Green Bonds impact report 2024

Eurizon Fund - Absolute Green Bonds Eurizon Fund - Green Euro Credit

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Eurizon

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The Green Bonds Market and **Perspectives**

GSS Bond issuance in 2024 continued its upward trajectory, reaching nearly USD 1 trillion issued in the year --marking the second time (after 2021) the market has achieved this milestone since its inception. Total GSS Bond issuance since 2012 has now exceeded USD 5.5 trillion. Despite global economic headwinds, this growth underscores the sector's adaptability and resilience.

Green Bonds had their second-most active year ever, driven by significant demand in Q1 2024. Issuance reached USD 563 billion, accounting for 58% of total GSS Bond issuance in 2024 (source:MainStreet Partners). Social and Sustainability Bonds showed modest growth, while Sustainability-Linked Bonds experienced a notable drop in issuance year-on-year.

Europe maintained its leadership in the market, accounting for 60% of global issuance. Asia remains a key player, with strong activity in the Social and Sustainability Bond markets. Asian issuers now match the combined share of North and South America in the global GSS Bond market with a total of \$350bn Green Bonds issued.

2025 Outlook: What Lies Ahead?

2025 is set to be a transformative year for GSS Bonds, with growth projected to exceed USD 1 trillion again. Several key themes are likely to dominate the market:

Refinancing Amid the Maturity Wall

Over 500 GSS Bonds worth more than USD 600 billion are set to mature by 2026. Many issuers are expected to refinance through GSS Bonds, with updated frameworks, with notable mentions of the European Investment Bank and the government of France, to align with evolving standards. This could spur additional activity and innovation in the market.

2) Sustainability-Linked Bonds: A Critical Year
2025 is poised to be a "make or break" year for
Sustainability-Linked Bonds (SLBs), with 53%
of all existing sustainability performance targets
(SPTs) coming to completion. Investor confidence
in SLBs has been shaken by accusations of
greenwashing, but around 53% of issued volume
is on track to meet SPTs.

Regulatory Developments

The **EU Green Bond Standard (EuGBS)**, effective from December 2024, is set to bolster the market in 2025. By requiring issuers to align 85% of proceeds with the EU Taxonomy, this standard enhances credibility and sets a high bar for global issuers.

ESMA's new fund naming guidelines, aimed at mitigating greenwashing, require GSS Bond funds to meet stringent Paris Aligned Benchmarks or Climate Transition Benchmark criteria. This "lookthrough" approach mandates due diligence on the projects financed by bonds, ensuring compliance with restrictions such as emissions intensity thresholds and the exclusion of controversial activities.

Transition Bonds and Their Role

Transition Bonds -- designed to fund carbonreduction projects in hard-to-abate sectors -- will remain a niche but critical segment. While Japan leads in this space, other regions are less likely to embrace the label, with issuers favouring Green or Sustainability Bonds.

In 2025, GSS Bond issuance is projected to surpass USD 1 trillion once again, supported by favourable interest rates and investor demand. The introduction of the **EuGBS** and **ESMA**'s guidelines marks a pivotal moment, encouraging transparency and rigorous standards.

As issuers and investors adapt, the GSS Bond market's ability to maintain credibility and drive meaningful impact will be critical to its sustained growt.

Key theme for 2025: A USD1tn market once again

A key highlight for 2024 has been the record activity levels of **Green Bond** issuance. Green Bonds have had their second most active year since inception and the most active Q1 issuance on record - reaching **USD561bn** (equivalent to **58% of GSS Bond issuance** in the year). **Social Bonds** have also returned to single digit growth, whilst **Sustainability-Linked Bonds** were the only label to see a significant drop in issuance YoY.

Transition Bonds also displayed a significant growth in activity in 2024, particularly led by Japanese issuers. At the end of 2024, **26% of the Japanese GSS Bond market** is composed of the Transition label, and in particular, the push by the Japanese government through their inaugural issuance will have significant implications in the market's future growth having already committed to providing over JPY20tn (equivalent to USD126bn) worth of financing for their Green Transformation (GX) efforts through their issuances over the coming decade.

In **2025**, we expect the issuance of **Green, Social, Sustainability, and Sustainability-linked bonds** to exceed USD1tn once again, from just under that mark at the end of 2024, supported by a more favourable interest-rate environment and investor demand for sustainable investments. **GSS** Bonds have remained a popular debt instrument to finance the transition, and it is likely that demand will remain. Over **500 GSS Bonds** worth more than **USD600bn** are set to mature by **2026**. The question then arises, will we see increased issuance as issuers look to refinance?

Issuers may have already updated, or aligned, their **frameworks** with more recent standards to meet the growing expectations of issuers. Nevertheless, GSS Bonds can be used for both new financing and **refinancing**, implying that although there might not be enough new sustainable assets to finance there would likely be older sustainable assets that require refinancing.

Many of these issuers have already updated, or aligned, their **framework** with more recent standards to meet the ever-evolving expectation of investors or instead refinance through non-GSS Bonds.

Of the 797 GSS Bonds issued during 2024

(source: MainStreet Partners), **224** were done through a **new framework**. Issuers will be keen to ensure they can access an increasingly large and liquid GSS Bond market, which may spur the return of several issuers.

EU Green Bonds & ESMA

The **EU** aims to further strengthen investors' trust in the **green-bond** market with a new **voluntary standard** that requires enhanced **reporting** and **verification**. Issuers, particularly from hard-toabate sectors may still be able to access a growing and liquid bond market, **provided they meet the issuance-level restrictions**, or might be incentivized to issue via the **EUGBS**. Given the shift in focus from issuer to issuance, we expect many issuers to see the added benefits of issuing a GSS Bond compared to a **`plain vanilla'** bond. Investors, however, will need to ensure that their investments in **use of proceeds bonds will meet all the criteria in order to comply with ESMA's guidelines**.

The coming in effect of the EU Green Bond Standard will be one of the main developments to follow in 2025. We do not foresee a strong adoption in 2025, although we expect to see the impact on volumes to be clearer moving forward. Additionally, the recent ESMA guidance may create a beneficial environment for GSS Bonds. As explored in earlier sections, the likely impact applying a 'look-through' approach at issuance level for PAB/CTB compliance is likely to be contained, even when considering a conservative approach.

Protecting investors' interests has been at the core of ESMA's guidelines, ensuring the naming guidelines encourage a more careful but honest use of sustainability-related terminology. Proving your sustainability credentials will become the norm for asset managers, and investing in GSS Bonds will not exempt investors from doing due diligence on their investments. Despite ESMA's more flexible approach to use of proceeds bonds, investors will still be required to ensure that the bonds fully comply with the PAB's guidelines. Issuers may also adapt their pre-issuance documentation to ESMA's requirements, which will certainly aid investors' due diligence work. A transparent GSS Bond market will ensure its effective operation, ensuring capital is directed towards activities that achieve a positive environmental impact as the world allocates capitals towards long-term carbon reduction projects in years to come. Bonds issued under the EU GBS will be required to allocate at least 85% of their proceeds toward EU Taxonomy-aligned sustainable activities.

Eurizon's green solutions.

Eurizon's range of products includes **two funds specialised in investing in Green Bonds: Eurizon Fund - Absolute Green Bonds**, established in 2018 as the first Green Bond sub-fund created by an Italian asset manager, specialised in the international bond markets, and **Eurizon Fund - Green Euro Credit**, established in February 2021 and specialised in green corporate bonds.

The two sub-funds of the Eurizon Fund Luxembourg fund, established by Eurizon Capital S.A. and managed by Eurizon Capital SGR, are **Article 9 funs as per Regulation (EU) 2019/2088** and are therefore considered an impact investment, as they use investment selection methodologies aimed at generating a social or environmental impact, as well as a measurable financial return (socalled "Impact investing").

Eurizon Fund - Absolute Green Bonds

contributes to financing projects benefiting the environment, and offers **diversification by issuer and by geographical region**. The many projects financed by green bonds include wind farms, solar power plants, or other re renewable energy plants, the circular economy (aimed at making devices and/ or all their parts recyclable, therefore repeatedly reusable), the creation of barriers against erosion and sea level rise, protections against flooding, and high-energy-efficiency homes. The fund aims to achieve positive absolute return in the medium term. The management style is flexible and uses credit, currency and duration strategies.

More in detail, the product's duration profile may vary significantly over time: a further advantage in a context of low yields. **Eurizon Fund – Green Euro Credit**, on the other hand, is a **benchmark fund that invests in corporate bonds** mostly denominated in euros, issued to finance projects that benefit the environment. This a sub-fund of the Luxembourg fund Eurizon Fund, established by Eurizon Capital S.A. and managed by Eurizon Capital SGR.

The fund aims to achieve a stronger performance than the green corporate bond market as a whole as measured by the benchmark index (Bloomberg MSCI Euro Corporate Green Bond 5% Capped Index) and adopts an active management style, using macroeconomic and market analysis to determine portfolio strategies (top-down approach), whereas the selection of green issues is based on a bottom-up approach to identify the assets with the strongest positive environmental or social impact. The fund may also invest in corporate bonds that finance social projects, albeit residually.

The risk category

The summary risk indicator of Eurizon Fund -

Absolute Green Bonds is 3 on a scale from 1 (minimum) and 7 (maximum).

We have classified this product as 3 out of 7, which is a medium-low risk class. The summary risk indicator shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

The risk indicator assumes you keep the product for 3 years. This rates the potential losses from future performance at a mediumlow level, and poor market conditions are unlikely to impact the capacity of Eurizon Capital S.A. to pay you. The summary risk indicator of Eurizon Fund - Green Euro Credit is 2 on a scale from 1 (minimum) and 7 (maximum). We have classified this product as 2 out of 7, which is a low risk class. The summary risk indicator shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. The risk indicator assumes you keep the product for 4 years. This rates the potential losses from future performance at a low level, and poor market conditions are very unlikely to impact the capacity of Eurizon Capital S.A. to pay you.

The funds do not offer any form of capital protection against future negative market conditions and, as a consequence, you may lose part of or the entire amount originally invested. The risk category indicated may not remain unchanged, and the classification of the funds may change over time. Please read the KID and the Prospectus for a detailed description of the risks tied to investing in theses sub-funds.

Eurizon's green investment process

Both products, Eurizon Fund - Absolute Green Bonds and Eurizon Fund - Green Euro Credit managed by the Green and Sustainable Finance Aggregate team, adopt an asset selection process that excludes bonds issued by issuers or in industries that have a low ESG score, or that are involved in the controversial weapons industry. Also, the bonds must adopt a due diligence programme that complies with the Green Bond **Principles (GBP)**, as defined by the **International** Capital Market Association (ICMA), and with the Green Bond Standard (GBS) European regulatory framework. In assessing the individual projects, credit fundamentals analysis is combined with specialised techniques aimed at assessing the "greenness" of the bond, selecting those that hold the highest value.

Specifically, the bonds are classified based on a **"greenness scale" with five levels, from "brown" to "dark green"**, combining qualitative and quantitative analyses. The first step is an exante or qualitative analysis of the projects financed, followed by an ex-post or quantitative analysis:

• **Ex-ante valuation:** conducted using a mostly qualitative process, geared to analysing the issue before it is placed on the market, or in the period prior to the publication of the impact report by the issuer, and based on the documentation made available by the issuer and the information gathered during bond placemen.

• **Ex-post valuation:** conducted using a mostly quantitative process, based on the impact reports published by the issuer and based on an analysis of the documentation provided by the issuer, and/or calls with the issuer, and/o information made available by external info providers. Furthermore, the environmental goals updated by the company are assessed, as also the various environmental metrics, based on both punctual data and their evolution over time tempo. The process is repeated at least annually, or when new information on the issuer/issue become available on the market.

We make considerable efforts on the research front to avoid instances of greenwashing

More in detail, we scan the "green" universe and select financial instruments that boast a high level of environmental sustainability, awarding a preference to the sectors in which the positive environmental impact is stronger. Our process for the selection of green issues is detailed below.





Green Steel Transition:

towards a more sustainable production process through **hydrogen** The transition to **green steel represents a crucial step** in making the steel industry more sustainable. Historically, this sector has been one of the most polluting due to its high levels of CO_2 emissions. Steel production is an energy- and carbon-intensive process. In fact, the steel industry accounts for approximately 5% of CO_2 emissions in the European Union and 7% globally. Steel produced through traditional methods – where coal is a key component of the production cycle – results in the emission of significant volumes of carbon dioxide.





Source: https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf

Around 60% of steel production in Europe relies on the Blast Furnace – Basic Oxygen Furnace (BF–BOF) technology. Coal is used as the main source of carbon in the production process and is also required to generate the extremely high temperatures needed to melt iron ore. This form of steel production is based on a chemical process known as reduction, in which the ore - an iron oxide – must be stripped of its oxygen content using carbon as the so-called reducing agent. During production, the carbon combines with the oxygen to form carbon dioxide. Since carbon is essential to this process, CO, emissions are currently unavoidable. However, over the years, European steelmakers have worked to minimise carbon use as far as technologically possible while remaining within the constraints of the production process.

<u>Outlook</u>

To support its path towards reducing emissions, the steel industry is exploring new technologies and methods that enable the production of steel while minimising greenhouse gas emissions.

The main solutions currently under consideration include:

• Electric Arc Furnace (EAF), which today accounts for around 40% of European steel production (source: <u>https://www.eurofer.eu/</u>assets/publications/brochures-booklets-and-

factsheets/european-steel-in-figures-2024/ EUROFER-2024-Version-June14.pdf). EAFs gained wide adoption in steelmaking from the second half of the 20th century onwards, driven by the increased availability of electricity and the need to recycle steel scrap, although the first experiments date back to the late 19th century. EAFs primarily use steel scrap as their main raw material, supplemented by other ferrous materials. They are capable of producing a wide range of steel grades, from commodity metals to speciality steels. The heat required to melt the metal is generated by an electric arc created when graphite electrodes come into contact with the metal. At an aggregate level, using electricity instead of coal as the primary energy source reduces GHG emissions. The sourcing of electricity from renewable sources is a further key factor in the environmental transition, enabling additional cuts in indirect emissions compared to fossil fuel-based energy.

 Hydrogen Steel or steel production using hydrogen. One of the most promising innovations currently being developed in the steel sector is the use of hydrogen for the Direct Reduction of Iron (DRI), replacing coal. This process yields iron with fewer impurities and produces water vapour rather than CO₂, offering a cleaner pathway to produce pure iron. The conversion from iron to steel is then carried out using EAF technology.

- Carbon Capture and Storage (CCS): for plants that continue to rely on carbon as a reducing agent, capturing and storing CO₂ – or in some cases, its reuse (Carbon Capture, Utilisation and Storage or CCUS) – represents a solution to lower emissions. This involves capturing CO₂ before it is released into the atmosphere, with the possibility of either safely storing it or using it in other industrial processes.
- Increased Steel Recycling: ramping up recycling can significantly reduce the need to produce steel from virgin raw materials, lowering the environmental impact of extraction processes and reducing dependence on iron ore and coal mining. **Recycling consumes less energy** and can be integrated into a circular economy model, maximising the use of existing resources through the use of EAFs.

New technologies, such as hydrogen-based direct reduction, are transforming the way steel is produced. In this process, hydrogen reacts with the iron oxides in the ore, converting them into metallic iron and generating water vapour as the main by-product. This method allows for a significant reduction in CO₂ emissions, making steel production far more sustainable. Despite the clear environmental benefits, large-scale implementation of this technology still faces several challenges. The main barrier to the transition towards green steel is the high cost of green hydrogen produced from renewable sources. Moreover, large-scale hydrogen production requires the development of new infrastructure for its storage and transport to end users. Currently, the cost of producing green steel is significantly higher than that of traditional methods, limiting its widespread adoption. The International Energy Agency (IEA) estimates that the cost of green steel may be between 10% and 50% higher than conventional steel. According to the European Parliamentary Research Service (EPRS), replacing coal with hydrogen could increase the cost of producing one tonne of steel by around one third.

Further investment in research and development will be essential to improve energy efficiency and optimise production processes, as illustrated by the German approach to hydrogen procurement. There is also a pressing need to develop new infrastructure to support technologies such as green hydrogen and renewable energy (including storage systems and energy transmission networks). Finally, achieving economies of scale with these solutions to meet global demand will take time and require substantial investment. The transition to green steel is inevitable if global climate targets are to be met. As these technologies mature and become more accessible, green steel is likely to become the industrial standard, playing a crucial role in significantly reducing global CO,

emissions. This shift will not only help protect the environment but may also open up new economic opportunities in the clean technology sector.

In recent years, the European steel sector has also faced considerable turbulence due to the energy crisis and difficult financial conditions, compounded by tighter monetary policies and geopolitical uncertainties. Overall, the sector has lost competitiveness relative to low-cost producers, and Europe has become a net importer of steel – particularly from Asian countries, with China, India, and South Korea accounting for a significant share of total steel imports into Europe. <u>https://www. eurofer.eu/assets/publications/brochures-booklets-</u> and-factsheets/european-steel-in-figures-2024/ <u>EUROFER-2024-Version-June14.pdf</u>

At EU level, the Carbon Border Adjustment Mechanism (CBAM) – also referred to as a "carbon border tax" – has been introduced to prevent so-called **carbon leakage**, i.e., the relocation of industrial production to countries with less stringent environmental regulations. CBAM is expected to become fully operational, on a gradual basis, starting in 2026. It will impose a levy on imports of carbon-intensive products such as steel, cement and fertilisers. Importers will therefore be required to pay for the CO₂ embedded in the steel they purchase, thereby supporting companies with lower environmental impact.

Europe's climate change mitigation policies – especially through the EU Emissions Trading System (ETS) – have already had a significant impact on the cost of EU Emission Allowances (EUAs). Under this scheme, high-emission industries must purchase certificates for every tonne of CO₂ emitted, creating a financial incentive to reduce emissions. According to BloombergNEF estimates, the price of these certificates could reach €194 per tonne by 2035. This projected increase poses a substantial economic challenge for sectors such as steel and cement, which are among the largest emitters of CO₂. The additional costs could ultimately be passed on to consumers or drive structural changes within the industrial sector, pushing companies to adopt more sustainable and climate-friendly technologies. Nevertheless, the rise in carbon pricing is seen as a key instrument in accelerating the transition to a low-carbon economy, encouraging innovation and the reduction of environmental footprints. Significant investment in green technologies – such as hydrogen and carbon capture and storage (CCS) – is expected to help lower the overall cost of these transitions over the long term.

Source: https://www.bnef.com/insights/33933

The path to Net Zero is now unavoidable, and automotive manufacturers continue to decarbonise their supply chains. Given that steel accounts for a

significant share of a vehicle's embedded emissions, there is growing interest in sustainable alternatives. Throughout the year, several carmakers have explored alternatives to conventionally produced steel. One notable example is the agreement signed in June between Volkswagen AG and Vulcan Green Steel, part of the Jindal Steel group, for the supply of low-carbon steel. Starting in 2027, Vulcan Green Steel will produce steel in Oman using natural gas initially, before transitioning to renewable energy sources such as wind and solar power, with the aim of reducing greenhouse gas (GHG) emissions by 70% once fully operational. In parallel, since 2022 the Volkswagen Group has also partnered with Salzgitter AG on green steel production projects and, through its subsidiary Scania, has acquired a stake in Swedish green steel producer Stegra.

These initiatives underscore the automotive industry's commitment to transitioning towards more sustainable materials and lowering the environmental impact of vehicle manufacturing. (https://www.volkswagen-group.com/en/pressreleases/low-carbon-steel-volkswagen-ag-andvulcan-green-steel-enter-into-partnership-18450)

Pilot projects across Europe

Globally, a number of pilot projects are already under way to produce low-emission steel, with a particular focus on the use of hydrogen. These pilot plants are providing valuable insights into the

potential of this technology and its possible future developments. In Europe, a flagship initiative is the **Hybrit** project, developed primarily in Sweden by SSAB, one of the world's leading steel producers. The aim of Hybrit is to transform steelmaking into a zero-emission process, using hydroelectric power to produce green hydrogen. The project is a joint venture with LKAB, a supplier of iron ore, and Vattenfall, which provides renewable energy. Another advanced project in Europe is **SALCOS** (Salzgitter Low CO₂ Steelmaking), an ambitious initiative led by the German steel company Salzgitter AG. Also in Northern Europe, Stegra – formerly H2 Green Steel – has set out to revolutionise the global steel industry by producing green steel with the ultimate goal of achieving net zero CO₂ emissions. The company uses green hydrogen and electricity from renewable sources instead of coal, and the primary emissions from the process will be water and heat, the latter of which can potentially be reused in other industrial processes. Stegra aims to produce 5 million tonnes of green steel per year by 2030 at its fully integrated, digitised, and sustainable facility currently under construction in Boden, in northern Sweden (https://stegra.com).

Italian companies are also contributing to the decarbonisation of the steel production cycle. **Danieli**, together with Tenova, has developed Energiron H2, an advanced Direct Reduced Iron

(DRI) technology. Among Danieli's most significant hydrogen-related contracts are those with Nippon Steel, Tata, Pacific Steel, Salzgitter, and the Swedish Allibare plant. Danieli Centro Combustion, a subsidiary of the Danieli Group specialising in the design and construction of industrial furnaces for heating and heat treatment—mainly for the steel and aluminium sectors—has developed a new generation of burners called Hydro Mab, capable of operating on hydrogen/gas blends or on 100% pure hydrogen. These systems have already been installed in recent plants in Italy, Mexico, the United States, and Germany, although hydrogen is not yet widely available on a large scale. Source:

Hybrit

https://www.ssab.com/en/fossil-free-steel/insights/hybrit-anew-revolutionary-steelmaking-technology

SALCOS https://salcos.salzgitter-ag.com/en/salcos.html

BNEF

"Cost of Using Hydrogen to Lower Emissions will be Steep", 27 August 2024 https://www.bnef.com/shorts/sibwfqt1um0w00

BNEF

"The Outlook for European carbon Markets", Source: <u>https://www.bnef.com/insights/33933</u>

CBI

"The role of policymakers in mobilizing private finance to ensure a credible and just transition in steel and cement", <u>https://www.climatebonds.net/files/reports/cbi_g20.pdf</u>

Danieli

Enrgiron

https://www.energiron.com/hydrogen/ https://www.danieli.com/en/products/productsprocesses-and-technologies/energiron_26_91.htm

Daniel Centro Combustion https://www.danielicentrocombustion.it/sito/





Eurizon Fund Absolute Green Bonds Impact report

*Source: MainStreet Partners see methodological notes - data as of 31/12/2024. Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

Any changes compared to the previous year may refer to changes in the fund's portfolio or recalculations due to data quality improvement processes The environmental and social results of **Eurizon Fund - Absolute Green Bonds** sub-fund are shown in the charts below. The most common analysis metrics were used, calculating the impact generated by the portfolio as a whole and for each million euros invested in the strategy.

The plants financed for the production of renewable energy have a generating capacity of

558 MEGAWATT



Equal to 1,742,580 solar panels installed on homes

Investments in production plants and production processes have allowed to save and purify

5,404,733,313 LITRES OF WATER



The energy production deriving from these plants is equal to

1,221,072 MEGAWATT/HOUR



Funding for waste management projects has led to the recycling of

14,984 TONS OF WASTE

Equal to 2,996,724 recycled garbage cans

From 1 January 2024 to 31 December 2024 Eurizon Fund - Absolute Green Bonds has invested in 402 Green and thematic bonds. The investments made by Eurizon Fund -Absolute Green Bonds contributed to the achievement of the following environmental and social impact results:*

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of

194,556 MEGAWATT/HOUR



Enough to make 2,092,000 trips between Milan and Rome with an electric car

Farmers supported



Students supported

221

Overall, annual emissions were reduced by

863,853 TONS OF CARBON DIOXIDE



Equivalent to the amount absorbed by 5,783 square kilometres of forest in a year



Through which types of projects have we generated an impact*.

For each million invested, the following results were obtained:





Source: MainStreet Partners.

Source: see methodological notes - data as of 31/12/2024

*The types of projects funded reflect those established by the Green Bond Principles promoted by the ICMA. The data refer to the percentage of the portfolio accounted for by Green and theme bonds.

Eurizon Fund **Green Euro Credit Impact** report

*Source: MainStreet Partners see methodological notes - data as of 31/12/2024. Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

Any changes compared to the previous year may refer to changes in the fund's portfolio or recalculations due to data quality improvement processes

The environmental and social results of Eurizon Fund – Green Euro Credit sub-fund are shown in the charts below. The most common analysis metrics were used, calculating the impact generated by the portfolio as a whole and for each million euros invested in the strategy.

The plants financed for the production of renewable energy have a generating capacity of

384 MEGAWATT



Equal to 1,200,000 solar panels installed on homes

Investments in production plants and production processes have allowed to save and purify

469.686.346 LITRES OF WATER



The energy production deriving from these plants is equal to

947.100 MEGAWATT/HOUR



Funding for waste management projects has led to the recycling of

8.050 TONS OF WASTE

Equal to 1,610,000 recycled garbage cans

From 1 January 2024 to 31 December 2024 Eurizon Fund - Green Euro Credit has invested in 434 Green and thematic bonds. The investments made by Eurizon Fund -Green Euro Credit contributed to the achievement of the following environmental and social impact results*.

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of

26.253 MEGAWATT/HOUR



Enough to make 282,290 trips between Milan and Rome with an electric car

Micro-enterprises or Financed Individuals



Overall, annual emissions

were reduced by

357,093 TONS OF CARBON DIOXIDE



Equivalent to the amount absorbed by 1,702 square kilometres of forest in a vear



Through which types of projects have we generated an impact*.

For each million invested, the following results were obtained:





12/2023

06/2024

On total AuM (EUR)

12/2024

Source: see methodological notes - data as of 31/12/2024

*The types of projects funded reflect those established by the Green Bond Principles promoted by the ICMA. The data refer to the percentage of the portfolio accounted for by Green and theme bonds.

Source: MainStreet Partners.

06/2023

For 1 million (EUR)

12/2022

Case Study SDG

7 AFO

Affordable and Clean Energy - SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all It is essential that everyone in the world can obtain enough energy to improve access to heating systems, lighting in schools and hospitals, communication, access to the Internet and work tools, all the issues that have a direct impact on development. The United Nations Development Programme (UNDP) states that to lead a decent life, the minimum daily consumption of electricity per person is 0.5 kWh. To date, one person in five has no access to electricity. Moreover, at present, the global economy depends heavily on fossil fuels, contributing to the increase of greenhouse gas emissions, the consequences of which have serious impacts in humanitarian, social and environmental terms. The SDG 7 aims to ensure universal access to sustainable, reliable, and modern sources of energy in order to improve the lives of millions of people. This goal promotes both the increased use of renewable energy to replace fossil fuels as well as energy efficiency, creating a fully sustainable economy, for the benefit of society and the environment.

EDP-Energias de Portugal SA

Issuer: EDP - Energias de Portugal SA is a major European energy company focused on renewable power generation, distribution, and supply, with a strong presence in Portugal, Spain, and Latin America. It is one of the largest utility companies in Europe, with total assets exceeding 50 billion euros, as well as the 4th largest wind energy producer globally.

Use of Proceeds: The Portuguese energy company has raised the equivalent of over 16 billion euros from Green Bonds since 2018, the proceeds of which exclusively finance wind and solar energy infrastructure, therefore achieving a 100% alignment to the European Environmental Taxonomy. The group has over 16.5GW of renewable energy capacity installed, with over 4GW under construction, of which 85% is onshore wind and 15% is solar. The issuer is also on a strong decarbonization path, with the target to reduce Scope 1 and 2 CO₂ emissions by 77% by 2016, compared to 2020 levels.

Industry, Innovation and Infrastructure - SDG 9 Build resilient infrastructure, promote sustainable industrialization and foster innovation

Roads, maritime links, and access to electricity, water and Internet are all essential in making communities prosperous and sustainable. In addition, with the increasing growth of the global population, it is necessary to build more infrastructures in accordance with sustainability criteria. Technological developments and

scientific research and innovation are essential in finding lasting solutions to the economic and environmental challenges. Currently, more than 4,000 million people lack access to the Internet, SDG 9 aims to achieve sustainable and high-quality infrastructures for everybody, to stimulate a new business model that respects the principles of sustainability and that adopts clean technologies and industrial processes, and that promotes innovation and achieving equal access to information, especially through the Internet. These objectives have a direct impact on the productivity growth of populations and on their ability to access health care and educational and training opportunities, as well as supporting the protection and care of ecosystems and natural resources at global level.

De Volksbank

Issuer: De Volksbank is a Dutch state-owned bank focused on retail banking, offering mortgages, savings, and payment services primarily in the Netherlands. With a Green Bond portfolio of over 5 billion euros, the issuer finances energy-efficient buildings.

Use of Proceeds: The bank finances buildings in line with the highest recognized energy efficiency standards. For instance, its portfolio is composed purely of buildings that receive an EPC A certification or that are in the top 15% of the country's building stock. This ensures that all the projects financed by the Green Bonds are fully aligned with the EU Environmental Taxonomy.

Sustainable Cities and Communities - SDG 11 Make cities inclusive, safe, resilient and sustainable

Today, 54% of the world population lives in urban areas, a figure that should increase to 66% by 2050. The phenomenon of urbanization and the expansion of cities on one hand has favoured social and economic progress worldwide, but on the other hand, it has contributed to the development of degradation and poverty related to the inadequate management of natural resources at the local level, and to the scarcity or total lack of funds allocated for supporting basic services and adequate housing facilities for everybody. Currently, 828 million people live in cities in conditions of degradation and urban poverty. SDG 11 aims to transform urban centers into sustainable cities through the access for everyone to affordable and safe housing, basic services and adequate public transportation, especially for those who are most vulnerable. In addition, the cities of the future must be green, a goal which is achievable through the reduction of negative impacts on the environment, the development of safe and inclusive green areas and public spaces, with specific attention paid to the urban outskirts.

Finally, the preservation of the artistic and cultural heritage must be guaranteed.

Société des grands Projets

Issuer: Société du Grand Paris, which recently became Société des Grands Projets, is a French state-owned company located in Saint-Denis. The firm designs and constructs transportation, development, and infrastructure projects and is currently engaged in the Grand Paris Express.

Use of Proceeds: The French state-owned company has issued over 15 Green Bonds since its debut in 2018, raising the equivalent of almost 30 billion dollars for the Grand Paris Express: 200km of metro lines of which the first opened already in June 2024 and will keep opening in the next 30 months. Facilitating public transport has both environmental and social impacts as it reduces emissions whilst facilitating the efficiency and affordability of public transport, thus contributing to SDG 11.

13 ACTION

Climate action - SDG 13 Take urgent action to combat climate change and its impacts

Climate change is a phenomenon that affects every single country and person in the world. Global warming continues to increase, greenhouse gas emissions are currently 50% higher compared to 1990 levels, and it is expected that by 2030 there will be a further increase of 45%, unless they are immediately counteracted.

There are direct consequences for the planet, causing warmer oceans, a rise in sea level, the melting of polar glaciers and extreme weather events, such as fires, desertification, drought, earthquakes, floods and tsunamis. These phenomena also have an impact on people, destroying crops, making it difficult to access water, causing diseases and blocking real social and economic progress. The consequences of climate change may be irreversible if urgent measures are not taken. SDG 13 seeks to introduce climate change as the primary issue on the political agenda, in the strategies and programmes of national and regional governments, and of firms and civil society, improving the response to the problems created such as natural disasters, and promoting education and raising awareness of the entire population.

Italia

Issuer: The Government of Italy has been an active participant in the Green, Social and Sustainability Bonds market since its debut in 2021. With over 45 billion euros issued, Italy is the 4th largest GSS Bond issuer after France, Germany and the United Kingdom.

Use of Proceeds: Italy's Green Bonds are used for a variety of green projects, including Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Renewable Energy, and the Sustainable Management of Resources. On the energy efficiency front, the proceeds have allowed to finance tax incentives for energy efficiency in buildings, such as window renovation, as well as the implementation of measures on public buildings. Of all the categories financed, energy efficiency projects yield the highest impact, recording an estimated total CO_2 emissions reduction of 33,158ktCO₂, which translates in 1,228kt per annum.

Life below water - SDG 14

14 BELOW WATER

Conserve and sustainably use the oceans, seas and marine resources

Oceans and seas are essential for the planet and for people's well-being. They occupy three-quarters of Earth's surface, regulate climates, produce oxygen and provide natural resources and food. The sea as a whole provides work for more than 200 million people. The pollution and destruction of habitats and marine resources along with nonsustainable fishing damage the ecosystems and the lives of millions of people. Climate change particularly threatens the oceans, causing climate disasters of huge impact and changes in the marine biosphere. *SDG 14* aims to protect marine and coastal ecosystems, reducing marine pollution and ocean acidification, to end non-sustainable fishing practices, promote scientific research on marine technology and encourage the growth of developing island states.

Landsbankinn hf

Issuer: Landsbankinn hf is Iceland's largest bank, providing retail and corporate banking services, including loans, savings, and investment solutions, primarily in Iceland. It is majority-owned by the Icelandic state through the National Treasury. **Use of Proceeds:** All of the proceeds from the Icelandic's bank Green bond have been allocated to investments and expenditures related to the catching, production and processing of certified fish products. These include the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC), showing the banks intentions to conserve the marine ecosystems that provide the country with its natural fish stocks.

Eurizon's Sustainable Funds characteristics

Characteristics	Eurizon Fund – Absolute Green Bonds	Eurizon Fund - Green Euro Credit
ISIN	Class R: LU1693963701 Class Z: LU1693963883 Class ZD: LU2093577554	LU2215042321 (Class R) LU2215042594 (Class Z)
Risk profile (from 1 to 7)	3 The risk indicator assumes you keep the product for 3 years	2 The risk indicator assumes you keep the product for 4 years
Entry costs	Class R: Max 2.50%	Class R: Max 1.50%
Management fees and other administrative or operating costs	Class R: 1.24% of which management fees 1,00% Class Z: 0.52% of which management fees 0,35% Class ZD: 0.52% of which management fees 0,35%	Class R: 1.39% of which management fees 1.15% Class Z: 0.47% of which management fees 0.30%
Transaction costs	0.13%	0.10%
Performance fee (Class R, Z and ZD)	20% the positive difference between: (i) the percentage increase of the Net Asset Value per Unit of each Class recorded during a calendar year over the High Water Mark and (ii) the performance of the Bloomberg Euro Treasury Bill Index®+1.90% p.a.	20% of the positive difference between any returns the Fund achieves above the highest Net Asset Value per Unit reached at the end of the five previous calendar years and the Bloomberg MSCI Euro Corporate Green Bond 5% Capped Index per year
Subscription fee	Class R: Max 15 euros (in favor of the paying agent)	Class R: Max 15 euros (in favor of the paying agent)

Before taking any investment decision, you must read the Prospectus, the Key Information Document (the "KID"), as well as the Management Regulations and the last available annual or semi-annual financial report (please refer in particular to section 12 "Investment Objective and Risks Factors").

Methodological notes

The data published in this report is the result of the proprietary methodology developed by MainStreet Partners for the collection, classification and evaluation of the environmental, social and governance results generated by the GSS bonds, together with their contribution to the United Nations Sustainable Development Goals ("SDGs"), held in the funds:

- Eurizon Absolute Green Bonds
- Eurizon Green Euro Credit

from 1 January 2024 to 31 December 2024.

During this period, on average **100%** of both funds bond investments were invested in Green, Social, Sustainability (GSS) bonds, according to notional.

- For the Eurizon Absolute Green Bonds 94% of the bonds in the overall portfolio by value have reported data relating to the social and environmental impact of funded projects and impact data for an additional 6% of the portfolio has been estimated.
- For the Eurizon Green Euro Credit 93% of the bonds in the overall portfolio by value have reported data relating to the social and environmental impact of funded projects and impact data for an additional 7% of the portfolio has been estimated.

Impact results are calculated based on the amount invested in each GSS bond in relation to the nominal amount issued together with the holding period of the investment. Impact results are expressed according to the following 21 Impact metrics: CO2e avoided/reduced, Electric cars/trains deployed, Energy produced from Renewable Energy added, Energy saved, EV charging points installed, Farmers supported, Hospital beds added, Jobs created, Jobs saved, Land restored/ reforested/certified, New or renovated green buildings, Patients treated, People Financed, Railway infrastructure constructed/renovated, Renewable Energy capacity added, Smart meters installed, SME/Entities Financed, Social Housing units Financed, Students Supported, Waste treated/prevented, Water saved.

These metrics reflect the guidelines established by the ICMA Green Bond Principles, internationally recognized by investors, issuers and financial intermediaries. The impact results achieved are reported both for the entire portfolio and for every million Euros invested in the fund over the course of a year.

Bonds that do not report data and general-purpose bonds are excluded from the calculation of environmental and social impact.

ps://www.icmagroup.org/gr

Issuers of GSS bonds usually report impact data one year after the date of issuance.

The proprietary methodology developed by MainStreet Partners for the calculation of the results presented in this report can be broken down into the following six steps:

- 1. Classification of the use of proceeds of each bond in the portfolio;
- Collection of social and environmental data using official sources, third party data, public data and data provided by the issuer themselves, according to the taxonomy provided by the ICMA Green Bond Principles;
- 3. Analysis and verification of the quality of the data collected and integration with estimated data where appropriate;
- 4. Calculation of the aggregate impact at the portfolio level;
- 5. Mapping with the SDGs;
- 6. Ongoing monitoring of the impact results by updating calculations with fresh data.

The first step consists of analysing the eligible use of proceeds pursuant to the issuer's Green Bond framework for every bond present in the portfolio and verifying that the use of proceeds is consistent with eligible categories according to ICMA.

Next, MainStreet Partners collects relevant impact data for each GSS bond in the portfolio by reference to documents or reports published by the issuer, information provided by third parties (including second party opinions or similar documents), public data or data obtained by engaging with the issuer directly where necessary. The resulting data is analysed to verify its accuracy and completeness. In some cases, GSS bonds are issued as part of a broader programme. In such a case, if the data relating to the individual bond is not available then data relating to the broader programme is analysed and prorated according to the bond's contribution to the programme.

Environmental and social results generated by individual bonds fall into two categories: actual data and estimated data. Actual data refers to results achieved by the net proceeds of the GSS bond whereas estimated data is either based on forecast data provided by the issuer prior to issuance of the GSS bond or predicted based on actual data reported for similar bonds previously issued by the same issuer. If data is not available, the bond is excluded from the impact analysis. Once the accuracy and completeness of the data is verified, MainStreet Partners calculates the environmental and social results of each bond based on the invested amount and bondholding period. Impact metrics reported are also translated into "equivalents" which are more intuitive and tangible than the pure scientific data. Translation of scientific data such as megawatt hours of renewable energy generated into equivalents such as the average annual energy consumption of a European household is based on information provided by government agencies, NGOs and in-house research.

In addition to checking the use of proceeds and the impact generated by each GSS bond in the portfolio. MainStreet Partners defines the contribution of each bond to the **SDGs**. Contribution to each of the 17 SDGs is determined by reference to the bond's use of proceeds and how it promotes various targets associated with each SDG. By aggregating the data, it is possible to determine how many GSS bonds in the portfolio are positively contributing to each SDG. All results are updated on a regular basis to take into account fresh data published by issuers following the first anniversary of issuance. MainStreet Partners also analyses Issuers of Green, Social, and Sustainability (GSS) Bonds' projects-level information, including (often) their **geographical location**. A GSS Bond's geographical location can be assessed from two different perspectives: i) the location of the issuers; ii) the location of the projects financed by the bonds' proceeds. The latter helps understand where the impact of the bonds is truly located and the territories to which the assets financed are exposed. MainStreet Partners also provides assessment of each Green Bond and Sustainability Bond against the **European Taxonomy**. Such information enables investors to discover the specific activities a bond is financing (e.g., wind energy generation), beyond the more general project categories (e.g., Renewable Energy). The analysis verges upon a detailed scan of each project financed and provides a resulting percentage alignment to the "Climate Change Mitigation" Objective of the Taxonomy. Issuer-level "Do-No-Significant-Harm" and "Minimum Social Safeguards" assessment complement the analysis.

Definition of GSS Bonds

GSS bonds are bonds issued by governments, companies and supranational institutions with defined use of proceeds to (re)finance assets or projects according to certain eligible categories with the intention of generating positive environmental and social impact. GSS bonds are divided into:

- 1. Green Bonds
- 2. Social Bonds
- 3. Sustainability Bonds
- 4. Transition Bonds

According to the Green Bond Principles published by ICMA¹, "Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/ or existing eligible Green Projects and which are aligned with the four core components of the GBP: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; 4. Reporting." Eligible Green Projects include: (i) Circular Economy, (ii) Clean Transportation, (iii) Climate Change Adaptation, (iv) Energy Efficiency, (v) Green Buildings, (vi) Pollution Prevention and Control, (vii) Renewable Energy, (vii) Sustainable Management of Resources, (viii) Water Management:

Eligible Social Projects include: (i) Access to Essential Services, (ii) Affordable Basic Infrastructure, (iii) Affordable Housing, (iv) Education, (v) Food Security, (vi) Gender Equality, (vii) Healthcare, (viii) SME Finance, (ix) Socioeconomic Advancement.

About MainStreet Partners

MainStreet Partners (MSP) was established in 2008 with the aspiration of providing investors with transparent and easy access to companies and funds that achieve consistent financial returns while improving people's lives and protecting our planet.

We are the trusted ESG partner of top tier investors for a simple reason: we provide a one stop shop for their Sustainability requirements at portfolio level. Our clients are some of the most sophisticated and leading Wealth Managers, Asset Managers, Investment Banks, Insurance Companies and Institutional Investors in the financial industry.

MainStreet Partners is based in London and regulated by the Financial Conduct Authority and consists of two main divisions:

- Investment Advisory support clients in creating offers bespoke investment solutions creating ESG multi-asset and multi-manager portfolios with mutual funds, single stocks and bonds using traditional or absolute return benchmarks. We develop products which target United Nations Sustainable Development Goals or thematic investments.
- Portfolio Analytics which provides a holistic approach to ESG analysis through several solutions such as: transparent and detailed Fund ESG Ratings, corporate and government issuers ESG Ratings, Green, Social and Sustainability bonds best in class database, assessment of clients' portfolios to enhance their ESG profile and align them with "green" regulations.



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