

PAGANO & ASCOLILLO S.P.A.

GREEN BOND

SECOND PARTY OPINION

Assessment of the alignment with the Green Bond Principles

Roma, 28 January 2019

SOGESA Consulting Srl

Sede legale e operativa • Viale Giuseppe Mazzini, 6 • 00195 Roma • Tel. 06 86760968 • Fax 06 88652283

Ufficio di Milano • Via Cecilio S. Plinio, 74 • 20129 Milano • Tel. 02 84342339 • Fax 02 84342336

E-mail: info@sogesaconsulting.it • PEC: sogesaconsulting@gigapec.it • www.sogesaconsulting.com

P.IVA/Cod. Fisc. 09149841000 • CCIAA REA 1143178 • Organizzazione con certificazione di qualità ISO 9001:2015

UNI EN ISO 9001:2015



SISTEMA DI GESTIONE
QUALITÀ CERTIFICATO
CERTIFICATO N. 17930

Index

- 1. Scope and objectives 3
- 2. Basis of SOGESA CONSULTING's opinion..... 4
- 3. Responsibilities of the Management of P&A and SOGESA CONSULTING 5
- 4. Work undertaken..... 5
- 5. Findings and SOGESA CONSULTING's opinion 6

1. SCOPE AND OBJECTIVES

Pagano & Ascolillo Energy & Technology SPA ("P&A" or the "Issuer") is an Italian Energy Service Company incorporated with the purpose of the design, construction and management of LED energy-efficient street lighting infrastructures.

P&A aims to build and/or manage up to six lighting infrastructures in the municipalities of Caserta, San Marcellino (CE), Polla (SA), Campobasso, Valfabbrica (PG), and Giugliano (NA). The possible combined energy savings targeted in P&A's business plans reach the yearly value of 8.863 Mwh, equivalent to a lower emissions amount of 4.121 Co2/Tons (based on the average emissions level of the european thermoelectric plants).

P&A is considering the issuance of a bond in EURO (henceforth referred to as "BOND") of Euro 17.200.000.00 and would like to label it as a "Green Bond" as defined within the Green Bond Principles (GBP) by ICMA – International Capital Market Association. The capital investments related with the projects will be financed by new equity and shareholder loans to P&A for the amount exceeding the issued BOND.

The Issuer intends to use the proceeds of the BOND after being awarded with a Concession in four of the above mentioned municipalities, as per the Project Finance scenarios developed pursuant to art. 183 of the Legislative Decree n. 50/216.

For what concerns the municipality of San Marcellino (CE), P&A has already rented a carve-out of assets of the company already as Concessionary and will perform future energy efficiency investments in that municipality through that business unit. Similarly, in Giugliano (NA) P&A plans to acquire the 100% of the company already acting as Concessionary. Such acquisition will imply a significant goodwill to be paid to the seller; anyway, as per our desk review of the independent financial estimation, such goodwill is entirely connected with the expected profitability of the Concession awarded to the seller.

SOGESA CONSULTING has been commissioned by P&A to provide a Green Bond Second Party Opinion on the alignment with GBP. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BOND, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the BOND has met the criteria established on the basis set out below.

The scope of this SOGESA CONSULTING opinion is limited to the Green Bond Principles by ICMA – International Capital Market Association – June 2018.

2. BASIS OF SOGESA CONSULTING'S OPINION

To provide as much flexibility for the issuer P&A, we have adapted our Green Bond Principles assessment methodologies, which incorporates the requirements of the Green Bond Principles, to create a P&A - specific Green Bond Second Party Opinion Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin SOGESA CONSULTING's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As for our Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

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

3. RESPONSIBILITIES OF THE MANAGEMENT OF P&A AND SOGESA CONSULTING

The management of P&A has provided the information and data used by SOGESA CONSULTING during the delivery of this review. Our statement represents an independent opinion and is intended to inform P&A management and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by P&A.

SOGESA CONSULTING is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, SOGESA CONSULTING shall not be held liable if any of the information or data provided by P&A's management and used as a basis for this assessment were not correct or complete.

4. WORK UNDERTAKEN

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by P&A in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a P&A - specific Protocol, adapted to the purpose of the BOND, as described above;
- Assessment of documentary evidence provided by P&A on the BOND and supplemented by a high-level desktop research. These checks refer to current assessment, best practices and standards methodology;
- Discussions with P&A management, and review of relevant documentation;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

5. FINDINGS AND SOGESA CONSULTING'S OPINION

SOGESA CONSULTING's findings are listed below:

1. Principle One: Use of Proceeds.

P&A intends to use the proceeds of the BOND to finance investments in energy efficient public lightning infrastructures, both directly and indirectly through controlled companies or business units, in a diversified portfolio of projects.

According to P&A's business plan, such investments will consist in the introduction on LED lamps (which can allow energy savings up to a 70% with a longer useful live and lower requested maintenance) in all the above mentioned municipalities' infrastructures as well as the the adoption of point-to-point adjustment systems (excluding San Marcellino where the lightning system will be managed by a centralized setting). In particular, the point-to-point control system:

- makes it possible to avoid energy waste and guarantees optimum lighting levels at every point on the roads;
- is not affected by voltage drops in the supply chain because, regardless of the voltage actually received, the lamp design flow is regulated within the individual luminaire;
- in case of malfunction, orders the by-pass to act on the individual lamp and not on the entire chain.

SOGESA CONSULTING determined that the projects which will be build and/or managed by P&A could reach significant savings in GHG emissions relative to fossil fuel usage and meet the requirements for inclusion under the Green Bond Principles.

2. Principle Two: Process for Project Evaluation and Selection.

The process for project evaluation and selection is implicitly connected to the fact that P&A is an ESCO according to the standard UNI CEI 11352:2014 and has the professional expertise to evaluate, analyze and develop different projects in the renewable energy sector.

P&A will follow a structured evaluation process and will provide the bondholders, for their approval, with an initial construction budget for each project to be funded by the Bond's proceeds, which will be allocated solely to finance the investments as defined in Section I.

SOGESA CONSULTING has reviewed evidence that demonstrates that P&A as an ESCO regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental impacts from its operations.

3. Principle Three: Management of Proceeds.

SOGESA CONSULTING has reviewed evidence showing how P&A plans to trace the proceeds from the BOND, from the time of issuance to the time of disbursement.

P&A has already adopted internal procedures certified according to UNI CEI 11352, ISO 9001, ISO14001 and OHSAS 18001. The company has the operational, accounting and financial skills to manage different projects as it needs to report on regularly basis to municipalities and other entities of the public sector, so will be able to track the use of proceeds according to the Green Bond Principles.

The full amount of the proceeds will be managed within treasury or equivalent, and thereafter disbursed in accordance with the debt obligation. The details of the disbursement and the outstanding value will be tracked using P&A's internal financial reporting system. At the end of each financial period, P&A will review the outstanding balance of the BOND. As stated above, SOGESA CONSULTING provides no assurance regarding the financial performance of the BOND, the value of any investments in the BOND, or the effects of the transaction.

4. Principle Four: Reporting.

As P&A works primarily with public entities, it has developed all the necessary accounting and financial procedures to manage different projects and elaborate operating and financial reports about the investment plans.

P&A will make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report will include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.

Furthermore, an independent technical advisor will provide the bondholders on monthly basis with a Construction Report concerning the work in progress of such projects. The technical advisor is expected to deliver also in its

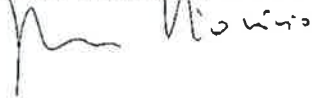
assessment all the relevant qualitative and quantitative information concerning the environmental impact of the ongoing projects in terms of energy savings.

On the basis of the information provided by P&A and the work undertaken, it is SOGESA CONSULTING's opinion that the BOND meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles by ICMA, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

Roma, 28 January 2019

for SOGESA Consulting S.r.l.

Stefano Dionisio
Partner and Administrator



Pierluigi Pireddu
Technical Director

