EPH

Green Finance Framework

May 2024

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- The Information should be read in conjunction with the Green Finance Framework as of May 2024 published on www.epholding.cz

EPH

Agenda

Supporting
Energy Transition

EPH decarbonization strategy

Key decarbonization pillars

- **Accelerated phase out of coal** – the Group will be **free of almost all coal assets by the end of 2025**[(1)] and **all by the end of 2030.** EPH strives to complete the phase-out of the last coal units already by 2028/2029. Mining activities to be disposed by 2025
- **Reduction of full load hours of the gas power plants** as they are expected to be increasingly used as a peaking source to support the integration of renewables
- **Ensuring hydrogen readiness** of the new built power plants to avoid the emission lock in from prolonged use of natural gas (**2.4 GW** of OCGTs / CCGTs hydrogen-ready projects under construction) and **become a frontrunner in the transition to a hydrogen future**
- Focus on efficient **methane leakage control** across the midstream and downstream infrastructure

Taxonomy eligibility

- For 2023 and 2022, EPH reported **70-80%** of incurred Capex as **EU Taxonomy eligible**
- Capex largely directed to development of **hydrogen-ready gas power plants**, ensuring hydrogen readiness across gas **midstream and downstream infrastructure**, reinforcing the **power distribution network**
- Coal-related Capex has been limited to sole maintenance to ensure safe and reliable operations before the assets are finally decommissioned

Science-based decarbonization targets

EPH uses the Below 2 Degrees scenario of the **Transition Pathway Initiative ("TPI")**[2] as a science-based benchmark to set its key medium-term and long-term targets. EPH engaged an external consultant to structure credible target setting in line with the TPI benchmark

- ✔ **Reduce CO_2 emission intensity** of its European power generation fleet in line with the Below 2 Degrees pathway of TPI by 2033
- ✔ **Achieve net zero operations** in respect of Scope 1 & 2 emissions by 2050
- ✔ **Reduce methane emissions** in line with the Global Methane Pledge[3]
- ✔ EPH decarbonization strategy is **aligned with the Paris Agreement's** aim to limit global warming to well below 2 degrees Celsius and pursuing efforts to limit temperature degrees to 1.5 degrees Celsius

1. Except for Fiume Santo hard coal-fired power plant in Sardinia (must – run regime) and Czech combined heat and power plants (CHPs) which shall be refurbished to hydrogen-ready gas units and waste-to-energy plants
2. https://www.transitionpathwayinitiative.org/ EPH has not been formally assessed by TPI. EPH voluntarily uses the TPI pathways as a benchmark for its CO_2 emission intensity target
3. https://www.globalmethanepledge.org/

EPH Green Finance Framework

Key building blocks

- Close alignment with the substantial contribution criteria of the **EU Taxonomy**
- Alignment with the **ICMA Green Bond Principles**
- **External assurance** of the allocation and impact reporting

Green assets

EUR 2.0bn
H2-aligned sections of the gas distribution grid

EUR 0.8bn
Power distribution grid

EUR 0.5bn
District heating systems

EUR 0.2bn
Hydrogen-ready gas power plants

Second party opinions

- **Light green** shading[1] from **S&P Global**
- Alignment with **ICMA Green Bond Principles** confirmed

Light green

- Qualification of **"Good"**[2] from **Sustainable Fitch**
- Alignment with **ICMA Green Bond Principles** confirmed

Good

1. Details on the Shades of Green methodology available here https://www.spglobal.com/ratings/en/products-benefits/products/shades-of-green
2. Details on the Sustainable Fitch methodology available here https://www.sustainablefitch.com/products/second-party-opinions

EPH's transition plan reflects the ESRS requirements

ESRS E1-1 (16 a-j) requirements[1]	EPH's implementation of ESRS E1-1 (16 a-j) requirements
a. GHG emission reduction targets	Science-based Paris-aligned targets aligned with TPI well below 2°C path absolute target criteria (Scope 1&2). Scope 3 is currently being assessed (indicative overview of main Scope 3 sources is presented in the Green Finance Framework ("GFF"))
b. Decarbonization levers and key actions	Coal phase-out by 2030, fuel switch from coal to mix of gas-fired plants, waste to energy and biomass plants, ensuring readiness of gas-fired plants for hydrogen, reducing Scope 2 emissions through increasing reliance on zero-emission power
c. Financial resources for implementing transition plan	Dedicated resources for development of new hydrogen-ready CCGT / OCGT projects. Ongoing annual investments into power and gas distribution network to align them with net-zero energy future (details in the GFF)
d. Locked-in GHG emissions	Coal phase-out by 2030, ensuring hydrogen readiness across the gas midstream and downstream infrastructure, power plants, and cogeneration heating plants
e. EU Taxonomy alignment (Revenues, Capex)	In 2022-2023, more than 70% of EPH Capex was EU Taxonomy eligible. Eligible capex primarily included development of 3 new-build hydrogen-ready CCGT/OCGT projects, which are in the construction phase. Whether these projects will meet all EU Taxonomy substantial contribution criteria is subject to further assessment
f. Capex amount invested in coal, oil and gas during reporting period	In 2022, coal-related Capex was limited to necessary maintenance (14% of total Capex), gas-related Capex represented mainly gas power plants (54%) and gas midstream and downstream infrastructure (9%). Gas-related Capex was spent largely on assets where future alignment with hydrogen is envisaged
g. EU Paris-Aligned Benchmarks (PAB Equity or Bond Index)	EPH is currently not part of Paris Aligned equity or bond indices
h. Embedding transition plan in overall business strategy and financial planning	EPH has fully integrated the transition plan into its overall business strategy as outlined below
i. Transition plan approved by administrative, management and supervisory bodies	EPH's transition plan has been approved by the EPH Board of directors
j. Update on progress in implementing transition plan	EPH reports and monitors its progress on an annual basis

1. Source: https://finance.ec.europa.eu/news/commission-adopts-european-sustainability-reporting-standards-2023-07-31_en.

EPH

Agenda

Supporting **Energy Transition**

As part of EP Corporate Group, EPH aims at transitioning the gas assets, while EP Energy Transition focuses on German coal exit and renewables ramp-up

The chart represents a simplified organizational structure which is anticipated to be in place at the end of 2025. Only energy segments of EP Corporate Group are presented

EP CORPORATE GROUP

56% + 1 share

56% + 1 share

Scope of the GFF[1]

EPH

EP Power Europe

- Focus on **flexible power generation**, primarily hydrogen-ready CCGT / OCGT fleet
- Clear phase out plan for remaining coal capacities, **coal beyond 2025 limited** to a must-run regime on Sardinia island

EP Infrastructure

- Gas midstream and downstream infrastructure to be adapted to **green gases** (hydrogen, biomethane)
- Power distribution network key for **ramp-up of renewables**
- **Coal** at district heating plants **to be replaced** by hydrogen-ready CCGTs, biomass units, and waste-to-energy plants by 2028/2029

SLOVENSKÉ ELEKTRÁRNE

- EPH owns 33% share in Slovenské elektrárne ("SE"), a major power producer in Slovakia operating a **fleet of nuclear and hydro power plants**. SE is coal-free after last coal plant closure in March 2024
- EPH continues to evaluate the **call option** in respect of 50% shareholding in Slovak Power Holding B.V., the controlling shareholder of SE, which, if exercised, would increase EPH's indirect shareholding in SE from 33% to 66% and significantly change the EPH Group's production source profile and lead to a notable decrease in its CO_2 emission intensity

EP Energy Transition

LEAG

MIBRAG

- To accelerate energy transition and to facilitate the transformation of coal regions in the most dedicated and efficient way, EPH's shareholders decided to **transfer the lignite operations in Germany into EP Energy Transition**
- EP Energy Transition holds 70% share in **LEAG**, a major operator of lignite power plants and lignite mines in eastern Germany
- By the end of 2025, EPH will transfer the rest of its lignite operations in Germany, held under its subsidiary **Mibrag Energy Group,** to EP Energy Transition as well
- The primary focus of EP Energy Transition will be **development of renewable energy projects, targeting a total installed capacity of over 8 GW by 2030.** This initiative also includes replacing existing network-critical power generation capacities with highly efficient hydrogen-ready gas power plants. Additionally, the group will engage in other energy transition projects and actively collaborate with unions, regions, and governments to ensure a socially responsible energy transition
- The anticipated total investment in these transformative projects is currently estimated at around **EUR 10 billion**

1. Assets under Slovenské elektrárne (mainly nuclear and hydro) are not included in the Use of Proceeds categories of eligible assets

EPH supports its transformation efforts with a set of targets aligned with the Paris agreement objectives

Full alignment with "Below 2 Degrees"

2033

Reduce CO_2 emission intensity in line with "Below 2 Degrees" scenario of TPI by 2033

- **Key decarbonization levers** are coal phase-out, reduced load of gas power plants, increase in emission-free nuclear output at SE, and gradual adoption of green gases
- **Coal operations beyond 2025 limited** to a must-run regime on Sardinia and Czech district heating
- **Coal phase out by 2030**
- EPH articulates its focus on controllable power, while ensuring meaningful reduction in emissions, as a **vital enabling factor for successful energy transition**

2050

Reach net zero operations in respect of scope 1 & 2 emissions by 2050

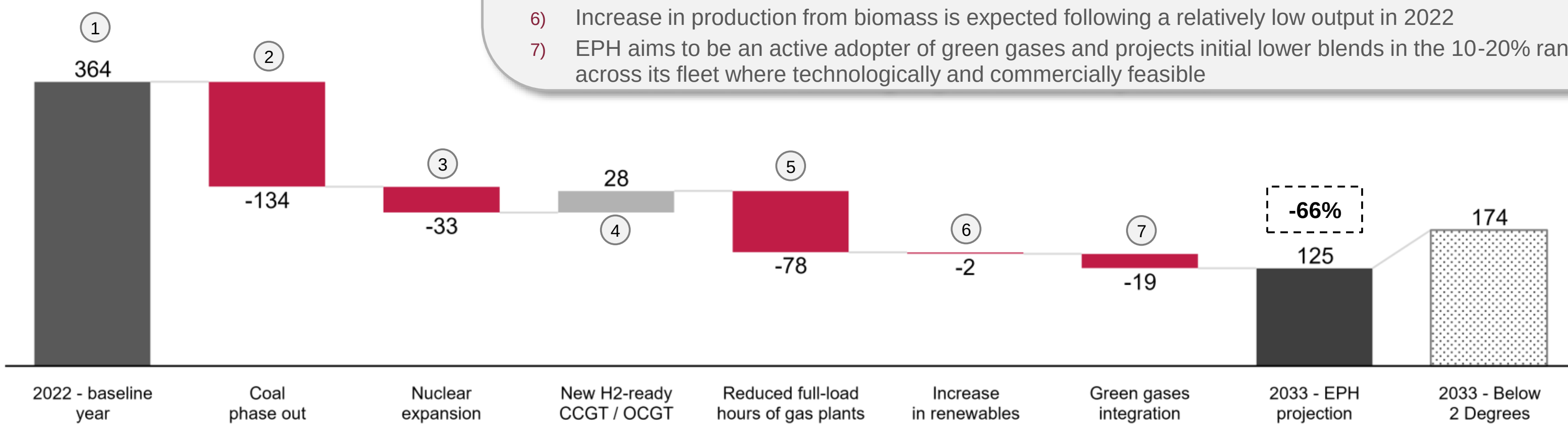
- **Full decarbonization of power generation** by 2050 as required by the Below 2 Degrees scenario of TPI
- **Supported by national strategies** of most countries where EPH operates
- **Methane leakage** from gas infrastructure to be substantially reduced through leak detection and repair programmes
- Remaining unabated emissions in 2050 to be **neutralised by carbon removals** such as biogenic energy carbon capture and storage (BECCS) – within own operations or purchased via carbon credits

Key CO_2 emission intensity reduction drivers are coal phase out, decreased load of gas units, green gases and increase in emission-free nuclear output

EPH – CO_2 emission intensity reduction between 2022 and 2033 (gCO_2/kWh)

Assumptions used for the CO_2 emission intensity projection

1) Baseline year 2022 restated for planned disposal of Mibrag and potential acquisition of controlling stake in SE to align the baseline year (2022) with future anticipated scope of EPH
2) All coal phased out by 2030 (Kilroot, Nováky, Vojany, Mehrum, Emile Huchet 6, Fiume Santo, Czech CHPs)
3) Increase in emission-free output from nuclear units Mochovce 3 (commissioned in 2023) and 4 (expected commissioning in 2025)[1]
4) New hydrogen-ready CCGT / OCGT builds
5) Full load hours ("FLH") of older CCGTs to be scaled down in line with the renewables build-out in Europe
6) Increase in production from biomass is expected following a relatively low output in 2022
7) EPH aims to be an active adopter of green gases and projects initial lower blends in the 10-20% range across its fleet where technologically and commercially feasible



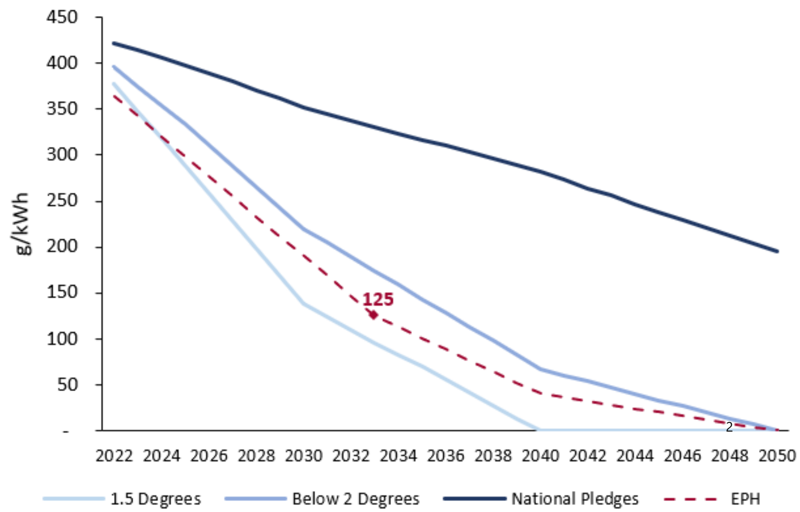
- EPH aims to reach CO_2 emission intensity in 2033 which is **within the threshold of the global TPI "Below 2 Degrees" pathway** of 174 gCO_2/kWh
- EPH projects the CO_2 emission intensity to **overperform this requirement and reach the intensity of 125 gCO_2/kWh in 2033**. Given the potential involvement of EPH in additional hydrogen-ready CCGT / OCGT projects, EPH views this overperformance as a potential buffer for these projects. EPH believes that such projects are highly desirable to accelerate phase out of coal a roll-out of renewables in Europe. This is acknowledged by national strategies in countries where EPH operates

1. Please note that nuclear power plants are not included as eligible assets in the Use of Proceeds section in this Green Finance Framework

EPH aligned its medium-term target with Below 2 Degree pathway of the Transition Pathway Initiative

- When setting its emission reduction targets, EPH considered its unique position with **focus on controllable power generation**. EPH currently does not anticipate a significant build-out of renewable projects. Its fuel mix is expected to be **dominated by natural gas and potentially nuclear**
- To prevent any emission lock-in effects from natural gas capacities, EPH ensures **hydrogen-capability of any new CCGT / OCGT projects**
- EPH projects to **reduce its CO_2 emission intensity by 66%** between 2022 and 2033 to reach **125 gCO_2/kWh**, aligning itself with the global Below 2 Degrees scenario as established by the Transition Pathway Initiative (TPI)[1]
- The projection is based on the prospective scope of EPH considering future potential changes (disposal of Mibrag Energy Group and potential acquisition of a controlling stake in Slovenské elektrárne) and development projects under construction or with reasonable probability of realization. Build-out of additional hydrogen-ready CCGT / OCGT plants can temporarily affect the CO_2 emission intensity, while not endangering the ultimate target

Emission intensity projection (gCO_2/kWh)[2]



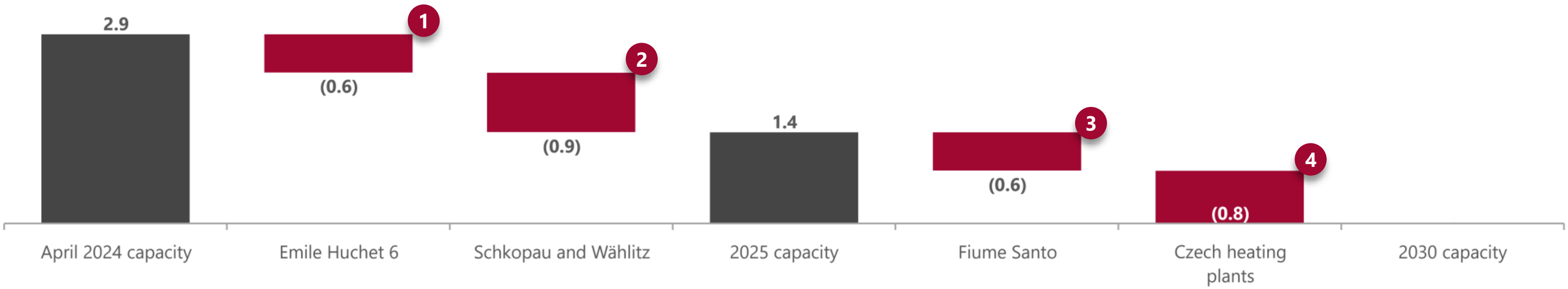
Aligned with Below 2 Degrees pathway of TPI:

- The chart represents current projection of the EPH Group average CO_2 emission intensity (125 gCO_2/kWh in 2033) and how it compares against the National Pledges, Below 2 Degrees and 1.5 Degrees pathways of TPI
- EPH projection for 2033 is well within the Below 2 Degrees pathway. While EPH strives for maximum CO_2 emission intensity reduction, it is open to development of additional hydrogen-ready CCGTs/ OCGTs with a potential temporary adverse impact on overall intensity
- EPH shall regularly report on its progress against the 2033 and 2050 targets

1. https://www.transitionpathwayinitiative.org/
2. The straight-line emission intensity reduction curve does not represent a projection of the emission reduction pace. Year-on-year fluctuations in the emission intensity can be expected

EPH has a clear coal exit plan respecting local legislation and needs of the power grid

Projections of net installed capacity in coal (GWe)[1]



01

Important asset to ensure security of supply and power grid balance in the near term

- **Emile Huchet 6** power plant in France was closed in March 2022
- The plant **resumed operations after intervention of the French government** to increase security of supply in the winter periods following the energy crisis in 2022
- Emile Huchet 6 is expected to be activated for a period **until March 2025**

02

Lignite operations in Germany to be transferred outside of EPH by the end of 2025

- EPH currently operates **Schkopau** power plant (900 MWe) and **Wählitz** power plant (31 MWe) which are planned to be shut down by 2034 and 2035, respectively
- Phase out timeline **coordinated with the German government**
- EPH's shareholders intend to **separate energy transition assets** from the EPH Group **into EP Energy Transition,** a sister company of EPH, by the end of 2025

03

Indispensable power source on the Sardinia island

- Hard coal power plant **Fiume Santo** in Sardinia, Italy, is an indispensable source of power on the island
- **Shutdown of the plant conditional** on identification of an alternative source or connection of the island to the mainland power grid
- Despite coal exit in Italy set for 2025, the national energy and climate plan assumes **operation until 2028**

04

Major district heating operator in the Czech Republic

- Through its sub-holding EP Infrastructure ("EPIF"), EPH operates **district heating** networks and adjacent heating plants in the Czech Republic, supplying heat to approximately 153 thousand customers in major regional cities
- Important provider of **grid balancing services** to the Czech TSO
- EPH supports EPIF ambition to **convert all assets away from coal** to a balanced mix of hydrogen-ready CCGT units, waste-to-energy plants, and biomass units by 2028/2029

1. This forward-looking information is subject to future management decisions, market development, relevant legislation and regulation as well as numerous risks and uncertainties

Agenda

Supporting **Energy Transition**

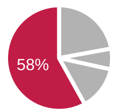
EPH Green Finance Framework is aligned with the ICMA Green Bond Principles and closely follows the EU Taxonomy

Use of Proceeds	✓ Refinancing of existing assets or financing of new Capex and Opex ✓ Key green project categories: Renewable Energy; Energy Efficiency
Process for Project Evaluation and Selection	✓ Overseen by the **Green Finance Committee** in accordance with the eligibility criteria ✓ Eligible green projects reflect the IFRS balance sheet values of assets or spent Capex
Management of Proceeds	✓ Proceeds managed in a **portfolio approach** ✓ Capex and Opex will qualify with **no lookback period** ✓ EPH to ensure the green asset + Capex values exceed the green bond proceeds
Reporting	✓ Annual **allocation** reporting (until full allocation) ✓ Annual **impact** reporting
External Review	✓ **Second Party Opinions** on the GFF by S&P Global and Sustainable Fitch ✓ **Allocation and impact report** to be externally assured
Alignment with best market standards	✓ ICMA **Green Bond Principles** 2021 (incl. the updated appendix I of June 2022) ✓ LMA/LSTA/APLMA **Green Loan Principles** 2023 ✓ Close alignment with the substantial contribution criteria of the **EU Taxonomy Regulation** for climate change mitigation

Key assets envisaged for green financing are represented by hydrogen-aligned sections of the gas distribution grid, power distribution grid,…

Hydrogen-ready sections of the gas distribution grid

Indicative green asset value: EUR 2.0bn



(Represents value of the hydrogen-ready sections of the network)

Highlights

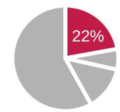
- **Monopoly gas network operator** in Slovakia with grid length of almost 35,000 km
- **59% of the network made of polyethylene**, fully hydrogen-aligned material. The replacement of the remaining pipes is gradually accelerated
- SPPD connected the **first biomethane station** in 2022 and operates a registry of renewable gases

Key decarbonization levers

- **Reducing methane leakage** to ensure emission reduction already during the transitional period
- Preparing the network for the distribution of hydrogen or other renewable gases to ultimately abandon natural gas. In 2022, SPPD successfully completed a pilot project where it **blended 10% of H2** into an isolated part of the network

Power distribution grid

Indicative green asset value: EUR 0.8bn



(Represents value of the power distribution network)

Highlights

- Grid spanning over 35,500 km in central Slovakia, enabling power supply to more than **780,000 connection points**
- Integral part of the European interconnected system
- Over the past five years, 88% of the newly connected capacity have been renewable energy sources, **mainly solar**

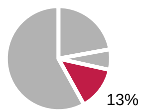
Key decarbonization levers

- Scope 2 emissions from purchased power for network losses to be reduced by **increasing reliance on zero-emission power**
- Reinforcing the grid to enable fast **deployment** of **renewables**

… as well as by district heating systems and hydrogen-ready gas power plants

District heating systems

Indicative green asset value: EUR 0.5bn



(Represents net Capex planned for CCGT units + value of existing district heating networks and biomass units)

Highlights

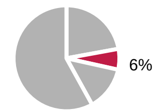
- EPH operates three cogeneration heating plants including adjacent heat networks in the Czech Republic, supplying heat to more than **150,000 end consumers**
- Dispatchable power generation sources with vital contribution to the **power grid stability**

Key decarbonization levers

- **Conversion away from lignite** to a balanced mix of hydrogen-ready CCGT plants, biomass units and waste to energy plants
- **Ensuring hydrogen readiness** of the gas turbines to gradually increase share of renewable gases and ultimately replace natural gas

Hydrogen-ready gas power plants

Indicative green asset value: EUR 0.2bn



(Represents Capex spent on the Taxonomy-aligned gas power plants)[1]

Highlights

- **13.8 GW** of installed capacity dominated by natural gas
- Important power producer in the UK, Germany, Italy, France and the Netherlands
- Vital contribution of assets to **grid stability**

Key decarbonization levers

- Gradual **reduction in load factor** of the gas-fired units
- All new CCGT / OCGT builds implement **hydrogen-ready** technologies
- EU Taxonomy alignment envisaged for certain assets through a commitment and a plan to switch them to hydrogen by 2035

1. Taxonomy alignment across the entire gas asset portfolio is subject to further assessment. Currently, EPH considers only new built OCGT projects as Taxonomy aligned as these are well positioned to meet the stringent emission intensity criteria in the EU Taxonomy

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Agenda

Supporting
Energy Transition

Use of proceeds

- Under the Green Finance Framework EPH intends to issue green finance instruments to finance and/or refinance a portfolio of projects aligned with the eligibility criteria in the Green Finance Framework
- Eligible Green Projects can include asset values, investments and Capex and operational expenditure (“Opex”)

GBP/GLP Category	Description Eligible Green Projects: Eligibility Criteria	Contribution to UN SDGs	Link to EU Taxonomy
Renewable Energy **Electricity distribution infrastructure**	❑ Assets, Investments, Capex and Opex relating to electricity distribution infrastructure and equipment that meets one of the following criteria: a) The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems b) Over 67% of newly connected generation assets comply with the 100gCO_2/kWh threshold (over a rolling 5-year period), or c) The grid’s average emissions factor is less than 100gCO_2/kWh but excluding any grid connections of power plants that are more CO_2 intensive than 100gCO_2/kWh (as a proxy for this threshold any direct grid connections of power plants other than wind, solar or hydro[1] energy will be excluded)	7 AFFORDABLE AND CLEAN ENERGY	Substantial contribution to Climate Change Mitigation: 4.9 Transmission and distribution of electricity
Renewable Energy **Gas distribution infrastructure**	❑ Assets, Investments, Capex and Opex relating to renewable and low-carbon gas distribution infrastructure and equipment: • Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases • Conversion/repurposing of existing natural gas networks to 100% hydrogen • Retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system		Substantial contribution to Climate Change Mitigation: 4.14 Transmission and distribution networks for renewable and low carbon gases

Energy Efficiency
 	
Power and heat generation, district heating networks
	❑ Assets, Investments, Capex and Opex relating to:
	• Pipelines and associated infrastructure for distribution of heating and cooling produced using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat:
	  • Construction and operation
	  • Refurbishment
	  • Modification to lower temperature regimes;
	  • Advanced pilot systems (control and energy management systems, Internet of Things)
	❑ Co-generation of heat/cool and power from bioenergy, as per the substantial contribution criteria to climate change mitigation of the Climate Delegated Act (Annex I) under 4.20
	❑ Electricity generation from fossil gaseous fuels, as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.29
	❑ High efficiency co-generation of heat/cool and power from fossil gaseous fuels as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.30
	❑ Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.31
		7 AFFORDABLE AND CLEAN ENERGY
		13 CLIMATE ACTION
			Substantial contribution to Climate Change Mitigation:
			
			4.15 District heating/cooling distribution
			
			4.20 Cogeneration of heat/cool and power from bioenergy
			
			4.29 Electricity generation from fossil gaseous fuels
			
			4.30 High efficiency co-generation from of heat/cool and power from fossil gaseous fuels
			
			4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system

1. Connections to hydro will only be eligible if aligned with the substantial contribution criteria to climate change mitigation of the Climate Delegated Act
2. On Feb 2, 2022, the EU Commission presented a "complementary delegated climate act to accelerate decarbonisation" (see press release, EU Commission of 02.02.2022, https://ec.europa.eu/commission/presscorner/detail/de/ip_22_711). Gas activities are considered to play an important role as a transitional activity and are in line with EU climate and environmental objectives; construction and operation of electricity generation plants (as per 4.29) and cogeneration plants (as per 4.30) using fossil gaseous fuels are considered to be taxonomy-aligned activities, subject to minimum requirements.

Project Evaluation and Selection & Management of Proceeds

EPH's Green Finance Committee

Eligible Green Projects will be selected by a dedicated Green Finance Committee set up within EPH, which consists of members from the following departments (with the possibility of other parties being nominated as subject matter experts):

Treasury | **Finance** | **Sustainability** | **Investor Relations**

The Green Finance Committee is responsible for:

- Reviewing the content of EPH's Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis;
- Updating external documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants;
- Evaluating and defining the Eligible Green Project Portfolio in line with the Eligibility Criteria as set out in the Framework; excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best effort basis;
- Ensuring that the characteristics of the Eligible Green Project Portfolio have not materially changed, particularly in respect of the transition risk and locking in emissions from the prolonged use of fossil fuels;
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. EPH may rely on external consultants and their data sources, in addition to its own assessment;
- Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio and appropriate mitigation measures where possible;
- Liaising with relevant business finance segments and other stakeholders on the above.
- The committee will meet at least on annual basis

Alignment with EPH's internal policies

The Eligible Green Projects are aligned with EPH's related internal sustainability policies and management processes. Set out below are some examples of relevant codes and policies:

- ESG Master Policy
- Environmental Policy
- Biodiversity Policy
- Procurement Policy
- Cybersecurity Principles
- Code of Conduct
- Tax Governance policy
- KYC Directive
- Sanctions Policy
- Anti-Trust Law Policy
- Policy on Reporting of Serious Concerns
- Asset Integrity Policy
- Equality, Diversity and Inclusion Policy
- Operational Policy
- Anti-Corruption and Anti-Bribery Policy
- Anti-Financial Crime Policy

Management of proceeds

- **Management of proceeds rules:** Portfolio approach with no look back period for Capex and Opex
- **Tracking process:** Vehicles underlying Green Financing are flagged as to be used for a particular green finance instrument in an internal system to avoid double counting for any subsequent financial asset
- **Level of allocation:** EPH will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which matches the balance of net proceeds from its outstanding Green Financing
- **Unallocated proceeds:** EPH will hold unallocated net proceeds in cash and /or invest in other short-term liquid instruments

Reporting

- EPH will make and keep readily available **reporting on the allocation of the portfolio** of Eligible Projects **after a year from the issuance** of the green finance instruments, **to be renewed annually until full allocation**
- **The allocation report to provide indicators such as:**

1	Allocated proceeds
2	Unallocated proceeds
3	Financing[2] vs Refinancing[3]
4	Regional split
5	Percentage and amount of taxonomy eligible and taxonomy aligned activities

- EPH will make and keep readily available **annual reporting on the impact of the portfolio** of Eligible Green Projects **after a year from the issuance** of the Green Finance Instruments, **to be renewed annually until full allocation**
- On a best effort basis, EPH intends to adhere the impact reporting to prevailing requirements as laid out in the **ICMA "Harmonized Framework for Impact Reporting" (June 2023)** [4]
- **The impact report to provide indicators such as:**

- Estimated annual avoided GHG emissions (in tonnes CO_2e/year)
- Reduction in the average emission intensity (in gCO_2/kWh)
- Installed capacity of low emission sources replacing coal units (in MW/year)
- Length of the gas distribution infrastructure adapted to hydrogen (in km/year)
- Connection of the renewable generation capacity to the power distribution network (in MW/year)
- Smart grid components installed in the power distribution network, e.g. smart meters

1. Such reports can include the allocation and impact of several outstanding green finance instruments, however, displayed separately
2. Financing defined as the value of Capex and Opex recorded after the issue date of a green finance instrument
3. Refinancing defined as the value of existing assets or expenditures having been already incurred as of the issue date of a green finance instrument
4. Harmonised Framework for Impact Reporting (June 2023)

Mapping of EPH's GFF on Climate Transition Finance Handbook

1 Issuer's climate transition strategy and governance

- Assessment: **Disclosure recommendations adopted.**
- Recommendations by ICMA:
  - ✓ A long-term target to align with the goals of the Paris Agreement (e.g. the objective of limiting global warming ideally to 1.5°C and, at the very least, to well below 2°C);
  - ✓ Relevant interim targets on the trajectory towards the long-term goal;
  - ✓ Disclosure on the issuer's levers towards decarbonisation, and strategic planning towards a long-term target to align with the goals of the Paris Agreement;
  - ✓ Clear oversight and governance of transition strategy; and,
  - ✓ Evidence of a broader sustainability strategy to mitigate relevant environmental and social externalities and contribute to the UN Sustainable Development Goals.

2 Business model environmental materiality

- Assessment: **Disclosure recommendations adopted**
  - ✓ Discussion of the materiality of the planned transition trajectory may be included in the disclosures referenced for Element 1 above.

3 Climate transition strategy to be science-based including targets and pathways

- Assessment: **A majority of the disclosure recommendations adopted**
- Recommendations by ICMA: Issuer's climate strategy should reference science-based targets and transition pathways. The planned transition trajectory should:
  - ✓ be quantitatively measurable (based on a measurement methodology which is consistent over time);
  - ✓ be aligned with, benchmarked or otherwise referenced to recognized, science-based trajectories where such trajectories exist;
  - ✓ be publicly disclosed (ideally in mainstream financing filings), include interim milestones, and;
  - ✓ be supported by independent assurance or verification

Also,

  - x Short, medium, and long-term greenhouse gas reduction targets aligned with Paris Agreement – short term targets are missing
  - ✓ Baseline;
  - ✓ Scenario utilised, and methodology applied (e.g. ACT, SBTi, etc.);
  - x Greenhouse gas objectives covering all scopes (Scope 1, 2 and 3) – scope 3 is missing; and,
  - x Targets formulated both in intensity and absolute term – targets are aligned with TPI's Below 2 Degrees Pathway intensity criteria

4 Implementation transparency

- Assessment: **A majority of the disclosure recommendations adopted**
  - ✓ CapEx roll-out plan consistent with the overall climate transition strategy and climate science and discussion of how it informs CapEx decision-making;
  - ✓ Phase-out plan regarding activities/products incompatible with the climate transition strategy;
  - ✓ Green CapEx, as a percentage of total CapEx and how the ratio may be expected to evolve over time;
  - ✓ Disclosure on the percentage of assets/revenues/expenditures/divestments aligned to the various levers;
  - ✓ A qualitative and/or quantitative assessment of the potential locked-in GHG emission from an issuer's key assets and products;
  - x Assumptions on the internal cost of carbon; and
  - x Disclosure on adverse impacts on the workforce, community and surrounding environment, and related strategies used to mitigate those negative impacts.

Source. [Climate Transition Finance Handbook (2023)]

EPH Sustainability Governance Structure

Governance

- The governance of EPH and its sub-holdings is based on a two-tier management structure consisting of the Board of Directors and the Supervisory Board. The Board of Directors represents the EPH Group in all matters and is responsible for its day-to-day business management, while the Supervisory Board is responsible for the supervision of the EPH Group's activities and of the Board of Directors. The EPH Group has a Risk Committee and Compliance Committee.

EPH Board of Directors

- Four members
- Directs operations and acts on its behalf, represents EPH in all matters related to daily business management
- Approves EPH's sustainability commitment, top ESG challenges and annual sustainability reports
- Approves sustainability policies, corporate strategy and monitors progress to achieving targets

EPH Senior Management

- Responsible for day-to-day operations as well as key business decisions.
- Drives sustainability commitment, ensuring that it is embedded at every level of the business.
- Monitors the ESG indicators and analyses the state of EPH's progress towards its goals and targets

Investment committees at subsidiary level

- The committees assess material investments
- Decisions are driven by environmental requirements and long-term strategy of the EPH Group

Green Finance Committee

- Ensuring alignment of the investments financed from green instruments with the Eligibility Criteria
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements

Health & Safety committees (EPPE and EPIF level)[1]

- The committees review relevant policies, provides guidance, and makes recommendations regarding key safety, health, environment and security decisions
- Members appointed by the respective BoD for an indefinite period of time and it meets around five times a year

1. EP Power Europe and EP Infrastructure are the main sub-holdings of EPH

Definitions

- **Eligibility Criteria** represent eligibility criteria outlined in the EPH's Green Finance Framework
- **Eligible Green Projects** represent assets, investments, Capex or Opex aligned with the Eligibility Criteria
- **Eligible Green Project Portfolio** represents a portfolio of Eligible Green Projects
- **Green Financing** represents issuance of green finance instruments

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