development of new technologies and new energy carriers. This includes providing support for the transition of the refining section, by converting existing plants

<sup>17</sup> For the purposes of this document, reference is made to the group as defined in the "Credit Risk Policy".



into bio-refineries.

This Policy regulates upstream activities in the oil sector, the refining (downstream) segment and the processes for power generation from fuel oil.

## 4.2.1 Upstream activities

With regard to upstream activities in the oil sector, reference is made to the Projects and the Counterparties that are active in the extraction, transport, intermediate logistics and distribution sectors, including the sale of or trade in oil.

CDP does not support Projects that provide for the development of new Unconventional oil extraction capacity, or the expansion of existing plants, including new infrastructure and related marketing and trading activities. For every other type of Project, as an example and without limitation, the extension of the useful life of an oil field, CDP requires the adoption of the BAP.

Moreover, CDP does not grant Financing to and does not carry out Investments in Counterparties that operate in the upstream segment of the oil sector (i) whose Revenues deriving from upstream activities from Unconventional fossil fuels exceed 30% of the overall Revenues of the group or (ii) that have not adopted a Net Zero by 2050 Plan.

## 4.2.2 Refining (Downstream) segment

CDP does not support Projects that do not adopt Best Available Practices and that commit most of their production capacity to refining Unconventional fossil fuels. It should be noted that, based on the latter condition, the Project would be excluded even if the adoption of the BAP were to be confirmed.

CDP considers in a particularly positive way Projects that provide for:

- a development or conversion plan for the production of biofuels (e.g. Sustainable Aviation Fuels) from residual biomass and biomass waste products and from sustainable raw materials, that is, that are not competing with the food value chain and are compatible with the sustainable use of the land;
- power plant revamping initiatives aimed at increasing the energy efficiency of processes.

## 4.2.3 Power generation

With regard to fuel oil-fired power generation activities, reference is made to the Projects and the Counterparties that promote the development and management of power plants.

CDP does not support Projects relating to fuel oil-fired power generation, except in cases that envisage the reactivation or extension of the useful life of existing plants that contribute to achieving stringent national energy security objectives and that adopt the Best Available Practices.

Moreover, CDP does not grant Financing to and does not carry out Investments in Counterparties that operate in the fuel oil-fired power generation sector (i) where the coal or fuel oil-fired power generation of the group to which it belongs exceeds 20% of overall production; or (ii) that have not adopted a Net Zero by 2050 Plan.

## 4.3 Gas Sector

CDP believes that natural gas, as the least polluting hydrocarbon, can contribute significantly to the energy transition, both in the area of electricity generation and that of domestic use. Within the context of electricity generation, gas will be able to play a complementary role in the penetration of renewables into the energy mix, as a result of its capacity to provide flexibility services for managing grid stability. In terms of domestic use, on the other hand, the electrification of consumption will require the gradual modernisation and technological changeover in which gas must maintain the role of the most sustainable technological alternative compared to obsolete and more polluting technologies. Within this context, supply diversification is closely linked to the presence of suitable transport and distribution infrastructure. Therefore, whilst limiting the extraction of Unconventional gas, it is believed that it is possible to grant favourable exceptions for consumption intended for areas with severe deficits, whose energy security may not be adequate. Furthermore, CDP supports initiatives to generate power from natural gas, with a view to achieving developments in energy from renewable sources. CDP's Sectoral Strategic Guidelines for the Energy Transition also point in the same direction. They promote the sizing and diversification of supply sources, supporting, in particular, strategic infrastructure for the use of transitional energy carriers, such as natural gas.

This Policy regulates both Upstream activities in the gas sector and the processes for power generation from natural gas.

### 4.3.1 Upstream activities

With regard to upstream activities in the gas sector, reference is made to the Projects and Counterparties that are active in the sectors relating to natural gas extraction, deposit connection and intermediate logistics.

CDP does not support Projects that envisage the development of new Unconventional gas extraction capacity, including new infrastructure and related activities, except for Projects that contribute significantly to reducing supply risk in specific areas. For every other type of Project, as an example and without limitation, the extension of the useful life of an oil field, CDP requires the adoption of the BAP.

Moreover, CDP does not grant Financing to and does not carry out Investments in Counterparties that operate in the gas sector (i) whose Revenues deriving from upstream activities from Unconventional fossil fuels exceed 30% of the overall Revenues of the group or (ii) that have not adopted a Net Zero by 2050 Plan.

### 4.3.2 Power generation

With regard to gas-fired power generation activities, reference is made to the Projects and the Counterparties that promote the development and management of power plants.

CDP does not support Projects relating to gas-fired power generation, excluding those cases in which the Best Available Practices are adopted and one of the following criteria has been met:

- (i) they are compatible with achieving the emissions reduction goals of the country in which the production site is located, which are, in turn, in line with the Paris Agreement goals; or
- (ii) they are promoted by Counterparties that have adopted a Net Zero by 2050 Plan.

## 4.4 Nuclear Energy Sector

Nuclear energy, despite the difficulties encountered in becoming established in some countries, has notable potential for contributing to the decarbonisation of the energy sector, as a result of its capacity to generate electricity without producing CO<sub>2</sub> emissions.

In accordance with the IEA's Net Zero by 2050 scenario, installed nuclear energy capacity is expected to double by 2050, also in light of the continuous development in technology which has contributed to increasingly safe operation. Thus far, solutions in the development phase, such as small modular reactors, and the use of the nuclear fusion process currently in the research phase, could further increase its safety and scalability.

CDP is aware of the importance of nuclear energy, of the complexities involved in its correct technical management and of the responsibility towards society and future generations in terms of environmental impact, public health and safety.

This Policy regulates the activities associated with the development and management of nuclear power plants and the management of radioactive waste.

CDP does not support Projects for the construction and operation of nuclear power plants, and the management of the storage and disposal of nuclear waste which do not adopt the Best Available Practices and:

- which do not have systems to monitor<sup>18</sup> on-site radiation and the radiation in areas surrounding the site;
- for which the health and safety of on-site workers is not guaranteed;
- for which a plan for managing high level and intermediate level nuclear waste does not exist<sup>19</sup>;
- which have not defined a suitable emergency and prevention plan either at the local and/or the national level relating to natural hazards;
- which have not obtained official authorisation from the supervisory bodies of the nuclear energy sector;
- which do not have a temporary storage site for the radioactive waste produced by the power plant.

Moreover, with regard to Projects for the construction and operation of nuclear power plants and the management of the storage and disposal of nuclear waste, CDP looks at the countries of location as well, excluding those that fall into at least one of the cases listed below (so-called "Country Criteria"):

- where there is a conflict;
- where nuclear material is not used for peaceful purposes<sup>20</sup>;
- that are not members of the International Atomic Energy Agency (IAEA);
- that do not have a national safety agency (NSA) for nuclear activities. Moreover, the agency must have the power to carry out inspections, impose sanctions and, subsequent to any incidents, order a review of their safety standards;
- for which critical issues have been identified in monitoring nuclear facilities based on the latest Global Safeguards Agreements Report published by the IAEA<sup>21</sup>;
- that do not participate in the IAEA's Incident Reporting System (IRS) (in the event they do not participate, participation must be planned prior to the commissioning of the first nuclear power plant);
- that do not adhere to or have not ratified the following international treaties or conventions:

- the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Material or the Joint

<sup>18</sup> Such as those defined by the International Atomic Energy Agency (IAEA), for example.

<sup>19</sup> High-level radioactive waste (Article 5, Italian Legislative Decree no. 45 of 4 March 2014): radioactive waste with very high levels of activity concentration, high enough to generate significant quantities of heat or large amounts of long-lived radionuclides, or both of these characteristics, which require a degree of isolation and confinement of the order of thousands of years and beyond. Such waste must be disposed of in geological formations.

<sup>20</sup> It is formalised through the implementation of the IAEA Global Safeguards Agreement, or an equivalent agreement and in the latest conclusions relating to safety controls (IAEA Annual Report and Safeguards Implementation Report <https://www.iaea.org/publications/reports>) it is confirmed that the nuclear material is used for peaceful activities.

<sup>21</sup> With reference to the IAEA Annual Report and Safeguards Implementation Report <https://www.iaea.org/publications/reports>

Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management;  
- the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the International Convention for the Suppression of Acts of Nuclear Terrorism.

CDP, in accordance with section 4, does not support initiatives promoted by Counterparties whose capabilities are deemed unsuitable, that is, parties whose operating licences for the company or the entity responsible for operating the nuclear power plant have been suspended in the host country or in a country of reference<sup>22</sup>.

CDP does not grant Financing to and does not carry out Investments in Counterparties involved in the development and operation of nuclear power plants and in the storage and disposal of nuclear waste that (i) operate in countries excluded on the basis of the aforementioned Country Criteria; (ii) have suspended licences in the host country or in a country of reference; (iii) do not have guidelines or policies to prevent or limit radioactive emissions, to monitor radiation at sites and in the surrounding areas and to protect workers.

## 4.5 Renewables and Storage Sector

Renewable energy sources play a fundamental role in the transition to a decarbonised and independent economy and their diffusion is one of the main factors for keeping the increase in global average temperature below 1.5°C. The relevant key policies, particularly REPowerEU and the US Inflation Reduction Act, are accelerators for the diffusion of renewable electricity in the coming years.

Within this context, CDP's Sectoral Strategic Guidelines promote the increase in and the integration of power generation capacity from renewable sources and identify the following strategic lines of action: (i) constructing new plants; (ii) Re-powering and Revamping existing plants; (iii) streamlining plants; (iv) developing energy communities towards self-production and self-consumption of energy; and (v) developing storage systems.

This Policy is applicable to plant construction and operation initiatives to generate power from renewable sources, that is, sources of energy that are virtually inexhaustible and have a limited environmental impact, and to storage systems.

Therefore, CDP considers in a particularly positive way technologies and solutions which:

- make it possible to minimise the use of land and the impact on the landscape, as an example and without limitation: (i) power generation plants in industrial and abandoned areas; (ii) photovoltaic systems integrated with the cultivation of agricultural areas; (iii) offshore wind power plants with floating foundations that minimise the impact on the seabed;
- optimise and/or increase electricity generation on the same amount of land;
- provide solutions that are integrated with energy storage systems;
- optimise and maximise the recovery of materials in the end-of-life management of the infrastructure and electrical energy storage systems used.

<sup>22</sup> The country of reference is defined as any country that has demonstrated a high level of nuclear safety and reliability in the operation of nuclear power plants, particularly OECD countries with a high-level of expertise in operational nuclear power plants and no reported nuclear accidents - as defined by Level 4 and above in the INES scale - in a nuclear power plant in the last five years..

## 4.5.1 Hydroelectric power

Hydroelectric power is the main renewable energy source for electricity generation in Italy, as it guarantees the possibility to obtain energy with a low impact on the environment through good planning capabilities and flexible management of the resource. However, the construction of large hydroelectric power plants can have a significant impact on the surrounding environment and the lives of local residents due to both the creation of the reservoir and to changes in river courses and water flow rate.

Within this context, CDP considers it important to promote initiatives to develop and protect existing plants, by supporting their modernisation and expansion, in order to maintain or improve their performance, as well as to increase their flexibility.

This Policy is applicable to initiatives aimed at the modernisation, construction and operation of hydroelectric power generation plants.

CDP does not support Projects for hydroelectric power generation that do not apply the Best Available Practices.

With regard to the initiatives in the sector of power generation from hydroelectric power generation plants, CDP does not support projects that have not ensured:

- (i) adequate protection of the ecosystem and appropriate compensatory actions or measures towards the local community, focusing particularly on the relocation of the population, as well as on the productive/economic activities that support the local community;
- (ii) the minimisation of risks associated with operation, natural events and any structural failures.

Moreover, CDP considers in a particularly positive way the use of water resources for multiple uses, in addition to that of power generation, such as for irrigation and potable use.

## 4.6 Energy networks

In the next decade, in accordance with the IEA's Net Zero by 2050 scenario, transmission and distribution networks will absorb an increasing amount of total investments in the energy sector, considering their critical role in supporting the transition towards decarbonisation. The focus is particularly on the connection of distributed energy resources and of offshore wind farms, on the modernisation of obsolete infrastructure and the digitalisation of networks. Within the context of the Net Zero scenario, investments in electricity networks are expected to triple by 2030, remaining high until 2050, driven by the development of renewables and the increase in demand.

There is also a growing need to adapt energy networks to make them increasingly "smart", efficient and flexible to respond to the needs of the national economic system.

CDP's Sectoral Strategic Guidelines for the Energy Transition also point in this direction. They promote interventions on infrastructure and energy networks in order to diversify the energy mix and to develop alternative energy carriers.

This Policy regulates the development of gas and electricity networks, the strengthening of existing networks and the efficient management of interconnected risks, focusing particularly on electric charging networks as a factor that enables sustainable mobility.

CDP does not support Projects for the development, strengthening and modernisation of gas and electricity networks and systems that (i) are not compatible with the path to carbon neutrality appropriate for the country in which the initiative is located and (ii) do not apply the Best Available Practices.

CDP considers in a particularly positive way Projects aimed at:

- promoting the transport of gas blended with hydrogen;
- developing electric vehicle charging systems in areas with a low level of coverage or that provide for a reduction in the average charging time;
- supporting the penetration of renewables (on/offshore);
- diversifying the supply of the resource (e.g. foreign connections and regasification plants).

## 4.7 Settore Waste-to-Energy

The Waste-to-Energy (WtE) sector or the exploitation of energy from waste represents a nationally strategic priority to reduce the landfilling of municipal waste, consequently limiting the impact associated with the transporting this waste outside the region or the country and, at the same time, contributing to energy autonomy.

In order to ensure European targets are achieved by 2035 - a recycling target of 65%<sup>1</sup> and a 10% cap on the landfilling of municipal waste<sup>2</sup> - it is increasingly clear that a residual portion of municipal waste needs to be utilised in energy recovery.

CDP's Sectoral Strategic Guidelines for a Circular Economy point in the same direction. They highlight the need to pursue greater efficiency in waste management, enabling investments in Waste-to-Energy, particularly in geographic areas with an infrastructure gap, such as, for example, Central and Southern Italy.

CDP does not support Projects that (i) do not adopt the BAP and that (ii) do not provide for the installation of new plant capacity in macro-areas with a plant gap or that do not directly serve areas with a plant gap.

Furthermore, CDP considers in a particularly positive way Projects that provide for a plant structure such as to:

- maximise energy efficiency by providing a cogeneration system;
- mitigate CO<sub>2</sub> emissions by providing for the start-up - even at a pilot scale - of plant sections to capture and possibly reuse the carbon dioxide produced (Carbon Capture Utilization and Storage);
- also allow for sludge from waste water treatment plants to be input in such a way as to limit its disposal in landfills and to maximise energy recovery with the aim of targeting, together with material recovery, levels of efficiency improvement in the management strategy that are environmentally and economically sustainable;
- strengthen material recovery from combustion ash in the interests of a circular economy.

<sup>23</sup> Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste.

<sup>24</sup> Directive (EU) 2018/850 of the European Parliament and of the Council of 30 May 2018 amending Directive 1999/31/EC on the landfill of waste.

## 4.8 Energy Efficiency Sector

Heating buildings and industrial energy consumption represent approximately 40% of direct greenhouse gas emissions (scope 1) in Italy<sup>25</sup>. Most of these emissions are attributable to domestic heating and the so-called 'hard to abate' sectors, such as the paper, steel and chemical industries. This is a critical aspect for reducing consumption and for lowering emissions. National and European regulations (the National Recovery and Resilience Plan - PNRR, the Energy Performance of Buildings Directive - EPBD, the Emissions Trading Scheme - ETS) provide for ambitious goals in terms of improving energy efficiency.

As specified in the Sectoral Strategic Guidelines for the Energy Transition, investments in the energy efficiency sector are considered effective for an energy transition towards a system that is climate neutral. Specifically, CDP ascribes the greatest development opportunities to the civil sector, linked both to building redevelopment interventions - converting buildings into Nearly Zero Energy Buildings (NZEBs) - and the diffusion of new technologies to improve energy efficiency, as an example and without limitation, district heating and heat pumps.

With regard to the construction of new buildings, CDP supports Projects that:

- for Italy and the EU, are in line with the EPBD<sup>26</sup>, which provides for the construction of new buildings that are NZEBs;
- for the OECD area, have an energy efficiency class at least equal to class B;
- for the non-OECD area, adopt sustainability standards in social settlements in low-income areas, according to the local logistical and infrastructural characteristics.

With regard to Projects concerning the redevelopment of existing buildings, CDP requires an energy efficiency improvement certification obtained through an Energy Performance Certificate (APE) and/or an energy audit.

CDP considers in a particularly positive way Projects that provide for:

- the improvement of the energy efficiency class by two or more classes;
- simultaneous anti-seismic interventions;
- ex-post savings to be monitored.

In addition to the civil sector, CDP sees ample room for gradual improvement in energy efficiency in the industrial sector. For small and medium-sized enterprises, access to suitable financing products needs to be facilitated and internal energy-related skills need to be expanded. For large enterprises, particularly those operating in 'hard to abate' sectors, investments in new technologies, such as hydrogen and CCUS systems, needs to be facilitated.

With regard to the industrial sector, CDP provides for the exclusion of new interventions to improve energy efficiency, modernise or expand existing production capacity that do not adopt the Best Available Practices. Moreover, energy savings must be certified and measurable and, in the event of an increase in production capacity, additional efficiency improvement measures must be implemented (on existing processes or with offsets), so as to reduce energy consumption per unit of product of the pre-intervention site.

<sup>25</sup> Source: Industrial Decarbonization Pact (February 2022).

<sup>26</sup> The EPBD is a legislative framework designed to improve the energy performance of buildings.

## 4.9 Hydrogen Sector

Today, in Italy, almost all of the hydrogen produced is done through thermochemical processes using fossil fuels (grey hydrogen). Most of the hydrogen produced is destined for captive power plants in petrochemical industries, which use this energy carrier as a raw material (feedstock) in their own production processes.

CDP's Sectoral Strategic Guidelines promote hydrogen decarbonisation processes through the use of CCUS technologies (blue hydrogen) and through production using renewable energy sources (green hydrogen), in order to accelerate market growth, in terms of both demand and supply.

CDP does not support Projects for the production of hydrogen derived from fossil fuels (so-called grey hydrogen) for uses that are not captive.

For all other uses, CDP only supports interventions for the production of hydrogen derived from fossil fuels which involve the use of CCUS technology, capturing at least 80% of the CO<sub>2</sub> generated.

CDP considers in a particularly positive way initiatives to produce and use hydrogen from renewable sources.

## 5. ROLES AND RESPONSIBILITIES

In the light of the context outlined, the roles and responsibilities of the various parties involved – in compliance with the regulatory and organisational system and with company powers and internal delegations – are defined below:

### Board of Directors

- approves this document, as well as any non-formal revision and the possible repeal thereof, on an exclusive and non-delegable basis;
- assesses whether it is also appropriate to intervene in Financing/Investment operations in the areas excluded from this document, approving any exceptions or interventions by way of derogation, as indicated in Section 3, "Scope of Application".

### Risk and Sustainability Committee

- issues an opinion to the Board of Directors on this document and on any revisions;
- issues specific opinions on any intervention in the excluded sectors and on any derogations.

### Chief Executive Officer

- proposes to the Board of Directors the approval of the Energy Sector Policy, as well as any changes;
- continuously supervises, receiving information flows for this purpose, the application of this Policy, thus ensuring an organisational structure appropriate for the objective.

### Policy, Evaluation and Advisory Department

- ensures the definition of proposals for updating this document, in conjunction with the other competent structures, in compliance with the Sectoral Strategic Guidelines defined from time to time, while guaranteeing appropriate awareness-raising and training initiatives as well as continuous advisory support on the relevant interpretation;
- ensures, in conjunction with the structures involved, the proper implementation of this Policy, assessing the consistency of the various CDP areas of intervention with the principles defined therein, including the Counterparties' compliance to the sector's Best Available Practices and the identification of the countries excluded pursuant to the Country Criteria, contributing, jointly with the structures concerned, to the necessary additions to the contractual framework, as well as informing the Top Management in the event of any discrepancies;



- identifies relevant ESG issues associated with the energy sector to be analysed during the preliminary Financing/Investment assessment and supports in the assessment of key findings;
- ensures, in cooperation with the competent Business Units, that social, environmental, and economic impacts are in line with expectations, addressing any discrepancies, partly through the establishment of mitigation measures.

### **Sector Strategy and Impact Department**

- ensures the definition and the proposals for updating the Strategic Guidelines in the Energy Sector that address the intervention priorities aimed at bridging the market/socio-economic gaps;
- ensures, in cooperation with the competent Business Units, the periodic monitoring of the impact generated by the initiatives put in place by CDP, collecting the data necessary to carry out the ex-post evaluation;
- ensures the ex-post evaluation of the aggregate impact actually generated by the initiatives put in place by CDP is carried out.

### **Business Department**

- ensures, also by making use of the necessary support from the Policy, Evaluation and Advisory Department, the compliance of Financing operations with the principles contained in this document, while also steering origination activities towards operations which are consistent with the CDP General Responsible Lending Policy;
- submits for the Board of Directors' approval those operations in which cases of non-applicability and derogation have been detected, according to the provisions of this Policy;
- manages, together with the counterparties, any inconsistencies with respect to expectations of social, environmental, and economic impacts, as a result of the ex-post evaluations carried out by the competent structures.

### **Investment Department**

- ensures, also by making use of the necessary support from the Policy, Evaluation and Advisory Department, the compliance of Investment operations with the principles contained in this document, while also steering origination activities towards operations which are consistent with the provisions established by this Policy, as well as those of the CDP General Responsible Investment Policy;
- submits for the Board of Directors' approval those operations in which cases of non-applicability and derogation have been detected, according to the provisions of this Policy.

### **Risk Department**

- ensures second-level monitoring of risks (of competence), in compliance with the principles of the Risk Policy, the Group Assessment of Reputational Risk Policy, the Anti-Money Laundering Policy and the Anti-Money Laundering Anomaly Indicators Regulation;
- ensures the assessment of climate and environmental risks, which complements and completes the ex-ante sustainability assessment;
- proposes the timetable to the Risk and Sustainability Committee and contributes to the assessment investigation of this document and any amendments thereto, as part of the role of Committee Secretary.

### **Internal Audit Department**

- ensures third-level monitoring, based on the Regulations approved by the Board of Directors and according to a risk-based approach, assessing the completeness, adequacy, functionality (in terms of effectiveness and efficiency) and reliability of the internal control system as applicable to business processes;
- promptly reports critical issues identified during audits to the relevant company structures and periodically monitors the correct implementation of the resulting mitigation actions.

## Communications, External Relations and Sustainability Department

- contributes to identifying relevant issues useful for defining the strategic priorities described in this document through constant dialogue with the relevant stakeholders;
- ensures the monitoring and reporting of ESG goals and non-financial indicators, relating to the Consolidated Non-Financial Statement (NFS);
- oversees, in unison with the other competent Business Units, the dialogue with the ESG rating agencies in order to acquire information and content aimed at contributing to the improvement of this document;
- oversees, in unison with the other competent Business Units, the dialogue with civil society in order to acquire, monitor and guide policy on issues relevant to the definition of the contents of this document.

## 6. TRANSPARENCY AND ACCOUNTABILITY

CDP, recognising the value of transparency and continuous dialogue with its customers, investors, rating agencies and civil society organisations, in order to understand their legitimate expectations, undertakes to ensure continuous and transparent reporting.

To this end, CDP publishes an annual non-financial report on its website, including the Consolidated Non-Financial Statement (NFS) pursuant to Italian Legislative Decree 254/2016, drawn up according to recognised standards (e.g. GRI Sustainability Reporting Standards, Integrated Reporting Framework, Sustainability Accounting Standards Board) and including its activities and the impacts generated, by its internal operations, and the aggregate impact of the Investment activities covered by this document.

This document is available on CDP's website.

## 7. ANNEXES

### 7.1 Glossary

- **Paris Agreement:** the Paris Agreement is a legally binding international treaty on climate change, which came into effect in 2016. Its goal is to limit global warming to well below 2, preferably to 1.5, degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century.
- **UN 2030 Agenda<sup>27</sup>:** plan of action for people, the planet and prosperity signed in September 2015 by the governments of the 193 UN Member Countries. It incorporates 17 Sustainable Development Goals (SDGs) in a major agenda for action with a total of 169 targets.
- **Best Available Practices (BAP):** the set of the best actions for ensuring (i) the substantive alignment of the main plant solutions to the best available techniques (BAT) on the global market; (ii) the adoption of operational and management procedures that are consistent with the best market practices in terms of safety; (iii) technical and managerial capabilities to ensure compliance with environmental and safety standards.
- **Best Available Techniques (BAT):** the best technological and management standards provided for by local legislation in the countries in which the initiatives are located, by relevant international standards (e.g. International Finance Corporation / Equator Principle) for export/international financing operations, by BAT reference documents (BREFs) in a European context or by the best commonly accepted market standards.
- **Carbon Capture, Utilization and Storage (CCUS):** technologies for capturing, utilising and storing CO<sub>2</sub>, including CO<sub>2</sub> that is generated by industrial processes and combustion techniques.
- **Counterparty:** the Beneficiary Company receiving the Financing or the Investment.
- **Downstream:** oil transformation activities (refining), logistics (depots and pipelines) and retail distribution activi-

<sup>27</sup> <https://unric.org/it/agenda-2030/>

ties (fuel sales points).

- **Environmental, Social and Governance (ESG):** the environmental, social and governance factors which qualify a financial activity as sustainable.
- **Financing/Lending:** for the purposes of this document, this is the use of “general purpose financing”, including the activities carried out under any technical form permitted by law and by CDP’s Articles of Association with its own funds, both at the national and the international level, including bonds, revolving credit facilities, the purchase of corporate receivables and the issue of guarantees.
- **Unconventional fossil fuels:** sources of Unconventional oil and Unconventional gas.
- **Renewable sources:** in accordance with European Directive 2018/2001, energy from renewable energy sources includes wind, solar (thermal and photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogas.
- **Unconventional gas:** sources of gas present in low permeability clay or rocky formations. This category comprises: natural gas present in clay formations (Shale Gas); natural gas present in low permeability clastic deposits (Tight Gas); natural gas present in coal deposits (Coal Bed Methane).
- **CDP Group:** Cassa Depositi e Prestiti S.p.A. and Companies subject to management and coordination by CDP S.p.A. pursuant to Articles 2497 et seq. of the Italian Civil Code.
- **Investment:** for the purposes of this document, this is the investment activity carried out through both Direct Investments and Indirect Investments.
- **Sustainable Development Goals (SDGs):** 17 goals agreed by the United Nations that aim to achieve a total of 169 targets relating to economic and social development, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanisation, the environment and social equality.
- **Unconventional oil:** oil resources present in low permeability rocky deposits, the exploitation of which involves the use of specific recovery technologies. Shale Oil and Tar Sands (oil sands) belong to this category.
- **Net Zero by 2050 Plan:** the set of actions and interventions, defined by the Counterparty/by the group it belongs to, aimed at contributing to the achievement of the Paris Agreement (2016) goals through which organisations aim to have their activities carbon neutral by 2050. For the purpose of applying this sectoral Policy, implementing the plan must be plausible, clearly specifying the implementation levers and the intermediate milestones.
- **Strategic Plan:** CDP’s 2022-2024 Strategic Plan, approved by CDP’s Board of Directors at its meeting of 25 November 2021, including any subsequent updates.
- **Project:** for the purposes of this document, this is the subject of the “specific purpose financing/project financing” and/or of the Investment, clearly identifiable as an asset and/or activity.
- **Repowering:** for the purposes of this document, this is the increase in the power and productivity of a plant and the modification of its components without acting on the entire plant.
- **Revamping:** for the purposes of this document, this is all the maintenance and technological modernisation activities carried out on a plant in order to maintain performance and/or extend its useful life.
- **Revenues:** the revenues referring to the group to which the Counterparty belongs.
- **Energy Sector:** all the forms of energy products, fossil fuels, heat, renewable energy, electricity or any other form of energy, as defined in Article 2, letter d) of Regulation (EC) 1099/2008 of the European Parliament and of the Council of 22 October 2008. Within this document, that which is defined by Article 2 of the regulation is considered throughout the entire life cycle, referring to all the economic activities ascribable to energy, which include: the procurement of raw materials (coal, oil, etc.), the production of renewable and non-renewable energy, the sectors associated with the collection, transformation and production of fossil fuels, the distribution and transmission, and the end-of-life management and decommissioning of plants.
- **Upstream:** extraction, transportation, intermediate logistics and distribution activities, including the sale of or trade in fossil fuels.