

# Green Finance Program Framework

May 2025



**encevo**

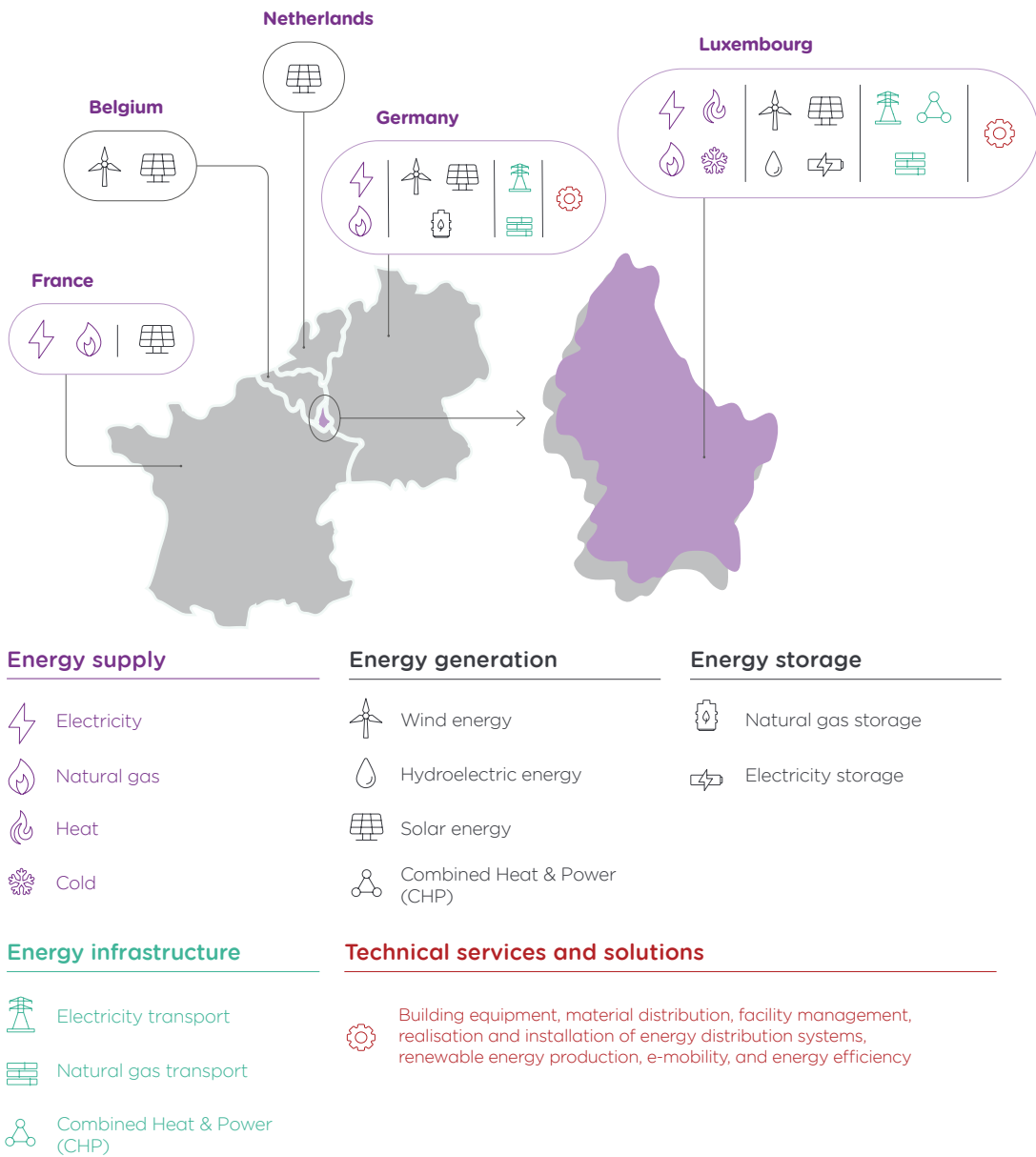
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# 1. Introduction

## 1.1 PROFILE ENCEVO GROUP – THE LEADING PARTNER FOR THE SUSTAINABLE ENERGY TRANSITION IN THE GREATER REGION

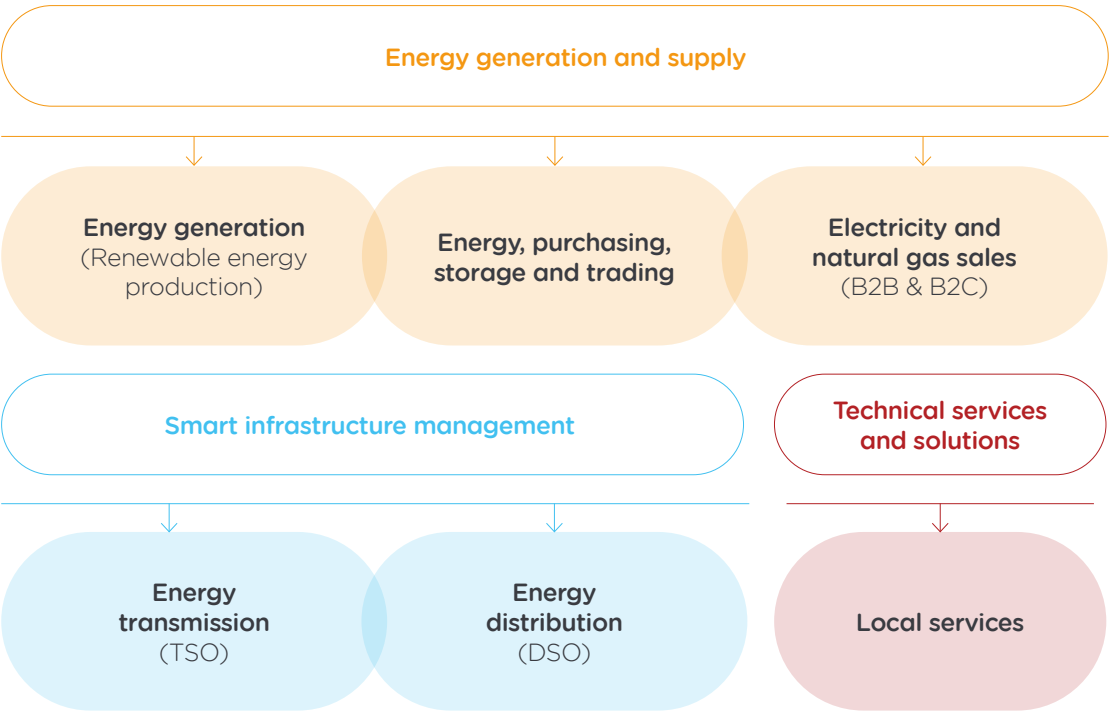
Our vision at the Encevo Group: We are the leading partner for the sustainable energy transition in the Greater Region. Competitive. Customer-centric. Collaborative.



The Encevo Group’s activities cover the entire energy value chain with presence in the Greater Region.

The group emphasises a customer-centric and collaborative approach, leveraging digital innovation and partnerships, and offers a comprehensive portfolio of products and services designed to meet the energy needs of diverse customer segments, while supporting the sustainable energy transition in the Greater Region and beyond. The group’s offer as shown above is structured around three core business activities:

The Encevo Group activities along the energy value chain



The diversity of the group’s activities, its holistic approach and the scope of its expertise in the energy world give the Encevo Group a unique competitive edge. The group’s stable shareholder structure, sound finances and solid strategic position in Luxembourg and the Greater Region make the Encevo Group a reliable partner.

## 1.2. SUSTAINABILITY AT THE ENCEVO GROUP

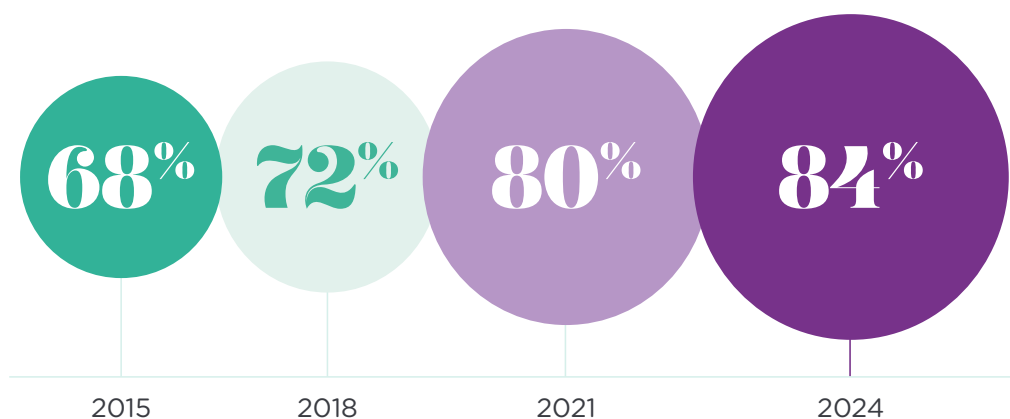
Today's European energy market is in constant evolution, and the Encevo Group plays a proactive role in shaping the future of energy production and distribution in the Greater Region<sup>1</sup>. The group's approach is to adopt a long-term perspective, with a focus on delivering tangible, sustainable outcomes. The group considers its contribution to a sustainable future as an integral part of its strategy.

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 and can be found in the Sustainability statement of the Encevo Group's Annual Report<sup>2</sup>.

The Encevo Group successfully achieved the recertification of its most significant CSR label (from ESR – Entreprise Responsable<sup>3</sup>) in 2024, for all fully consolidated entities in Luxembourg, reaffirming its commitment to best practices. The certification process includes a thorough evaluation of all CSR-related dimensions, including:

- CSR strategy
- CSR governance
- Social impact
- Environmental impact

Since obtaining this significant certification, the Encevo Group has consistently demonstrated ongoing progress in improving its ESR maturity score:



<sup>1</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: en.wikipedia.org/wiki/Greater\\_Region](https://en.wikipedia.org/wiki/Greater_Region)).

<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).

<sup>3</sup> INDR, Bénéficiaire du label ESR – INDR ([www.indr.lu/fr/les-services-aux-entreprises/beneficiaire-du-label-esr/](http://www.indr.lu/fr/les-services-aux-entreprises/beneficiaire-du-label-esr/)).

## Contribution to the United Nations Sustainable Development Goals (SDGs)

The Encevo Group sees sustainability as a commitment towards future generations. The group therefore actively contributes to sustainable development and involves stakeholders across economic, environmental and social dimensions. The group aligns its economic activities in the Greater Region with the relevant European frameworks for sustainability, energy, and climate, as well as the national energy and climate plans of the region. This applies in particular to the national energy, climate and sustainability plans of Luxembourg, Belgium, the Netherlands, France and Germany. Through the integrated utility business activities in its value chain, the Encevo Group has identified the following SDGs with the highest relevance and impact:



### #7 AFFORDABLE AND CLEAN ENERGY

#### GOAL

Increase renewable energy capacity to meet Luxembourg's target of 35-37% renewable energy by 2030



### #8 DECENT WORK AND ECONOMIC GROWTH

#### GOAL

Ensure safe, modern and sustainable working conditions, supporting economic growth



### #9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

#### GOAL

Innovate and invest in infrastructure for the energy transition



### #12 RESPONSIBLE CONSUMPTION AND PRODUCTION

#### GOAL

Promote energy-efficient practices and sustainable consumption



### #13 CLIMATE ACTION

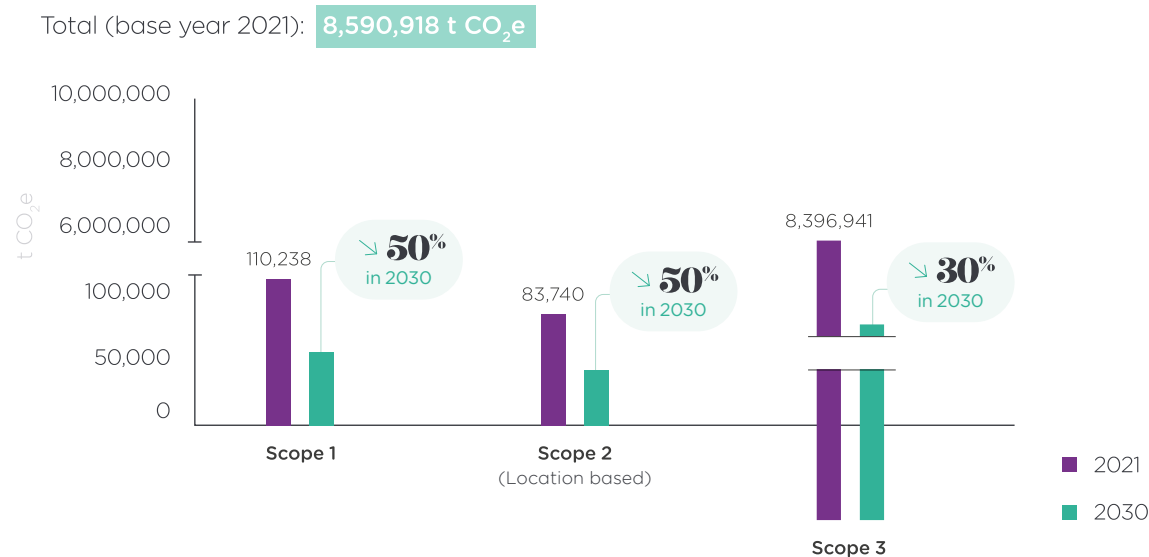
#### GOAL

Achieve climate neutrality in line with Luxembourg's 2050 target

### 1.3. SUSTAINABLE ENERGY TRANSITION WITHIN THE ENCEVO GROUP

Decarbonisation is at the core of the energy transition, compelling companies to substantially reduce their reliance on fossil fuels and transition towards renewable energy sources such as solar, wind, and subsidiarily also hydrogen. Additionally, energy efficiency plays a pivotal role in reducing emissions further. The Encevo Group targets for reducing GHG emissions until 2030 are outlined in the graph below. These include a 50% reduction in scope 1 and scope 2 (location-based) GHG emissions, and a 30% reduction in scope 3 GHG emissions, covering all fully consolidated entities<sup>4</sup>.

#### The Encevo Group 2030 GHG emission reduction targets (t CO<sub>2</sub>e)



Based on the Group Strategy, the Encevo Group pursues its plans to drive the sustainable energy transition in Luxembourg and the Greater Region. The group is increasingly investing in renewable energy production and in the necessary infrastructure to support the energy transition. It is also developing renewable energy products and services and supporting the energy transition through installations and technical services in the field of building equipment, distributed energy production, e-mobility and energy efficiency. In 2024, the Encevo Group has made progress towards achieving its decarbonisation objectives across the different group activities. The main activities and actions undertaken in the last period are detailed in the below sections.

<sup>4</sup> Scope 1 GHG emissions are direct greenhouse gas emissions from sources owned or controlled by a company, such as fuel combustion in company vehicles or facilities.  
Scope 2 GHG emissions are indirect emissions from the generation of purchased electricity, steam, heating, or cooling consumed by a company.  
Scope 3 GHG emissions are all other indirect emissions in a company's value chain, including those from suppliers, business travel, waste disposal, and product use (non-exhaustive).

### 1.3.1 Smart electricity network infrastructure

The Encevo Group, through its subsidiaries, develops and operates advanced energy infrastructure, ensuring the secure and efficient delivery of energy across the Greater Region. Investing in extension, reinforcement and digitisation of the electricity grids is essential to Creos Luxembourg S.A. and Creos Deutschland GmbH, as it enables to guarantee security and high-quality energy supply, while supporting the energy transition and the decarbonisation of the energy sector.

The upgrade of Project 380 represents a major milestone, replacing the existing 220 kV transmission line between Aach (DE) and Bertrange (LU) with a 380 kV system to enhance cross-border electricity transmission with Germany and strengthen Luxembourg's energy security. The increased capacity supports growing electricity demand driven by population growth, economic expansion and renewable energy adoption. Additionally, a project to upgrade several 65 kV electricity lines is underway, converting 65 kV lines to 110 kV to improve capacity and integrate more renewables, with completion planned for 2030.

Luxembourg is also advancing digital grid transformation, rolling out smart meters, remote controls and enhanced connectivity solutions. Smart meter deployment in Luxembourg exceeded 99%, with 315,675 meters installed, at the end of 2024, contributing to enhanced grid efficiency and consumption monitoring. A key innovation using metering data and AI is KOPR (formerly ALVA), the digital twin of Creos optimising grid operations in Luxembourg, which, along with DataThings, won the 2024 FEDIL (Fédération des Industriels Luxembourgeois - Federation of Luxembourg Industrialists) Innovation Award in the Data/AI category.



Further supporting energy efficiency, the Luxembourg National Energy Data Platform (**LENEDA**) engineered, planned and operated by Creos Luxembourg in its mission as the national TSO was launched in September 2024. It provides a centralised, secure and user-friendly data platform for customers, suppliers, grid operators, energy consultants, policymakers and the public. As such, the platform offers insights for the customers into their measured energy consumption, production and it simplifies energy sharing, revolutionising how energy data is accessed, analysed and utilised across the country.



### 1.3.2 Renewable energy production

The Renewable Energy teams in Luxembourg, Germany, the Netherlands, Belgium and France actively drive the growth of renewable energy production by:

- Collaborating with customers, strategic partners and communities to develop renewable energy projects and initiatives.
- Leveraging strong local market knowledge and expertise in asset development and operations.
- Prioritising the development of a robust project pipeline of renewable energy investment opportunities and the construction of additional assets to foster business growth.

The production of renewable energy, alongside continuous investments in solar and wind energy production capacity in Luxembourg and the Greater Region, remains a key focus for the Encevo Group. With a total installed renewable energy capacity of 761.5 MW (December 2024), the group continues to strengthen its commitment to the energy transition by expanding its renewable portfolio and supporting the decarbonisation of the energy sector.

In 2024, the Encevo Group achieved significant milestones in renewable energy across Luxembourg, Germany, Belgium and the Netherlands:

- In **Luxembourg**, two new solar projects were commissioned, including a 1.3 MWp rooftop system and a 0.4 MWp carport installation, while the NordEnergie wind park (4.2 MW) was connected to the grid. Additionally, 4 AgriPV projects, combining solar power and agriculture, totalling 13 MWp, began construction.
- In **Germany**, the Südeifel solar park, the largest of its kind in the Greater Region, was inaugurated, with 194 MWp commissioned by the end of 2024. The Solar Park Hasborn (12.5 MWp) was also completed, and approval was granted for a 17.1 MWp wind farm in Saarwellingen.
- In **Belgium and the Netherlands**, Enovos Green Power initiated six solar projects (35.8 MWp), commissioning 5 MWp in 2024. A 3.5 MWp solar park in Panningen, Netherlands marked a milestone in sustainable greenhouse energy production. Lastly, Belgium's CondrEole wind park (15 MW) was successfully commissioned.



Südeifel solar park in Germany

### 1.3.3 Renewable hydrogen infrastructure and production

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

In 2024, the Encevo Group reinforced its commitment to integrating hydrogen into its energy mix through key projects such as HY4Link and mosaHYc. While the mosaHYc project secured EUR 44 million in funding, HY4Link was included in the European hydrogen network development plan, promoting cross-border cooperation. These efforts led to the creation of a dedicated subsidiary, Creos Luxembourg Hydrogen S.A., on 10 December 2024, marking a major step in Luxembourg's hydrogen strategy. Additionally, Creos Luxembourg is actively engaged in the Pre-ENNOH initiative, a collaborative effort by future EU Hydrogen Transmission Network Operators to establish the European Network of Network Operators for Hydrogen (ENNOH). This initiative, in line with the EU's hydrogen and decarbonised gas market package, will shape a EU-wide ten-year network development plan and define methodologies for a cohesive hydrogen market across Europe.

In parallel, the Encevo Group, along with its subsidiaries Enovos Luxembourg and LuxEnergie, is contributing to the LuxHyVal project, a Hydrogen Valley initiative under the Horizon Europe Framework Programme. This initiative focuses on system integration, efficiency, security, market creation and the complementarity of hydrogen with renewable energy sources. The group's involvement includes developing strategic business models, ensuring connectivity with other hydrogen projects, operating a 5 MW electrolyser for practical experience and securing hydrogen purchase agreements with consumers to ensure consistent powered energy supply.



### 1.3.4 E-mobility

Recognising the growing demand for accessible and reliable charging infrastructure, the Encevo Group has integrated e-mobility solutions into its strategic roadmap, ensuring a seamless transition to electric transportation for both residential and commercial customers. E-mobility also remains a central focus of the group's lobbying activities, reinforcing its commitment to sustainable mobility.

Internally, within its subsidiaries, the group continues to electrify the vehicle fleet and improve the energy efficiency of its infrastructure, with a view to increasing the number of electric vehicles in their fleets for all company vehicles, whenever the technology is available to meet the different requirements.

In 2024, Teseos Luxembourg continued driving the energy transition in Luxembourg and Germany, particularly in e-mobility and energy data management. Its initiatives include an e-mobility platform with over 100,000 registered users, supporting access and billing services for electric vehicle (EV) charging.



## 1.4 PEOPLE, COMMUNITIES & SOCIAL IMPACT

### 1.4.1 People management

The Encevo Group recognises that its employees are the driving force behind its success and is committed to fostering a work environment that prioritises wellbeing, inclusivity and professional growth. The group's approach to people management is built on high employment standards, ensuring a workplace that values safety, diversity and continuous development.

Health and safety are key priorities, with rigorous risk assessments, preventive measures and ongoing training implemented to safeguard employees, particularly those working in high-risk environments. The group also promotes diversity, equity and inclusion, fostering an open and supportive workplace where all employees can thrive. A dedicated Diversity, Equity and Inclusion Committee actively shapes policies and initiatives to enhance workplace culture.

Employee development is an integral part of the Group Strategy, with tailored learning programmes, leadership training and mobility opportunities designed to support both personal and professional growth. Employee wellbeing is further supported through flexible work arrangements, mental health initiatives and social engagement programs.

Additionally, the group upholds strict human rights standards, adhering to national and international regulations while reinforcing responsible employment practices across its value chain. Looking ahead, the Encevo Group remains committed to strengthening a dynamic and inclusive workplace that attracts, retains, and nurtures talent.

### 1.4.2 Security of supply

Reliable, safe and smart energy supply is central to the group's mission, ensuring that its connected and supplied customers' energy needs are met consistently and efficiently. This commitment involves minimising risks, prioritising safety and fostering sustainability in energy provision. The group focuses on maintaining a stable and resilient energy infrastructure capable of withstanding potential disruptions while ensuring continuous access to energy resources. Additionally, the Encevo Group leverages the ongoing digitalisation of the energy sector to enhance efficiency, reliability and innovation in its services.

Through targeted investments in digital grid technologies and real-time network monitoring, the group is working to ensure that energy flows remain stable, even during periods of disruption, protecting vulnerable customers and critical community services.

### 1.4.3 Local communities

The Encevo Group actively supports local communities, particularly in the renewable energy sector, offering coordination and guidance for municipal photovoltaic and wind projects. Additionally, it sponsors events, participates in sustainability initiatives and engages in educational outreach.

Through its foundation ("Fondation Enovos"), the Encevo Group supports a variety of social, environmental and scientific projects, including those that promote renewable energy, environmental research and social causes. The foundation also provides financial assistance to organisations focused on health, education and community development, along with offering grants to support students in need.



### 1.4.4 Waste management

The Encevo Group has made significant efforts to improve waste management by adopting sustainable practices such as reducing, reusing, and recycling waste across its main sites. The group has also achieved ecological certification for its waste management processes, ensuring that waste handling is transparent, efficient, and environmentally responsible. Additionally, the office sites in Luxembourg are SuperDreckskëscht certified, a renowned local label for the sustainable use of resources. The group also regularly develops and carries out awareness actions and training on resource use and the circular economy.

## 1.5 GOVERNANCE AND COMPLIANCE

### 1.5.1 Internal practices

Governance and compliance have been reinforced through enhanced business ethics training, updated supplier selection frameworks and the implementation of a new whistleblowing channel. The Board of Directors has remained actively engaged in overseeing strategy execution and ensuring alignment with evolving regulatory requirements. Employee engagement and leadership development are key focus areas, with training programmes fostering adaptability in a rapidly changing energy sector. Diversity and inclusion efforts have been continued, with targeted measures to increase representation in leadership roles and support workforce wellbeing.

The Encevo Group's compliance framework is composed of a Group Compliance Policy, which defines the compliance governance in the group, and a Code of Business Conduct, which applies to all employees and directors, setting the basic expected compliance to ethical and legal rules. Training and risk assessments are other key components. Additional policies have been adopted in various areas such as personal data protection, conflicts of interest and whistleblowing.

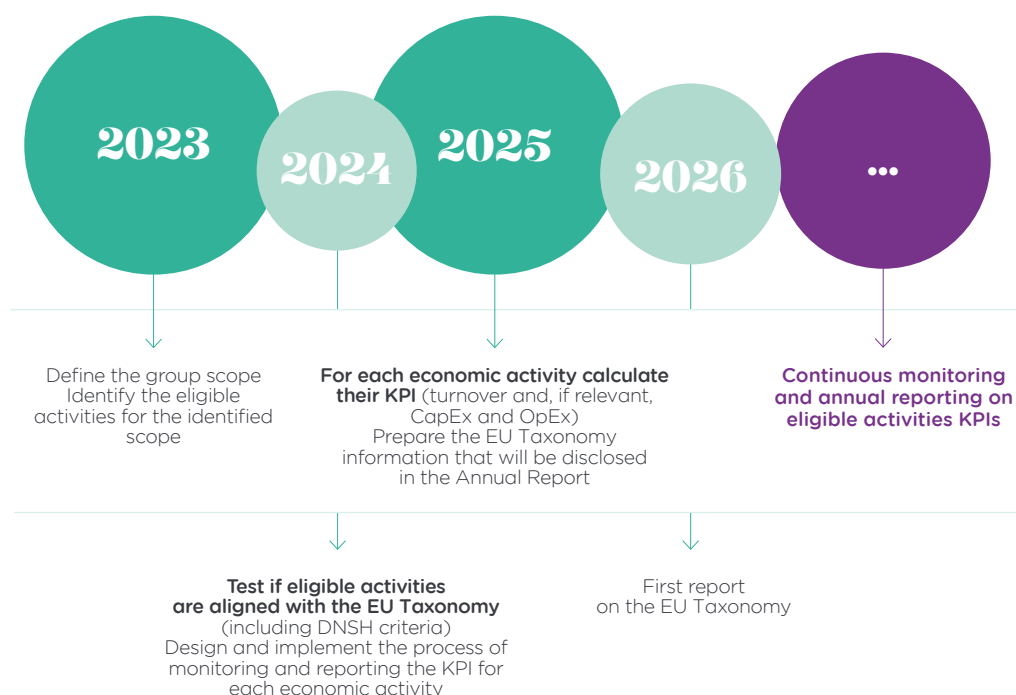


### 1.5.2 EU sustainability reporting obligations

Until 2023, the Encevo Group disclosed sustainability information in accordance with the Global Reporting Initiative (GRI) standards' core option. In 2024, the group decided to shift to reporting under the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) to prepare for the 2025 reporting year. Thus, in 2024, the sustainability statement in the Annual Report has been prepared with reference to ESRS standards and the CSRD.

In line with the Taxonomy roadmap as depicted below, the Encevo Group started to prepare the EU Taxonomy workstream in 2023 by developing an overview of the scope of activities across the entire group and defining the main eligible activities.

The picture below illustrates the main steps achieved by the end of 2024 as well as the plan for the future:



## 1.6 Going forward

As the energy landscape continues to evolve, the Encevo Group remains committed to shaping a secure, competitive and sustainable future through strategic investments in grid modernisation, renewable energy expansion, hydrogen development and digitalisation. These efforts are vital for ensuring energy security and affordability, as well as for accelerating the transition toward a low-carbon economy. The European Green Deal and Luxembourg's updated National Energy and Climate Plan (PNEC) provide the guiding framework within which the group aligns its initiatives, reinforcing its role in enhancing energy independence and supporting regional sustainability goals.

Looking ahead to 2025 and beyond, the Encevo Group anticipates a dynamic regulatory and market environment, particularly with the development of hydrogen infrastructure and broader EU-wide decarbonisation policies. Against this backdrop, the group will maintain a strong focus on key priorities, including the expansion of solar and wind capacity, the progression of major grid modernisation and reinforcement projects and the advancement of hydrogen initiatives. Additionally, scaling digital energy services will be critical in improving customer engagement, operational efficiency and data-driven energy management. As the energy transition accelerates, prudent financial management will remain at the core of the group's strategy, ensuring long-term liquidity and investment capacity for critical infrastructure and sustainability-driven initiatives. By continuing to adapt, innovate and invest, the Encevo Group is well-positioned to navigate upcoming challenges and drive the transformation toward a more resilient and sustainable energy future.

## 2. Basis of this Green Finance Program 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 Capital Market by clarifying the approach for issuing a green debt financing instrument, which may include bonds through both public and private placements, “Schuldscheindarlehen”, “Namensschuldverschreibungen” or bank loans (hereafter referred to as “Green Debt Instrument”). The Encevo Green Finance Program Framework (hereafter referred to as the “Program Framework”) is valid for all green debt instruments of the Encevo Group.

The program framework follows the ICMA Green Bond Principles (“GBP”) June 2021 edition, including the updated Appendix I of June 2022 which provides guidelines in four core components:

1. Use of Proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

For any green loans issued under this Program Framework, the 2025 Green Loan Principles (GLP), as administered by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA), which adhere to the same structure and eligible categories as described above for the GBP, shall apply accordingly.

### 2.1 USE OF PROCEEDS

The net proceeds from the issuance of a Green Debt Instrument 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, France 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 allocation of the net proceeds to green assets will be done on a period of 5 years: 2 years and 5 months backwards, i.e. reaching back to January 2023, and 3 years forward from the time of receiving the proceeds.

#### **EXCLUSIONARY CRITERIA:**

The net proceeds will not be allocated to:

- fossil energy generation
- nuclear energy generation
- research and/or development within weapons
- 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 Debt Instrument 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, including onshore wind power installations and solar PV installations, and green hydrogen production (electrolysis) units powered exclusively by renewable energy.

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

- Development, construction and reconstruction of electricity networks that enhance the security of supply and the transmission and distribution grids’ capacity for renewable energy.
- Development, construction, planning, management and operation of hydrogen grids and/or pipelines.
- Investments in existing power grid infrastructure to increase energy efficiency and decrease network losses.
- Investments in new power grid infrastructure that improve reliability of energy supply and energy efficiency through the use of smart grid technologies<sup>5</sup>.

#### 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.

In the context of sustainable and responsible behaviour towards other economic players, the environment, and society in general, we as a group have set ourselves the goal of testing every real estate project for the feasibility of sustainability certifications. Encevo will thus work with market reference organizations to ensure a minimum level of quality and performance within each certification framework:

- DGNB, which ranges from Bronze to Platinum (minimum: Gold);
- BREEAM, which ranges from Pass to Outstanding (minimum: Excellent);
- LEED, which ranges from Certified to Platinum (minimum: Gold); and
- EDGE, which includes EDGE Certified, Advanced, and Zero Carbon (minimum: Advanced).

These certifications cover different aspects such as environmental friendliness, energy efficiency, resource conservation, and social responsibility in real estate projects. They not only promote environmentally friendly construction but also support the economic and social performance of buildings. In doing so, they help ensure long-term sustainability throughout the entire life cycle of construction projects, with a focus on holistic performance rather than individual components. By leveraging these frameworks, Encevo aims to enhance the quality and sustainability of its real estate portfolio.

#### D. CLEAN TRANSPORTATION SOLUTIONS

- Based on non-fossil fuel technologies to support the grid infrastructure, the group invests in improvements of the grid in order to prepare it for the connection and installation of electric vehicle charging stations, as well as the installation of the charging stations themselves.

**Investments in these projects from the four categories mentioned above can occur either in the form of debt or in the form of equity<sup>6</sup>.**

<sup>5</sup> 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 centralised SCADA system. To this purpose, Creos is investing in fibre optical networks, rugged routers for use in the medium voltage stations, and new intelligent medium voltage switch gear which is also remotely controllable.

<sup>6</sup> Projects are financed by the parent company through equity contributions and shareholder loans.

## 2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

Projects financed and/or refinanced through the proceeds of the Program Framework are evaluated and selected during the weekly meetings of the Executive Management Committee (“ComEx”). The ComEx is composed of the CEO and CFO of Encevo S.A., as well as the CEOs of Enovos Luxembourg S.A., Creos Luxembourg S.A. and Teseos S.A. The Head of Group Finance and representatives of Group Strategy / CSR, while not members of the ComEx, may also participate in these meetings to provide their expertise and support in the selection process. Nominated projects and assets are evaluated in conjunction with potential environmental and social risks. During the selection process compliance with the green eligibility criteria of the Eligible Categories is ensured. The Eligible Projects and Assets must of course also be compliant with applicable national laws and regulations, as well as internal policies and guidelines. For all investments, except for those related to Grid, ComEx decides on each investment project on a case-by-case basis. For Grid-related investments, the process is as follows: the overall annual investment envelope will be decided by ComEx. However, the detailed investment projects will be discussed and approved at the executive committee level of the Grid company before being submitted to the relevant regulatory authorities for approval. Once regulatory approval is obtained, the investment will then be submitted to the Board of the Grid company for final approval.

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.

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 Debt Instrument.

For Category B “Energy Transmission, Distribution and Smart Grid Projects”, Encevo applies a pro rata approach to calculate the portion of the power grid investments that are considered as “Eligible” using the portion of renewable energy transmitted through the grid.

This ratio is derived for each year, where projects assigned to Category B have 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 the “Imports from Germany”.

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

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

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

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.

The investments in the hydrogen grid are fully eligible at 100%, as it will exclusively transport hydrogen, eliminating the need for ratio calculations.

## 2.3 MANAGEMENT OF PROCEEDS

Encevo, via the Group Finance & Treasury department (in close cooperation with ComEx) intends to allocate the proceeds from Green Debt Instruments 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 or existing and may also include refurbishments.

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 debt financing.

For each new Green Debt Instrument 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 Debt Instrument, 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 Debt Instrument 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).

<sup>8</sup> Purpose of the so-called “Zero-Balancing Cash Pool System” is to optimise 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.

## 2.4 REPORTING

The Green Bond Principles require Green Debt Instrument issuers to provide information on the allocation of proceeds. As well as detailing the projects to which projects green debt financing proceeds have been allocated, the Green Bond Principles recommend communicating on the projects' expected impact.

The reporting basis for the Encevo Green Debt Instrument 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 on an annual basis until full allocation, and on a timely basis in case of material developments. Encevo expects to allocate all proceeds within 3 years. The report will be made available to the public on the following website:

[www.encevo.eu/en/financial-information](http://www.encevo.eu/en/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, if any

### 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 Debt Instrument proceeds or refer to existing sustainability and CSR reporting. Key impact reporting indicators for Encevo's use of proceeds may include:

- Total renewable capacity installed
- The estimated annual greenhouse gas emission reductions (CO<sub>2</sub>, SF<sub>6</sub>)
- Load Factor (%) and / or Energy Losses (%)
- Number of kilometres of hydrogen grid built
- Volume of hydrogen transported to the end customer via the hydrogen grid (KWh)
- The estimated annual energy consumption savings for sustainable real estate
- The certificates regarding energy efficiency of the new buildings
- Number of charging stations connected

## 3. External review

### 3.1 SECOND PARTY OPINION

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

### 3.2 VERIFICATION (POST ISSUANCE)

Encevo intends to request, on an annual basis until full allocation is reached, and in the event of material developments, a limited assurance report provided by Sustainalytics on the allocation of the Green Debt Instrument proceeds to the Eligible Green Portfolio.

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