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## Second Party Opinion

# European Energy A/S Green Finance Framework

Oct. 18, 2024

**Location:** Denmark

**Sector:** Power generators

## Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See [Alignment Assessment](#) for more detail.

## EU taxonomy

Fully aligned

Partially aligned

Not aligned

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**Dark green**

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

## Strengths

**European Energy aims to prioritize investments in renewable energies, which are key to achieving a Low Carbon Climate Resilient (LCCR) future.** While focusing on providing clean electricity to its customers, the issuer has adopted a holistic approach, considering factors such as component durability, climate-related physical risks, and environmental effects on ecosystems.

**The issuer also aims to contribute to the decarbonization of customers in hard-to-abate sectors.** Although the framework's intended portion of proceeds to be dedicated to e-methanol production is marginal, we note the significant potential for green hydrogen-based fuels to help decarbonize the heavy transportation sector.

## Weaknesses

**No weaknesses to report.**

## Areas to watch

**Renewable energy for European Energy's potential green hydrogen production can be from guarantee-of-origin sources.** This can affect hydrogen's lifecycle emissions given that location-based emissions from grid electricity would likely be higher than when renewable energy is sourced directly on-site. Nonetheless, under the framework, such hydrogen would need to meet the EU taxonomy substantial contribution to climate-change mitigation thresholds for hydrogen production.

**Revolving credit facilities could be issued under the framework.** Reporting on these instruments could be challenging due to their short tenor.

## Eligible Green Projects Assessment Summary

The issuer expects the majority of proceeds to be allocated to finance new projects, while a minority of proceeds will be directed to refinancing projects.

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in the European Energy A/S Green Finance Framework, we assess the framework as Dark green.

Eligible projects under issuer’s green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

### Renewable energy

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Development, construction, operations, and maintenance of renewable energy assets such as solar and wind power, and the related energy storage technology.

Development and construction of power-to-X projects such as green hydrogen and e-methanol facilities.

See [Analysis Of Eligible Projects](#) for more detail.

## EU Taxonomy Summary

Substantial contribution		Technical screening criteria						Minimum safeguards	Overall alignment
		Do no significant harm (DNSH)							
		Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection		
<b>3.10 Manufacture of Hydrogen</b>									
✓	Climate mitigation	N/A	✗	✗	N/A	✗	✓		✗
<b>4.1 Electricity generation using solar photovoltaic technology - NACE code: D35.11, F42.22</b>									
✓	Climate mitigation	N/A	✗	N/A	✗	N/A	✓		✗
<b>4.3 Electricity generation from wind power - NACE code: D35.11, F42.22</b>									
✓	Climate mitigation	N/A	✗	✗	✗	N/A	✗	✗	✗
<b>4.10 Storage of electricity</b>									
✓	Climate mitigation	N/A	✗	N/A	✗	N/A	✓		✗
<b>7.6 Installation, maintenance and repair of renewable energy technologies - NACE code: F42, F43, M71, C16, C17, C22, C23, C25, C27, C28</b>									
✓	Climate mitigation	N/A	✗	N/A	N/A	N/A	N/A		✗

See [EU Taxonomy Alignment](#) for more detail.

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = —

## Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Company Description

European Energy A/S, together with its subsidiaries, engages in the generation and sale of electricity by operating wind and solar farms in Denmark and internationally. It operates through sale of energy parks and projects; sale of energy; and asset management and other fees. The company also sells green hydrogen, E-methanol, heat, and other energy. The company was founded in 2004 and is headquartered in Søborg, Denmark.

## Material Sustainability Factors

### Climate Transition Risk

Renewable energy technologies have a vital role to play in reducing emissions associated with the power generation sector, the largest direct source of greenhouse gas emissions globally. Nonpolluting renewable energy sources will likely prevail in the long term. Paris Agreement-modelled pathways imply that almost all electricity will be supplied from zero- or low-carbon sources by 2050, so renewable energy is central to decarbonizing countries' electricity mixes. Regarding the markets served by the issuer, Finland and Denmark exhibit the lowest greenhouse gas emissions in their grids, at 62 and 117 gCO<sub>2</sub>e/KWh, respectively, thanks to their significant integration of renewable energy sources. The issuer's production also supports other markets, both outside and inside the EU, that require further decarbonization efforts, like Germany where the emissions coefficient is 368 gCO<sub>2</sub>e/KWh. This positioning highlights both the climate change risks and opportunities for the company as it contributes to a more sustainable energy landscape.

### Physical Climate Risk

Being fixed assets, power generators are more exposed to physical climate risks than some other sectors. For stakeholders, extreme weather events, including wildfires, hurricanes, and storms, are becoming more frequent and severe and can result in power outages for large populations of users. In turn, these dynamics, coupled with regulatory pressure to preserve security of supply, are driving players to enhance the resilience of assets. Physical climate risks generally involve significant financial losses for operators because of repair costs, but more importantly from exposure to extreme power price spikes or claims due to business disruption. We expect these dynamics will continue but vary regionally depending on regulatory responses.

### Waste Recycling

Renewable energy plants, and the construction, installation, and dismantling of solar PV, wind, and ancillary technology (like cables and batteries), face considerable waste management risks due to their extensive materials use. The sector is increasingly scrutinized for waste generated both during equipment production and at the end-of-life phases of the assets. For solar panels and wind turbines, materials like glass, metals, and rare earth elements require careful handling, and improper disposal or recycling can result in environmental contamination. Batteries represent additional potential risks, especially in the upstream steps of the value chain for minerals extraction, and from hazardous components such as lithium, cobalt, and lead, which pose both environmental and human health risks if not properly managed.

### Impact on Communities

The need for renewable power development related to climate goals intensifies the materiality for stakeholders. Moreover, sites with high renewable potential are often in or near communities, including indigenous groups. This can prompt strong local opposition. At the time of land acquisition or lease, this can raise complex issues around genuine ownership, land areas,

encumbrances, or other third-party rights. Companies in the sector are likely to remain exposed to significant social factors including community backlash and issues arising from “not-in-my-backyard” stances.

## Issuer And Context Analysis

**The renewable energy project category in the framework aims to address the sustainability factors that we consider material for the sector.** Renewable energy aims to address climate transition risk, which we identify as the key risk for the issuer. Furthermore, considerations around materials sourcing and end-of-life treatment of plants also address the waste components. The issuer further commits to performing a physical risk assessment of the projects financed. Lastly, we consider the impact on communities to be relevant because renewable energy plants are geographically fixed assets.

**We view positively European Energy's strategy of generating renewable electricity and supporting market decarbonization, with which the project category aligns well; however, scope 3 reporting and emissions reduction targets are still developing.** The issuer's strategy focuses on continuing to build, operate, and sell renewable energy plants, with energy generated primarily sold to customers, either through Power Purchasing Agreements (PPAs) or to the wholesale market. In 2023, European Energy produced 1870 GWh of renewable energy, up 140% from 2022 (779 GWh), of which nearly 80% was from wind farms and the rest from solar PV. The issuer currently lacks publicly stated carbon dioxide reduction targets but aims to establish one by 2026, to be verified by the Science-Based Targets Initiative (SBTi) using 2024 as the baseline. The group discloses scope 1 and 2 emissions figures for 2022 and 2023, which show a decline in scope 2 market-based emissions in 2023 (down 95% year-on-year) driven by an increased reliance on renewable energy certificates in the reporting year. The group aims to increase its efforts toward energy efficiency and renewable generation onsite, to drive down its direct and indirect emissions. It is currently working on scope 3 emissions reporting, to be published in the upcoming years; the expectation is that these will be the most relevant source of emissions for the group.

**European Energy commits to waste reduction both in its projects under construction and in operation via a dedicated waste policy and related strategy.** The issuer prioritizes durable equipment during procurement, and screens solar PV and wind equipment suppliers based on the recyclability of components as part of its corporate-wide environmental and social management. Furthermore, European Energy discloses that it is developing a dedicated waste policy, which includes end-of-life considerations based on the waste hierarchy in line with the relevant EU Directives, which we view positively. Moreover, the issuer targets to formalise a Waste from Electrical and Electronic Equipment (WEEE) framework to regulate the proper take-back and disposal of electrical and electronic equipment in the EU. While the company has not yet established waste-related targets, it commits to set these by 2026, including a zero-landfilling target for PV modules and wind turbine blades.

**The nature of the renewables business introduces risks to the relationship with local communities due to the proximity of the construction and siting of energy plants.** For this reason, European Energy talks to local stakeholders and communities about their concerns. The aim is to ensure that renewable energy projects do not negatively affect local communities or habitats. The issuer commits to identify affected communities in the upstream value chain and devise a plan for addressing any identified risks.

# Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

## Alignment With Principles

Aligned = ✓    Conceptually aligned = ○    Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

### ✓ Use of proceeds

We assess the framework's green project categories as having a green shade, and the issuer commits to allocating the net proceeds exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more on our analysis of the environmental benefits of the expected use of proceeds. For bonds issued, the issuer will apply a portfolio approach where proceeds will be allocated to a dynamic pool of eligible assets. With regards to proceeds of Green Finance Instruments that are not issued or borrowed on a portfolio basis, these will, to the extent feasible, be allocated to new projects. In cases where such proceeds are allocated to existing projects, European Energy will apply a look-back period of maximum three years. Some proceeds could be allocated to equity or shareholder loans to subsidiaries or joint ventures (JVs) that hold the projects, with the projects financed meeting the framework's eligibility criteria. Although not fully controlled by European Energy, the issuer confirmed that these JVs are pure-play entities; they hold the eligible projects and cannot operate other activities under the common restrictions of project finance transactions.

### ✓ Process for project evaluation and selection

The issuer has an Investment Committee (IC) responsible for project evaluation and selection, in compliance with the green terms of the eligibility criteria and on a best-effort basis evaluating alignment of eligible assets with the EU Taxonomy. The IC includes members from European Energy's management, although best practice would be to disclose key IC members in the framework. The IC is also responsible for identifying and mitigating social and environmental risks associated with financing eligible projects. The IC can replace assets and projects that no longer meet the eligibility criteria. The issuer outlines an exclusion list ensuring that no activities related to fossil fuels or nuclear energy generation, among others, can be financed.

### ✓ Management of proceeds

The issuer commits to credit an amount equal to the net proceeds of any new green financing or refinancing at the group level using a Green Finance Register. It will document and monitor, on a portfolio basis, the allocation of proceeds to eligible green projects. For amounts issued at the subsidiary level (for project financing) allocation tracking will be done to the lenders under the relevant loan documentation, in accordance with the framework's commitments. The framework also states that proceeds allocated to projects on a portfolio basis will be periodically adjusted to match allocations to eligible projects during the time the instrument is outstanding. Unallocated proceeds will be held in accordance with issuer's normal liquidity management policy, and in compliance with the framework's exclusion list.

### ✓ Reporting

The issuer commits to reporting annually on both the allocation and impact of proceeds issued or borrowed on a portfolio basis until the full allocation of the green financing instruments. For instruments issued or borrowed by the subsidiaries, the allocation and impact reporting will be done in accordance with the financing requirements and the green financing framework commitments. The portfolio-basis projects' related allocation reporting will include a description of the eligible projects financed, the EU Taxonomy alignment, the sum of green financing outstanding, the amount invested in green projects and the net proceeds awaiting allocation, and the share of proceeds used for financing inventories, as well as for capital and operating expenditure. The impact reporting will include both actual and estimated environmental impact metrics, including annual

greenhouse gas emissions reduced and/or avoided (in tonnes of CO2 equivalent). The framework specifies that an external auditor will provide an assurance covering the annual allocation report, though not the impact report.

## Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

**Dark green**

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

## Overall Shades of Green assessment

Based on the project category shades of green detailed below and the expected allocation of proceeds, and considering the environmental ambitions reflected in European Energy A/S Green Finance Framework, we assess the framework as Dark green.

## Green project categories

### Renewable energy

#### Assessment

 **Dark green**

#### Description

Solar and wind:

Development, construction, operation, and maintenance of renewable energy assets such as solar and wind power.

Related infrastructure such as storage of electricity.

Power-to-X facilities:

Development and construction of Power-to-X projects such as green hydrogen and e-methanol facilities







#### Analytical considerations

- Renewable energy sources such as solar photovoltaic (PV) cells and wind are key to limiting global warming to well-below 2°C. Still, these projects might lead to land-use change and adversely impact local biodiversity. They are also exposed to physical risks. Furthermore, energy storage plays a key role in net-zero energy systems by providing the necessary flexibility and adaptability to balance the intermittency of most renewable energy sources. Mining metals, which batteries need a lot of, like lithium, cobalt, or copper, can harm the environment, causing pollution, and are water and energy intensive. Lastly, green hydrogen is important for the low-carbon transition because of its low emissions and potential applications in otherwise difficult-to-decarbonize industrial processes and transportation. However, because it relies on electrolysis, managing water consumption is a challenge. Other environmental risks include potentially polluting end-uses and the effects of leaked hydrogen on the atmosphere.
- The company's investments in wind and solar support the Paris Agreement modelled pathways. These imply that almost all electricity will be supplied from zero- or low-carbon sources by 2050. Electricity storage technologies, especially for the batteries connected to the solar PV and wind plants financed in this framework, will help to ensure the continuity of renewable energy availability by stabilizing supply and demand in a decarbonized energy grid. We therefore assess these projects as Dark green.
- European Energy also aims to finance green-hydrogen production plants, powered by renewable energy. Electricity will be either sourced from onsite production, which we view more favorably, or directly from the grid with guarantees of origin. We assess as Dark green the hydrogen produced from renewable electricity sources because the source aligns with an LCCR future. The produced green hydrogen will be mainly for power generation, transportation, and chemical activities. Under the

framework's exclusion list, the hydrogen produced will not be used for activities directly related to fossil fuels, such as power production from fossil fuels. The issuer discloses that, in line with its recent investment in the Kassø and Måde plants (both in Denmark), it will implement a leakage detection system.

- E-methanol, as a hydrogen-based fuel, could be central to reducing carbon emissions in challenging sectors such as road, shipping, and air transportation. While this fuel might be eligible for financing under this framework, European Energy has indicated that it is not expected to account for a significant portion of the funds. Nevertheless, we view positively that, if financed, e-methanol must demonstrate a 70% reduction in life-cycle emissions compared to fossil fuel alternatives, in line with EU taxonomy requirements for hydrogen-based synthetic fuels. Therefore, our assessment of e-methanol's shade of green aligns with the broader project category given that hydrogen is the key component in its production. Regarding sources of carbon dioxide for producing e-methanol, the issuer has disclosed that its current projects rely on biogenic sources (such as biogas-related activities) and has confirmed that similar processes will apply in future.
- Renewable energies like wind, solar, and the related energy-storage technologies, can negatively affect local biodiversity. For all projects included in the category, the issuer has confirmed it will follow applicable laws, including performing an Environmental Impact Assessment (EIA) where applicable, which includes biodiversity. Where applicable laws do not require an EIA to be performed (e.g. smaller projects), the issuer will conduct an environmental and social screening and determine, as part of an overall risk analysis, whether to perform an EIA. This screening mechanism follows the same process as under the EU regulatory framework for conducting EIAs. The impact studies capture preventive and corrective measures to be implemented during both the construction and operation of the assets.
- The company focuses on building renewable energy power plants for various purposes including retaining plants' ownership for power generation and sale, and the direct sale of ready-to-build or operating plants. For the plants in scope of financing, the issuer has confirmed it will sell, through PPAs, most of the renewable electricity generated, while a minority will go behind-the-meter, in line with its current portfolio.
- There are carbon emission considerations at various stages of the life cycle of renewable energy assets including material sourcing, manufacturing, transportation, and equipment end-of-life management. This is particularly relevant for the batteries used as ancillary storage. Across all projects, especially for solar and wind power, but also for storage technologies and hydrogen production, the company seeks to progress toward a circular economy, mainly procuring high quality components (considered tier 1) to ensure durability and recyclability, with suppliers screened based on industry practices for dismantling and refurbishment. Furthermore, European Energy is working on developing a dedicated policy on equipment and materials end-of-life, in line with the relevant EU Directives, and expects that it will become part of its operating model. For batteries, the issuer commits to screen the inputs during the sourcing process, which we view as positive given that the extraction of minerals for batteries (such as lithium and cobalt) is highly carbon-dioxide intensive.
- European Energy assesses the physical climate risks of its assets and future projects based on severity and likelihood. The company assigns a risk rating to each project, which forms part of its Environmental and Social Management System (ESMS) and documentation system. This assessment helps identify material impacts, risks, and opportunities that are addressed through project-specific management plans. While the company has not yet conducted a site-level climate risk and vulnerability assessment, it plans to integrate this into its ESMS for all new projects. Further, the company aims to identify suitable adaptation measures, where necessary.

S&P Global Ratings' Shades of Green

Assessments					
Dark green	Medium green	Light green	Yellow	Orange	Red
<b>Description</b>					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
<b>Example projects</b>					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).



# EU Taxonomy Alignment

In our EU Taxonomy Assessment, we opine on whether an eligible project to be financed aligns with the EU Taxonomy in cases when the economic activity is covered by Technical Screening Criteria (TSC), which is incorporated into European law via delegated acts. (see "[Analytical Approach: Second Party Opinions: Use Of Proceeds](#)," published July 27, 2023).

<b>EU taxonomy</b>	Fully aligned	Partially aligned	Not aligned
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In our opinion, the framework, published on Oct. 18, 2024, is not aligned with the EU taxonomy.

- All European Energy’s EU taxonomy activities to be financed within this framework are aligned with the TSC’s substantial contribution criteria.
- As of today, the issuer is not aligned with all the applicable DNSH criteria. However, the issuer is making progress in various internal processes that are in line with the EU taxonomy criteria.
- At this stage, European Energy does not have a complete human rights due diligence process in place. Therefore, we assess the issuer’s procedures as not aligned with the EU taxonomy requirements for minimum safeguards. Furthermore, the issuer does not provide sufficient information on whether senior management is trained in relation to competition issues, which also constrains our assessment. Nevertheless, we acknowledge that the issuer is in the process of implementing relevant procedures for being aligned with the minimum safeguards. Consequently, our overall opinion is that the financing framework is not aligned with the EU Taxonomy.

## EU Taxonomy Summary

Substantial contribution		Technical screening criteria						Minimum safeguards	Overall alignment
		Do no significant harm (DNSH)							
		Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection		
<b>3.10 Manufacture of hydrogen</b>								✗	
✓	Climate mitigation	N/A	✗	✗	N/A	✗	✓		✗
<b>4.1 Electricity generation using solar photovoltaic technology</b>									
✓	Climate mitigation	N/A	✗	N/A	✗	N/A	✓		✗
<b>4.3 Electricity generation from wind power</b>									
✓	Climate mitigation	N/A	✗	✗	✗	N/A	✗		✗
<b>4.10 Storage of electricity</b>									
✓	Climate mitigation	N/A	✗	N/A	✗	N/A	✓	✗	
<b>7.6 Installation, maintenance and repair of renewable energy technologies</b>									
✓	Climate mitigation	N/A	✗	N/A	N/A	N/A	N/A	✗	

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = —

## Detailed analysis

Minimum safeguards		
Analytical focus	Opinion	Rationale
<p>Our assessment is focused on how the issuer meets the four core topics of the minimum safeguards following the Platform on Sustainable Finance's recommendations:</p> <ul style="list-style-type: none"> <li>• Human rights, including workers' rights;</li> <li>• bribery/corruption;</li> <li>• taxation: and</li> <li>• fair competition</li> </ul>	<p>Aligned</p> <p>Not aligned</p>	<p><b>We assess the issuer as not aligned with the EU taxonomy requirements for minimum safeguards.</b></p> <p>At this stage, European Energy does not demonstrate alignment with the minimum safeguards, as it is currently in the process of implementing relevant procedures, for example for human rights due diligence and anti-competitive practices. The issuer has several environmental and social risk policies in place that apply when developing and operating its energy generation assets in the EU, making the management of its social impact highly relevant.</p> <p>In relation to human rights, the issuer discloses that its due diligence framework is currently still under development and commits to fully perform and disclose it in the near term. As such, the issuer's policies and procedures do not fully meet the expectations of the UN Guiding Principles on Business and Human Rights as required by the minimum safeguards. These safeguards require an adequate process to identify, prevent, mitigate, track, and account for actual and potential adverse impacts on human rights in a company's own operations, supply chains, and other business relationships. Nevertheless, we view positively that European Energy is strengthening its policies and procedures for human rights assessments of its business partners, as it discloses in the dedicated Code of Conduct for Business Partners. The document endorses the UNGPs and OECD Guidelines for MNE in its relations with business partners (such as suppliers), covering child labor, forced labor, and occupational health and safety. Based on this, the issuer is also cooperating with external partners for screening the full supplier base to identify sustainability-related risks. Corrective action plans for higher risk suppliers are also being prepared. Furthermore, the issuer is working on building a due diligence process to perform a human risk assessment by 2026, covering its entire operations.</p> <p>Regarding fair competition, European Energy states in its code of conduct its position on anti-competitive behaviors, identifying the practices that it does not accept. It also identifies the relevant compliance department to which related queries can be directed. However, the issuer does not confirm if senior management is trained in competition issues, a requirement for alignment with minimum safeguards according to the European Commission's Platform on Sustainable Finance (PSF)'s recommendations.</p> <p>In relation to corruption and bribery, within the code the issuer outlines a comprehensive list of corruption-related practices, the applicable regulation, the related sanctions, and the minimum compliance standards that the entire group must adhere to. The issuer regularly updates its internal systems to prevent fraud, bribery, and money laundering. Furthermore, the issuer discloses that an internal control framework ensuring that all costs are approved at least by two employees with appropriate seniority is in place. The issuer discloses that all employees must take online training in the relevant regulation and practices, as summarized in its Good Business Code of Conduct. In its annual report, European Energy further provides information on the completion rates of</p>

the training, which in 2023 covered 82% of employees, 2% up year-on-year. We view this positively but note it does not cover the whole workforce.

European Energy discloses that its tax risk management is done by a dedicated tax committee, which includes the deputy CEO, the CFO, a business vice president, and the tax director. Additionally, the issuer has confirmed that it is developing an appropriate tax policy, ensuring compliance with the tax laws and regulations of the countries in which it operates. Within its annual reporting the issuer discloses country-specific tax payments, inspired by the GRI Tax (207) standard.

Under the external sources' European Commission's Platform on Sustainable Finance (PSF) recommendations on minimum safeguards, and according to the issuer's confirmation, we did not foresee the issuer being convicted of breaching any of the four minimum safeguards.

<b>Economic activity:</b>	<b>4.1 Electricity generation using solar photovoltaic technology</b>
<b>NACE code:</b>	<b>Not identified by the issuer</b>

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the <b>substantial contribution</b> technical screening criteria.	<div style="background-color: #d3d3d3; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #f0f0f0; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider the issuer's activity of electricity generation using solar PV technology as aligned with the TSC for a substantial contribution to the EU's climate change mitigation objective.</b></p> <p>European Energy aims to finance the development, expansion, construction, maintenance, acquisition, and/or operation of PV solar technology, which can substantially contribute to climate change mitigation, in our view.</p>
Our assessment is focused on how the activity meets the <b>does not significantly harm</b> other EU objectives' technical screening criteria.	<div style="background-color: #d3d3d3; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #f0f0f0; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider this issuer's activity of electricity generation using solar PV technology as not aligned with the DNSH TSC.</b></p> <p>According to the TSC, this activity must not harm climate adaptation, the circular economy, or biodiversity. Water and pollution are not applicable for this eligible economic activity.</p> <p>For DNSH on circular economy, we conclude that the activity it is not yet aligned, but it is working toward alignment. The issuer has disclosed that it applies circular economy principles, including considerations on durability and recyclability, for the procurement of components for solar PV technology. These considerations, together with additional end-of-life treatments, are currently being incorporated into a dedicated policy.</p> <p>For biodiversity DNSH, the issuer discloses that for every project financed through the framework a third party will perform an EIA with appropriate assessments and mitigation measures being defined, where required by law. Where applicable laws do not require an EIA to be performed (e.g. smaller projects), the issuer will conduct an environmental and social screening and determine, as part of an overall risk analysis, whether to perform an EIA. This screening mechanism follows the same process as under the EU regulatory framework for conducting EIAs.</p> <p>About the climate adaptation DNSH, the issuer has confirmed that it has not yet performed a climate risk and vulnerability assessment to identify significant physical climate risks to the performance of the economic activity. Although the lack of this assessment, which leads to our not</p>

aligned opinion, we note an increased focus from the issuer on risk assessment and mitigation. European Energy conducts a risk rating for each project in scope of the financing, which forms part of its ESMS and documentation system. This assessment helps identify material impacts, risks, and opportunities that are addressed through project-specific management plans; it could also help form the basis of a future-climate-risks vulnerability assessment.

<b>Economic activity:</b>	<b>4.3 Electricity generation from wind power</b>
<b>NACE code:</b>	<b>Not identified by the issuer</b>

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the <b>substantial contribution</b> technical screening criteria.	<div style="background-color: #cccccc; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #e0e0e0; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider the issuer’s activity of electricity generation from wind power as aligned with the TSC for a substantial contribution to the EU’s climate change mitigation objective.</b></p> <p>European Energy aims to finance the development, expansion, construction, maintenance, acquisition, and/or operation of electricity generation from wind power, both onshore and offshore assets, which can substantially contribute to climate change mitigation, in our view.</p>
Our assessment is focused on how the activity meets the <b>does not significantly harm</b> other EU objectives' technical screening criteria.	<div style="background-color: #e0e0e0; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #cccccc; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider this issuer’s activity of electricity generation from wind power as not aligned with the DNSH TSC.</b></p> <p>According to the TSC, this activity must not harm climate adaptation, circular economy, water, and biodiversity efforts. Pollution prevention is not applicable to this eligible economic activity.</p> <p>Regarding how European Energy aims to address DNSH criteria for climate adaptation, we note its increased focus on risk assessment and mitigation. However, we conclude that the issuer does not meet the TSC. Please refer to the DNSH rationale described in the activity “4.1 Electricity generation using solar PV technology” for further details.</p> <p>For DNSH related to the circular economy, we conclude that the activity it is not yet aligned, but it is working toward alignment. The issuer discloses that it applies circular economy principles, including considerations of durability and recyclability, for the procurement of the components for wind power technology. Furthermore, the issuer shares that the above considerations, together with additional end-of-life treatments, are currently being incorporated into a dedicated policy.</p> <p>For the water DNSH, the issuer informed us that it will perform an EIA covering all projects included in this project category. Where applicable laws do not require an EIA to be performed (e.g. smaller projects), the issuer will conduct an environmental and social screening and determine, as part of an overall risk analysis, whether to perform an EIA. This screening mechanism follows the same process as under the EU regulatory framework for conducting EIAs. However, specifically for offshore wind assets, we don't have enough evidence to conclude that this EIA, to be performed by the issuer, will cover the Directive 2008/56/EC and the appropriate measures to be taken by the issuer will be in line with the Directive’s Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in</p>

Commission Decision (EU) 2017/848 and as required by the water DNSH criteria.

For biodiversity DNSH, the issuer will perform an EIA covering all projects included in this project category, with appropriate assessments and mitigation measures being defined, where required by law. Where applicable laws do not require an EIA to be performed (e.g. smaller projects), the issuer will conduct an environmental and social screening and determine, as part of an overall risk analysis, whether to perform an EIA. This screening mechanism follows the same process as under the EU regulatory framework for conducting EIAs. However, in case of offshore wind projects, the TSC also requires measures to prevent or mitigate impacts on biodiversity (Descriptor 1) and seabed integrity (Descriptor 6) to ensure compliance with Directive 2008/56/EC and Decision (EU) 2017/848. Due to the absence of this information, the issuer cannot currently demonstrate alignment with the EU Taxonomy’s DNSH requirements.

**Economic activity:** 4.10 Storage of electricity

**NACE code:** Not identified by the issuer

**Analytical focus**

**Opinion**

**Rationale**

Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria.

Aligned  
Not aligned

**We consider the issuer’s activity of storing electricity as aligned with the TSC for a substantial contribution to the EU’s climate change mitigation objective.**

European Energy aims to finance the construction and operation of electricity storage technologies, specifically through batteries connected to solar PV plants, which can substantially contribute to climate change mitigation, in our view.

Our assessment is focused on how the activity meets the **does not significantly harm** other EU objectives’ technical screening criteria.

Aligned  
Not aligned

**We consider the issuer’s activity of storing electricity as not aligned with the DNSH TSC.**

According to the TSC, this activity must not harm climate adaptation, circular economy, and biodiversity efforts. Pollution prevention and water are not applicable to this eligible economic activity because the issuer confirmed that no pumped hydropower storage project is part of the financing.

Regarding how European Energy aims to address the DNSH criteria for climate adaptation, we note the issuer’s increased focus on risk assessment and mitigation. However, we conclude that the issuer does not meet the TSC. Please refer to the DNSH rationale described in the activity “4.1 Electricity generation using solar PV technology” for further details.

For the biodiversity DNSH, our view is that the issuer is aligned with the DNSH. For further information, please refer to the rationale described in activity “4.1 Electricity generation using solar PV technology”.

Regarding how European Energy addresses the circular economy DNSH, we conclude that the issuer does not meet the specific criteria for this activity. The DNSH specifies that for the projects financed, a waste management plan is in place ensuring maximal reuse or recycling at end-of-life in accordance with the waste hierarchy. This will likely be demonstrated

through contractual agreements with waste management partners, and reflected in financial projections or via official project documentation. The issuer is currently working on developing a dedicated policy for end-of-life considerations for its projects, planned to be part its Sustainability Operating Model in the near future. However, due to the lack of information on the processes considered in the policy draft, and the lack in visibility on its waste management plans or contractual agreements with partners, we conclude that the issuer cannot currently demonstrate alignment with the EU Taxonomy’s DNSH requirements.

**Economic activity:** 7.6 Installation, maintenance, and repair of renewable energy technologies

**NACE code:** Not identified by the issuer

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the <b>substantial contribution</b> technical screening criteria.	<div style="background-color: #cccccc; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #e0e0e0; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider the issuer’s activity of installation, maintenance, and repair of renewable energy technologies as aligned with the EU’s climate change mitigation objective.</b></p> <p>European Energy aims to finance expenditure related to the installation, maintenance, and repair of the renewable energy technologies encompassed in the framework, being solar power and wind, which can substantially contribute to climate change mitigation, in our view.</p>
Our assessment is focused on how the activity meets the <b>does not significantly harm</b> other EU objectives' technical screening criteria.	<div style="background-color: #e0e0e0; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #cccccc; padding: 2px; text-align: center;">Not aligned</div>	<p><b>We consider this issuer’s activity of installation, maintenance, and repair of renewable energy technologies as not aligned with the DNSH TSC.</b></p> <p>According to the TSC, this activity must not harm climate adaptation. Pollution prevention, water, circular economy, and biodiversity efforts are not applicable for this eligible economic activity.</p> <p>Regarding how European Energy aims to address DNSH criteria for climate adaptation, we note the issuer's increased focus on risk assessment and mitigation. However, we conclude that the issuer does not meet the TSC. Please refer to the DNSH rationale described in the activity “4.1 Electricity generation using solar PV technology” for further details.</p>

**Economic activity:** 3.10 Manufacture of hydrogen

**NACE code:** Not identified by the issuer

**Analytical focus**                      **Opinion**                      **Rationale**

Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria.

Aligned  
Not aligned

**We consider the issuer's activity of the manufacture of hydrogen as aligned with the TSC for a substantial contribution to the EU's climate change mitigation objective.**

European Energy's financing of projects focused on the manufacturing of hydrogen meet the requirements of the EU taxonomy, including life cycle greenhouse gas emissions savings of 73.4% for hydrogen relative to a fossil fuel comparator of 94 gCO<sub>2</sub>e/MJ. If European Energy finances projects to produce e-methanol, the projects will meet a 70% life cycle greenhouse gas emissions savings relative to a fossil fuel comparator, as shared by the issuer. The issuer discloses it calculates life cycle emission savings using the methodology specified in the Article 28(5) of Directive (EU) 2018/2001. Furthermore, European Energy has confirmed that the projects will undergo third-party verification to quantify the savings.

Our assessment is focused on how the activity meets the **does not significantly harm** other EU objectives' technical screening criteria.

Aligned  
Not aligned

**We consider this issuer's activity of the manufacture of hydrogen as not aligned with the DNSH TSC.**

According to the TSC, this activity must not harm climate adaptation, water, pollution prevention efforts, and biodiversity. The circular economy DNSH objective is not applicable for this eligible economic activity.

Regarding how European Energy aims to address DNSH criteria for climate adaptation, we note its increased focus on risk assessment and mitigation. However, we conclude that the issuer does not meet the TSC. Please refer to the DNSH rationale described in the activity "4.1 Electricity generation using solar PV technology" for further details.

For the biodiversity DNSH, the issuer discloses that for every project financed through the framework an EIA will be performed by a third party, with appropriate assessments and mitigation measures being defined, where required by law. Where applicable laws do not require an EIA to be performed (e.g. smaller projects), the issuer will conduct an environmental and social screening and determine, as part of an overall risk analysis, whether to perform an EIA. This screening mechanism follows the same process as under the EU regulatory framework for conducting EIAs.

Similarly, the issuer has disclosed that any EIA performed will cover the criteria for the water DNSH. However, at this stage, we don't have enough evidence to conclude that this EIA will be in line with both the Directive 2011/92/EU and Directive 2000/60/EC, as required by the water DNSH criteria.

For the pollution prevention DNSH, we conclude that the issuer does not align with the requirements. The DNSH criteria in the TSC ensure that activities do not involve harmful substances listed in key EU regulations, except for cases like unintentional trace contaminants or essential uses for society. Emissions must further comply with or be lower than the levels set by best available techniques, as outlined for industries such as chlor-alkali production and chemical waste treatment. Additionally, no significant cross-media effects should occur, ensuring that environmental impacts are minimized across air, water, and soil. Due to the absence of information, the issuer cannot currently demonstrate alignment with the EU Taxonomy's DNSH requirements.

# Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable energy	  <b>7. Affordable and clean energy*</b> <b>13. Climate action</b>

\*The eligible project categories link to these SDGs in the ICMA mapping.



## Related Research

- [Analytical Approach: Second Party Opinions: Use of Proceeds](#), July 27, 2023
- [FAQ: Applying our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions](#), July 27, 2023
- [Analytical Approach: Shades of Green Assessments](#), July 27, 2023
- [S&P Global Ratings ESG Materiality Maps](#), July 20, 2022

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## Second Party Opinion: European Energy A/S Green Finance Framework

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