

# **Environmental, Social and Governance Policy**

## Introduction

This ESG Policy (the “Policy”) sets out the Aims and Commitments related to Environmental, Social and Governance issues of Ecotermica Servizi S.p.a. (“ETS” or the “Company”) and all its future subsidiaries. The Policy applies to the Board of Directors (the “Board”), Management Team (CEO and CFO) and Staff of the Company.

Implementation of the ESG Policy is mandatory for ETS and all its current and future subsidiaries, including ETC SpA. The Board of Directors of the Company is responsible for ensuring that the document is kept updated and ratified. It is also responsible for building an ESG culture which adheres to the Policy and seeing that it is adopted by management and all its employees. In order to do so, remuneration-linked ESG KPI targets will be set at management level.

The Management Team is responsible for the proper implementation of the policy and related reporting to the Board.

This policy provides guidance on how ESG matters are integrated into ETS’s activities.

## **Ecotermica Servizi**

### **Environment Social and Governance Policy**

#### **Background**

The Company is the owner of a diversified portfolio of district heating plants and downstream distribution grids located in the north-western part of Italy. The plants produce and supply heat and electricity to residential and business customers.

The Company's aim is to provide more sustainable and efficient heat to the communities it serves and efficient electricity to be injected into the national grid.

ETS is committed to operate in accordance with the United Nations Compact's 10 Principles and is aligned with the United Nations Sustainable Development Goals and is continuously working towards their implementation.

#### **SDG commitments**

Management, the Board of Directors and Shareholders of the Company strongly believe that the sustainability and success of the business are highly dependent on prudent management of Environmental, Social and Governance issues throughout the course of the Company's entire business operations.

The Company is committed to care for the external environment through professionalism, safety and wellbeing, while at the same time promoting a fun, diverse and inspiring work environment.

#### **Environmental**

District heating produces and delivers heat and electricity in a more efficient way than when it is done at individual premises. However, if the production is done using natural gas, it can generate a significant amount of carbon emissions. The company works to deliver energy and heat while having the lowest possible environmental impact.

All the plants measure their environmental footprint through KPIs that are presented on a monthly basis to the asset management team and at least on a quarterly basis to the Board of Directors.

#### **Energy and Net Zero**

The nature of these distributed generation assets is in line with the energy transition to a net zero future as energy is produced and used in a more efficient way with lower energy losses and environmental "cost" linked to supply chains. Where possible, ETS uses renewable sources of energy to power its plants, such as biomass or waste heat.

ETS monitors its incoming energy consumption to maintain high levels of efficiency in its plants and reduce the ratio between incoming energy and the total energy produced.

## **Air Pollution**

The Company measures NOx, HCl and other emissions such as PM10. In case of an excess in the levels of allowed emissions as established by the Italian Authorities, a report is filed explaining the root-cause and mitigating actions if required. The thorough measurement and reporting of emission levels ensures regular monitoring and mitigating of air pollution from ETS plants.

In order to further monitor and minimise its impact on air pollution, an additional KPI will be set in place to monitor GHG emissions per unit of energy (both heat and electricity) produced (GHG intensity). A simple measurement of absolute GHG emissions, would not suit the core business of ETS, since it would be dependent on external factors (i.e. outside temperatures) and not fully under management control. Emissions intensity is a better suited measurement to use as a KPI to track and compare air pollution across operational years, while incentivising management to improve plant efficiency.

In addition to air pollution, ETS also strives to minimize light and noise pollution.

**Climate physical and transition risks** Each year an external analysis on Climate Change risks and opportunities is prepared and shared with the plants to take note and develop mitigation and adaptation plans where required. The assessment of climate-related risks is aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

## **Environmental management**

The risk registry includes risks linked to the environment such as GHG emissions and the risk management policy considers environmental risk as a risk class which is to be measured and monitored.

The Company tracks hazardous and non-hazardous waste production. Collection and disposal of waste is contracted to accredited companies, in line with applicable regulations. Strict handling and storage practices are in place at all plants.

The management team will look to support customers and suppliers in developing a sustainable supply chain. Where relevant, ETS itself will adopt sustainable material sourcing and promote resource efficiency.

Training is an important part of the Company's policy and this is reflected in that environmental training of employees is updated regularly through specific refresher courses or attending conferences.

## **Social**

ETS is an energy producer which owns and operates industrial facilities, which means that staff are occasionally exposed to potentially dangerous industrial equipment and environments more generally. The facilities entail risks linked to hot surfaces, hot water, chemicals, flammable gases, noise and electromagnetic fields. Such equipment may result in potential danger to employees.

The risk registry includes a wide range of social risks and mitigating plans. The Risk Management policy includes social risks as one of its key elements.

## **Health and safety**

Ensuring the health and the safety of the working environment for all workers is of primary relevance in the daily activities of the company and the H&S of employees will be monitored through KPIs on accidents, with a goal of 0 fatalities and a low LTIFR every year.

Everyone who is visiting or performing work at the plants must follow rules and procedures that are explained on health and safety panels at the entrance; external contractors are expected to uphold the H&S policy to the same extent as employees.

When there is potentially dangerous or hazardous work to be performed by external contractors or internal employees, it shall always be preceded by a risk assessment which relates to the use of a Combined Interference Risk Assessment Report (DUVRI in Italian). Prior to using production equipment or vessels, entry permits should be used.

The health and safety officer is responsible for keeping the safety procedures updated and ensuring they are upheld in conjunction with the plant managers.

Training is an important part of health and safety and training courses are held at least twice a year for employees and external employees.

### **Supply chain**

The Company follows procurement processes to guarantee that its suppliers do not follow modern slavery or partake in other fraudulent practices, as well as ensuring fair payment is made to its subcontractors. To the extent possible, the management team communicate the Company's health and safety practices along their supply chain and seek to source materials and services in their supply chain from companies with strong health and safety practices.

### **Employee engagement**

Employee engagement is seen as crucial to uphold socially responsible business practices, a healthy workplace culture and organisational resilience. A set of communication methods have been established to capture feedback and enable the professional growth of the workforce. In particular, one-on-one feedback sessions as well as an employee satisfaction survey are run on a regular basis. Our ambition is to offer learning and training courses to 100% of employees to foster opportunities for professional development and career advancement.

The Company believes in honest and fair behaviour and encourages its staff to speak directly to Management or the Board as required about unacceptable conditions, violations of rights, legal rules and internal policies or breaches of ethical norms. Having a grievance process in place is a net positive for both the company and staff as unacceptable conditions then can be corrected and processes can be continually improved.

### **Stakeholders' relations and local employment**

The Company aims to engage with and maintain a good relationship with all stakeholders, including in its supply chain. ETS will aim to roll out satisfaction surveys to ensure customer needs are met to a sufficient standard. The Company understands its responsibility towards the communities it operates in and all requisite procedures regarding the cleaning of gasses prior to their release into the atmosphere. The Company is transparent in answering all questions from local or national interests in relation to what it is doing or how it operates.

ETS is a proud local employer and has a programme to engage with the communities focused on supporting local sport, school programs and H&S initiatives in the community.

### **Labour standards, diversity and inclusion**

The Company operates with a zero-tolerance policy regarding child labour or forced and compulsory labour in its operations and supply chain, upholding the values enshrined in its ethical code. These values are specifically concerned with upholding strong labour standards and healthy working conditions and are aligned with international standards such as the ILO Core Conventions and UN Guiding Principles on Human Rights.

As stated in its organisation model pursuant to legislative decree 231/2001, ETS condemns any discrimination on the basis of age, sex, gender, sexual orientation, health status, nationality, origin, political opinion, religious belief or social background. The Company promotes, among its employees and collaborators, respect, fairness in mutual relations and equal pay. The Company undertakes to pursue gender balance through its recruitment process, as far as compatible with the local market conditions.

Diversity plays an important role at the Company, the boards are composed of people with different professional backgrounds and geographies and all boards are keen to explore increasing diversity at the Company further. At management and staff level the sector has been traditionally male dominant, however ETS is committed to improving gender diversity within its organisation.

### **Governance**

The Company has a strong focus on Governance to enable best practices and fulfil requirements to shareholders. For these reasons governance policies such as this one, Risk Management and the Delegation of Authority process is reviewed on an annual basis and updated if necessary.

The different policies aim to create an agile and robust framework for the company to operate in, provide positive results and employ market best practices in a safe environment.

In addition, the company adheres to Italian Legislative Decree 231/2001 (Model 231) that covers human rights violations; breach of health and safety standards; employment of illegal third-party nationals; environmental pollution and other environmental crimes.

As required by the Model 231, ETS has set up an independent supervisory body (Organismo di Vigilanza) that oversees the implementation of the Model, monitors its effectiveness, evaluates compliance, and ensures that the Model is updated.

The Board of Directors meets at least four times per year to monitor performance and control and steer management and in generally ensure that investments are successful.

Some of the board dynamics, reserved matters and functioning of the board in general is described on the Shareholder's Agreement, which is reserved for shareholders but follows the same spirit as this document.

All board meetings begin with an ESG item, that is prepared by the Chair of the Board or plant managers.

Every year, the Company prepares an ESG Action plan for the coming year to identify, track and execute specific actions that pursue to improve ESG performance. The plan is presented to the board on a quarterly basis and discussed with the asset management team at least on a monthly basis.

Reporting at company level includes the following:

- Performance reporting: operational, financial and ESG KPIs tracked vs a yearly target (monthly)
  - Presented to the asset management team
- Quarterly reporting to shareholders (quarterly)
  - Presented to shareholders
- External Climate Change Report (annually)
  - Presented to the board
- Sustainability Report (annually)

Presented **to** the board

- Risk registry (quarterly)
  - Presented to the board

### **Shareholder rights**

ETS adheres and subscribes to its shareholder responsible investment practices, including those set by PATRIZIA Infrastructure. Shareholder rights are defined by its charter and bylaws, and ETS ensures it abides by these standards.

### **Whistleblower protection**

ETS believes in an open, transparent and safe working environment and recognizes and supports whistleblower protection.

### **Lobbying Activities and Political Contributions**

ETS ensures any engagement with lobbying groups is aligned with our climate change and other sustainability commitments and is aligned with the sustainability commitments of our shareholders, including PATRIZIA Infrastructure's corporate commitments.

Company policy prohibits any monetary and non-monetary political contributions being made, including those made through third parties.

### **Cybersecurity, Data Protection and Privacy**

ETS commits to abide by GDPR and any cybersecurity policies which currently exist in the jurisdictions that it operates in.

In the upcoming year, the company is planning to greatly enhance the measures in place to safeguard against cybersecurity and data governance risks. This includes improving technology infrastructure and rolling out cybersecurity and data privacy awareness programs for employees at the company.

### **Conflicts of Interest**

ETS requires that all its employees refrain from actions or have interests that hinder them to perform their duties objectively and effectively.

### **Antibribery, Corruption and Fraud**

The Company has zero tolerance for bribery and corruption or money laundering. No employee shall offer or provide financial or other benefits to public employees or customers, in order to obtain or retain personal or business benefits for the company.

### **Monetary Benefits**

The Company must not receive and retain monetary benefits. For example, it cannot accept payments for routing client orders to a particular execution venue.

### **Non-Monetary Benefits**

The Company is prohibited from accepting any non-monetary benefit from a third party in relation to the provision of services to clients unless it is minor in nature.

Minor non-monetary benefits must be capable of enhancing the quality of service for a client and of a scale and nature that could not be judged to impair a firm's duty to act in its clients' best interests. Minor non-monetary benefits must be clearly disclosed.

Minor non-monetary benefits include documentation relating to instruments or services, material promoting of new securities issuance, attendance at investment-related conferences or seminars, and hospitality of a reasonable nature, such as food and drink during a business meeting.

### **Other**

The Company must not provide or receive any monetary or non-monetary benefit in connection with the provision of client services for Professional Clients from a third party unless it:

- is designed to enhance the quality of service to the client;
- is of a scale and nature that does not impair compliance with the duty to act honestly, fairly and professionally; and
- will not influence a firm's behaviour in any way detrimental to client interests.

Payments or benefits which enable or are necessary for the provision of the service such as custody costs, settlement fees, exchange fees and legal fees are not inducements.