



**encevo**

# Green Schuldschein Framework

October 2021



We embrace energy transition.

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# 1. Introduction

## 1.1 PROFILE ENCEVO – VISION & MISSION

Encevo S.A. is the holding company of the Encevo Group, which is based on three pillars, essentially represented by three distinct entities and their respective subsidiaries:

- energy supply and the production of renewable energies through Enovos
- grid operation through Creos and
- energy related services (distributed production, energy efficiency, e-mobility) through Enovos Services

### We bring you the energy of tomorrow

Encevo is a leading and sustainable energy player in Luxembourg and the Greater Region. Committed to ensure a secure access and competitive supply of energy, Encevo actively helps shaping the transition to a sustainable energy sector. It does so by embracing technology, deploying innovative solutions and partnering up with local communities.

Encevo people are empowered professionals who share the company's strive for excellence. All together, we are mobilised to prepare our markets for the energy of tomorrow.

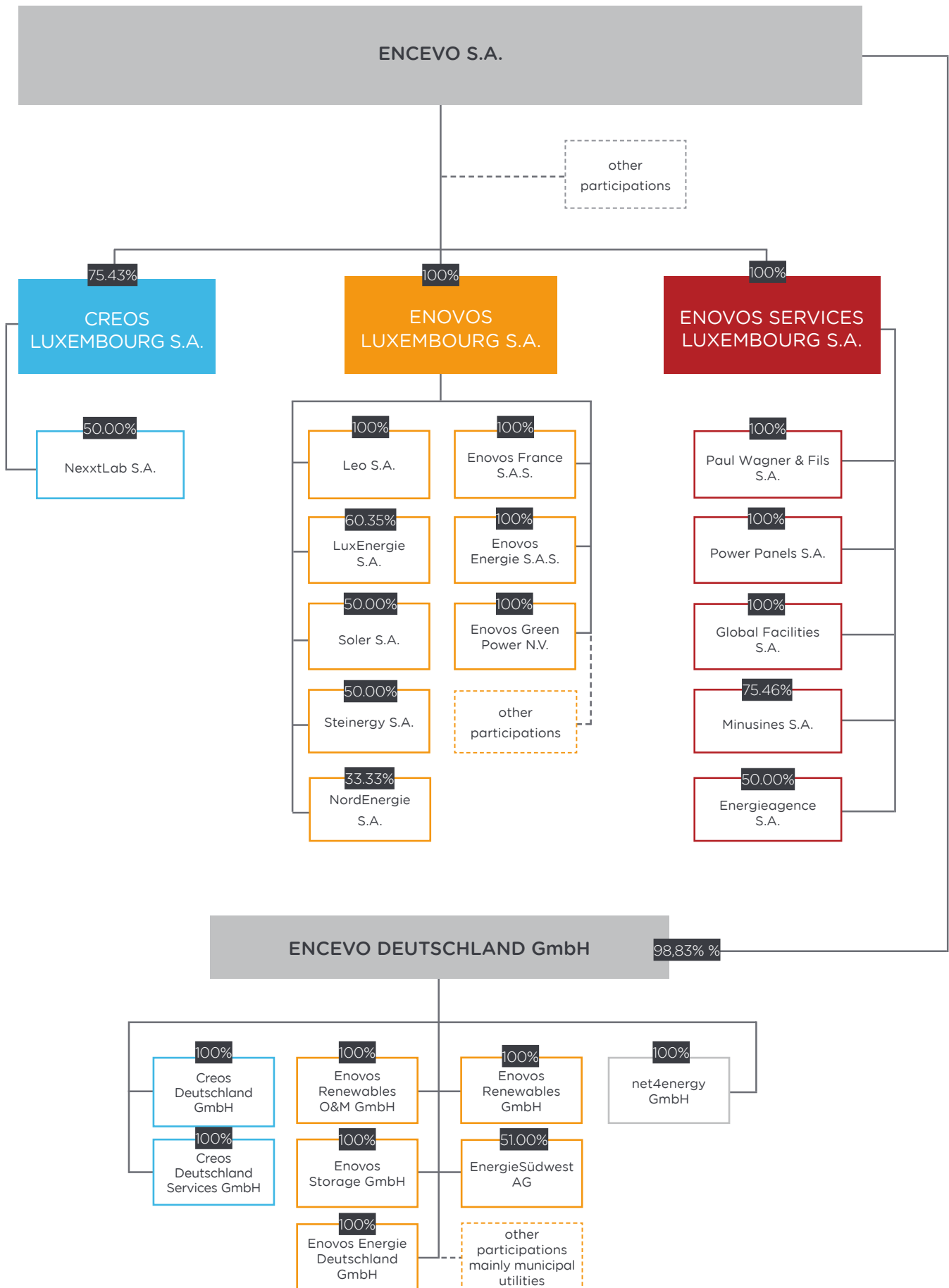
### We cover the entire energy value chain

Encevo Group has a very broad geographical footprint and serves clients in Luxembourg, Germany, France, Belgium and the Netherlands. Via its three pillars, it is present all along the energy value chain – from production, storage, supply, transport to trading, distribution and services.

### We enjoy stability and offer competence at scale

As a regional energy leader and key player in the energy transition, Encevo Group currently employs a workforce of over 2,000 people. The group owns and operates in Luxembourg more than 10,000 km of power lines and around 2,100 km of natural gas pipelines; in Saarland and Rhineland-Palatinate (Germany) about 450 km high- and medium-voltage grid and 1,650 km high-pressure gas pipelines. The infrastructures serve alone in Luxembourg to deliver energy to more than 285,000 electricity and some 47,000 natural gas customers. In Germany, our grids guarantee the supply with natural gas of more than 2 million people in 340 towns and municipalities. The group also offers a wide range of energy related services through its various subsidiaries.

The diversity of the group's activities, its holistic view and the scope of its expertise in the energy world allow Encevo to enjoy a unique competitive edge. Encevo's stable shareholding structure, healthy finances and solid strategic position in Luxembourg and the Greater Region make the Encevo Group a reliable partner.

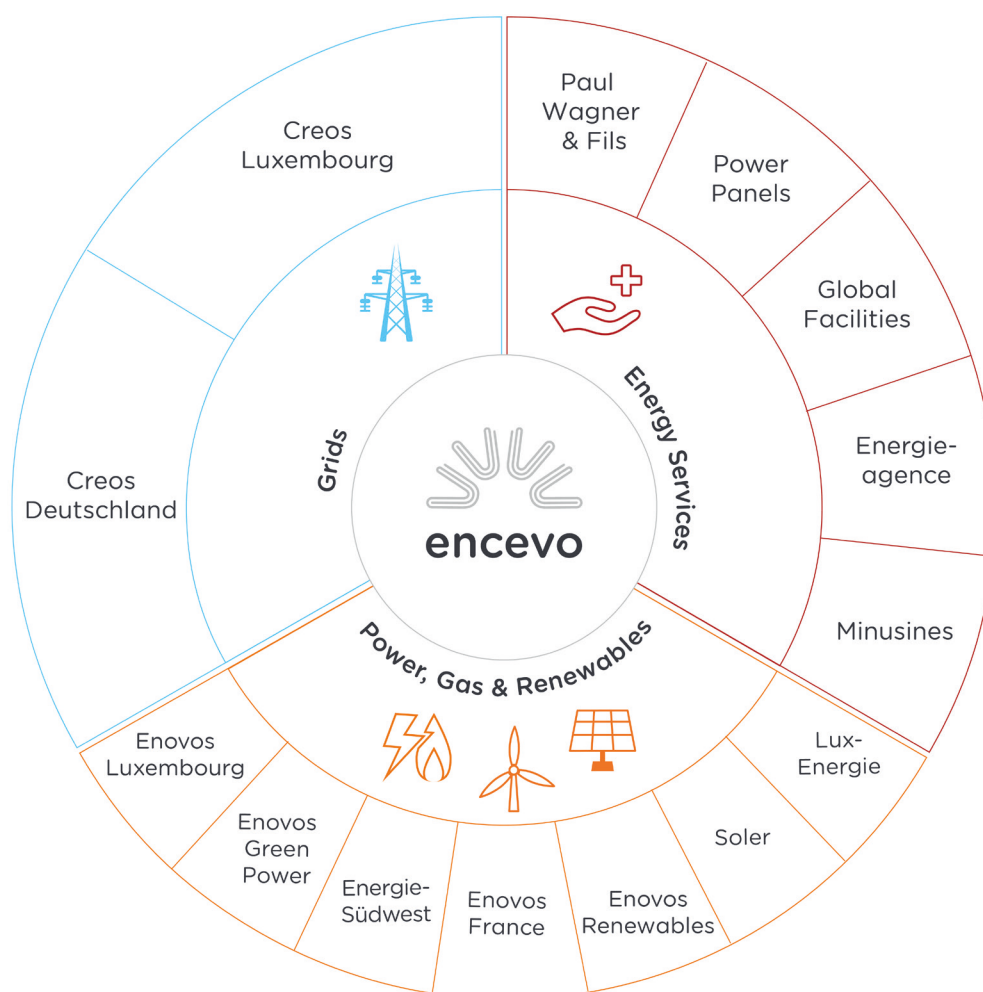


In its function as a holding company, Encevo S.A. defines the group strategy as well as governance and ensures financing to all group entities with a view to guarantee the sustainable development of the whole group.

Encevo S.A. also provides, through its skilled and experienced staff of 115 employees, various support services to group entities, including finance, treasury management, accounting, legal, human resources, internal audit, risk management and insurance. The purpose thereof is to create synergies and increase overall efficiency and effectiveness throughout the group.

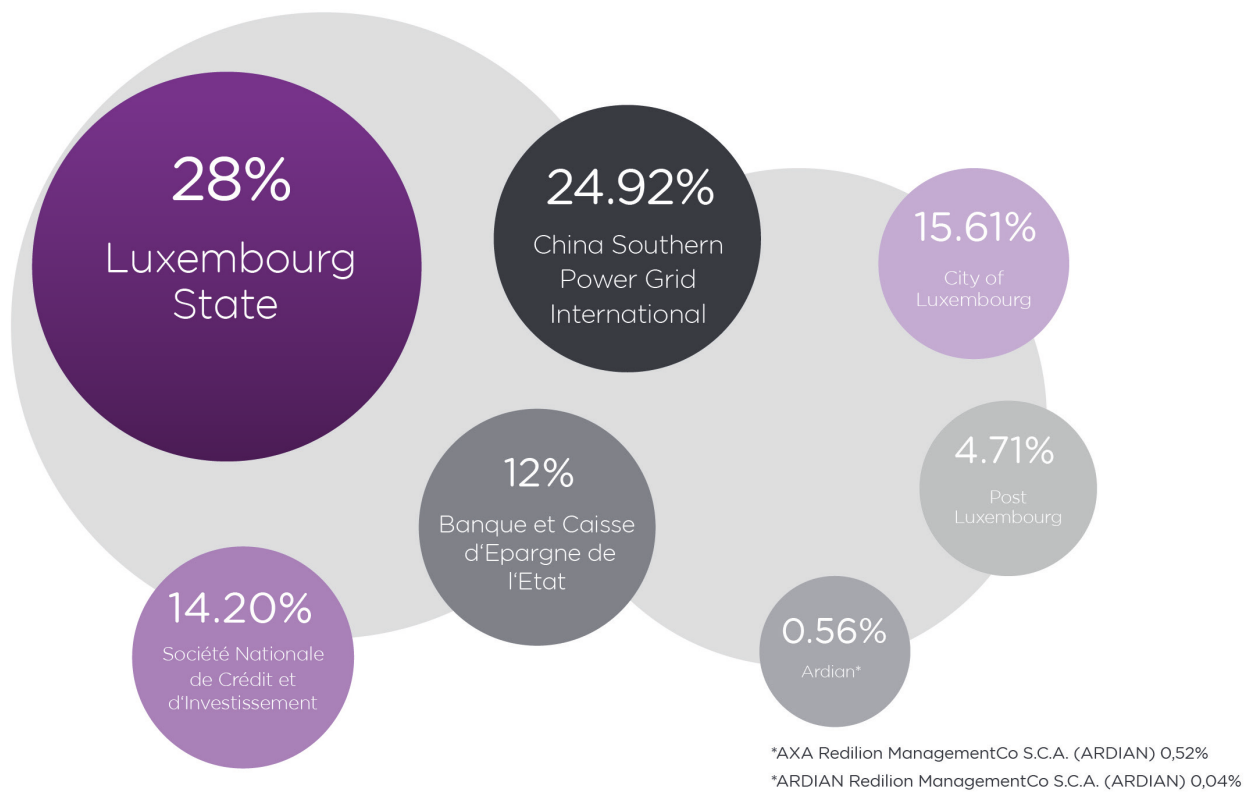
Further, the role of Encevo is to position the group in relation to its stakeholders (employees, shareholders, government, customers, suppliers, investors, partners, media...).

### The group's global expertise



## Shareholders

The total share capital, represented by 909.629 shares of Encevo S.A. is distributed among the following shareholders:



## Management



**CLAUDE SEYWERT**  
Chairman of the Executive  
Committee  
CEO Encevo S.A.



**MARC REIFFERS**  
Member of the Executive  
Committee  
CEO Creos Luxembourg S.A.



**ERIK VON SCHOLZ**  
Member of the Executive  
Committee  
CEO Enovos Luxembourg S.A.



**MARC SCHROEDER**  
Member of the Executive  
Committee  
CFO Encevo S.A.

For further information, please visit [www.encevo.eu](http://www.encevo.eu).

## 1.2 CORPORATE CULTURE

### 1.2.1 SOCIAL RESPONSIBILITY

#### Woven into our local communities

As a company, we influence the lives, work and environment of people living around us. As a group, we are expected to behave as responsible members of our communities. Each of our decisions and actions must justify the confidence of our employees, customers, business partners, stakeholders and all those we interact with.

We are conscious of the direct and indirect consequences of our activity and as a result, we are fully committed to act responsibly and to be a trustworthy reliable partner at international, national, regional and local level.

Wherever we operate, we commit to make sustainable investments, pay taxes, work with local companies and partners, and offer employment opportunities. We are dedicated to clear guidelines that represent the framework of our corporate and social responsibility. Over the years, we have supported numerous projects and NGOs. One major tool for these initiatives is the Fondation Enovos. Please refer to our most recent annual report<sup>1</sup> in order to discover the projects and initiatives we are honoured to support.

Our Encevo Sustainability Plan with detailed reporting can be found in our integrated annual report<sup>2</sup>.

### 1.2.2 ENVIRONMENTAL RESPONSIBILITY

#### Helping to lead the energy transition

As awareness of climate change steadily increases, businesses and countries alike are stepping up their CO<sub>2</sub> reduction plans. For Encevo, protecting the environment is an overall concern and the group is actively committed to the reduction of energy consumption and the increase of renewable energy in order to reduce resource use and emissions of greenhouse gases.

Sustainability is a key preoccupation for our group. It is a top priority of our management and we try to involve our people on all levels of the strategy building process and the operational rollout.

Encevo clearly sees itself as a driving force, and a reliable partner for its customers, in accelerating the deployment of renewable energy and increasing its share within the energy mix in Luxembourg and the Greater Region. Since the energy transition requires a systemic and collaborative answer, Encevo Group strives for an intense collaboration in the Greater Region to address the upcoming energy challenges.

In this context, the Encevo Group joined the European Clean Hydrogen Alliance. As this alliance intends to be an important element helping decarbonization and supporting climate neutrality, it is part of our commitment to a sustainable energy transition. We believe that it can play a role in this path and by signing this declaration, we want to contribute to the European objectives of reducing greenhouse gas emissions. With the alliance, the European Union wants to build its global leadership in this domain, to support the EU's commitment to reach carbon neutrality by 2050.

Our Encevo Sustainability Plan with detailed reporting can be found in our integrated annual report.

<sup>1</sup> The annual report is accessible on [www.encevo.eu/en/financial-figures/?title=reports](http://www.encevo.eu/en/financial-figures/?title=reports)

<sup>2</sup> The annual report is accessible on [www.encevo.eu/en/financial-figures/?title=reports](http://www.encevo.eu/en/financial-figures/?title=reports)



### 1.2.3 SUSTAINABILITY AT ENCEVO

Today's European energy market is in constant evolution, and Encevo Group plays a proactive role in shaping the future of energy production and distribution in the Greater Region<sup>3</sup>. The group believes in taking the long view, driving real sustainable progress. The group considers its contribution to a sustainable future as an integral part of its strategy.

The group's shared aims and values adapt to the regional realities of the different markets.

Courses of action in relation to business ethics and managerial transparency, organisation, company bylaws, shareholders and human resources, value creation through commitment to social projects, protection of the environment and support for cultural programmes are deployed to make Corporate Social Responsibility (CSR) a part of management and decision-making mechanisms. Many of these commitments have been made publicly official and can be found in the CSR section of Encevo Group's annual report<sup>4</sup>.

In November 2018, the group's efforts have been recognised by Luxembourg's national institute for sustainable development and social responsibility (INDR) with the award of the ESR<sup>5</sup> label to Encevo, Enovos Luxembourg, Creos Luxembourg and the Luxembourgish real estate branches of the group. In addition to this label, Encevo Group is now also distinguished with the Responsibility Europe label. Responsibility Europe is a new European umbrella brand for sustainable development and CSR labels, of which INDR is one of the three founding partners. This new label serves companies and organisations wishing to give their social and environmental commitments international recognition. It aims to distinguish companies that go beyond self-assessment, rating, reporting or sectoral assessments, and whose CSR strategy has been verified in a neutral and independent manner.

In alignment with Encevo's strategy and sustainability vision, the company is considering issuing a Green Schuldschein to finance and refinance projects that are focused on environmental topics across its operations.

#### 1.2.3.1 SUSTAINABLE DEVELOPMENT GOALS

During 2020, the Encevo Group updated its group's strategy, which is naturally sustainable and embraces the energy transition. The Encevo Group is dedicated to the creation of sustainable value for all stakeholders, using environmentally friendly energy sources to provide quality service, and staying alert to opportunities offered by the knowledge economy. In keeping with the recent international trends, the Encevo Group decided to take the United Nations Sustainable Development Goals ("SDGs") as the guiding thread of its CSR context analysis.

In order to achieve a long-term economic growth with sustainable benefits for the economy, the society and the environment, Encevo Group is committed to the U.N. Sustainable Development Goals (SDG), especially in relation to goals 7,8,9,12 and 13. Encevo Group therefore decided to structure and focus its efforts on the key Sustainable Development Goals for which it believes it has an active and direct role to play.



<sup>3</sup> Area of Saarland, Lorraine, Luxembourg, Rhineland-Palatinate, Wallonia and the rest of the French Community of Belgium, and the German-speaking Community of Belgium (source: Wikipedia: [https://en.wikipedia.org/wiki/Greater\\_Region](https://en.wikipedia.org/wiki/Greater_Region))

<sup>4</sup> The annual report is accessible on [www.encevo.eu/en/financial-figures/?title=reports](http://www.encevo.eu/en/financial-figures/?title=reports)

<sup>5</sup> Entreprise Socialement Responsable – Socially Responsible Company



## SUSTAINABLE DEVELOPMENT GOAL 7: AFFORDABLE AND CLEAN ENERGY

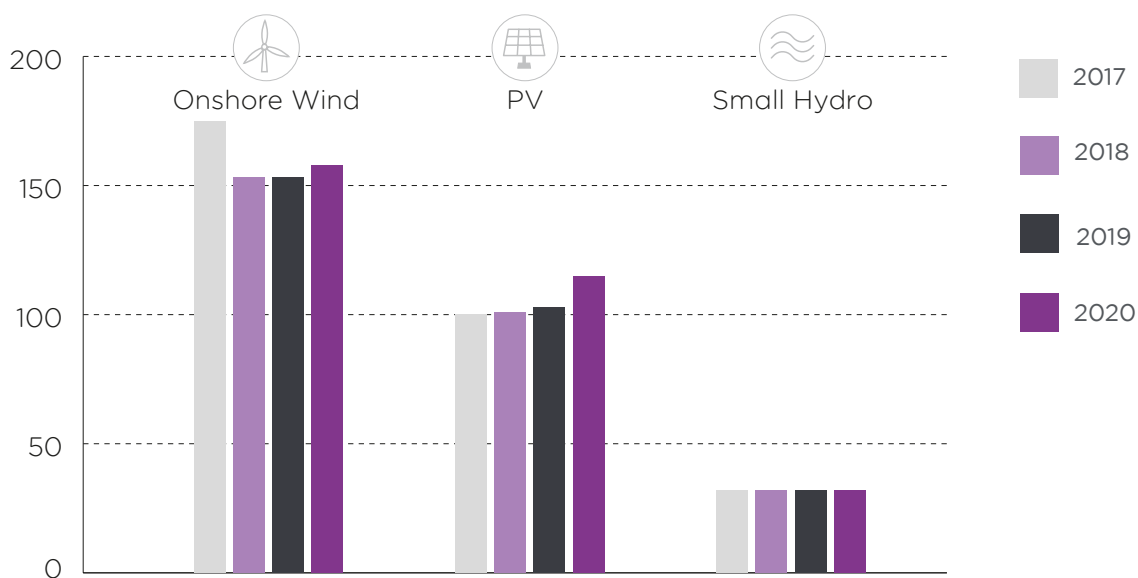
Reliable, clean and affordable energy supply is the backbone of economic development in advanced as well as emerging markets.

In Europe, both, policies and measurable targets have been elaborated in order to assure all citizens are granted access to affordable and clean energy. The European Commission's Energy Union Package brings forward the vision and the strategy vital for progress in terms of energy security, solidarity and trust. The 2030 Climate and Energy Framework helps quantifying and measuring progress towards the common goals.

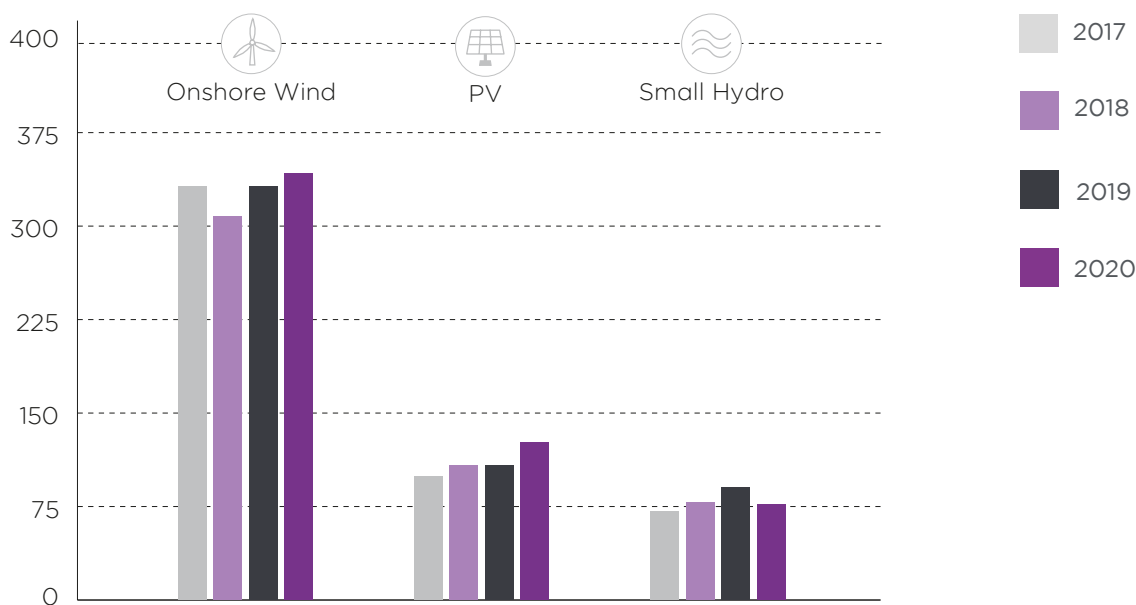
Ensuring access to affordable, reliable, and modern energy from renewable sources is key for the Encevo Group.

As the Encevo Group expands the renewal energy supply in Luxembourg and the Greater Region, it works hard to support Luxembourg's government in reaching its 2030 target of 25% green power. In 2020, Encevo Group achieved outstanding renewable projects with its industrial partners, succeeding to install new capacity of 14 MW. In total, the Encevo Group has installed renewables capacity of 184 MW in Luxembourg (358 MW in total). The graphs below will give an overview of the installed capacity and electrical production per year and technology.

**Capacity per Year and Technology [MW] from 2017 to 2020**



**Electrical Production per Year and Technology [MWh] from 2017 to 2020**




## SUSTAINABLE DEVELOPMENT GOAL 8: DECENT WORK AND ECONOMIC GROWTH

The way towards reliable energy supply goes through a sustainable business model and economic growth. The group's ultimate goal being serving customers and creating long-term value for society at large, it regularly adapts and optimises its business model with regard to changing market conditions. As a result, the group initiated a continuous investment policy targeting efficient, high-performance grids and renewable energy sources such as onshore wind, photovoltaic systems and small-scale hydropower.

Encevo is growing and is one of the top employers in Luxembourg. As such, Encevo takes its responsibility to ensure the staff have a safe work environment seriously. This materialised particularly during the pandemic, as the Encevo Group adapted quickly to pandemic conditions and, from day 1, implemented Safety First measures on all levels to protect the workforce and partners from the virus. Beside the exceptional pandemic issues, the Occupational Health, Safety and Environment department still focuses on increasing awareness of occupational health regulations and embedding behaviours that ensure health and well-being for staff, third-party contractors and impacted communities. Encevo Group achieved its 2020 objectives in recertifying its standards (SGS, VISION ZERO) and preparing for ISO 45001.

## SUSTAINABLE DEVELOPMENT GOAL 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Sustainable Development has been a proven catalyst for innovation in the energy sector and is expected to continue acting as such. Trends such as the electrification of mobility and the digitalization of energy production (smart energy), infrastructure (smart grids) and consumption (smart homes) have all contributed to the transition to a more efficient, less polluting economy.



Key projects were realised in digitising customer interaction through an updated Customer Relationship Management (CRM) system. Encevo's focus is to ensure that using data in a smart way becomes the 'new normal'; dovetailing into its digital transformation plans. Encevo Group's innovation roadmaps which are embedded into its group's strategy were refreshed and updated during 2020. The transition requires investment into a new, smarter approach to managing the system. This should increase intelligence and flexibility both at the level of the grid and in terms of the market. Encevo Group outperformed its objective in installing infrastructure for electric vehicles with 600 loading stations including 460 which are available for the public. Encevo Group will drive this further to achieve 800 loading stations by the end of 2022. Additionally, early 2021, the Encevo Group has started installing Super Chargers (SuperChargy) with 160-320 kW charging capacity. Consequently, the objective of loading points build-up has been enlarged in its management plan. The deployment of smart meters progressed substantially, too.

## **SUSTAINABLE DEVELOPMENT GOAL 12:** **RESPONSIBLE CONSUMPTION AND PRODUCTION**

Sustainable development is at the core of Encevo Group's vision and mission. Expanding its work in renewable and green energy connects businesses, the community, and individuals to a more sustainable and circular economy. With knowledge comes power. Encevo's customer programs raise awareness regarding energy use and encourage effective energy management behaviour. As in the previous year, considerable effort was made in the Energy Efficiency Obligation Scheme (EEOS) in all sectors. Encevo's market business unit generated more than 3,750 offers for new energy efficiency measures and, at the same time, finalised more than 1,600 initiatives.

## **SUSTAINABLE DEVELOPMENT GOAL 13:** **CLIMATE CHANGE**

For many years now, the development of renewables has been an important growth driver for the Encevo Group. In 2014, the Dark Green strategy developed energy efficiency services along its value chain. Encevo Group's response to the demand of decarbonised energy helped to combat global warming. The Group fully supports Luxembourg's government 2030 targets and is developing its energy efficiency services further. In Luxembourg, Encevo subsidiaries provide a variety of tools and web-based services that enable customers to monitor and manage their consumption of natural gas and electricity. Customers receive data and analysis of their usage and carbon footprint. Encevo Group 'walks the talk' by having successfully finalised its 'Carbon Footprint' with a concrete action plan to further decrease its CO<sub>2</sub> footprint. For non-avoidable emissions, Encevo Group launched a new service which is fully compliant to a certified gold standard (Clean Development Mechanism – CDM) for carbon offsetting.

### **1.2.3.2 HIGHLIGHTS**

#### **1) Compliance**

Encevo's compliance framework is basically composed of a Group Compliance Policy, which defines the compliance governance in the group, and a Code of Business Conduct which sets out, for employees and directors, the basic expected compliance to ethical and legal rules. Training and risk assessments are other key components. The Encevo Group expects equally high standards from its business partners. Additional policies have been adopted in various areas such as personal data protection and conflicts of interest.

The Secretary General of Encevo S.A. is the Group Compliance Officer, reporting to the Group CEO and Chairman of the Executive Board. In the most significant fully consolidated group of companies, dedicated compliance managers are responsible for compliance in their respective entities. As for personal data protection compliance, dedicated data protection officers operate at the group level and in each significant

fully consolidated subsidiary. With respect to grid activities, compliance officers have also been appointed to ensure compliance with unbundling requirements.

Encevo's compliance program is in the process of being consolidated and further extended, in particular for the subsidiaries of the recently developed technical services segment.

2020 was marked by the successful implementation of a newly developed compliance training program related to Encevo's Code of Business Conduct. This program was rolled out at the holding level and in its sales, renewables and grid segments in Luxembourg, Germany, Belgium, France and in the Netherlands.

The whole compliance program also underwent an internal audit process, the result of which supported the goals already set at group level. Nonetheless, it provided a number of recommendations aiming at further consolidating the program, improving processes and the governance framework.

Compliance focused particularly on the following subjects in 2020:

- An online training program dedicated to the Code of Business Conduct and tailored to the needs of the Encevo Group was deployed across the group and successfully implemented by the end of 2020 in the main energy sales and grid operation segments
- The Code of Business Conduct of the group was updated to take into account specific regulatory constraints in some countries and to further improve processes
- The implementation of the action plans put in place, following the compliance risk assessments conducted at Encevo S.A., Enovos and Creos continued to be closely monitored and has progressed well
- Progress continued to be made on KYC due diligence and economic sanctions compliance in terms of training and process improvements, especially in relation to the use of a professional compliance data base and the implementation of an internal compliance certification process within the group
- Under the leadership of Encevo's Data Protection Officer, Encevo's compliance improvement action plan for personal data protection continued to be implemented, with a focus on the automation of data protection compliance processes with Encevo S.A., Enovos and Creos


In the year 2021, the main focus is on consolidating the compliance program in line with Internal Audit's recommendations and in starting to deploy it in recently acquired companies in the technical services segment.

Clearly, Encevo Group has a zero-tolerance policy regarding corruption. This principle is reflected in the Code of Business Conduct, which also addresses, in greater detail, the related topics of 'accepting and offering gifts and entertainment' and 'conflicts of interest'. As well, the Code of Business Conduct includes a 'whistleblowing policy', which was updated, specifically to clarify that whistleblowing reports may not only be made by employees but also by external parties. As a reminder, whistleblowing ensures that improper or illegal practices, especially in cases of fraud and corruption can be reported confidentially through specific channels without risk of retaliation. In addition, a channel, which is also promoted on Encevo's website, enables anonymous reporting.

## **2) Data Protection & Cybersecurity**

The Encevo Group provides products and services to a very large customer base in Luxembourg and the Greater Region. Without the trust of its stakeholders, the Encevo Group could not work sustainably. The group continuously works to improve its standards to maintain this high-trust relationships with customers and partners. In addition, the Encevo Group takes the lawful and confidential handling of its customers', enterprise partners', and employees' data very seriously. Personal data means any information relating to an identified or identifiable natural person. The EU General Data Protection Regulation (GDPR), which took effect on 25 May 2018, and the data protection laws in individual countries reinforce individuals' rights to control and protect the use of their personal data.

In 2017 the Encevo Group and its subsidiaries began implementing GDPR policies and procedures and named a Data Protection Officer (DPO) for each entity. All DPOs are registered with the respective National Supervising Agencies. The policies and procedures provide guidance to Encevo's fully consolidated entities,



which have implemented the necessary processes in their organisations as well. The entities continued their exchange during annual DPO Group Conference to update on improvements and exchange best practices. This way, the DPOs share information with each other on a regular basis and report their performance indicators to Encevo Group. The Encevo Group continues to be fully committed to the DPO reporting to the highest level in its entities, ensuring GDPR compliance is taken seriously and, in case of urgency, decisions can be taken quickly. Encevo works closely with its colleagues from various other departments such as Legal, Compliance, IT and IT security (Chief Information Security Officer) to name a few. The Group is convinced that only a true collaborative and transversal approach to this complex topic unlocks the value for its customers, suppliers and employees; maintaining or even increasing high-trust relationships.

### 3) Occupational Health and Safety

Encevo Group acknowledges the importance of healthy and safe work conditions for its workers. The prevention of work-related injuries and disease is given highest priority in all processes and decisions. The Encevo Group handles health and safety topics with the utmost care. Dedicated HSE teams ensure reliable health, safety and environmental support, and information is supplied to all personnel. Ongoing activities to raise awareness included regularly organised training sessions and information campaigns.

The goal of HSE management is to ensure that every employee is as safe in the workplace as at home. Encevo's employees must return home safe and healthy every day. To achieve this, the Encevo Group developed and promoted a culture of prevention. It offers security-related trainings, an approved rehabilitation scheme and impressed upon its workers their involvement and responsibility for safety. The tools include policies for risk analyses at any intervention, organisational and medical follow-up on every incident and accident, as well as close collaboration between responsible HSE personnel and the 'travailleur designé'.

HSE's focus is the overall health and safety of Encevo's constituents. The Creos Health, Safety & Environment (HSE) department's mission is to:

- 1) guarantee occupational safety and health, particularly by preventing risk;
- 2) ensure compliance and the application of standards and directives;
- 3) protect the employees, the most valued resource, citizens, and the environment.

First and foremost, HSE's concern is to ensure that the whole population follows HSE principles, and to improve awareness regarding behaviours required for a healthy and safe workforce. The infrastructure area is where most hazards occur. This area of activity has risks. Electricians and gas line installers must be especially vigilant to always follow best practices in safe behaviour.

Creos strives to optimise its work processes and does not hesitate to equip its team with the latest safety technology, aimed at reducing accidents at work. To ensure that employees maintain a heightened level of awareness regarding possible risks and mitigation behaviour, which prevent accidents at work, the Creos HSE department regularly organises safety conferences and training sessions.

Creos Luxembourg ensures compliance with the standard norm ISO 45001:2018 (uncertified) and labour laws. The company is also a member of the VISION ZERO program, which requires a common and integrated approach to safety. The goal is to reduce occupational disease and accidents, and their severity, while commuting and at work.

For Creos Germany, occupational health and safety is regulated by the principles of prevention found in the Health and Safety at Work Act (Arbeitsschutzgesetz). It uses different measures to ensure safety and compliance (e.g., member of the employers' liability insurance association, designation of safety officers, committee for occupational safety, risk assessment, trainings).

All employees are subject to the regulations of the Health and Safety at Work Act. Regular inspections of construction sites by Department Heads (Asset Service and the HSE team) include discussions with superiors and/or employees about irregularities with the objective of raising awareness and changing

behaviour and work habits positively. The HSE team is in close contact with the safety delegate and makes regular risk assessments.

Work-related risks and dangers are determined and recorded by drawing up risk assessments, which also outline protective measures, to eliminate danger and to minimise risk. The risk assessments are drawn up by occupational safety professionals in cooperation with the department. The quality of processes is checked and monitored regularly.

For dangerous work, there are work instructions to which the workers must adhere. The work instructions are in written form and each worker receives on-site instruction the first time they perform the work. Work instructions describe safety requirements and specify the point at which dangerous work must be stopped.

Employees regularly visit the company doctor to confirm fitness and that they are still capable of performing high-risk work safely and comfortably. Regular occupational safety conferences, which are mandatory for workers in risk-prone or high-risk areas, are held to inform employees of the latest safety news and updates (e.g., security material, processes, rules, personal protective equipment/PPE, analysis of accidents, etc.). The company physician must advise the employer on occupational safety and accident prevention, in particular with regard to:

- planning, execution and maintenance of operating facilities and of social and sanitary facilities,
- procurement of technical work equipment and introduction of work processes and material,
- work-related psychological, physiological concerns, including, but not limited to, ergonomic and hygiene issues, such as the rhythm of work (working hours and rules for breaks), the design of workplaces (workflow and work environment),
- questions on changes in the workplace, as well as on integration and reintegration of people with disabilities into the work process,
- employee examinations, work-related medical evaluation and advice to employees, as well as recording and assessing examination results.

Furthermore, the company physician must:


- observe the implementation of occupational safety and associated accident prevention measures,
- inspect the workplace regularly and inform the employer or the person responsible for occupational health and safety about any deficiencies detected, suggest measures to remedy these deficiencies and work towards their implementation,
- pay attention to the use of body protection (e.g., protective clothing),
- investigate causes of work-related disease. Record and evaluate test results and suggest disease prevention measures to the employer.

The HSE manager reports to the CEO regularly.

Every workplace and worker is covered by the occupational health and safety management system. Work hazards are analysed in every workplace, occupational safety measures are implemented, and workers informed.

All workers are trained in this analysis methodology before starting work. Work processes are continuously adapted based upon recent occurrences and situations. Continuous training reminds the workers to apply safe work procedures. Regular safety audits, by the safety-officer and the management, ensure safe work processes. The annual external ISO 45001 audit evaluates the occupational health and safety management system.

The safety committee (ASA), composed of company management, the safety officer, and workers' representatives for occupational safety, meet four times a year to review safety items and, if necessary, decide on system modifications. The safety committee report is published on the company intranet and communicated at safety meetings with workers.



Encevo Group had recertified its standards Sécher & Gesond mat System (SGS) and VISION ZERO. The national strategy VISION ZERO follows a common and integrated approach that aims to reduce the number and severity of occupational and commuting accidents, as well as occupational disease in Luxembourg. This strategy is the expression of the solidarity-based will of the national partners; giving a new dynamic to safety and health at work, and mobilising all stakeholders at the level of employers and workers. Creos Luxembourg S.A. has been a member since 6 December 2016 and since then it has followed the recommendations of VISION ZERO.

Furthermore, the detailed work processes were set up according to ISO 45001 in Encevo's corporate business process modelling software. Although Creos has not yet applied for certification, many aspects of work organisation have already been implemented in alignment with the new standard (ISO 45001).

The Covid-19 pandemic, which broke out at the beginning of 2020, resulted in a complex health emergency that is still ongoing in 2021. Encevo Group responded quickly to the situation, and was in constant contact with the relevant authorities, acting in line with the government's instructions. Responsibility for all decisions regarding the health emergency was assigned to a special Crisis Committee chaired by the Chief Executive Officer. It consisted of the heads of involved departments.

In this serious emergency, Encevo Group's key task was to ensure operational continuity guaranteeing that everyone has access to electricity and natural gas. To do this, Encevo Group acted on a number of fronts concurrently. The aim was to put in place necessary safeguards designed to ensure the security of Encevo's systems. This approach took into account the international nature of the COVID-19 pandemic, the health and safety of people, the operational personnel and, in general, all the people who work for Encevo Group.

#### **4) Clean Energy Development**

Encevo Group has a robust policy related to the development of renewable energies in Luxembourg and abroad. During 2020, Encevo Group started to dig more deeply into the possibilities offered by new energy vectors like hydrogen. It is analysing the steps needed to ensure how Encevo Group make its natural gas grids decarbonised ready to be able to manage later coming of decarbonised gases.

Encevo, a big player in the energy transition, as the holding company of Creos Deutschland, also participates in the pilot project mosaHYc (Mosel Saar Hydrogen Conversion). This project aims to develop solutions to repurpose the natural gas networks into a cross-border hydrogen transport network in the Greater Region. Project partners signed a collaboration agreement to promote the use of hydrogen as an energy and fuel source in the Saar-Lor-Lux region.

In Luxembourg, the company, via its Luxembourg subsidiary, Creos Luxembourg, follows discussions and developments regarding collaboration, and the extension of a European hydrogen backbone (EHB), actively. According to the most recent political developments, hydrogen is seen as a priority for cooperation. In terms of the mosaHYc project, the potential extension of the targeted pipeline, from Germany to Luxembourg, will be intensively assessed via a technical-economic feasibility study.

As a driving force of the energy transition in the Greater Region, Encevo Group joined the European Clean Hydrogen Alliance. The purpose of this alliance is to create a facilitating platform (meeting, discussions, pipeline of projects, potential cooperation) among actors (companies, political experts, etc.) that supports climate neutrality related to hydrogen initiatives. This alliance intends to be an important element in supporting decarbonisation and climate neutrality. Encevo's participation reflects its commitment to a sustainable energy transition.



Enovos strives to make meaningful contributions to Europe's climate ambition by enabling increased production of local power from renewable sources. Enovos is actively developing its wind and PV business by:

- collaborating with customers, strategic partners, and communities within the territory with ambitious growth targets
- applying the strong local market knowledge and expertise in asset development and operations
- concentrating on growing wind activities continuously
- focusing strongly on pipeline development, and construction of additional assets, to deliver business growth

**Photovoltaic – ambitious growth potential for solar power:**

- Follow a multi-annual plan for PV tenders, including installation categories and sizes to be issued
- Identify addressable areas and determine inspiring, actionable business approaches to deliver additional assets
- Ensure excellence and competitiveness in development, construction, and operations of PV assets

**Evolution of renewables in Luxembourg 2020:**

**Photovoltaic:**

- construction and commissioning of 6 PV installations for a total of 12.2 MW to reach a PV asset capacity in Luxembourg of 16 MW
- submission and tender attribution of 8 new projects for a total of 19.5 MW

**Wind:**

- Dismantling of 4 turbines (total 2 MW), and commissioning of 1 turbine with a capacity of 3.2 MW for wind park Windpower
- construction of 2 turbines for wind park Garnich

**Evolution of renewables in Germany 2020:**

Within the German renewable activities, the existing wind and PV assets have shown a strong operational performance in 2020 with a production of 112 GWh (wind) and 84 GWh (PV) exceeding prior year. PV project development was marked by the acquisition of a significant package of several PV project rights from WES Green with a planned capacity over 200 MWp in Rhineland-Palatinate to be further developed in the next two years. In wind segment the project development of two wind farms in Saarland (total 20 MWp) further progressed with an engineering, procurement and construction agreement of 1 wind turbine generator as an extension of an existing wind farm (commissioning end of 2021) and an application for environmental and building permit of a new wind farm with 3 wind turbine generators. The German Operations & Maintenance team also performed well in 2020 with the technical management of ca. 1 GWP of contracted PV installations mainly in Germany. The PV installations, mainly ground-mounted as well as bigger roof-top-PV-installations, have been managed by two teams in the German locations Berlin and Waghäusel (near to Mannheim/Karlsruhe).

**Evolution of renewables in Belgium 2020:**

The development of a wind farm of 15 MW is on-going.

The portfolio of renewable assets at the end of the year is as follows:

- Operational PV installations for a capacity of 9.3 MW
- Operational Wind installations for a capacity of 10 MW

## Evolution of renewables in the Netherlands 2020:

Enovos Green Power Netherlands reinforced its positioning on the Dutch PV market with the construction of 4 additional photovoltaic projects for a total additional capacity of 4.3 MW, bringing the total capacity in the Netherlands to 9.5 MW of PV installations.

### 5) Energy Efficiency

The Encevo Group optimises the use of energy throughout its entire energy chain (production, transmission, distribution, supply, and end use). As the supply of electricity is one of the group's activities, it strives to assist consumers in adopting more efficient energy use habits. Information, promotional campaigns, solution suggestions, and making the latest technology available helps them to improve their energy efficiency and reduce the environmental impact of their energy choices and consumption.

The continuous supervision and the regular monitoring with the comparison of the energy intensity ratios with benchmarks showed in the past a reliable method to fulfil the targets. Any major deviations are immediately communicated to the department responsible for the operation of the installation.

The Enovos Luxembourg Sales team works mainly in the B2C sphere, but also with municipalities and industrial customers. Enovos continues to be the reference energy supplier in Luxembourg. Enovos implemented the EU Energy Efficiency Directive using enoprimes. Enoprimes encourages energy and costs savings, while providing support for energy-efficient renovation. Furthermore, Encevo's energieagence provides a full portfolio of energy savings and efficiency services.

Enovos also continued its efforts to encourage customers to increase their energy consumption awareness via the Efficiency Obligation Scheme. Continuous efforts were made by the customers and Enovos to support the achievement of Luxembourg's ambitious goals related to energy efficiency. With the enoprimes program, Enovos Luxembourg saved 700 GWh during the last 5 years, (2019 realised a total of 132 GWh, while 2020 realised a total of 100 GWh).

As in the previous year, considerable efforts were made in the Energy Efficiency Obligation Scheme (EEOS) in all sectors. Enovos (incl. Leo S.A.) generated more than 3,750 offers for new energy efficiency measures while, in the same time period, more than 1,600 initiatives were finalised.

### 6) Waste Management

The 3R's waste management concept – Reduce, Re-use, Recycle – has contributed to a better waste sorting and an overall reduction in waste quantity on the group's main sites.

Encevo and Creos Luxembourg both have been awarded the SuperDrecksKëscht label. This ecological waste management initiative – certified according to DIN EN ISO 14024 – supports and trains companies to achieve recycling, transparent waste transaction and a more sustainable waste management in general.

Since July 2021, sales of single-use plastics such as drinking straws, cutlery and cotton buds have been banned in Europe. Encevo Group's action plan proscribed single-use plastic items in all headquarters since 2019. For example, the Group banned single-use plastic bottles from meeting facilities in the Creos headquarters and replaced them with re-usable glass bottles. This saved 40,236 plastic water bottles (1<sup>st</sup> October 2019 to 31<sup>st</sup> Dec 2020) and 12,000 plastic coffee creamers (1<sup>st</sup> October 2019 to 31<sup>st</sup> Dec 2020).

### 7) Local Communities

Encevo Group is committed to engage with local communities in a responsible manner with present and future generations in mind.

The group is willing to build strong and sustainable relationships with customers and partners, based on mutual trust. To achieve this vision, the group:

- Continuously works on improved customer relations
- Acts for knowledge and informs about:
  - the amount of energy produced and indicates how many CO2 emissions are avoided by using the renewable energy produced by the installation instead of energy from depletable sources
  - the amount of water saved, which would otherwise have been required for cooling if the energy came from depletable sources
- Supports local communities: Encevo Group supports municipalities, when they engage in photovoltaic projects, even when the Group is not the lead partner of the project: The Group proposes to ensure coordination between municipalities and installers, participates in meetings with the municipalities and their representatives, and thus contributes to answering their questions and to demonstrate the benefits of a renewable energy installation. Dialogue and pedagogy are therefore more crucial as municipalities become full players in these projects.
- Sponsors initiatives and events such as Luxembourg's 2020 Sustainability Forum that was held on 15th September by livestream from the studio of the Grand Théâtre de Luxembourg and organised by IMS.
- Participates and organises fairs and events
- Has been setting up in 2010 its foundation under the aegis of Fondation de Luxembourg. Fondation Enovos supports the following cases: enhancement and development of renewable energy sources in Luxembourg and the Greater Region; active promotion of research in the fields of environmental studies and sustainable development by supporting scientific projects; social projects. More precisely, the Fondation Enovos supported in 2020 the following associations/projects:
  - Fondation Kriibskrank Kanner
  - A.L.P.A.P.S. - Special Olympics Luxembourg
  - Päerd's Atelier asbl - Project
  - Omega 90 (support for canine therapy Haus Omega)
  - Kanner Wonsch (support for the Make a Wish project)
  - Alupse (support for staff training)
  - Dyspraxie (purchase of Ipad)
  - ATD Quart Monde Luxembourg (cultural and social excursions)
  - Lions Club (support for Téléthon)
  - Gesellschaft für Musiktherapie zu Lëtzebuerg asbl (Project « Mateneen »)
  - Donation for protecting clothing for healthcare workers
  - Donation to Stemm vun der Strooss
  - Donation to the non-profit association « La Main Tendue d'Angela »
  - Donation to Caritas (support for vulnerable families, in particular by providing energy assistance)
  - Grants for University of Luxembourg students who find themselves in economic difficulties due to the pandemic
  - Finalisation of the scientific project SECuRe of LIST
  - Prix d'excellence: reward for young engineers
  - fonds nova naturstrom (The non-profit organisation, fonds nova naturstrom, receives EUR 200,000 a year from the Fondation Enovos, to award bonuses for renewable energy, energy efficiency, eco-technologies and/or the rational use of project resources in Luxembourg. In 2020, 61 bonuses were awarded.)
- Enhanced in 2020 the value of engineering studies through the Fondation Enovos. Strategic partnerships with the Government, the Chamber of Commerce, FEDIL & ADEM allow us to regularly take part in specific programmes (events, coaching for young people/jobseekers) and participate in annual actions including:
  - HelloFuture
  - FEDIL project Eis Industrie meng Zukunft (Eis Industry meng Zukunft)
  - DayCare
  - Jonk Entrepreneur asbl

## 2. Basis of this Green Schuldschein Framework

The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Schuldschein market by clarifying the approach for issuing a Green Schuldschein. The Encevo Green Schuldschein Framework follows the ICMA Green Bond Principles (GBP) June 2021 edition, which provides guidelines in four core components:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**

### 2.1 USE OF PROCEEDS

The net proceeds from the issuance of a Green Schuldschein will be used by Encevo to finance or refinance, in whole or in part, a selected pool of “Eligible Projects and Assets” in Luxembourg, Germany, Belgium and the Netherlands that promote the transition toward a sustainable economy. The net proceeds will be used exclusively on projects and assets that comply with the Eligible Categories and criteria set out below.

The long-term ambition is to allocate the majority of the net proceeds to new projects and assets (defined as projects and assets financed within the next 3 years). Part of the net proceeds will be allocated to existing properties no older than two years. The proportion of financing to new projects and assets will be disclosed in the annual reporting.

#### **Exclusionary criteria:**

The net proceeds will not be allocated or linked to:

- fossil energy generation
- nuclear energy generation
- research and/or development within weapons and defense
- potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels)
- hydroelectric power production units with a capacity above 25MW
- gambling
- tobacco.

Encevo intends to allocate the proceeds of the Green Schuldschein issue to a portfolio of Eligible Green Projects and Assets (the “Eligible Green Portfolio”) within the following Eligible Categories:

#### **A. RENEWABLE ENERGY PROJECTS:**

- Development, construction, installation and maintenance of renewable energy production units, from sources of wind power and solar PV installations. Investments in these projects can occur either in form of debt or in form of equity.

## B. ENERGY TRANSMISSION, DISTRIBUTION AND SMART GRID PROJECTS:

- Development, construction and reconstruction of electricity networks that enhance the transmission capacity for renewable energy.
- Investments in existing infrastructure to increase energy efficiency and decrease network losses.
- Investments in new infrastructure that improve reliability of energy supply and energy efficiency through the use of smart grid technologies<sup>6</sup> and the installation of smart meters.

## C. SUSTAINABLE REAL ESTATE:

- Sustainable real estate or green building is a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts on our climate and natural environment. Green buildings preserve precious natural resources and improve our quality of life.
- The proceeds of the Schuldschein will be used for investments in existing and new commercial buildings (new headquarter Creos and new dispatching center Creos), which meet at least the minimum requirements of DGNB Gold.

DGNB ("Deutsche Gesellschaft für Nachhaltiges Bauen" e.V. or German Sustainable Building Council) is the most recent green certificate to be developed and incorporates the latest research and understanding of sustainability issues. It aims to offer objective description and assessment of the sustainability of buildings and urban districts and to base assessment on the quality in use of the building or district, i.e. the overall performance of the property or area, over its entire life cycle, rather than on specific items.

On its website, the DGNB describes itself as follows:

"The German Sustainable Building Council (DGNB – Deutsche Gesellschaft für Nachhaltiges Bauen e.V.) was founded in 2007 by 16 initiators from various subject areas within the construction and real-estate sectors. The aim was to promote sustainable and economically efficient building even more strongly in future. The reaction to the founding of the DGNB was extremely positive. By the beginning of 2008 121 organizations had already joined the DGNB. Today the association has more than 1.100 members throughout the entire world, because we see ourselves as a German and international knowledge platform."

## D. CLEAN TRANSPORTATION SOLUTIONS

based on non-fossil fuel or hybrid technologies to support infrastructure, including improvements of the grid in order to prepare it for the connection and installation of electric vehicle charging stations.

## 2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

Projects financed and/or refinanced through the Green Schuldschein proceeds are evaluated and selected by a working group of representatives ("Green Schuldschein Committee") with the required level of expertise and seniority from Encevo, Enovos and Creos together with Group Finance and CSR.

This Committee of representatives from business, CSR and Group Finance evaluates the nominated projects and assets in conjunction with potential environmental and social risks and ensure compliance with the (green eligibility criteria) of the Eligible Categories. The Eligible Projects and Assets must of course also be compliant with applicable national laws and regulations, as well as internal policies and guidelines. A decision by the team is required to approve the Eligible Projects and Assets before any allocation of net proceeds. As per Encevo Group's internal policies, all projects above a threshold of 25 MEUR will require the additional approval of the Encevo Board of Directors. All decisions will be duly documented.

6 Creos is investing in the following smart grid technologies: extending the communication network to some 3000 medium voltage stations (these stations are transforming the power from 20 kV level to 0,4 kV and hence are supplying the low voltage grid of the household customers) in order to make them visible in our SCADA system (to monitor their state in real-time) and if feasible to modify the station and make it remotely controllable from the centralized SCADA system. To this purpose, Creos is investing in fiber optical networks, rugged routers for use in the medium voltage stations, and new intelligent medium voltage switch gear which is also remotely controllable.

Where an investment involves the development, re-development or refurbishment of a property, grid or renewable installation, health, safety, environmental and social risks are monitored and mitigated before and during the performance of work in accordance with the Group's CSR policy.

To ensure legitimacy in this process a list of all Eligible Projects and Assets that meet the green eligibility criteria will be kept by Encevo. On an ongoing basis, this list will be screened against (i) the Eligibility Criteria (as described in chapter 2.1), (ii) Encevo's internal policies (such as the CSR policy) and (iii) local regulations. Furthermore, this list shall be used as a tool to determine if there is a current or expected capacity to issue a Green Schuldschein.

For Category B "Energy Transmission, Distribution and Smart Grid Projects", which is further subdivided into three sub-categories:

- Development, construction and reconstruction of electricity networks that enhance the transmission capacity for renewable energy
- Investments in existing infrastructure to increase energy efficiency and decrease network losses
- Investments in new infrastructure that improve reliability of energy supply and energy efficiency through the use of smart grid technologies and the installation of smart meters

Encevo applies a pro rata approach to calculate the portion of the grid investments in Luxembourg that are considered as "Eligible" using the portion of renewable energy transmitted through the grid.

This ratio is derived for each year, where in projects assigned to Category B has been invested and shall reflect the renewable energy transmitted via the grid where the investments have been made. Hence, for the electricity grid of Creos Luxembourg<sup>7</sup>, Encevo considers the so-called "Home Production" which is injected into the grid in Luxembourg and consequently transmitted via the grid – and in addition "Imports from Germany".

The "Home Production" in Luxembourg can be divided into the following categories:

- Cogeneration
- Hydroelectric\*
- Wind\*
- Waste Incineration
- Biogas\*
- Photovoltaic\*

The energy mix of Germany (published by Agentur für Erneuerbare Energien e.V.), which has been used to derive the portion of renewable energy imported from Germany to Luxembourg is compounded as follows:

- Natural Gas
- Stone Coal
- Nuclear Energy
- Brown Coal
- Renewable Energy\* (sub-divided into Hydroelectric, Photovoltaic, Biomass, Wind (Offshore & Onshore))

By adding all categories marked with a "\*" and dividing this sum by the total amount of energy produced in Luxembourg and imported from Germany, Encevo obtains the mentioned ratio, reflecting the portion of renewable energy transmitted via the electricity grid. This exercise is repeated for each year to obtain the ratios presented above.

## 2.3 MANAGEMENT OF PROCEEDS

Encevo, via the Group Finance & Treasury department (in close cooperation with the Green Schuldschein Committee) intends to allocate the proceeds from the Green Schuldschein to an Eligible Green Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. These projects can be newly built, existing, but can also include refurbishments.

<sup>7</sup> Apart from a very small part, which can be neglected, the whole grid in Luxembourg belongs to Creos Luxembourg.

Encevo intends to determine sufficient Eligible Projects and Assets in the Eligible Green Portfolio to ensure that the total balance of green investments and expenditures always exceeds the total amount of all outstanding Green Schuldscheins.

For each new Green Schuldschein issuance, where necessary, additional Eligible Green Projects and Assets will be added to the Eligible Green Portfolio to ensure sufficient and timely allocation of the incremental net proceeds. In case any projects or assets cease to be eligible during the outstanding period of the Green Schuldschein, Encevo will, on a best effort basis, remove the project from the Eligible Green Project Portfolio and replace it, if necessary, as soon as reasonably practicable.

Encevo will set up internal segregated monitoring system to track the allocation of “Green proceeds” to Eligible Projects and Assets.

Whilst any Green Schuldschein net proceeds remain unallocated, Encevo will hold the balance of net proceeds not yet allocated to Eligible Projects and Assets in its internal cash pooling<sup>8</sup>. Unallocated proceeds will be subject to Encevo’s prudent liquidity management practices (in-line with existing corporate guidelines and policies).

## 2.4 REPORTING

The Green Bond Principles require Green Schuldschein issuers to provide information on the allocation of proceeds. In addition to the information to which projects Green Schuldschein proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

The reporting basis for the Encevo Green Schuldschein and other potential green funding is intended to be on the Eligible Green Portfolio by Eligible Category or, when feasible, by Eligible Projects.

The Allocation and Impact Reporting will be prepared yearly until full allocation and thereafter in case of material changes. Encevo expects to allocate all proceeds within 3 years.

The report will be made publically available on the following website:  
<https://www.encevo.eu/en/accueil/financial-information>

### 2.4.1 Allocation Reporting

Encevo intends to report the allocation to the Eligible Green Portfolio. To the extent practicable, Encevo will provide:


- A qualitative description of key projects
- The amounts invested in Eligible Projects and Assets
- The proportion of new and existing projects and assets
- The balance of unallocated cash and/or cash equivalents.

### 2.4.2 Impact Reporting

Where feasible, Encevo may report on the environmental and social impacts of the Eligible Green Portfolio funded with the Green Schuldschein proceeds, or refer to existing sustainability and CSR reporting. Key impact reporting indicators for Encevo’s use of proceeds may include:

<sup>8</sup> Purpose of the so-called „Zero-Balancing Cash Pool System“ is to optimize the liquidity management of the group through cash concentration in order to reduce external cash needs and hence improve net interest position. Therefore the balances of the sub-accounts are automatically transferred (“pooled”) to the master account, held by the holding Encevo, at the end of each day, which shows the overall net cash position of the group. By means of this “cash pooling” the debit and credit balances on sub-accounts are offset against each other, which leads to the reduction of external cash needs and hence a reduction of interest expenses.



- 
- The number of smart grid components installed (smart meters, smart stations etc.)
  - Number of households provided with access to renewable energy
  - The estimated annual greenhouse gas emission reductions (CO<sub>2</sub>, SF6)
  - The estimated annual energy consumption savings
  - The certificates regarding energy efficiency of the new buildings

## 3. External Review

### 3.1 SECOND PARTY OPINION (PRE ISSUANCE)

This Encevo Green Schuldschein Framework has been reviewed by Sustainalytics, which has issued a Second Party Opinion. The Second Party Opinion as well as the Green Schuldschein Framework will be made available to the Green Schuldschein investors.

### 3.2 VERIFICATION (POST ISSUANCE)

Encevo intends to request, annually until full allocation and thereafter in case of material changes, a limited assurance report provided by Sustainalytics on the allocation of the Green Schuldschein proceeds to the Eligible Green Portfolio.

## 4. Disclaimer

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