

encevo

# Corporate Governance Charter

A modern office door with a digital lock and a sign that reads "AIR C01". The door is set within a wall of vertical panels. The lock is a small, square, glowing green device. The door handle is a simple, horizontal metal bar. The sign is in a light, sans-serif font.

AIR  
C01

The present charter sets out the main corporate governance principles which are applied within the Encevo Group. Additional information on corporate governance is included in Encevo's Annual Report.

Corporate Governance is more specifically one of the core items of the Corporate Social Responsibility Report, which is integrated into the Annual Report.

## Contents

Mission & Values	5
Organization & Shareholders	6
Encevo S.A. issued share capital & shareholders	8
General meeting of shareholders	9
Board of Directors	10
Committees formed by the Board of Directors	13
Executive Board	15
External audit	16
Compliance & Legal	17
Internal Audit	18
Risk Management	19
Corporate & Social Responsibility	21



# Mission & Values

The creation of the Encevo group dates back to the merger in 2009 of Cegedel S.A., Soteg S.A. and Saar Ferngas AG, historically the three most important gas and power suppliers and network operators in Luxembourg and in Saarland, Germany.

Encevo Group is the leading energy player in Luxembourg and in the Great Region. It is in particular active in Germany, France and Belgium. Encevo is active all along the energy value chain: Production, storage, supply, transport, trading, distribution and services. The group 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, eco mobility ...) through Teseos Luxembourg.

It is led by the holding company Encevo S.A., which defines the group strategy and governance and provides financing to all group entities with a view to ensuring the sustainable development of the whole group. Encevo S.A. also provides various support services to group entities, including finance, treasury management, accounting, human resources, facility management, IT Security, internal audit, risk management and insurance.

Encevo Group's core values, which underpin its vision and this Code, are "Respect", "Team Spirit", "Commitment" and "Excellence".

Encevo Group aims to act in a responsible manner by integrating economic, environmental and social elements into its operations. It seeks to establish lasting and stable relations with all customers, based on the quality of its service, the development of new innovative energy products and services and its long-term safeguarding of energy supply.

Encevo Group strives to carry out its activities in the interests of all stakeholders, in particular its customers, the general public, its shareholders, the public authorities and its employees.

PRODUCTION  
STORAGE

SUPPLY

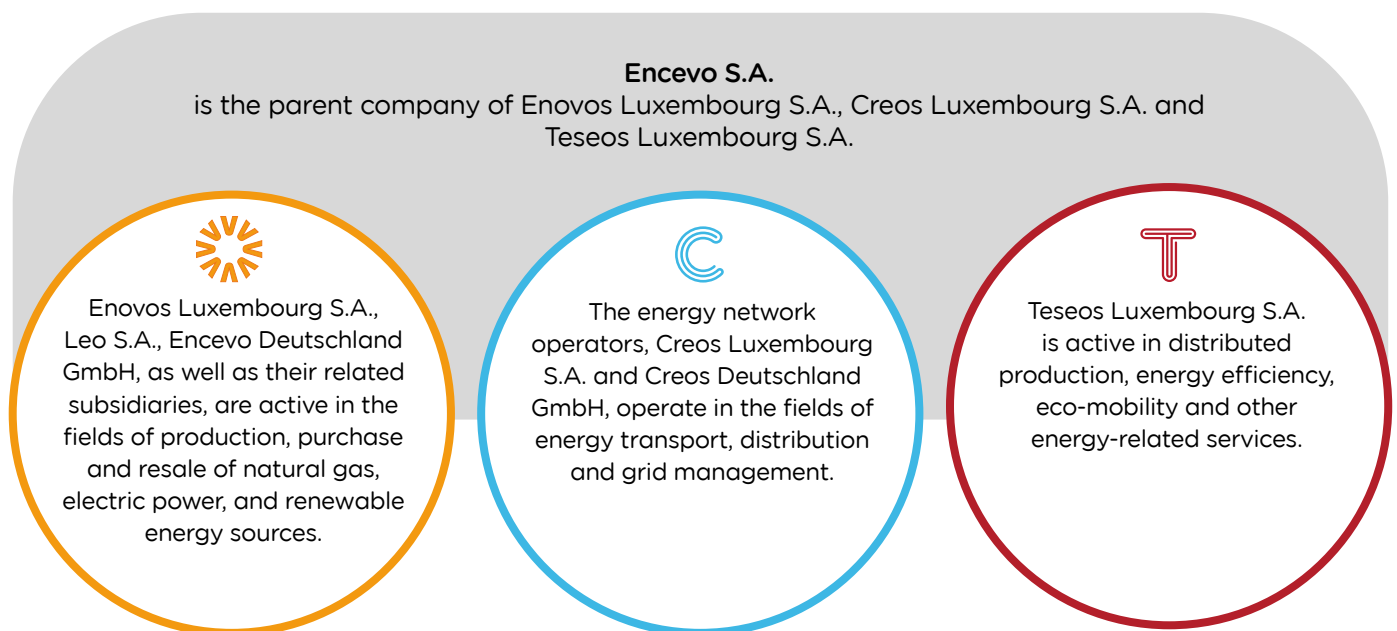
TRANSPORT

TRADING  
DISTRIBUTION  
SERVICES

# Organization & Shareholders

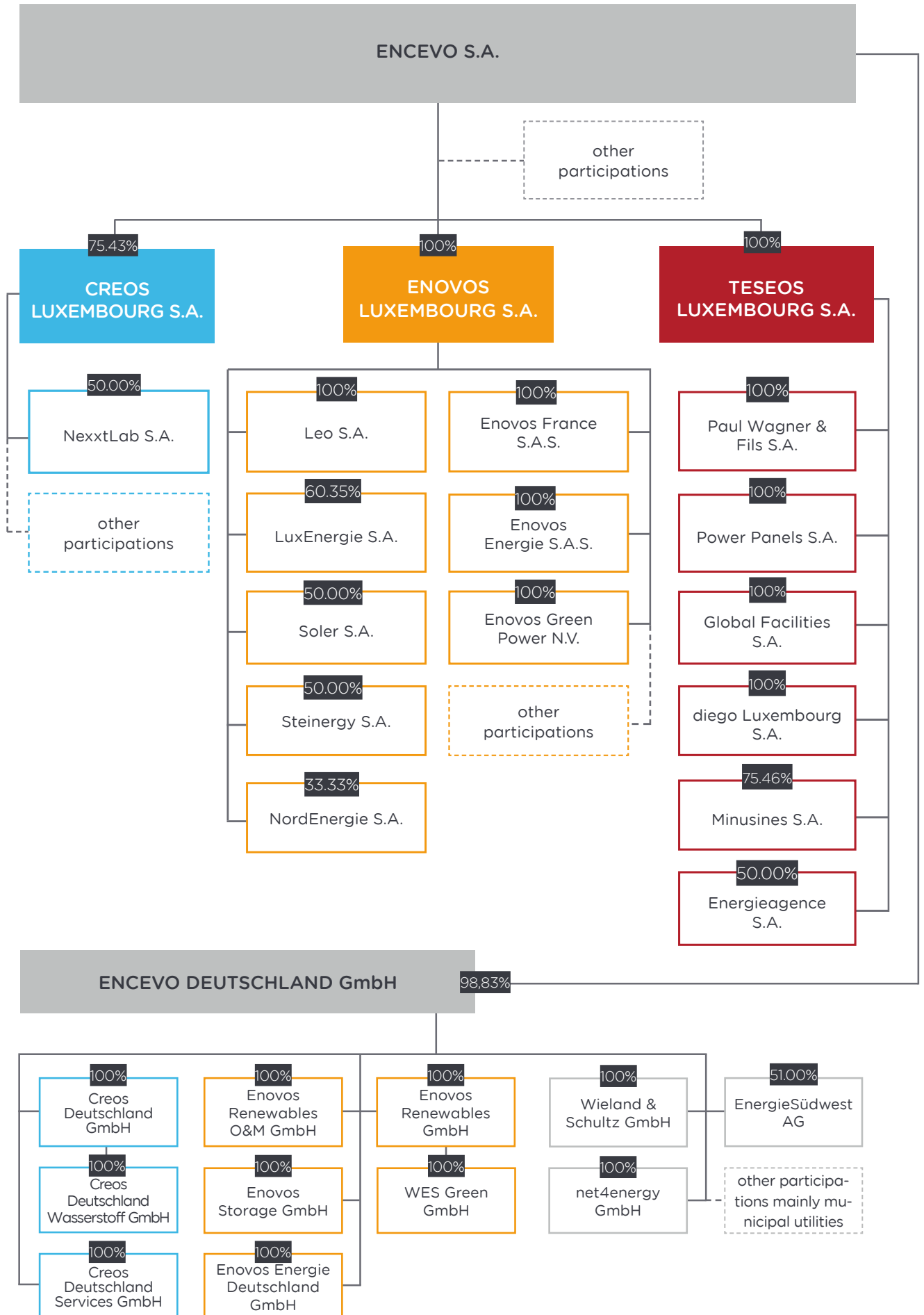
The structure and organization of Encevo Group

Encevo S.A. is a “société anonyme” (public limited company”) under Luxembourgish law with its headquarters at “Domaine Schlassgoart”, 66, rue de Luxembourg, L-4221 Esch-sur-Alzette. The company was established on July 1<sup>st</sup>, 2009 for an unlimited period of time and was registered with the Luxembourg Trade and Companies’ Register under the number B11723. An updated version of the articles of association is filed with the Register, and copies are available from the headquarters upon request.



Encevo S.A. is an operative holding company providing management services to its Group companies, in particular in the areas of finance and human resources.

The organization chart of Encevo Group is as follows:



# Encevo S.A. issued share capital and shareholders

The company’s issued share capital is set at 90,962,900 Euros.

Under the terms and conditions provided by the Luxembourg law of 10<sup>th</sup> August 1915, as amended, the company’s issued share capital may be increased or reduced following a resolution passed by the general meeting of shareholders.

An increase in the share capital may only be decided upon at the general meeting of shareholders, and must be approved by the State of the Grand Duchy of Luxembourg or any affiliate to which it may have transferred

some or all of its company shares in accordance with article 11 of the by-laws.

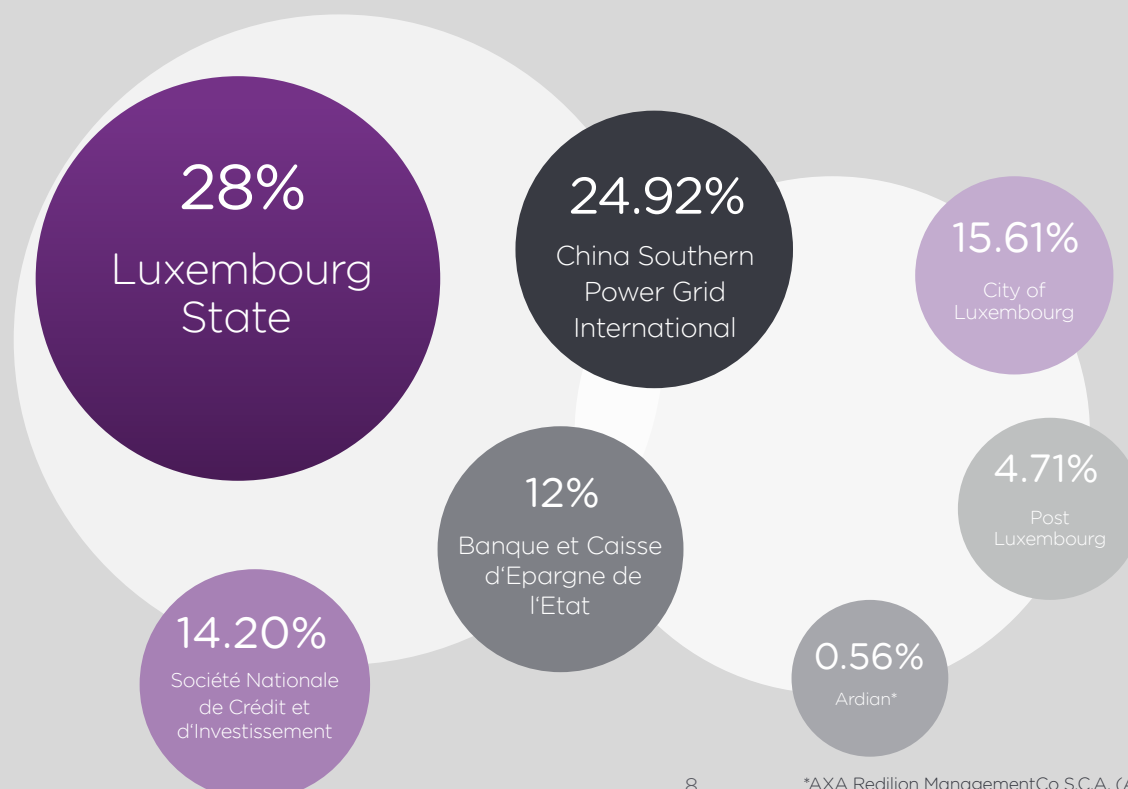
No company shareholder other than the Luxembourg State and/or the SNCI and/or the BCEE is authorized to hold a shareholding in the company of more than 33% of the total company share capital, except with the prior written consent of those shareholders who represent 3/4 of the total company share capital.

The shareholders have agreed on further restrictions to transfer company shares and put in place a specific system of pre-emption rights and related procedures set out in the articles of association of Encevo S.A. The agreement also grants specific rights to the Luxembourg State and/or the SNCI and/or the BCEE, as well as a change of control provision.

The company holds a register of nominative shares which establishes the ownership of the shares.

## The company shareholders

The total share capital, represented by 909,629 shares of Encevo S.A. is distributed among the following shareholders:





# General meeting of shareholders

## ROLE

The shareholders exercise their collective rights in the general meeting of shareholders, which constitutes one of the company's corporate bodies.

The general meeting of shareholders is vested with the powers expressly reserved by the law and by the articles of association. It is entitled to appoint and remove the directors as well as to set their term of office and remuneration. The general meeting of shareholders also appoints the independent statutory auditor.

In its annual general meeting, the shareholders, having acknowledged the management report of the board of directors and the report of the independent statutory auditor, are requested to resolve on the approval of the financial results of the previous fiscal year and on the allocation of available profit. They are further requested to take a resolution on the discharge to be granted to the directors in relation to the same fiscal year.

## MEETING FREQUENCY

The general meeting of shareholders must be convened by the Board of Directors or by the Independent Statutory Auditor.

The annual general meeting of shareholders must be held in the municipality where the company's registered office is located, or at such other place as may be specified in the notice of such a meeting, on the second Tuesday of the month of May.

The Board of Directors may convene a general meeting of shareholders at any time for specific purposes such as the amendment of the articles of association, increases or decreases of share capital and the dissolution of the company.

A general meeting may be convened on the request of shareholders that hold at least 10% of the share capital.

## CONVOCATION

The convening notice for any general meeting of shareholders must contain the agenda, the place, date and time of the meeting; such notice is to be sent to each shareholder by registered letter at least eight days prior to the scheduled date of the meeting.

If all shareholders are present or represented at a meeting of shareholders and if they state that they have been informed of the agenda of the meeting, the general meeting of shareholders may be held without prior notice.

## MEETING PROCEDURES

A board of the meeting is to be formed at any general meeting of shareholders, composed of a chairman, a secretary and a scrutineer.

The board of the meeting shall above all ensure that the

meeting is held in accordance with all applicable rules and, in particular, in compliance with the rules relating to convening, majority requirements, vote tallying and shareholders' representation. An attendance list must be kept at any general meeting of shareholders.

## VOTING PROCEDURES

Each share entitles the holder to one vote, subject to legal provisions. At an ordinary general meeting of shareholders, resolutions shall be passed with a simple

majority of the votes cast, regardless of the portion of capital present or represented.

## MEETING MINUTES

At the end of each session, the members of the board of the meeting, as well as any shareholder who requests to

do so, shall sign the minutes of the general meeting of shareholders meeting.

# Board of Directors

## Mandate

The Board of Directors is vested with the broadest powers to take any actions necessary or useful to fulfil the Company's corporate object, with the exception of the actions reserved to the general meeting of shareholders.

Its main mission is to define both the company's and the group's strategy, to monitor the implementation thereof, to ensure that all information in relation to the company and to the group is transparently and accurately presented and to protect its corporate assets.

## Powers of the Board of Directors

The Board of Directors is vested with the management of the company as set out above. The by-laws also provide that the Board is in principle exclusively competent for a number of reserved matters. They include inter alia mid-term business plans and a number of topics such as significant investments or divestments, warranties or guarantees, loans or credits, agreements, for which specific thresholds and other detailed conditions have been defined. They also specify that for some of them, the decisions of the Board must include the approval of a majority of the directors elected among the candidates proposed by the shareholders holding the highest number of shares in the company (the State, the BCEE and the SNCI being counted in this case as one shareholder).

The Board of Directors has, in accordance with the articles of association, delegated the company's daily management to an Executive Board.

## Election to the Board of Directors

The members of the Board of Directors are elected by a duly convened shareholders' general meeting, which also determines their remuneration and terms of office, in accordance with the following rules (the State, the BCEE and the SNCI are counted as one shareholder):

- The shareholder with the largest company shareholding is entitled to nominate seven candidates for election to the Board of Directors.
- The shareholder holding the second highest number of company shares is entitled to nominate three candidates for election to the Board of Directors.
- Three directors represent employees of the company and its subsidiaries.
- Three directors are elected among those candidates nominated for election by the shareholders other than the two major company shareholders.

Accordingly, the Board of Directors consists of 16 members.



The shareholders' general meeting reserves the right to remove any director from his/her office without prior notice and without any given reason. A director's term of office may not exceed six years; a director may be re-elected for a subsequent term.

### Chairman and Vice-Chairmen of the Board of Directors

The Board of Directors appoints a Chairman chosen among the directors appointed among the candidates submitted by the largest shareholder (the State, the BCEE and the SNCI count as one shareholder). The Board of Directors also appoints a maximum of three Vice-Chairmen, the second Vice-Chairman chosen among the directors appointed among the candidates submitted by the largest shareholder, and the first and third Vice-Chairmen chosen from the directors appointed among the candidates submitted by the second largest shareholder (in both case, the State, the BCEE and the SNCI are counted as one shareholder).

Furthermore, the Board of Directors appoints a secretary to the board who does not need to be a member of the board. The secretary of the Board is the Secretary General of the Company, who is also Head of Corporate Governance and Compliance.

### Convening meetings of the Board of Directors

Unless exceptional circumstances require otherwise, meetings of the Board of Directors should be held at least four times a year in Luxembourg.

Specific provisions, which have to be respected in order to ensure that board members are informed and are provided with documentation in a timely manner, are set out in the articles of association.

### Conduct of meetings of the Board of Directors

The Chairman chairs all meetings of the Board of Directors and the secretary draws up the minutes. Further, the articles of association contain a number of specific and transparent provisions with respect to voting procedures, including possible resolutions in writing.

### Conflicts of Interest

Any director who has – directly or indirectly – a financial interest in a transaction which has to be considered by the Board of Directors, must declare this conflict of interest and must have this declaration recorded in the minutes of the Board meeting. Any such conflicted director may not take part in the discussions on this subject and is furthermore not allowed to participate in the vote on this transaction. In addition, specific procedures have been adopted by the Board of directors in this area with a view to strengthening the disclosure process.

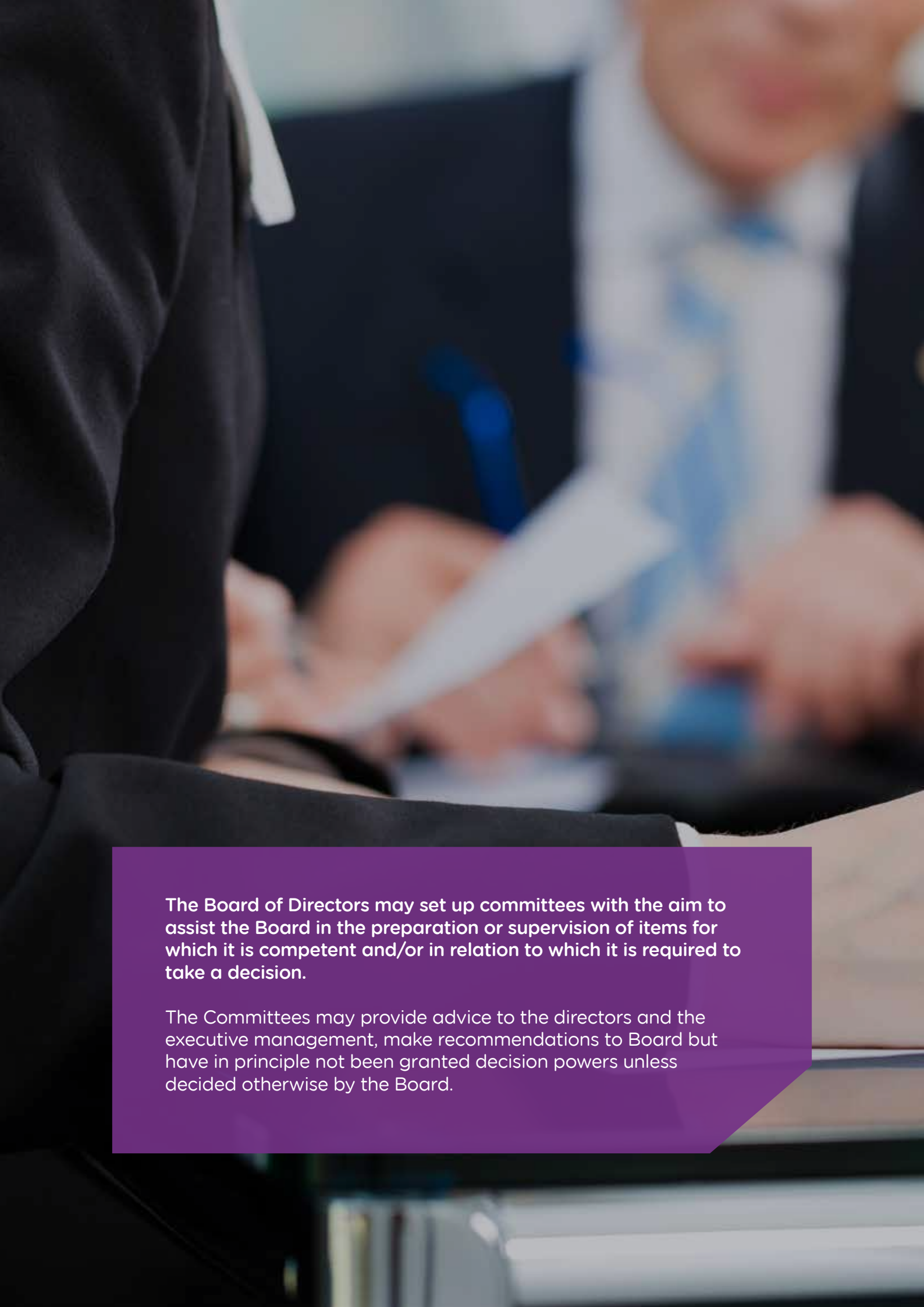
### Dealings with third parties

The company is bound towards third parties in any case by the joint signatures of any two directors or by the joint or sole signature(s) of any person(s) to whom such signatory power has been granted by the Board of Directors.

Within the limits of day-to-day management, the company will be bound towards third parties by the joint signatures of any two members of the Executive Board or by the joint or sole signature of any person(s) to whom such signatory power has been delegated by the Executive Board in accordance with the rules of such delegation.

The delegations of powers of the company are regularly updated and specify authorized amounts and signatories.

The prevailing rule is the “four-eyes-principle”, meaning that joint signatures are required for any commitment the Company enters into. The updated “Delegation of Powers” can be requested from the Company's headquarters free of charge at any moment.



**The Board of Directors may set up committees with the aim to assist the Board in the preparation or supervision of items for which it is competent and/or in relation to which it is required to take a decision.**

The Committees may provide advice to the directors and the executive management, make recommendations to Board but have in principle not been granted decision powers unless decided otherwise by the Board.

# Committees formed by the Board of Directors

## The Audit Committee

### Its mandate

The Audit Committee assists the Board of Directors of Encevo S.A. primarily for the purpose of overseeing the following matters with respect to Encevo S.A. and its controlled subsidiaries:

- The integrity of the company's financial statements, accounting and financial reporting processes as well financial statement audits,
- The company's compliance with legal and regulatory requirements,
- The external auditor's qualifications and independence,
- The performance of the external auditor's and of the internal audit function,
- The company's system of internal controls over financial reporting and compliance with ethical standards adopted by the company,
- The company's risk management system

As a result, the Audit Committee reviews the annual financial statements and reports, the external auditor's reports, the internal audit reports and the annual compliance report as well as the risk management reports.

### Its members

The committee is composed of at least three members appointed by the Board of Directors. Each shareholder of Encevo has the right to designate at least one representative with the exception of the State and China Southern Power Grid that each have the right to designate at least two representatives.

It has been agreed that the Chairman of the Audit Committee is chosen among the directors elected among the candidates submitted by the shareholder holding the second highest number of shares in the capital of the company.

The secretary of the Audit Committee is the Head of Group Internal Audit.

## The Group Strategy Committee

### Its mandate

This committee has been set up primarily to assist the Board in defining, developing and implementing a business strategy of the Company and of its affiliates. It is expected to provide independent and objective review, advice and recommendations to the Board in relation thereto and in particular, it has been assigned to:

- Review the strategy of the group on a regular basis,
- Serve as a forum of discussion on core strategic topics,
- Foster and review decision making for the Board,
- Serve as a quality gate for assessing the maturity of the topics before they are submitted to the Board.

### Its members

The committee is composed of a maximum of 8 members who are appointed by the Board of Directors and of the members of the Executive Board.

The committee is chaired by the Director who is also Chairman of the Board and the secretary of the Group Strategy Committee is the secretary of the Board of the Company.

## The Remuneration and Nomination Committee

### Its mandate

The Remuneration and Nomination Committee has been established to assist the Board of directors in all matters relating to:

- The appointment or dismissal of the members of the Executive Committee and of non executive directors,
- The remuneration conditions of the members of the Executive Committee, of non executive directors and of executive directors other than the members of the Executive Committee,
- The global remuneration policy within the Encevo Group.

### Its members

The committee is composed of at least 4 and no more than 7 members appointed by the Board of Directors upon the recommendation of its Chairman.

The secretary of the Remuneration and Nomination Committee is an external adviser, who supports the Committee's work based on his expertise in this area.

## The Investment Committee

### Its mandate

The Investment Committee has been established for the primary purpose of assisting the Board in

- reviewing in an independent and objective manner, providing advice and recommendations to the Board with respect to investments above EUR 25m. of the Company and its affiliates or any other investment project not included in the business and higher than EUR 1m., and
- reviewing the investment/divestment activities within the Encevo group.

### Its members

The Investment Committee is composed of a maximum of 8 members who are appointed by the Board of directors and of the the CEO and the CFO of Encevo S.A.

The secretary of the Investment Committee is the secretary of the Board.

# Executive Board

## **Its mandate**

The Company's daily management and the Company's representation in connection with such daily management is delegated to the Executive Board. The members of the Executive Board are appointed and revoked by a resolution of the Board of Directors.

The Executive Board is composed of the Chairman and Group CEO, of the Group Financial Officer, of the Chief Executive Officer of Enovos Luxembourg S.A. and of the Chief Executive Officer of Creos Luxembourg S.A.

The role of the Executive Board is to take care of the day-to-day management of the Company whilst respecting the vision, values, strategies, policies, business plans and budgets agreed upon by the Board of Directors.

The agenda of each meeting is in principle set at the previous meeting and all relevant documents are in principle forwarded to the members of the Executive Board on the fourth day prior to the meeting.

Minutes are systematically drafted, in principle by the Secretary General of the Company. Approved minutes are forwarded to the members of senior management of the Encevo group. Excerpts from minutes may also be shared with other employees on a need-to-know basis.

# External audit

Encevo Group companies and Encevo S.A. strictly respect legal and regulatory requirements related to external audit proceedings.

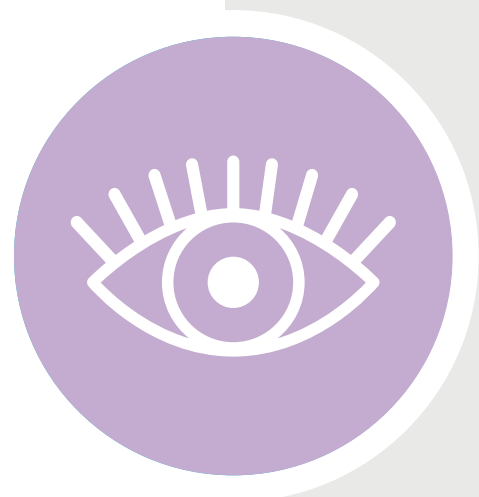
The general meeting of shareholders determines the number of independent auditors chosen among the members of the „Institut des réviseurs d'entreprises agréés“ and fixes their remuneration and term of office, which may not exceed six years.

The Company seeks to bundle all auditor mandates inside the core Group (consolidation area) with one sole auditor, with the aim to obtain an optimized view on all relevant financial items.

The auditor's mandate is decided upon by the various general meetings of shareholders based on a proposal submitted by the Board of Directors of the Company upon the advice given of the Audit Committee.

For the sake of good corporate governance, the Company refrains from granting any advisory mandate to the external auditor company or one of its affiliates.

The statutory auditor regularly reports on its work to the Executive Board and to the Audit Committee.





# Compliance & Legal

Compliance with laws, regulations and high ethical standards is considered an essential building block of the Encevo Group's governance.

The Secretary General of Encevo Group has been entrusted with the role of Group Compliance Officer. In the significant fully consolidated group companies, dedicated compliance managers are responsible for compliance in their respective entities. The mission of the compliance function consists in assessing and mitigating compliance risks as well providing advice and recommendations in relation to actual or potential compliance issues. The Group Compliance Officer reports to the Executive Board and prepares the annual compliance report of the Executive Board to the Audit Committee. He is also one of the key contact persons together with the Head of Internal Audit in the context of the "Whistleblowing Policy".

All main compliance topics including whistleblowing, have been addressed in Encevo's Code of Business Conduct, which is regularly updated. Further, additional policies and procedures have been issued and developed in close co-operation with the Legal Department, the Human Resources Department, the Finance Department, the Internal Audit Department and the Risk Management Department. These


policies include amongst others a Personal Data Protection Policy, an Economic Sanctions Compliance Policy, a KYC Instruction, A Conflict of Interest Instruction, a General Information Security Policy, Investment Guidelines and "Delegations of Powers", which are updated periodically.

For regulatory affairs, Creos Luxembourg appointed a Compliance Officer in charge of the "programme d'engagements" that monitors the actions of the grid operator in the context and in respect of unbundling requirements. Similarly, Creos Deutschland has appointed a "Gleichbehandlungsbeauftragter".

Encevo Group is supported in its activities by teams of in-house lawyers advising and assisting the management with respect to legal requirements in relation to major projects (including inter alia mergers & acquisitions or transactions on capital markets) and day-to-day business. The Legal departments manage litigation and monitor legal developments in the energy sector and related legislation.



# Internal Audit



The mission of the Group's Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit function also assists management regarding the identification, assessment and mitigation of risks.

Internal Audit functionally reports to the Chief Financial Officer of Encevo S.A. and shares its findings with the Audit Committee. The Head of Group Internal Audit is also the Secretary of the Audit Committee.

The activities of the Internal Audit function are exercised in accordance with an annual audit plan, which is reviewed and approved by the Audit Committee. The annual plan is based on an annual risk assessment. Internal Audit works in close co-operation with the Head of Group Risk Management.

The Internal Audit function monitors the implementation of its internal control recommendations and regularly reports on effective compliance to the Executive Board and the Audit Committee.

The Group Internal Audit function is staffed with a team of three persons.

For each audit, a list of recommendations is drawn up and agreed upon with the management with a view to being implemented within a short time frame.

The Internal Audit function conforms to the standards and the code of ethics defined by the Institute of Internal Auditors (IIA).

# Risk Management

Encevo's Executive Board established a dedicated Group Risk Policy and assigned specific responsibilities and resources to risk management. The CFO (Chief Financial Officer) acts as CRO (Chief Risk Officer); he reports to the Executive Board and has the ultimate responsibility for effective risk management operations. Under his lead, the Group Risk Manager coordinates the implementation of the policy, the methodology and tools as well as the meetings of the local risk committees.

In the Enterprise Risk Management (ERM) concept of the Encevo Group, risk management deals with operational risks, specific energy market risks, regulatory and strategic risks. An appropriate risk management requires the establishment and promotion of a lively risk culture in the various departments of all group companies and the realization of formal assessments as well as reporting of

potential risks.

This objective is achieved through workshops organized by Group Risk Management with the aim to raise senior and middle management's level of awareness, to further increase the understanding of risk management and to foster the use of the Group's risk management software.

For each of the Group's key objectives, a risk tolerance has been defined. Risk appetite, defined as the sum of risk tolerances, is the amount of risk that the group is prepared to take in order to execute its strategy, achieve its objectives and business plans and meet stakeholder expectations. Encevo Group aims at operating overall within a low to medium risk tolerance framework in order to achieve its global financial target of return on capital employed.





# Corporate & Social Responsibility

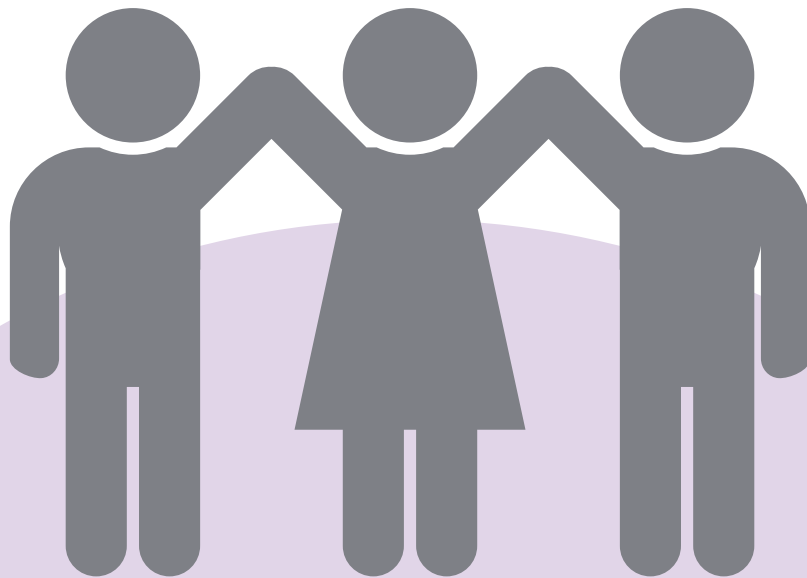
Corporate governance forms part of the CSR report which is fully integrated into Encevo's Annual Report.

Corporate Social Responsibility is at the heart's of Encevo group's strategy.

The Encevo group is committed to contribute to the United Nations Sustainable Development Goals ("SDGs") and Encevo S.A. along with Creos Luxembourg S.A. and Enovos Luxembourg S.A. benefits from the ESR label of "Socially Responsible Enterprise" granted

by the Institute for Sustainable Development and Corporate Social Responsibility.

In terms of reporting, the Encevo group uses GRI standards and seeks to prepare a report in line with these standards.





**Encevo S.A.**  
2, Domaine du Schlassgoard  
L-4327 Esch-sur-Alzette

Last updated on March 2023