

EthiFinance

Second Party Opinion

Eurogrid – Green Bond Framework

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Introduction

EthiFinance has been commissioned to provide an independent Second Party Opinion on the Green Bond Framework of Eurogrid GmbH (hereafter referred to as “Eurogrid”, “the Company” or “the Issuer”). The assessment of the Framework was conducted taking into consideration the International Capital Market Association’s Green Bond Principles (GBP) dated June 2021 (with June 2022 Appendix 1) and the Loan Market Association’s Green Loan Principles (GLP) dated February 2023.

Eurogrid intends to issue Green Bonds. The proceeds will be used to (re)finance eligible projects and assets in the category “Renewable Energy”. The expansion of the national grid infrastructure will enable access to renewable energy and by erecting the necessary transmission infrastructure both onshore and offshore, it will connect the centres of power generation with the centres of residential and commercial consumption. This contributes to the reduction and avoidance of CO₂ emissions.

The eligible projects and assets will be implemented by Eurogrid’s subsidiary, 50Hertz Transmission GmbH (hereinafter referred to as “50Hertz”), along with 50Hertz’s subsidiaries 50Hertz Offshore GmbH (hereinafter referred to as “50Hertz Offshore”) and 50Hertz Connectors GmbH (hereinafter referred to as “50Hertz Connectors”). These include both onshore and offshore energy projects and assets, such as grid connections to the domestic electricity grid, grid infrastructure for the (long-distance) transport of renewable energy on/to the mainland, and the provision of infrastructure for commercial and residential properties to access renewable energy. All projects and assets fall under the project category “Renewable Energy” of the Green Bond Principles (2021) and the Green Loan Principles (2023).

Headquartered in Berlin, Eurogrid GmbH is a company under German Law, whose shares are held by Eurogrid International SA/NV (80 percent), a subsidiary of the Belgian Elia Group SA/NV, and KfW (Kreditanstalt für Wiederaufbau), a German state-owned bank (20 percent).

50Hertz Transmission GmbH is a wholly owned subsidiary of Eurogrid GmbH. As one of four transmission system operators in Germany, 50Hertz is responsible for the operation, maintenance, planning, and expansion of the extra high voltage transmission grid in the German Federal States of Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Berlin, Mecklenburg-Western Pomerania, and Hamburg. The German federal regulator, Bundesnetzagentur (Federal Network Agency), regulates the Company. The Company’s electricity grid has a length of more than 10,000 kilometres, with the share of renewable energies in electricity consumption reaching 75 percent by the first half of 2024. By 2032, 50Hertz aims to cover all electricity consumption in its grid area with 100 percent renewable energy.

50Hertz Offshore GmbH, in turn, is a wholly owned subsidiary of 50Hertz Transmission GmbH. The business model focuses on planning, erecting, owning, and operating the connections between offshore windfarms in the Baltic Sea, and, in the future also in the North Sea. 50Hertz Transmission GmbH owns 50Hertz Connectors, a separate legal entity that plans, erects, owns, and operates electrical grids, especially interconnectors, including offshore interconnectors and hybrid interconnectors in Germany and abroad.

Regarding the issuance proceeds, Eurogrid undertakes to use them exclusively for the (re)financing of projects and assets that demonstrate sustainable benefits in accordance with the Green Bond Principles (2021) and the Green Loan Principles (2023).

EthiFinance conducted the assessment from April to October 2024. Eurogrid management provided all relevant documents, and EthiFinance was in direct contact with the relevant employees. The information received has allowed us to provide a reasonable opinion on the Framework’s compliance with the above-mentioned guidelines.

EthiFinance General Opinion

EthiFinance considers Eurogrid’s Green Bond Framework (“the Framework”) to be fully aligned with the ICMA 2021 Green Bond Principles and the LMA 2023 Green Loan Principles. The eligible project categories are activities listed as eligible under the EU Green Taxonomy¹, contributing substantially to the objective of Climate Change Mitigation. Additionally, the eligible project categories demonstrate a relevant contribution to UN Sustainable Development Goals 7 and 13.

1. ESG Maturity of Eurogrid

EthiFinance has evaluated Eurogrid’s ESG performance as **Advanced**.

Limited

Moderate

Advanced

Exemplary

The Company deploys robust policies to guide its day-to-day activities. Moreover, the Framework is consistent with the Company’s strategy.

2. Compliance with the ICMA and LMA Principles

Not Aligned

Partially Aligned

ICMA & LMA Aligned

Best Practices

High Impact

ICMA & LMA ALIGNED

A. Use of Proceeds

Eurogrid’s eligible projects and assets are aligned with the ICMA Green Bond Principles and the LMA Green Loan Principles, demonstrating clear environmental benefits. The link to green market standards is clearly outlined in the Framework, particularly concerning the SDGs and the EU Taxonomy.

B. Process for Project Evaluation & Selection

ICMA & LMA ALIGNED

EthiFinance considers that the governance and operational practices of the team, consisting of relevant Eurogrid representatives, provide a robust Framework for project evaluation and selection. This process is aligned with the ICMA Green Bond Principles and the LMA Green Loan Principles. The eligibility criteria for selecting eligible projects and assets are clearly defined.

C. Management of Proceeds

ICMA & LMA ALIGNED

EthiFinance considers Eurogrid’s process for managing the proceeds to be transparent and robust, with the Framework providing sufficient information on the account used to receive the proceeds, the timeline for allocation, and the management of unallocated proceeds.

D. Reporting

ICMA & LMA ALIGNED

EthiFinance considers the reporting commitments detailed in the Framework to be aligned with the ICMA Green Bond Principles and the LMA Green Loan Principles. The Issuer undertakes to report on the allocation of proceeds and the environmental benefits of its projects and assets.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN>

ESG Maturity of Eurogrid

GENERAL OPINION


Eurogrid's ESG performance is strong, and the Company deploys robust policies to guide its day-to-day activities. Moreover, the issuance is consistent with the Company's strategy.

The Company reaches an "Advanced" level of maturity in 2024 on the EthiFinance ESG Rating scale.

A. ESG Performance

Eurogrid's ESG performance reaches an **Advanced** level of maturity in 2024 on the EthiFinance rating scale, with an average **ESG score of 63 out of 100**.



 Extra-Financial Rating	Governance	55
	Social	61
	Environment	81
	External Stakeholders	74

Eurogrid is committed to responsible business practices and anchors these in various internal guidelines and programmes that cover governance, environmental, social, and external stakeholder issues. In 2021, the Company launched the comprehensive "ActNow" sustainability programme, focusing on five ESG priority areas: climate protection, environmental and circular economy, health and safety, diversity, equality and inclusion, and governance, ethics, and compliance. Sustainability governance is anchored in various executive and operational bodies, with the CEO having overall responsibility, the Company Development department managing sustainability efforts, the Chief Human Resources Officer overseeing risk management, data security, governance, and health and safety, and the Chief Operating Officer responsible for environmental management.

Eurogrid addresses climate and environmental issues, equality, diversity and inclusion, and health and safety. The Company has adopted a Code of Conduct, provides compliance training, and has a whistleblowing system. As a participant of the United Nations Global Compact since 2017, Eurogrid values its employees, ensuring 100 percent are covered by collective bargaining agreements, and has a Diversity and Inclusion programme aiming to increase female representation. Its environmental policy targets a 28 percent reduction in absolute GHG emissions by 2030 and sustainable management of 90 percent of forest corridors. Externally, Eurogrid implements a Supplier Code of Conduct, requires strategic suppliers to complete a sustainability rating, and conducts regular social and environmental audits. Recognising cyber risks, Eurogrid is ISO 27000 certified. Areas for improvement include strengthening internal corporate governance practices at the Supervisory Board level and training employees on cybersecurity issues.

B. Controversies

EthiFinance has examined Eurogrid in relation to controversial business activities². Eurogrid is not active in controversial business activities.

Regarding controversial business practices³, there is no information indicating that Eurogrid is involved in any such practices as of the reporting date of 27 September 2024.

² Controversial areas of business are specified in the Methodology section.

³ Controversial business practices are specified in the Methodology section.

C. ESG Risk Management

GENERAL OPINION	Very Good
Eurogrid has appropriate policies and processes in place to identify and manage the material ESG risks associated with the projects and assets. Eurogrid has implemented a very good risk management system to identify and manage potentially material ESG criteria.	Good
	Moderate
	Weak

In addition to positive impacts, there are certain potential ESG risks associated with the projects and assets to be (re)financed. The material risks include affordability, reliability and availability of energy, environmental protection, health and safety risks related to the transmission and distribution of electricity infrastructure, as well as risks associated with biodiversity, waste management, corruption, and bribery.

Various measures have been implemented group-wide to manage ESG risks. These measures have been applied either at group level or on a specialised basis by Eurogrid and 50Hertz:

<ul style="list-style-type: none"> ● Climate measures 	The Group is committed to operating a carbon-neutral power grid by 2040, making its own activities carbon-neutral by 2030, assessing and reducing the carbon footprint of its supply chain, and establishing an internal carbon price in tenders. In 2021, the Company committed to reducing absolute GHG emissions for all Scope 1 and 2 emissions, including grid losses, by 28 percent by 2030. In addition, 50Hertz aims to achieve 100 percent balance sheet coverage of electricity consumption from renewable energies in its own network area by 2032. A wide range of measures is being taken to achieve this. Regular energy audits are carried out, and measures to increase energy efficiency are identified and implemented. The Company plans to introduce a certified energy management system in accordance with ISO 50001 by 2025.
<ul style="list-style-type: none"> ● Environmental management 	An environmental management system is in place at the company level, which includes training requirements, monitoring and reporting, as well as responsibilities. The existing system was adapted to the internationally recognised ISO 14001 standard in 2022 to increase its level of maturity.
<ul style="list-style-type: none"> ● Circular economy 	Binding guidelines for the disposal of waste are in place throughout the Company. The integration of the circular economy into the core processes of the companies is part of the sustainability programme “ActNow”. The aim is to achieve the highest possible recycling rate. In the last three years, 50Hertz’s rate has ranged between 89 percent and 94 percent.
<ul style="list-style-type: none"> ● Protection of biodiversity 	In the project approval phase, the impact on biodiversity is assessed alongside economic and technical requirements. As part of the project approval process, environmental impact assessments (EIA) are carried out early to minimise nature conservation conflicts. Examples of compensatory measures include afforestation and species protection. In addition, 50Hertz has signed the 2019 Marine Grid Declaration, which sets clear standards regarding nature and species conservation in offshore grid expansion projects and assets.
<ul style="list-style-type: none"> ● Human rights and labour law standards 	The Group is committed to respecting human rights in its own operations and in its supply chain. To this end, it has adopted a code of conduct for suppliers and a human rights policy. It has also analysed and assessed human rights risks in its value chain. The Group is a participant of the United Nations Global Compact. A dedicated Human Rights Policy has been in place since 2022. In addition to the measures mentioned in human rights standards, the Issuer committed to the core labour standards of the International Labour Organisation (ILO). The entire Group adheres to the labour law standards in Belgium and Germany.
<ul style="list-style-type: none"> ● Occupational health and safety regulations 	The Group has taken various measures to promote employee health protection, such as providing medical care, confidential counselling services, and sports activities. In both Belgium and Germany, departments have been established to address occupational safety and health protection, with strategic objectives such as aiming for zero accidents and maintaining a culture of safety. As part of the sustainability programme “ActNow”, specific targets have been set in the area of occupational health and safety, including the goal of reducing the total number of reportable incidents to below 7.5 by 2025 and below 6.5 by

	2030. 50Hertz also holds ISO 45001, a standard for management systems for occupational health and safety.
<ul style="list-style-type: none"> ● Product safety and health protection 	There is a Supplier Code of Conduct that outlines relevant aspects. A clear process has been implemented to verify compliance with this Code, including adherence to EU, German, or specific industry health and safety standards. Regular inspections are conducted at construction sites.
<ul style="list-style-type: none"> ● ESG aspects with contractors, suppliers and subcontractors 	The Supplier Code of Conduct covers the following relevant aspects: Suppliers are required to abide by the UN Global Compact Principles. Detailed bidding requirements vary by product and service, but often include certifications for health and safety or environmental management. Audits for health and safety as well as for suppliers occur regularly. Possible consequences for suppliers include penalties and termination of collaboration. The Supplier Code of Conduct also considers ESG aspects.
<ul style="list-style-type: none"> ● Dialogue with local stakeholders 	50Hertz's stakeholder environment is continuously analysed and defined. Here, 50Hertz follows the VDI 7000 standards. Depending on the topic, the Company interacts with public authorities, political parties, local citizens, civil society, NGOs and clients directly. For example, the Company actively informs local stakeholders by touring through communities with potential project impacts with its "infomobil", allowing a direct dialogue with citizens.
<ul style="list-style-type: none"> ● Compliance 	The Group has implemented a Code of Ethics and local guidelines to prevent corruption and bribery. It ensures that the Company does not tolerate any compliance violations. 50Hertz has a Whistleblowing Policy that governs the whistleblowing system and prescribes the establishment of an internal Compliance Committee and an external ombudsman. Since 2023, an anonymised electronic reporting channel has been made available to employees and external stakeholders. Employees receive regular training on compliance and ethics, including a web-based compliance course. In 2023, 71 percent of the Group's employees completed this course.

D. Strategic Consistency

Eurogrid is the holding company above 50Hertz, which it owns and manages. The entire operational business remains the responsibility of the 50Hertz entities. The issuance of the Green Bonds contributes the Issuer's strategic objectives, enabling access to renewable energy.

Sustainable Goals of Eurogrid

Eurogrid shares the strategic goals of its parent company, the Belgian Elia Group, which, through its subsidiary Elia Transmission Belgium, owns and operates the electrical grid infrastructure in Belgium. Despite the differing political and social requirements in the two countries, the Group has defined the energy transition as one of the strategic goals in its group-wide sustainability programme, "ActNow". Specific targets have been aligned with the UN SDGs, focusing on various business areas and the value chain. These include environmental, social, and governance targets, which are tracked and managed through appropriate indicators for regular measurement. The targets are grouped into five core areas Climate Action, Environment and Circular Economy, Health and Safety, Diversity, Equity and Inclusion, Governance, Ethics and Compliance.

Contribution of the Issuance to the Strategy

50Hertz has implemented the vision "100% by 2030: affordable energy for a strong economy" within the Company. This includes the strategic goal of achieving 100 percent balance sheet coverage of electricity consumption through renewable energies in its own network area by 2032. This will be operationalised by, among other measures, accelerating the implementation of projects and assets by renewable energy providers and supporting the industry in decarbonising its processes.

Compliance with the ICMA & LMA Principles

A. Use of Proceeds

GENERAL OPINION	Best-practices
Eurogrid's eligible projects and assets are aligned with the ICMA Green Bond Principles & LMA Green Loan Principles, demonstrating clear environmental benefits. The link to green market standards is clearly outlined in the Framework, particularly with regard to the UN SDGs and the EU Taxonomy.	ICMA & LMA aligned
	Partially aligned
	Not aligned

Project Financing

Eurogrid will use the net proceeds of the financial instruments issued under this Framework to finance and refinance eligible environmental projects and assets. It is recommended that issuers provide an estimate of the share of financing vs. refinancing and, where appropriate, clarify which investments or project portfolios may be refinanced. Additionally, where relevant, issuers should outline the expected look-back period for refinanced eligible Green Projects and assets.

● Share of refinancing	Eurogrid has not disclosed the share of the refinancing ex-ante. The proportion of refinancing will be specified by Eurogrid in the annual Green Finance Report.
● Look-back period for existing assets or expenditures	While Eurogrid has not indicated a specific look-back period for the assets, the refinancing period for the CapEx and OpEx was indicated as a maximum of 36 months. EthiFinance recommends defining a look-back period for the included assets.

Project Categories

In its Framework, Eurogrid has clearly defined one eligible project category under the Green Bond Principles and the Green Loan Principles: Renewable Energy (including production, transmission, appliances, and products). This project category aligns with the EU Taxonomy activity "Transmission and distribution of electricity", which is linked to NACE code D35.12. The description of the project category is clear and appropriate. For this category, Eurogrid has listed the types of projects and assets to be financed:

Project categories	Description
Renewable energy – Transmission and distribution of electricity	<p>The distribution infrastructure and equipment of the 50Hertz electricity grid, including but not limited to:</p> <ul style="list-style-type: none"> • Direct connections to renewable electricity generation facilities (with emissions below the generation threshold value of 100g CO₂e/kWh) • Infrastructure and equipment with the objective to increase renewable electricity in the grid • Offshore renewable energy projects and assets aimed at integrating offshore wind energy into the onshore electricity transmission system(s)

- Onshore projects and assets to enhance the transmission system's capacity for renewable energy
- Onshore lines and pylons enabling long-distance transport

Project Category Renewable Energy

● Sustainable Objectives	The projects and assets (re)financed by the bonds make a positive contribution to sustainability by mitigating climate change.
● Sustainable Benefits	By enabling access to renewable energy, the projects contribute to avoiding CO ₂ emissions and increasing the number of households that can be supplied with renewable energy. The Issuer can quantify the environmental benefits.

Green Impact – Renewable Energy

NO IMPACT	MODERATE IMPACT	SUBSTANTIAL IMPACT	HIGH IMPACT
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Relevance

● Sector/Industry	The projects and assets financed in the field of renewable energy, particularly in transmission and grid infrastructure, are highly relevant to the sector's environmental challenges. With the European Green Deal approved in 2020, the EU has set the goal of becoming the first climate-neutral continent by 2050, aiming to increase the share of renewable energy in the EU's energy mix to 40 percent by 2030 ⁴ . The expansion of grid infrastructure is crucial for the effective integration of the growing share of renewable energy. To accelerate the growth of renewable energy, the German government adopted the Easter Package in April 2022, a series of energy policy reforms. This initiative includes the goal of achieving a 100 percent renewable electricity supply by 2035 ⁵ . In this context, the investments made under the Green Bond Framework are expected to contribute directly to Germany's renewable energy targets by increasing grid capacity and improving the integration of renewable energy into the German electricity grids.
● Contribution to the Issuer's strategy	The eligible projects and assets are highly relevant to the Issuer's strategy, which is clearly defined. Through its "ActNow" sustainability programme, 50Hertz is operationalising its sustainability strategy across five dimensions: (i) climate protection, (ii) environment and circular economy, (iii) health and safety, (iv) diversity, equity, and inclusion and (v) governance, ethics, and compliance. As a key driver of the energy transition, 50Hertz is committed to appropriately integrating these guidelines into its daily processes and activities. As of mid-2024, the company's electricity grid spanned more than 10,000 kilometres, with renewable energy accounting for 75 percent of electricity consumption. By 2032, 50Hertz aims to cover 100 percent of the electricity consumption in its grid area with renewable energy.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0550&from=E>

⁵ https://www.bmwk.de/Redaktion/EN/Downloads/Energy/0406_ueberblickspapier_osterpaket_en.html

Level of Ambition

<ul style="list-style-type: none"> ● Durability of the impact and prevention of lock-ins 	<p>The eligible projects and assets are expected to reduce the negative impact of the Issuer's operations and have an overall positive impact on society through the construction of offshore platforms, grid connections, onshore cables/lines/pylons, and substations. Transmission system operators (TSOs) such as 50Hertz and electric utilities can face lock-in effects due to their reliance on sulphur hexafluoride (SF₆), a potent greenhouse gas, particularly in voltage electrical insulation, current interruption, and arc quenching in electricity transmission and distribution. The Issuer is committed to use SF₆ gas to a lesser extent, although some plants will continue using it into the 2030s and 2040s due to the long service life of these plants (approximately 55 years). Emissions typically result from leaks, so the defined SF₆ phase-out strategy focuses on managing leakages to minimise or reduce their impact.</p>
<ul style="list-style-type: none"> ● Standards and criteria applied 	<p>The Issuer's Green Bond Framework aims to align with the draft EU Green Bond Standard and the draft EU Taxonomy, including the EU Taxonomy Delegated Act (June 2021) concerning the activity "Transmission and Distribution of Electricity". The transmission and distribution infrastructure or equipment is part of the interconnected European system (Germany). The project categories fall under the EU Taxonomy Climate Delegated Act (2023) as an eligible activity (4.9. Transmission and distribution of electricity) due to their potential contribution to the first and second EU environmental objectives, "Mitigation of climate change" and "Adaptation to climate change".</p> <p><u>Substantial contribution to the Taxonomy's objectives:</u> Any electricity transmission and distribution infrastructure or equipment within the interconnected European system, where the main objective is to increase the generation or use of renewable electricity, contributes substantially to the mitigation objective of the European Taxonomy and therefore has a strong positive impact. The Issuer commits to fulfil at least one of the following criteria:</p> <ul style="list-style-type: none"> ● The system is part of the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland, and the United Kingdom, and its subordinated systems. ● More than 67 percent of newly enabled generation capacity in the system falls below the generation threshold value of 100g CO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. <p>The projects are implemented in accordance with the requirements of the German Federal Network Agency (Bundesnetzagentur), including aspects such as location, environmental impact assessments, stakeholder dialogue, and risk assessments. Additionally, the generation, transmission, storage, distribution, or utilisation of renewable energy is conducted in compliance with the EU Renewable Energy Directive 2018/2001.</p>
<ul style="list-style-type: none"> ● Negative externalities of the project 	<p>The Issuer has implemented very good measures to prevent or mitigate the negative externalities arising from its activities. Material topics were assessed Group-wide for the first time in 2018 and are regularly monitored and reviewed. These material topics include affordability, reliability, and availability of energy, environmental protection, health and safety risks related to the transmission and distribution of electricity infrastructure, as well as risks associated with biodiversity, waste management, corruption, and bribery. Regarding the resilience of its assets to climate-related physical risks, the Elia Group, with the support of the Climate Service Centre Germany (GERICS), an independent scientific institution, conducted a long-term assessment of climate scenarios (Representative Concentration Pathway (RCP) 2.6, RCP 4.5, and RCP 8.5) to reassess the need to adapt infrastructure for protection against physical climate risks. Based on this information, the Group's vulnerability assessment of its</p>

activities continued in 2023, in line with the technical screening criteria of the EU Taxonomy Delegated Act.

The core activity of Eurogrid – transmission and distribution of renewable electricity – directly contributes to the achievement of the following Sustainable Development Goals (SDGs):



UN SDG 7 aims to provide affordable and clean energy. The grid connects of 50 Hertz provide access to secure and renewable energy.



UN SDG 13 aims to take urgent action to combat climate change and its impacts. Transmission system operators such as 50Hertz can contribute to SDG 13 by supporting the transition to net-zero carbon energy, improving the efficiency of their grids, and reducing their energy consumption.

B. Process for Project Evaluation & Selection

GENERAL OPINION

EthiFinance considers the dedicated Committee’s governance and functioning to provide a robust Framework for project evaluation and selection. It is deemed aligned with the ICMA’s Green Bond Principles and the LMA’s Green Loan Principles. The validation criteria for selecting eligible projects and assets are clearly defined.

Best-practices

ICMA & LMA aligned

Partially aligned

Not aligned

Processes and Governance

To ensure a structured process for project selection and evaluation, Eurogrid has established a team consisting of the following representatives:

- Committee’s composition and governance
 - Eurogrid’s Treasury Department
 - 50Hertz’s Project Controlling Team
 - 50 Hertz’s Sustainability Manager
 - 50 Hertz’s Management Board

● Committee functioning

The decision on whether the eligibility criteria for the projects and assets are met lies with Eurogrid’s Treasury Department, 50Hertz’s Project Controlling team, and 50Hertz’s Sustainability Manager. The evaluation and selection of eligible projects and assets are then approved by 50Hertz’s Management Board.

● Verification of the eligibility of the projects and assets

The team is responsible for the evaluation and selection of eligible projects and assets in accordance with the criteria outlined in the Green Bond Framework. The team will ensure that investments align with all relevant internal policies and guidelines. However, the Issuer has not provided a statement regarding the documentation and frequency of meetings held.

Eligibility Criteria

● Definition and precision

The Issuer defines eligible projects and assets as those specifically focused on the infrastructure or equipment essential for transmitting and distributing renewable energy within Germany, a region fully integrated into the broader European energy network. The Issuer mandates strict adherence to both German regulatory requirements (Bundesnetzagentur) and broader EU directives on renewable energy, ensuring that all funded projects and assets meet stringent environmental and operational standards. By providing a list of eligible project types, including offshore and onshore elements of the energy grid, the Issuer offers further clarity, while maintaining some flexibility for the future inclusion of related project categories.

☑ Project category: Renewable energy

Project/asset type

- Direct connections to renewable electricity generation facilities (with emissions below the generation threshold value of 100g CO₂e/kWh)
- Infrastructure and equipment aimed at increasing the share of renewable electricity in the grid

Criteria

- Location: The transmission and distribution infrastructure or equipment is part of the interconnected European system (Germany).
- Regulations:

- Offshore renewable energy projects and assets aimed at integrating offshore wind energy into the onshore electricity transmission system(s)
- Onshore projects and assets to enhance the transmission system’s capacity for renewable energy
- Onshore lines and pylons enabling long-distance transport, including related projects and assets
- Compliance with the requirements of the German Federal Network Agency (Bundesnetzagentur) (e.g. location, environmental impact assessment, stakeholder dialogue, risk assessment)
- Generating, transmitting, storing, distributing, or using renewable energy in line with the EU Renewable Energy Directive 2018/2001
- EU Taxonomy – Transmission and Distribution of Electricity – Substantial Contribution Criteria to Climate Mitigation: The transmission and distribution infrastructure or equipment is part of an electricity system that complies with at least one of the following criteria:
 - 1) The system is part of the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland, and the United Kingdom, along with its subordinated systems.
 - 2) More than 67 percent of newly enabled generation capacity in the system falls below the generation threshold value of 100g CO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

In addition, the Issuer specifies that proceeds will not be invested in any GHG-intensive or controversial activities. However, the Issuer does not define what constitutes controversial activities.

Sustainability Strategy

- Coherence of the issuance

Green Bonds issued under Eurogrid GmbH’s Green Bond Framework are aligned with the Green Bond Principles (GBP) 2021 and the Green Loan Principles (GLP) 2023. They contribute to one of the main business objectives of the Issuer, its parent company Elia Group, and its subsidiary 50Hertz: enabling access to renewable energy. The issuance of Green Bonds, with the targeted projects and assets to be (re)financed, is in line with the corporate strategy of the Elia Group, 50Hertz, and therefore Eurogrid.

ESG Risk Management

- Identification of risks

In its Group Management Report, the Issuer has introduced a process to identify material ESG risks associated with the financed projects and assets. Due to the dynamic environment in the energy sector and ongoing interactions with stakeholders, the following topics were reassessed in 2023: affordability, financial viability and costs of the energy transition, security of supply, sustainable energy systems and a net-zero society, as well as grid development and system operations.

- Mitigation of risks

The Issuer has implemented a process to identify mitigation measures for material social and environmental risks related to the financed projects and assets.

C. Management of Proceeds

GENERAL OPINION

EthiFinance considers Eurogrid’s process for managing the proceeds to be transparent and robust, with the Framework providing sufficient information on the account used to receive the proceeds, the timeline for allocation, and the management of unallocated funds.

Best-practices

ICMA & LMA aligned

Partially aligned

Not aligned

Process

- | | |
|--|---|
| <ul style="list-style-type: none"> Traceability of proceeds | Eurogrid’s Treasury Department will transfer the Green Bond proceeds to the relevant 50Hertz subsidiary into separate Green Finance sub-accounts. |
| <ul style="list-style-type: none"> Controlled use of proceeds | 50Hertz monitors and tracks an amount equal to the net proceeds through its internal accounting system, aiming to allocate 100 percent of this amount to the green portfolio. Pending full allocation to the applicable green portfolio, 50Hertz, or 50Hertz Offshore, will hold and/or invest the sub-account balance of net proceeds not yet allocated, at its own discretion, through cash pooling in Eurogrid’s treasury liquidity portfolio. |

Allocation of Proceeds

- | | |
|--|---|
| <ul style="list-style-type: none"> Adjustment of allocated proceeds | No information was provided by the Issuer. |
| <ul style="list-style-type: none"> Disclosure of temporary placements of non-allocated proceeds | Until full allocation to the respective green portfolio, the Issuer will hold and/or invest the sub-account balance of the unallocated net proceeds at its own discretion through cash pooling in Eurogrid's treasury liquidity portfolio. Eurogrid invests available cash from the cash pool in current accounts, term deposits, or notice deposits with banks. These funds are not invested in greenhouse gas-intensive or controversial activities, which EthiFinance considers to be best practice. |
| <ul style="list-style-type: none"> Definition of allocation timeframe | Eurogrid intends to achieve full allocation of the proceeds within 24 months of the respective issuance. |

D. Reporting

GENERAL OPINION

EthiFinance considers the reporting commitments detailed in the Framework to be aligned with the ICMA and LMA Principles. The Issuer undertakes to report on the allocation of funds and the benefits of the projects and assets. The Issuer also commits to future regular reporting.

Best-practices

ICMA & LMA aligned

Partially aligned

Not aligned

Report Details

● Frequency	The Issuer is committed to report on the use of proceeds and the impact evaluation to investors the year following the issuance or syndication and annually thereafter until the proceeds have been fully allocated.
● Material changes	In the event of material changes regarding potentially eligible projects and assets, Eurogrid undertakes to publish this information on its website as soon as they occur.
● Scope of reporting	Eurogrid is committed to report on the amount of proceeds received, the projects and assets financed, their sustainability benefits, and the corresponding sustainability indicators. Besides a description of the eligible projects and assets and explaining which EU environmental objective is pursued by these projects, the Issuer will also publish a breakdown of the eligible projects and assets by type of financing (e.g., assets, capital expenditure, operating expenditure), as well as the share of financing versus refinancing and co-financing.
● Communication	The Issuer has committed to communicate via their website.
● Process of data collection and consolidation	The process of data collection and consolidation is structured. Responsibility lies with Eurogrid's Treasury Department, which collects data from various internal departments and assesses the quality of the respective data. The data will be integrated into the Green Finance Report, which will be audited by Eurogrid's auditors.
● External review of allocation & impact reporting	The Issuer has committed to external verification of the impact and allocation reporting.

Indicators for the Allocation of Proceeds

● Amount of proceeds	The Issuer has committed to communicate the total proceeds of the issuance.
● Allocated proceeds	The Issuer has committed to communicate the amount of allocated proceeds.
● Unallocated proceeds	The Issuer has committed to communicate any unallocated proceeds from the issuance.
● Share of refinancing	The Issuer has committed to communicate the share of refinancing.

Indicators for the Sustainable Impact

Reporting on risk management and ESG controversies	The Issuer has not committed to communicate on risk management and ESG controversies.
Disclosure of the calculation logic and methodology	Eurogrid commits to disclose the calculation methodology used in its Green Finance Report.
Indicators for sustainable goals and benefits	The selected environmental reporting indicators are considered relevant and significant by EthiFinance. The Issuer will demonstrate the expected positive impact of the financing activity using quantitative output and impact indicators.

☺ Project category: renewable energy

Output Indicators

- Additional renewable energy provided by the eligible project in the case of direct connections to renewable energy generators (MWh)
- Additional renewable energy transported or integrated by the Eligible Project's assets in case of non-direct connections to renewable energy generators or substation projects (MWh)
- Number of households supplied with 100 percent renewable energy
- Data on working and safety conditions during construction and maintenance work, e.g., number of accidents, injuries, and deaths
- Progress of the Eligible Projects during the construction phase

Impact Indicators

- Avoided CO₂ emissions (in tonnes of CO₂ equivalent, based on the number of households supplied with 100 percent renewable energy and the average electricity consumption per year per household)

Methodology

This Second Party Opinion (SPO) was prepared in accordance with the recognised and methodically sound procedures developed by EthiFinance. We have established strict quality standards for all research activities and customer processes. The SPO is an independent external analysis of debt instruments (e.g., Green Bond/Loan, Social Bond/Loan, Sustainability Bond/Loan, or Sustainability-linked Bond/Loan) aimed at financing sustainable development projects.

To produce a Second Party Opinion, EthiFinance examines the following modules:

1. The Issuer's ESG maturity
2. The level of compliance with the current version of the respective requirements (e.g., Green Bond Principles) and the sustainable impact of the financed projects

1. The Issuer's ESG Maturity

The assessment of "ESG maturity" consist of the following components:

- Assessment of the Issuer's "ESG performance": EthiFinance assigns a database-based score to evaluate the management of the following areas: Governance, Social, Environmental, and External Stakeholders. The score ranges from 0 to 100, with 100 representing the highest ESG performance.
- Assessment of ESG risk management: The assessment of ESG risk management evaluates how effectively the Issuer identifies, manages, and mitigates environmental, social, and governance risks. A customised, detailed assessment of ESG risk assessment is conducted in line with current sustainability requirements. The SPO presents the results of the assessment, including policies and processes (rated as none, some, or appropriate) and the quality of the risk management system (rated as weak, moderate, good, or very good).
- Review of the compliance of the planned issuance with the sustainability strategy of the Issuer: The results of this review are presented qualitatively.
- Review of involvement in controversial business activities and practices: Controversial business activities include alcohol, tobacco, cannabis, gambling, pornography, hazardous chemicals, fossil fuel industry, coal, unconventional oil and gas production, mining, nuclear energy, military/armament, civilian firearms, green genetic engineering, and animal testing/animal welfare. The nuclear energy and gas sectors are not classified as controversial if they fully fulfil the criteria of the EU taxonomy. All controversial business activities are listed, regardless of a turnover threshold.

Controversial business practices include, for example, violations of internationally recognised sustainability standards such as the UN Global Compact or the ILO core labour standards. The analysis covers the following areas: environmental damage, society, and corporate governance. EthiFinance categorises controversial business practices according to their severity level: severity level 1, severity level 2, severity level 3, severity level 4, or severity level 5, and considers the Issuer's response. Only controversial business practices with a severity level of 3, 4, or 5 are listed in the Second Party Opinion.

If controversial business practices are identified, the Issuer's ESG performance score will be adjusted downward by -10%, -20%, or -30%, depending on the severity level.

2. Level of Compliance with the current Version of the respective Requirements

Following a detailed examination of the Issuer's Framework, EthiFinance confirms whether an issuance complies with the most recent version of Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, as well as the Green Loan Principles or Social Loan Principles.

For a positive assessment, the Issuer must transparently report on and comprehensively implement the following components: (1) use of proceeds, (2) process for project evaluation and selection, (3) management of the proceeds, and (4) reporting.

An Issuer can achieve the following outcomes for each core component and at the aggregate level for the entire Framework:

- Not aligned
- Partially aligned
- Aligned
- Best practices

3. Sustainable Impact of Financed Projects

To evaluate the level of impact of each of the projects identified by the Issuer, EthiFinance provides its opinion on the following aspects:

- Relevance of the projects for the respective sector, country, and the sustainability strategy of the Issuer
- Compliance with relevant sector standards or taxonomy criteria and the management of potential project-specific ESG risks

Rating scale:

- No Impact
- Moderate impact
- Substantial impact
- High impact



Disclosure of the relation between EthiFinance and the Issuer:

Under the name of its now wholly owned subsidiary imug rating, EthiFinance has carried out a Second Party Opinion for Eurogrid GmbH in 2020 and 2022, as well as a Post-Issuance Verifier's Report in 2022. There is no dependency, financial or otherwise, between EthiFinance and the Issuer.

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EthiFinance provides an independent sustainability evaluation. EthiFinance has prepared this independent SPO in accordance with its methodology and in strict compliance with its Code of Ethics, to avoid any conflicts of interest and to meet the requirements of objectivity, transparency, independence, integrity, and professional conduct.

In providing the external review, EthiFinance adheres to the ethical and professional principles, as well as transparency standards and independence, in line with the ICMA's Guidelines for Green, Social, Sustainability, and Sustainability-Linked Bonds External Reviews.

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This SPO contains analysis, information, scoring, evaluations, and research that relate exclusively to the ESG (Environmental, Social and Governance) performance of the Issuer and the related bond Framework under study.

This SPO does not in any way constitute "investment advice" or an "investment recommendation" within the meaning of Article 3-1-35 of European Regulation No. 596/2014 of 16 April, 2014, known as the "Market Abuse Regulation", nor does it more generally represent a recommendation or offer to buy, subscribe to, sell, hold, or retain a security. Under no circumstances should the SPO be used to evaluate credit risk, liquidity risk, or any other elements that do not directly and exclusively pertain to ESG performance.

The Issuer is fully responsible for ensuring compliance with its commitments as defined in its policies, for their implementation, and for monitoring them. The opinion delivered by EthiFinance does not focus on the financial performance of the Bond[s] nor on the effective allocation of its proceeds. EthiFinance is not responsible for any consequences when third parties use this opinion to make investment decisions or to make any kind of business transaction.

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This Second Party Opinion is valid after completion of the dating of the document, unless and until changes are made to the Framework. EthiFinance recommends updating the SPO after two years, as the timeliness and validity of the reviewed content can no longer be guaranteed. In the event of material changes to the issuer’s Framework, the requirements for the analysis and assessment of sustainability factors relating to the SPO, as well as in the event of a changes to the underlying standard, the SPO must also be updated.

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