Bluefield Sole ITA
Green Finance Second Opinion

March 18, 2022

Bluefield Sole ITA Srl is an Italian company that owns three special purpose vehicles in Italy which produce renewable energy from ten solar assets with combined capacity of 10 MWp. Its strategy involves acquiring and improving the performance of underperforming solar assets. Bluefield Sole ITA is advised by Bluefield Italia Srl ('the adviser') which provides the day to day management of the issuer, and applies its environmental strategies and approaches to the issuer.

Investments under the green finance framework relate mostly to solar power, and potentially to wind power, specifically the conception, construction, development, acquisition, and/or maintenance of plants in Italy, or investments to enhance the performance of such assets. Most proceeds are expected to be allocated to improving the performance of existing assets rather than to the development of greenfield projects. Renewable energy, including solar and wind power, is key to a low-carbon transition. A focus on improving existing assets is also welcome, because though it can vary depending on the specifics of investments, measures to improve performance can carry less risks than greenfield projects, for example, in respect of construction emissions and biodiversity impacts.

Bluefield Sole ITA could increase its focus on scope 3 emissions, particularly as these likely account for a large proportion of its emissions. For example, we are not aware of measures taken to reduce construction emissions, as well as emissions associated with the transport and the production of solar panels and wind turbines.

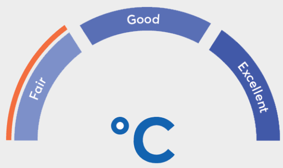
Bluefield Sole ITA could significantly improve elements of its governance under the framework. As Bluefield Sole ITA is reliant on its adviser to guide its overall governance, the ability of the issuer to have concrete climate or environmental targets of its own, as well as to implement any changes, is thus limited. The selection process could be strengthened by the formation of a selection committee and investors should note the selection process is undertaken by the adviser (and its parent company), though the final investment decision remains with the issuer. The impact reporting is on a best effort basis and there is no intention for external verification, or plans to make the reporting public, according to the issuer.

Based on the overall assessment of the project types in Bluefield Sole ITA's green finance framework, governance and transparency considerations, the green finance framework receives an overall **CICERO Dark Green** shading and a governance score of **Fair**. The framework could be improved through a stronger governance structure at the issuer level (strategies, targets, selection, reporting) and a greater focus on scope 3 emissions.

SHADES OF GREEN

Based on our review, we rate Bluefield Sole ITA's green finance framework **CICERO Dark Green.**

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Bluefield Sole ITA's framework to be **Fair**.



GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found to be aligned with the principles.

Contents

1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated **January 2022.** This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences, and email correspondence.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green	Examples
Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.	Wind energy projects with a strong governance structure that integrates environmental concerns
Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.	Bridging technologies such as plug-in hybrid buses
Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.	Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

2 Brief description of Bluefield Sole ITA's green finance framework and related policies

Bluefield Sole ITA is an Italian company that owns three special purpose vehicles in Italy which produce renewable energy from ten solar assets with combined capacity of 10 MWp. Its strategy involves acquiring and improving the performance of underperforming solar assets. Bluefield Sole ITA is advised by Bluefield Italia Srl ('the adviser') which provides the day to day management of the issuer, and applies its environmental strategies and approaches to the issuer.

Environmental Strategies and Policies

Bluefield Sole ITA does not have any specific ESG targets of its own and does not calculate scope 1, 2 or 3 emissions. As a producer of solar energy, it anticipates that its scope 1 and 2 emissions will be relatively small.

Bluefield Sole ITA and the adviser undertake general due diligence on Bluefield Sole ITA's key counterparties, however, this does not include life cycle assessments or emissions reporting. For its solar panels, the company informed us that it only contracts with Tier 1 suppliers.

The adviser undertakes environmental impact assessments (EIA's) as part of the planning conditions for any new solar plant over 1MW in capacity. For existing assets, where EIAs are already in place, external independent advisers review EIA requirements prior to investment to ensure compliance with its terms.

In respect of climate resilience, Bluefield Sole ITA informs us that a climate risk assessment is part of its due diligence process, which we understand is limited to flood and earthquake risk. Climate scenarios are however not used, and Bluefield Sole ITA does not currently report in line with the TCFD recommendations.

Use of proceeds

Bluefield Sole ITA will use the net proceeds (or an amount equal to the green finance instruments' net proceeds) to finance or refinance assets relating to the following project categories: 1) renewable energy (specifically the conception, construction, development, acquisition, maintenance, and/or operation of solar assets, and potentially wind power assets), and 2) energy efficiency (specifically investments to connect renewable resources, enhance energy distribution and ensure maximum efficiency of solar and wind power assets). Proceeds will be used in Italy. The issuer informed that approx. 80% are expected to be allocated to refinancing and the remaining 20% to financing.

Bluefield Sole ITA informed us that it will initially use the proceeds mostly for the financing of energy efficiency projects: its current strategy involves acquiring underperforming assets and improving their performance. In the future, Bluefield Sole ITA will also use the proceeds to finance acquisition of greenfield assets.

Bluefield Sole ITA does not have a list of exclusions.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

The adviser will evaluate and select projects for eligibility - this includes reviewing and validating the existing pool of eligible assets as well as new investments to be included in the pool of eligible assets. The adviser's Investment Committee also reviews potential eligible projects before recommending these to the issuer, which will always have final approval of an investment.

Independent legal, technical, and financial advisers undertake detailed due diligence to identify areas of risk and non-compliance. Examples of key areas include insurance, health and safety, environmental impact (EIA analysis), and reputability of key counterparties. The issuer informed us that local opposition is considered through the due diligence process and that it will avoids projects facing strong local opposition.

The adviser will also be responsible for executing any changes if projects no longer meet the eligibility criteria, reviewing and approving any updates to the framework, and reviewing and approving allocation and impact reports.

Management of proceeds

CICERO Green finds the management of proceeds of Bluefield Sole ITA to be in accordance with the Green Bond/Loans Principles.

The issuer will track investments in selected projects within the issuer's accounting system. Pending allocation or reallocation to eligible projects, the issuer will hold or invest the balance of the unallocated proceeds in bank deposits, in cash or invested in liquid securities, and/or used for the repayment of short-term indebtedness, where such holdings, investments and/or repayments are not directly linked to the financing of activities which may conflict with the environmental objectives of the framework.

The maximum timeframe that the issuer will hold any unallocated proceeds is 12 months. The refinancing amount will be used on the day of closing while the financing amount will be cancelled at the end of the 12 months' period if not allocated, according to the issuer.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

The adviser and its parent company, Bluefield Partners, will, on the behalf of the issuer, will prepare a report which will be provided to relevant investors and/or borrowers of the green finance instruments. Such a report will initially be issued one year after the issuance of the green finance instruments and then annually, until maturity. The report will include:

1. The aggregated amount of allocation of the net proceeds to the eligible projects (at category level), with a description and selected case studies
2. Information about the split of the green finance instruments' proceeds between new assets and re-financing
3. The total amount of unallocated proceeds from the green finance instruments (if any)
4. Confirmation by the issuer management that an amount equal to the net proceeds was allocated to eligible projects

5. Relevant outcomes and environmental impact data

In addition, the issuer commits on a best effort basis to report on relevant impact metrics, which will be part of the report and may include relevant KPIs for the project categories, such as renewable energy capacity installed (MW), expected annual renewable energy generation (MWh) and estimated annual GHG emissions avoided (tCO_2e). The issuer informed us that the process for calculating the KPIs is still under discussion, however, it will be transparent on the methodologies used, according to the issuer.

The reporting will not be publicly available, but will be shared with the lenders, clients, and shareholders. Reporting will be managed by the Bluefield Group ESG Manager alongside the adviser's investment team. The issuer informed us that the reporting will be internally verified, but it is not intended that it will undergo external verification.

3 Assessment of Bluefield Sole ITA's green finance framework and policies

The framework and procedures for Bluefield Sole ITA's green bond/loan investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Bluefield Sole ITA should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Bluefield Sole ITA's green finance framework, we rate the framework **CICERO Dark Green.**

Eligible projects under Bluefield Sole ITA's green finance framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
Renewable energy	Investments relating to the conception, construction, development, acquisition, maintenance, and/or operation of renewable energy installations including solar PV, and wind power and infrastructure for electricity storage. Projects may include the following: • Acquisitions of PV plants • Development of greenfield PV and wind projects. • Renewable energy production, plant management, sales of the produced electricity, dedicated infrastructure,	**Dark Green** ✓ Renewable energy, including solar and wind power, is key to a low-carbon transition. ✓ The issuer informed that it will mostly invest in solar PV. ✓ For investments in wind assets, the issuer informed that there won't be a distinction between onshore and offshore and wind projects will be assessed on a case-by-case basis. ✓ The issuer informed us that the size of plants can vary, from small plants (tens of KWp) to large utility scale plants (hundreds of MWp). ✓ Off-grid solutions for high emitting customers are not eligible according to the issuer, as all the plants will be connected to the grid. ✓ Construction and improvement processes can be energy intensive and can generate supply-chain emissions. Furthermore, the production and transportation of solar panels and wind turbines can also be energy intensive. However, we are not aware of any mitigation strategies adopted by the issuer in this regard.

	and energy storage investments.	✓ Though the issuer informed us it uses only Tier 1 solar panel suppliers, this does not in itself ensure low embedded emissions. ✓ According to the issuer, the construction of new roads can be financed, though this not usually necessary. The improvement of existing roads can be also included if directly related to the PV. Such roads tend to be access roads, and so usually not accessible to public vehicles, though nonetheless involve construction emissions, carry biodiversity risk, and can be used by fossil fuel vehicles. Moreover, the issuer informed us that fossil fuel vehicles and machinery may be used by appointed contractors to get access to site and/or to carry construction/maintenance activities. ✓ Wind projects can have adverse local environmental impacts, including on birds and bats migration trajectories, and impacts on local communities. ✓ The issuer informed us of its technical due diligence processes, which includes the undertaking of EIAs on greenfield projects over 1 MWp, and external independent advisers reviewing EIAs of existing assets. Climate risks are also considered as part of the due diligence process, though climate scenarios are not employed. ✓ The issuer informed us that it avoids projects with strong local opposition, and the risk of local opposition is also considered as part of the investment decision. In the event of local opposition, the issuer informed us that it engages fully in the local planning process and negotiations with affected parties as necessary. ✓ Electricity storage refers principally to battery storage, which requires high volumes of environmentally sensitive materials, including lithium, manganese, and cobalt. The supply chains for these materials need to be appropriately managed, to avoid creating new adverse social and environmental impacts.

Energy Efficiency °C	Investments to connect renewable resources, enhance energy distribution and ensure maximum efficiency through the best available technologies for the Fund's assets. Projects may include the following: • Aggregation of existing PV plants and improvement of their performance • Big data management to maximize production efficiency, dedicated transmission, and distribution infrastructure.	**Dark Green** ✓ The largest share of proceeds will be attributed to this project category. ✓ The issuer informed us that investments under this project category will primarily seek to enhance the performance of underperforming solar assets. ✓ Energy efficiency improvements of renewable assets can carry comparatively little risk, given they relate to assets that are part of a 2050 future. ✓ It is beneficial to improve existing renewable energy assets as this can avoid construction and material emissions associated with greenfield projects. Nonetheless, the issuer informed us that energy efficiency measures can include e.g., the replacement of solar panels or physical, plant-wide improvements, which also have associated emissions. We are not aware of any mitigation strategies adopted by the issuer in this regard. ✓ The issuer informed us that the development of new power grids could be included. This can carry specific biodiversity risks, depending on whether under- or overground cabling is used.

Table 1. Eligible project categories

Background

Global energy demand is set to increase by 4.6% in 2021 - more than offsetting a 4% contraction in 2020 - and pushing demand 0.5% above 2019 levels. Demand for all fossil fuels is set to grow significantly in 2021, with coal demand alone projected to increase by 60 percent more than all renewables combined. In 2021, demand for renewables is expected to increase across all key sectors, while renewables are set to provide more than half of the increase in global electricity supply[1]. Despite this increase in renewable energy generation, renewable power still needs to expand significantly to meet the IEA's net zero by 2050 scenario, which aims for almost 90% of electricity generation to come from renewable sources[2].

Bluefield Sole ITA operates in Italy. The EU has committed itself to a clean energy transition, which will contribute to fulfilling the goals of the Paris Agreement on climate change. As a member of the EU, Italy is subject to the EU's climate targets, policies and laws. Via the European Climate Law, the EU has enshrined into EU Law (inter alia), 1) the target of climate neutrality by 2050, and 2) a net greenhouse gas emission reduction target of 55% by 2030 compared to 1990 levels. In July 2021, the European Commission adopted a set of legislative proposals – 'Fit for 55' – that set out how it intends to achieve these climate targets. This includes a revision of the Renewable Energy Directive to include a renewable energy consumption target of 40% by 2030 – in 2019, Italy's share of renewables was 18%.[3]

Governance Assessment

Four aspects are studied when assessing Bluefield's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3)

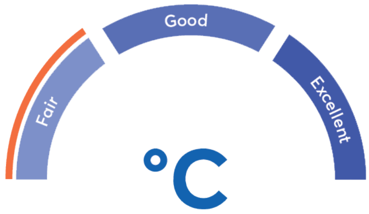
[1] Global Energy Review 2021 – Analysis - IEA
[2] Net Zero by 2050 - A Roadmap for the Global Energy Sector (windows.net)
[3] https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690663/EPRS_BRI(2021)690663_EN.pdf

the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Bluefield Sole ITA is focusing on the generation of electricity from Solar PV and is thus contributing to the mitigation of climate change. However, the issuer does not have a comprehensive corporate governance. As Bluefield Sole ITA's environmental governance reflects the adviser's approaches, the issuer's decision-making ability in respect of environmental governance, as well as the ability of the issuer to have concrete climate or environmental targets of its own, may be limited. Further, the issuer does not undertake life cycle assessments or emissions reporting. We welcome the issuer's use of climate risks assessments (though these are limited to earthquakes and flood risk) and EIAs in its due diligence process. However, it has not implemented the TCFD recommendations nor uses climate scenarios.

The selection process takes into consideration controversial projects and the adviser's Investment Committee has environmental competence. However, the issuer could strengthen the process by forming a selection committee and it is essential that the issuer retains final say on investments.

In respect of reporting, this will not be publicly available but will be shared with the lenders, clients, and shareholders. The issuer informed us that the reporting will be internally verified, but it is not intended that it will undergo external verification. Finally, impact reporting is on a best effort basis only. These issues reduce transparency.



The overall assessment of Bluefield Sole ITA's governance structure and processes gives it a rating of **Fair**.

Strengths

It is a strength that Bluefield Sole ITA's green finance framework focuses on solar and wind power, as well as on improving existing assets and greenfield projects. Though it can vary depending on the specifics of investments, measures to improve performance can carry less risks than greenfield projects, for example, in respect of construction emissions and biodiversity impacts.

Weaknesses

We found that the governance structure of the issuer represent a weekness of the framework. As Bluefield Sole ITA is reliant on its adviser to guide its overall governance, the ability of the issuer to have concrete climate or environmental targets of its own, as well as to implement any changes in its structure and processes, is thus limited.

The suggested reporting regime constitutes a weakness. The impact reporting is on a best effort basis and there is no intention for external verification, or plans to make the reporting public, according to the issuer. We encourage Bluefield Sole ITA to commit to more transparent reporting, for examples, public reporting, and a firmer commitment to impact reporting (including verification of impacts).

Pitfalls

While solar and wind power has a positive climate mitigation impact, the production and transport of solar panels and wind turbines can be energy intensive. Furthermore, the construction, maintenance and operation of solar plants and wind power projects also comes with associated emissions. For example, the use of fossil fuel powered machinery and vehicles. Given scope 3 emissions will likely account for a large proportion of Bluefield Sole ITA's emissions, we encourage the issuer to increase its focus on these. We are encouraged by Bluefield Sole ITA's use of Tier 1 suppliers, though this does not in itself guarantee low life cycle impacts.

Climate change and physical climate risk could pose a threat to the framework's underlying project's long-term overall positive impact. We welcome the issuer's use of climate risks assessments (though these are limited to earthquakes and flood risk) in its due diligence process. However, the issuer has not implemented the TCFD recommendations nor uses climate scenarios. We encourage the issuer to introduce a more systematic approach to climate risk assessments, clearly implement adaptation measures where needed, as well as discuss adaptation solutions with suppliers potentially exposed to physical climate risk.

Solar plants and wind power projects carry local environmental risks, for example in respect of biodiversity and ecosystems. Bluefield Sole ITA informed us of its due diligence process which covers all these risks, though formal EIAs are only part of this process for plants larger than 1 MWp. While smaller plants carry comparatively smaller risks, it is for Bluefield Sole ITA to ensure that the absence of an EIA does not equal an absence of consideration of screening for such risks.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	Bluefield Sole ITA’s Green Finance Framework	Dated January 2022

Appendix 2:
About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management, and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.