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Second Party Opinion

EPH Green Finance Framework

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Location: Czech Republic

Sector: Power Utilities

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

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

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

Strengths

The issuer has put in place a clear climate transition plan, supported by decarbonisation targets aligned with the science-based Transition Pathway Initiative (TPI). Though the issuer's strategy focuses on the expansion of thermal dispatchable power generation dominated by gas power plants, such assets financed under the framework would have to comply with the EU Taxonomy's robust requirements, as the issuer commits to aligning with the Substantial Contribution criteria to climate change mitigation for eligible activities under the framework, with the aim to support decarbonization and coal phase-out efforts across several European countries.

Weaknesses

EPH's framework includes significant investments in, and exposure to, fossil fuel-based assets and infrastructure. Firstly, proceeds will finance investments in the readiness of EPH's gas distribution network for hydrogen and low carbon gases. Until the network distributes renewable or low carbon gases, it is exposed to significant transition risk from the distribution of natural gas and hydrogen produced from natural gas. Secondly, proceeds will finance the conversion to natural gas of lignite coal-powered district heating/cogeneration plants and electricity generation assets. Natural gas remains a fossil fuel exposed to significant transition risk. Furthermore, proceeds can be invested in district heating networks that can distribute heat from lignite coal and natural gas until EPH's phase in of renewable or low carbon gases. Finally, the overarching group continues to operate substantial coal generation assets, which have partially been channeled to a sister entity and are outside the scope of this framework.

Areas to watch




Use of natural gas as a transitional energy source should only be considered if renewable alternatives are unfeasible in EPH's geographical areas of operation in the short term. EPH has undertaken a comparative assessment, open to stakeholder consultation, in line with the asset's eligibility criteria.

The transition to renewable or low carbon gases is central to EPH's decarbonization strategy. However, increased production and use of these gases entails risk and uncertainty. If supply and demand is delayed or insufficient, EPH's gas distribution network and CCGT plants will distribute and use natural gas for a longer period.

Eligible instruments include commercial paper (CP) and convertible/hybrid debt, for which reporting can be a challenge due to the nature and maturity of these instruments. Although neither is expected to be issued in the near term, it remains eligible under the framework.

Eligible Green Projects Assessment Summary

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

Renewable Energy – Electricity distribution infrastructure	 Medium to Light green
Electricity distribution infrastructure and equipment	
Renewable Energy – Gas distribution infrastructure	 Light green
Renewable and low-carbon gas distribution infrastructure and equipment	
Energy efficiency – Power and heat generation, district heating networks	 Light green
Pipelines and associated infrastructure for distribution of heating and cooling produced	
Co-generation of heat/cool and power from bioenergy	
Electricity generation from fossil gaseous fuels	
High efficiency co-generation of heat/cool and power from fossil gaseous fuels	
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	

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

EU Taxonomy Summary

Technical screening criteria								Minimum safeguards	Overall alignment
Substantial contribution	Do no significant harm (DNSH)								
	Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection			
4.9 Transmission and distribution of electricity (Renewable energy category)- NACE code: D35.12, D35.13								X	
✓	Climate mitigation	N/A	X	N/A	✓	X	✓		X
4.14 Transmission and distribution networks for renewable and low carbon gases (Renewable energy category) - NACE code: D35.22, F42.21, H49.50									
✓	Climate mitigation	N/A	X	✓	N/A	✓	✓		X
4.15 District heating/cooling distribution (Energy Efficiency category) - NACE code: D35.30									
✓	Climate mitigation	N/A	X	✓	N/A	✓	✓	X	
4.20 Cogeneration of heat/cool and power from bioenergy (Energy Efficiency category) - NACE code: D35.11, D35.30									
✓	Climate mitigation	N/A	X	✓	N/A	X	✓	X	

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4.29 Electricity generation from fossil gaseous fuels (Energy Efficiency category) - NACE code: D35.11, F42.22								
✓	Climate mitigation	N/A	✗	✓	N/A	✗	✓	✗
4.30 High efficiency co-generation of heat/cool and power from fossil gaseous fuels (Energy Efficiency category) - NACE code: D35.11, D35.30								
✓	Climate mitigation	N/A	✗	✓	N/A	✗	✓	✗
4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system (Energy Efficiency category) - NACE code: D35.30								
✓	Climate mitigation	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

Energetický a průmyslový holding, a.s. (EPH), an integrated energy utility company, engages in power and natural gas activities across Czechia, Slovakia, Germany, Italy, the U.K., Ireland, France, Switzerland, and the Netherlands. It generates and distributes electricity through coal-, gas-, and biomass-fueled power plants, among others, as well as wind and solar farms. In addition, the company mines and produces brown coal; and owns and operates an underground gas storage facility. EPH is also involved in rail freight and freight forwarding, railway rolling stock rental, logistics, and energy commodities trading and hedging activities. The company was founded in 2009 and is based in Prague, Czechia. As of Dec. 31, 2022, EPH's revenue stood at €37 billion and its EBITDA at €4 billion. 56% of EBITDA came from flexible power generation, 12% from gas and power distribution, and 9% from the renewables segment. The remainder is split between gas storage, gas transmission, heat infrastructure, and other activities. EPH is controlled by and operates as a subsidiary of EP Corporate Group, a.s. with Daniel Kretinsky, the ultimate beneficial owner, acting as combined chair and CEO.

Material Sustainability Factors

Climate transition risks

Power generation is the largest direct source of greenhouse gas emissions globally, making this sector highly susceptible to the growing public, political, legal, and regulatory pressure to accelerate on climate goals. Renewable energy technologies have a vital role to play in reducing emissions associated with power and heat, which will be key to limiting the global temperature rise to 1.5C. At present, natural gas contributes approximately 25% of worldwide electricity production according to the International Energy Agency (IEA). Although some regions have used it to replace coal power and reduce annual emissions, its future becomes more uncertain in a world where nonpolluting renewable energy sources can prevail in the long run. Without carbon capture, utilization, and storage (CCUS) technology, emissions reductions can come only from improvements in efficiency or potential switches to alternative fuels such as green hydrogen--although we currently believe that these are generally not sufficiently efficient and competitive.

Climate transition risks are also important for stakeholders, particularly in electricity and gas networks, that are directly exposed to upstream generators and have a critical role in the energy delivery value chain. The gas network sector faces the challenge of reducing reliance on methane-emitting natural gas, which could affect growth prospects and regulatory risk management. Overall, the power generation sector is highly susceptible to public, political, legal, and regulatory pressure to accelerate climate goals.

Physical climate risks

Given fixed assets, generators and utility networks are more exposed to physical climate risks than other sectors. More frequent and severe weather events, including wildfires, hurricanes, and storms can result in power outages for large populations of users. As water is often a significant resource for hydro and fossil-fuel based power plants, exposure to flooding, drought, or warmer temperatures can also harm operations. In turn, these dynamics, coupled with regulatory pressure to preserve security of supply, are driving players to enhance the resilience of assets. The physical climate risks generally involve significant financial losses for operators due to repairs, but more importantly from exposure to extreme power price spikes or claims due to business disruption. We expect these dynamics to continue but vary regionally depending on regulatory responses. In addition, the

networks with extensive service territories are at high risk from physical climate events, leading to service disruptions for large populations. This can increase stakeholder materiality and result in higher costs and leverage for utilities.

Integrated energy companies have typically maintained resilient operations through extreme weather events. However, the sector is not immune to disruptions given its long-distance, asset-heavy nature, and thus exposure to physical climate risks is higher than the average of other sectors. In addition, the sector is exposed to disruptions that occur on its value chain and affect its service offerings and pricing. For example, local natural disasters or extreme weather may not affect gas pipeline operations on a large scale but may still shut off gas production, affecting gas price and availability, and therefore causing problems for stakeholders like companies and municipalities that buy gas.

Pollution

The combustion of fossil fuels generates other air emissions, notably, sulfur oxides (SOx), nitrogen oxides (NOx), particulates, and volatile organic compounds (VOCs), while coal-fired power generates toxic coal ash waste, which if mismanaged can contaminate water and harm community health, leading to public opposition. This risk translates into increased regulatory scrutiny; generators must bear the costs of penalties, legal action, and remediation. However, these impacts are mostly isolated, and the magnitude depends on the stringency of the regulatory response.

Biodiversity and resource use

New pipeline infrastructure for transportation of green hydrogen and low-carbon fuel is slowly expanding to meet climate goals. New gas networks often need linear land tracks, which can have adverse impacts on biodiversity. Impacts can include reduced plant and animal species because of vegetation suppression and habitat fragmentation. Regarding the transmission electricity activities, they also involve interventions in nature. Given the use of land to support above-ground infrastructure, reducing land use and biodiversity impacts is crucial. Generally speaking, a lack of biodiversity considerations can lead to habitat loss, landscape fragmentation, and disruptions to species, undermining biodiversity and ecosystem services. For example, for pipelines in mountainous and vegetation-rich areas, less vegetation can make the area more susceptible to landslides. In most jurisdictions, local regulations mandate that new projects undergo environmental impact assessments to identify biodiversity risks and place mitigation measures to avoid or minimize potential harm, including ensuring sufficient soil cover quality. Furthermore, air, land, or water pollution resulting from gas pipeline leaks or oil spills are one of the most material environmental factors, in addition to the sourcing of various metals used to build these assets.

Impact on communities

Community impacts are more acute for stakeholders, given how close networks are to where people live and work and that energy services are essential for community health and well-being globally. Stakeholder impacts arise from the construction and siting of power lines especially in areas with little industrial development, in indigenous territories that are accelerating construction to meet climate goals, and where local governments grant eminent domain. Moreover, service disruptions, fires, gas explosions, and untreated wastewater pose severe, and sometimes irreversible, community health and safety hazards. In addition, pipeline networks (both natural gas and crude oil) require significant land use, at times crossing through rural communities and conflict areas. Companies in the sector are likely to remain exposed to significant social factors including community backlash and “not-in-my-backyard” issues.

Issuer And Context Analysis

Through its green financing framework, EPH aims to primarily address climate transition risk, a material sustainability factor (MSF), by retrofitting and expanding generation and distribution infrastructure. In line with the company’s overall strategy, this includes investment related to gas infrastructure, notably the retrofitting of gas distribution networks to become hydrogen-ready, as well as the development of combined cycle gas turbine (CCGT) and open cycle gas turbine (OCGT) power plants to replace coal power production, alongside several other activities. These gas power plants are scheduled to fuel switch to hydrogen or other climate neutral gases in 2035. While many of its investments provide needed backup capacity and may assist with balancing the grid, these may also carry substantial transition risk. In addition, though not the primary focus of the framework, the company has initiatives in place to address other

environmental risks, including those related to climate change adaptation, pollution and biodiversity, as well as social factors.

EPH's asset portfolio constitutes a substantial share of fossil-fuel based power generation, including coal and natural gas plants in Italy, Germany, the U.K., Ireland, France, Netherlands, and others. In 2022, EPH held a total of 11,019 megawatts (MW) net installed electricity generation capacity from conventional sources across its subsidiaries EP Infrastructure and EP Power Europe, with the majority coming from CCGT (~57%) and coal plants (~36%). Net power production from these sources in 2022 stood at 34.5 terawatts (TWh), with ~65% coming from CCGT and the remainder from hard coal and lignite. In contrast, installed capacity from renewable energies stood at 801 MW, with the majority coming from biomass (~83%), and solar photovoltaics and wind energy (~15%). Net power production in 2022 from renewable sources accounted for roughly 2.5 TWh. Nevertheless, by 2025, EPH aims to reduce its coal assets, with a complete cessation of coal as a primary energy source by 2030. This is to be achieved through decommissioning, replacement with hydrogen-ready gas plants, as well as the creation of a newly formed sister company, EP Energy Transition (EPETr), into which the group intends to channel its coal-intensive operations. This is scheduled to be completed by the end of 2025. EPETr will then manage and strategize the decommissioning process, though it is not subject to the same phaseout timeline as EPH and may continue to operate lignite and coal mines and plants, such as its assets in Germany until 2038, in line with the German official coal exit date.

EPH's direct Scope 1 greenhouse gas emissions have increased steadily for several years. In 2022, the group reported an increase of 7% compared with the previous year, and emissions have risen at a compound annual rate of 6.4% since 2018. Much of the recent increase is related to the energy shortages resulting from the Russia-Ukraine conflict and the resulting lifetime extension of some coal plants across various European countries to replace Russian gas. Despite the recent increases, EPH's objectives for 2033 include a reduction of CO₂ emission intensity in line with the Below 2 Degrees pathway of the Transition Pathway Initiative (TPI), implying the average group intensity below 174g CO₂/kWh. EPH also targets the conversion of select coal plants, such as Fiume Santo in Sardinia and Czech combined heat and power plants, to gas or biomass units. By 2050, EPH aims to achieve net zero within the same scopes. The group does not currently collect and report on its scope 3 greenhouse gas emissions. Nevertheless, an assessment is currently ongoing, and disclosure will commence for 2024. The group notes that its main sources of Scope 3 emissions are linked to gas transported, stored, and distributed through its infrastructure, lignite mining, power and gas supplied to end consumers, as well as hard coal trading.

EPH's wide geographic presence and the fixed nature of its assets make physical climate risk a key factor. The company operates across various countries, including regions with high exposure to physical climate risks. The company acknowledges that more frequent and extreme weather events are a risk as they can damage infrastructure assets and lead to interruptions in the supply of vital commodities. For instance, in some of its operating regions, the offtake of cooling water may be reduced, which could affect its heat and power generation capacities. Moreover, while some of the financed assets under the framework, such as the pipelines that are located below ground, are considered to be low risk, others are exposed to more direct damage from climate change-induced extreme weather events.

Aside from greenhouse gas emissions, EPH's activities also result in other atmospheric pollutants. Specifically, this includes NO_x, SO₂, and dust. While the company reduced NO_x emissions in 2022 by 3% year on year, emissions related to the latter two increased by 32% and 3%, respectively. This was mainly linked to the higher production of the company's coal plants in Germany and France. Overall, since 2015, EPH has decreased its emissions from SO₂ and dust by 60% and 54%, respectively, while NO_x emissions have remained largely unchanged over that timeframe.

EPH has recently implemented an overarching biodiversity policy, although the group has yet to develop specific targets and measures. In this policy, the company commits to regulatory compliance, a preventive approach to biodiversity impacts, and requests that biomass used must

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have relevant certificates, among other things. Specifically, to identify project-related risks and impacts, the company conducts environmental impact assessments (EIAs) and has stated it will implement mitigating measures accordingly.

The group's primary business activities have a substantial impact on local communities and the "just transition," affecting both environmental and social factors. For instance, the group's mining, power, and heat generation activities rely on water, which can significantly affect water availability for local communities, especially in water-stressed regions. EPH states that it interacts with relevant stakeholders during local consultations. Furthermore, in line with its coal exit strategy, the group has also implemented measures at certain plants to address employment prospects and support for affected employees, including early pension and retraining.

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

All the framework's green project categories are shaded in green, and the issuer commits to allocate the net proceeds issued under the framework exclusively to eligible green projects. EPH commits to allocate an amount equivalent to the net proceeds from the green financing instruments to finance or re-finance eligible green projects. Capital expenditure (capex) and operating expenditure (opex) will qualify with no lookback period, which we don't consider to be in line with best market practice. We note that private placements and loans are among the framework's eligible instruments, as well as CP, which is short term in nature and may incur some challenges around allocation and reporting. The issuer notes that it will disclose the full amount of CP outstanding and that the pool of eligible assets will always exceed the volume of outstanding instruments.

✓ Process for project evaluation and selection

EPH has a dedicated Green Finance Committee (GFC), made up of representatives from Treasury/Financing, Sustainability, Investor Relations, and other parties nominated as subject matter experts. The GFC is responsible for defining and evaluating the eligibility of the project categories. Furthermore, it also monitors internal processes to identify potential environmental and social risks associated with the projects and where possible implement mitigation measures. On an annual basis, the GFC reports to the Board of Directors. Decisions made by the GFC requires consensus from all its members with each having veto power. EPH commits to a robust policy framework that guides decision-making, drawing on various Environmental, Biodiversity, and Asset Integrity policies to manage environmental and social risks related to financed projects.

✓ Management of proceeds

The issuer commits to allocating an amount equal to the net proceeds to eligible green projects. These will be tracked using an internal project register to document and monitor the allocation of all issued amounts. The allocation of proceeds will be managed by the company's Finance department to ensure that the allocation of the bonds' net funds coincides nominally with the disbursements made to the Eligible Green Projects, until full allocation of funds. During the time the instrument is outstanding, the company will achieve a level of allocation for the eligible green project portfolio periodically to match allocations to eligible projects. Moreover, the issuer specifies that unallocated funds will be held in cash or other short-term liquid instruments.

✓ Reporting

The issuer commits to report on the allocation and impact of proceeds annually, until full allocation or maturity of green financing instruments. The allocation reporting will include various details, including the total amount of assets, investments, and expenditures in the Eligible Green Project Portfolio, the share of financing versus refinancing, and the balance of unallocated proceeds. EPH will also report on the actual environmental impact of the projects. Where relevant information is available, it intends to disclose key performance indicators at aggregate level, as laid out in the framework. Furthermore, the issuer commits to providing a methodological note on the underlying assumptions used for calculation. We view positively that EPH commits to carry out a post-issuance review for impact reporting, with limited assurance on the allocation of proceeds as well as the impact reporting.

Analysis Of Eligible Projects

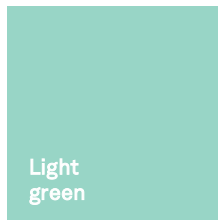
This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

The issuer has provided an indicative project registry, listing assets currently identified for potential inclusion in the green asset portfolio. Based on this proxy, EPH expects to allocate 58% of proceeds to Renewable Energy – Gas distribution infrastructure, 22% to Renewable energy – Electricity distribution infrastructure and the remaining 20% to Energy efficiency – Power and heat generation, district heating networks.

The issuer further expects the majority of proceeds to be allocated to refinancing projects.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and consideration of environmental ambitions reflected in EPH’s Green Finance Framework, we assess the framework light green.



Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

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

Green project categories

Renewable energy – Electricity distribution infrastructure

Assessment

 **Medium to Light green**

Description

Assets, investments, capex, and opex relating to electricity distribution infrastructure and equipment that meets one of the following criteria:

- a) The system is the interconnected European system, i.e. the interconnected control areas of EU Member States, Norway, Switzerland and the U.K., and its subordinated systems
- b) Over 67% of newly connected generation assets comply with the 100g CO2/kWh threshold (over a rolling five-year period), or
- c) The grid’s average emissions factor is less than 100g CO2/kWh

but excluding any grid connections of power plants that are more CO2 intensive than 100g CO2/kWh (as a proxy for this threshold any direct grid connections of power plants other than wind, solar, or hydro energy will be excluded). Connections to hydro will only be eligible if aligned with the substantial contribution criteria to climate change mitigation of the Climate Delegated Act.

Analytical considerations

- The project category receives a Medium to Light Green shade given the importance of well-functioning and reliable grids for electrification and a low-carbon and climate resilient future. At the same time, the assessment reflects that EPH does not exclude using proceeds to finance connections to potential high-emitting end users or those associated with fossil fuel activities.
- The project category relates to EPH's electricity distribution network in Slovakia. Slovakia is a part of the interconnected European system. According to the European Environment Agency, Slovakia had one of the highest rates of decarbonization over the 1990-2022 period. Slovakia’s grid factor in 2022 was 115 g CO2/kWh, below the EU-27 average of 251 g CO2/kWh. Around 60% of electricity generated in Slovakia in 2022 was generated from nuclear, followed by hydropower (14%), and natural gas (8%), according to the IEA. Moreover, according to EPH, between 2018 and 2022, 88% of newly connected capacity has been renewable sources.

- EPH does not exclude using proceeds to finance connections to potential high-emitting end users or end users associated with fossil fuel activities. Such connections can be beneficial, if they entail electrification which contributes to the end users' transitions, and particularly where the electricity supplied is low emission. Nonetheless, given the end users' activities, such investments can remain exposed to transition and lock-in risk, particularly if the connections finance business as usual power supply rather than transition-orientated electrification of operations.
- Investments can include both overground and underground lines, which can give rise to biodiversity and ecosystem risk. According to EPH, environmental impact assessments are undertaken as standard, and it points to its work on preventing injuries to birds from its distribution network as an example of its approach to minimizing such risks.

Renewable Energy – Gas distribution infrastructure

Assessment

 Light green

Description

Assets, investments, capex, and opex relating to renewable and low-carbon gas distribution infrastructure and equipment:

- Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases
- Conversion/repurposing of existing natural gas networks to 100% hydrogen
- Retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gases in the gas system

Analytical considerations

- The project category receives a Light Green shade because of the importance of the readiness of distribution and transmission networks in enabling the use of renewable and low carbon gases by 2050, while the infrastructure is currently fossil-fuel-based and remains exposed to significant transition risk until it distributes such gases.
- The project category relates to EPH's gas transmission and distribution activities in Slovakia. According to the issuer, this network reaches approximately 94% of Slovakia's population, with capex for expansion expected to be negligible. Investments under the project category will focus on the retrofitting of EPH's gas distribution network to enable the increase of hydrogen and low carbon gases in the system. Such investments include the replacement of steel piping with polyethylene piping in low and medium pressure networks, the use of higher-grade steel piping in the high-pressure network, and the replacement and retrofitting of certain components at pressure reduction stations.
- Such investments seek to reduce the transition risk to which gas distribution networks distributing natural gas are exposed. Nonetheless, these investments remain exposed to significant transition risk until they distribute renewable or low carbon gases, from the distribution of natural gas or hydrogen produced from natural gas. While renewable and low carbon gases are seen as crucial for the future, there are risks and uncertainty relating to their increased production and use, and therefore their distribution.
- According to EPH, it cannot control the type of gas it distributes, and cannot therefore set targets for the levels of hydrogen or other low carbon gases it distributes. On the other hand, the readiness of distribution networks to distribute hydrogen and other low carbon gases is itself crucial in their production and use. Importantly, EPH is also engaged in certain projects across its value chain relating to the development of these sectors.
- EPH has confirmed that investments into methane leak detection and repair are included in other investments under the project category. According to EPH, as well as its compatibility with distributing hydrogen and other low carbon gases, polyethylene piping almost eliminates methane leakage compared with steel piping.

Energy efficiency – Power and heat generation, district heating networks

Assessment

 **Light green**

Description

Assets, investments, capex and opex relating to:

- Pipelines and associated infrastructure for distribution of heating and cooling produced using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat, or 50% of a combination of such energy and heat:
 - Construction and operation,
 - Refurbishment,
 - Modification to lower temperature regimes,
 - Advanced pilot systems (control and energy management systems, Internet of Things).
- Co-generation of heat/cool and power from bioenergy, as per the substantial contribution criteria to climate change mitigation of the Climate Delegated Act (Annex I) under 4.20
- Electricity generation from fossil gaseous fuels, as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.29
- High efficiency co-generation of heat/cool and power from fossil gaseous fuels as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.30
- Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system as per the substantial contribution criteria to climate change mitigation of the Complementary Climate Delegated Act on gas energy activities (Annex I) under 4.31

Analytical considerations

- This project category receives a Light Green shade, as we consider the relevant activities, notably EPH’s conversion of lignite coal powered district heating / cogeneration plants to natural gas and electricity generation from fossil gas, as transitional investments given the eligibility criteria. Natural gas investments are not aligned with a 1.5-degree future--it is therefore crucial to the shading that the turbines to be financed can combust renewable and/or low carbon gases, and that the eligibility criteria require EPH to commit to combusting only such gases by Dec. 31, 2035. Moreover, with respect to electricity generation from natural gas, the requirements embedded within the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation provide important safeguards to ensure that financed plants are highly efficient or serve as backup facilities exclusively, with the plants being mainly used as peaking sources to complement renewable energies that are more volatile.
- The national context is important in evaluating these investments. For instance, in Czechia, a country where the issuer will finance eligible co-generation plants, coal accounted for around 41% of electricity generation and around 57% of heat generation in 2020 according to the IEA. Moreover, in 2020, electricity and heat accounted for around 47% of total emissions. Around 40% of households are supplied with heat from district heating plants, while it is estimated that over 300,000 households rely on boilers using solid fuels (mainly coal). Additionally, in 2021, Czechia had the fourth-highest greenhouse emissions per capita of the EU Member States. We note that the issuer has not yet identified all assets to be financed under the framework, so the jurisdictional context may vary.
- The issuer is currently in the process of performing a comprehensive physical climate risk assessment across its assets, to meet its reporting obligations under the Corporate Sustainability Reporting Directive (CSRD). This includes elements such as conducting scenario analysis, as required by the European Sustainability Reporting Standards (ESRS). All eligible assets under the framework will be subject to such analysis.

Distribution of heat and cool

- This element of the project category relates to EPH's existing district heating distribution networks, distributing heat from EPH's cogeneration assets. EPH has confirmed that, under this criterion, proceeds can only finance distribution, rather than generation, of heat.
- Networks financed under this criterion can distribute heat from lignite coal until the phase-out of EPH's coal assets in 2030, and from natural gas until EPH's phase in of renewable or low carbon gases. Notwithstanding the comparative efficiencies of cogeneration, such investments are associated with high-emitting fossil fuels and therefore exposed to transition risks. EPH has confirmed that nothing financed under this criterion is unique to, or otherwise locks in, generation from lignite coal or natural gas.
- According to EPH, proceeds could be used to connect new developments (e.g. blocks of flats) to existing networks. If this necessitates an increase in output, there is a risk of indirectly increasing fossil fuel use.

Cogeneration of heat/cool and power from bioenergy

- The cogeneration of heat/cool and power from biomass can have climate mitigation benefits, particularly, as is the case for EPH, if replacing cogeneration from lignite coal. This depends, however, on factors such as feedstock type, origin, and source, and consideration of risks such as direct and indirect land use change. The eligibility criteria require compliance with sustainability criteria contained in the revised Renewable Energy Directive (RED), which we consider an adequate safeguard. Moreover, there is a requirement that the greenhouse gas emissions savings from the use of biomass are at least 80% in relation to greenhouse gas emission saving methodology and fossil fuel comparator set out in the revised directive. According to EPH, its suppliers provide the relevant data (transportation distance and biomass type) to calculate this. Nevertheless, we also note that even if complying with RED, feedstocks will have various sustainability risks, for example related to direct or indirect land use change, given that certain food/feed crops are still allowed under the directive.

Electricity generation from natural gas as peaking source







- The eligible category of electricity generation from fossil gaseous fuel pertains to gas-fired power plants comprising CCGT and OCGT that will replace existing coal high-emitting electricity generation activities. Our light green opinion relies on the fact that while these high-emitting assets are exposed to significant transition risk, they may provide crucial backup support and grid stability used as a peaking source to complement the development of electricity generation from renewable energy. We note that the issuer will follow the EU taxonomy requirements' technical screening criteria (TSC) for a substantial contribution to climate change mitigation), which in our view entails very strict requirements that permit the financing of highly efficient plants only, or those that will operate a limited number of hours, in regions that required such plants for the security of energy supply and are in the progress of phasing out coal plants.
- According to EPH, it will only finance assets where emissions do not exceed an average of 550 kg CO₂e/kW of the facility's capacity over 20 years based on the issuer's calculations. While we note the uncertainty linked around the 20-year timeframe, we view favorably the commitment from the issuer to external verification, in line with the TSC.
- To mitigate, the issuer intends to design these assets to easily incorporate certain blends of hydrogen and commits to fully burning renewable gases by 2035. EPH states that it will prioritize hydrogen readiness to ensure compatibility with a net-zero energy system and prevent emissions from becoming locked in due to prolonged natural gas use. Nevertheless, we note the uncertainty regarding the development and availability of such renewable gases.
- According to EPH's eligibility criteria, these assets will replace existing coal high-emitting electricity generation activities where the new assets will not exceed the capacity of the replaced facility by more than 15%. Additionally, EPH aims to implement all measures to prevent gas leaks, including a leak detection and repair program across all sites. With respect to biomethane, EPH commits to sourcing the biogas in line with the respective EU directives.
- We believe that even if these assets are aligned with the EU taxonomy TSC regarding "substantial contribution", considerable lock-in risks remain related to the use of natural gas, given the high emission intensity, the potential extension of the plants' lifetimes, and the fact that the eligibility criteria allow for an average of 550 kg CO₂e/kW of the facility's capacity over 20 years. We further see a challenge in maintaining the eligibility of the assets over the years, as the asset technically can be used to its full capacity and the issuer will have to ensure that the plants would exclusively be used to cover peaks in energy demand, and prepare their full enablement for the use of renewable gases once these have scaled up. Nevertheless, the issuer's commitment to the EU Taxonomy's substantial contribution criteria requires strict adherence to conditions regarding capacity limitation and emission reductions compared with previous generation from coal plants, as well as demonstrating that the power to be replaced cannot be generated from renewable energy sources.

We note that the framework identifies hydrogen-ready gas power plants such as the Kilroot OCGT plant in the U.K. However, full compliance with these requirements necessitates additional work on the side of the issuer that we understand has not yet been implemented. Nevertheless, the issuer commits to external verification of all relevant measures before considering the assets to be eligible.

Cogeneration of heat/cool and power, or the production of heat/cool, from natural gas

- This element of the project category relates to EPH's intention to convert existing lignite coal powered plants to CCGT plants, consisting of at least seven units that will run on natural gas until transitioned to renewable and/or low carbon gases. We understand that the issuer will abide by market practice and guidance from the EU Taxonomy (which presently does not provide explicit definitions) as to what constitutes renewable or low carbon gases. It currently envisages renewable gases to constitute those produced from non-fossil sources (e.g. green hydrogen, biomethane, or synthetic methane from green hydrogen) and low carbon gases to constitute gases from fossil origins where the lifecycle greenhouse gas emissions are largely eliminated through carbon capture and storage or other forms of abatement. We understand that EPH does not consider "grey" hydrogen to be renewable or low carbon.
- The eligibility criteria require that the activity replaces a high emitting heat/cool generation or heat/cool and power cogeneration activity, and that the capacity of each facility is not increased. According to EPH, the CCGT plants are a direct replacement of lignite coal powered production and, according to figures provided by EPH, the capacity of each CCGT plant is lower than its lignite-coal-powered equivalent.
- The eligibility criteria require that the activity leads to a reduction in emissions of at least 55% and direct emissions of the activity must be lower than 270 g CO₂/kWh. Per figures provided by EPH, the use of natural gas in its plants will reduce emission intensity by at least 55% compared with lignite coal. More specifically, EPH calculates the emission intensity of its existing lignite coal plants in the range of 600-900 g CO₂/kWh (depending on cogeneration share and condensation production), while it calculates that the use of natural gas results in emission intensity of 264 g CO₂/kWh.
- Notwithstanding comparatively lower emissions compared with lignite coal, natural gas is a high-emitting fossil fuel. The climate impact of these investments therefore also depends on transitional use, rather than relying on natural gas beyond 2035. According to EPH, lock-in is avoided through the readiness of the turbines for hydrogen and low carbon gases: Its supplier guarantees that the turbines will be able to combust 15% hydrogen from the outset, with the option to increase the share up to 100% once technically feasible. Biomethane is also considered by EPH to be used to complement hydrogen. Moreover, the eligibility criteria requires EPH's management board to approve a commitment and plan to switch to renewable and/or low-carbon gases by Dec. 31, 2035. We understand from the issuer that the board's commitment to renewable gases would need to be made subject to full Taxonomy assessment which also requires such a commitment to be externally verified. While these elements reduce the risk of lock-in of natural gas use, the availability of such gases is not certain.
- As a high emitting, fossil energy source, the investments are exposed to significant transition risk. EPH seeks to mitigate these risks through the readiness of its turbines to combust hydrogen, renewable or low carbon gases, and its commitment to switch to renewable and/or low carbon gases by Dec. 31, 2035.
- The eligibility criteria require that the heat/cool or heat/cool and power that is being replaced cannot be generated from renewable energy. This is important, given the use of natural gas for the cogeneration of heat/cool and power, or the production of heat/cool, should only be considered if renewable alternatives are unfeasible, and the risk that such investments carry the risk of impeding the development of renewable sources. Moreover, the eligibility criteria require EPH to prepare a comparative assessment with the most cost-effective and technically feasible renewable alternatives for the same capacity, to publish this, and to subject it to a stakeholder consultation. This has not yet occurred.
- For cogeneration of heat/cool and power from natural gas, the eligibility criteria require primary energy savings of at least 10% compared with separate heat and electricity production. We understand from the issuer that its plants will lead to savings of around 21%-25%. For the production of heat/cool from natural gas, the eligibility criteria require that the thermal energy generated by the activity is used in an efficient district heating and cooling system as defined in EU Directive 2012/27/EU. According to EPH, the plants will satisfy this because the district heating systems at all times use at least 75% cogenerated heat/cool.
- Under the eligibility criteria, EPH will have to obtain independent verification of its alignment with the other elements of the criteria.

S&P Global Ratings' Shades of Green

Assessments		Dark green		Medium green		Light green		Yellow		Orange		Red	
Description		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.	
Example projects		 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).

EU taxonomy	Fully aligned	Partially aligned	Not aligned
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In our opinion, the framework, published on May 7, 2024, is not aligned with the EU taxonomy.

- All economic activities included in EPH's framework are aligned with the EU Taxonomy's TSC for contributing substantially to climate change mitigation.
- Regarding the DNSH criteria, the eligible activities currently do not meet the climate adaptation criteria given that EPH has not yet carried out a comprehensive, asset-level climate risk and vulnerability assessment in line with the EU taxonomy's requirements. Likewise, for the activities of 4.20, 4.30, and 4.31, we do not have sufficient information to conclude that they comply with the requirements of the DNSH criteria for pollution prevention.
- Finally, we believe that the issuer is currently aligned with what is required by the minimum safeguards with respect to taxation, fair competition, and bribery and corruption. However, the issuer is still formalizing its human rights due diligence process, so it does not fully comply with all minimum safeguards, in our view.

EU Taxonomy Summary

Technical screening criteria								Minimum safeguards	Overall alignment
Substantial contribution	Do no significant harm (DNSH)								
	Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection			
4.9 Transmission and distribution of electricity (Renewable energy category)- NACE code: D35.12, D35.13								X	
✓	Climate mitigation	N/A	X	N/A	✓	X	✓		X
4.14 Transmission and distribution networks for renewable and low carbon gases (Renewable energy category) - NACE code: D35.22, F42.21, H49.50									
✓	Climate mitigation	N/A	X	✓	N/A	✓	✓		X
4.15 District heating/cooling distribution (Energy Efficiency category) - NACE code: D35.30									
✓	Climate mitigation	N/A	X	✓	N/A	✓	✓		X
4.20 Cogeneration of heat/cool and power from bioenergy (Energy Efficiency category) - NACE code: D35.11, D35.30									
✓	Climate mitigation	N/A	X	✓	N/A	X	✓	X	
4.29 Electricity generation from fossil gaseous fuels (Energy Efficiency category) - NACE code: D35.11, F42.22									
✓	Climate mitigation	N/A	X	✓	N/A	X	✓	X	

4.30 High efficiency co-generation of heat/cool and power from fossil gaseous fuels (Energy Efficiency category) - NACE code: D35.11, D35.30							
✓	Climate mitigation	N/A	✗	✓	N/A	✗	✓
4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system (Energy Efficiency category) - NACE code: D35.30							
✓	Climate mitigation	N/A	✗	✓	N/A	✗	✓

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

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

Detailed analysis

Minimum safeguards

Analytical focus

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:

- Human rights, including workers' rights;
- Bribery/corruption;
- Taxation; and
- Fair competition

Opinion

Aligned

Not aligned

Rationale

We consider the issuer cannot currently demonstrate alignment with the EU taxonomy requirements for minimum safeguards.

EPH has several environmental and social risk policies in place that apply when operating its energy generation and network assets in the EU, making the management of its social impact highly relevant. In the framework, the issuer commits to align with the minimum safeguards of the EU Taxonomy when carrying out activities.

However, EPH is currently still developing its due diligence process. This covers some aspects required by the minimum safeguards but the issuer acknowledges that it is still formalizing it to cover its entire value chain. As such, we currently do not consider it to be aligned with minimum safeguards. Within what has already been done, we observe that EPH already has policies built on the Ten Principles of the United Nations Global Compact or the eight Fundamental Conventions of the International Labour Organization. However, EPH's policies do not fully meet the expectations of the OECD Guidelines or the UN Guiding Principles on Business and Human Rights as required by the minimum safeguards which 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. We view positively that EPH has started to focus on sensitive areas such as coal trading and we expect it will increase the scope to increase visibility on activities included in this financing framework. Currently, EPH reports that it focuses on protecting the rights of its employees by maintaining good relationships with its unions and has implemented nondiscriminatory guidelines. To minimize risks, EPH has supplier policies in place that cover its commitments to laws and regulations, ethical business conduct, human rights and labor conditions, health and safety, and environmental protection. We believe that EPH will likely strengthen its due diligence processes as it works to meet the requirements of the CSRD and, later, the Corporate Sustainability Due Diligence Directive (CSDDD), both of which are aligned with UNGP and OECD standards for human rights due diligence.

In order to address the risk of corruption and bribery, the EPH ensures that it understands the nature and extent of its exposure to these risks by performing regular risk assessment, and adopts adequate mitigating

measures that are subject to regular reviews and are continuously refined and improved. One of the key measures is the "four-eyes" principle, where every legally binding document and money transfer is signed and approved by at least two EPH representatives. EPH's Procurement Policy mandates suppliers to adhere to regulations and principles, with suppliers being informed about these policies during the tender process or contract initiation, though the practice varies across companies. Lastly, the anti-corruption policy is part of regular training mandated by the policy, with the frequency varying by company and tailored to employee exposure to fraudulent activities. At EPH holding level, e-learning is provided, requiring employees to read and pass a test.

EPH adheres to the OECD Guidelines on tax. It implements its tax risk management strategies and processes, which external advisors review and confirm annually to ensure compliance with the guidelines and their recommendations. EPH's Tax Governance Policy ensures corporate compliance with tax laws and regulations, supporting long-term business strategies and avoiding tax risks. EPH describes that tax experts assess material transactions to address tax non-compliance and identify risks. The policy aims to prevent and reduce significant tax risks, strengthen relationships with tax authorities, and ensure compliance with tax rules in various countries and territories.

Regarding fair competition, the EPH has an anti-trust law policy that aims to comply with competition laws and promote awareness across the entity. Furthermore, all the employees receive training on competition issues.

Finally, EPH has confirmed that none of its senior management team, including members of senior management at its subsidiaries, have been convicted on any of the four minimum safeguard topics.

Economic activity:	4.9 Transmission and distribution of electricity
NACE code:	D35.12, D35.13

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the substantial contribution technical screening criteria.	<div style="text-align: center;"> Aligned Not aligned </div>	<p>We consider the issuer's activity of transmission and distribution of electricity as aligned with the TSC for substantial contribution to the EU's climate mitigation objective.</p> <p>EPH aims to finance transmission and distribution infrastructure or equipment in an electricity grid aligned with the required criteria. Specifically, this involves the financing of infrastructure through its Slovakian subsidiary, SSD. The Slovakian electricity grid is part of the European interconnected system, the most interconnected continental power network in the world, facilitated by large interconnections between neighboring countries.</p> <p>Additionally, the issuer may finance assets where more than 67% of newly enabled generation capacity in the system comes from renewable sources. According to the issuer, between 2018 and 2022, 88% of the newly connected capacity has been from renewable energy sources, such as solar and hydroelectric facilities. Furthermore, under the eligibility criteria, the issuer could finance projects where the average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh.</p> <p>Across all three options, the above-mentioned infrastructure cannot be dedicated to creating a direct connection or expanding an existing direct</p>

connection between a substation or network and a generation plant that emits more than 100 gCO₂e/kWh. The issuer commits to exclude any plants other than those aligned with the substantial contribution criteria for wind, solar, or hydropower. Finally, the issuer will also adhere to the European directive regarding the installation of metering infrastructure.

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

Aligned
Not aligned

Except for circular economy and biodiversity conservation, we consider this issuer's activity of transmission and distribution of electricity as not aligned with the DNSH TSC for the remaining and applicable EU objectives.

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

Regarding climate adaptation, the issuer performed a screening of its power distribution, gas distribution, gas power, and cogeneration heating assets, and qualitatively identified the key acute and chronic climate-related physical risks. Furthermore, in line with group's asset integrity policy, the issuer follows a holistic approach in investment decisions, which considers all life-cycle stages of the assets, including predictive maintenance activities. Following this, the distribution network operated by SSD (EPH's Slovakian subsidiary) has identified the key areas where the power distribution network is exposed to storms, wind, and wildfires. In addition to regularly monitoring the adjacent areas, the issuer preferentially replaces the overhead lines with underground cables. While we view such initial steps positively, the performed assessment is currently not in line with all of the EU taxonomy's requirements for the DNSH to climate change adaptation. The issuer is in the process of performing a comprehensive physical climate risk assessment across its assets, to meet its reporting obligations under the CSRD. This includes elements such as conducting scenario analysis, as required by the ESRS. All eligible assets under the framework will be subject to such analysis. The issuer also aims to subsequently use such results to implement appropriate adaptation solutions, which may support an assessment of alignment in the future. In the absence of these steps, the issuer cannot currently demonstrate alignment with the EU Taxonomy's DNSH requirements.

The Slovakian legislation on EIAs is aligned with the relevant EU Directive. Therefore, the issuer, in its Slovakian and other European activities, performs EIAs or screening in line with the relevant EU Directives. The issuer discloses that the distribution network operated by SSD might pose a danger for wildlife, especially birds as the network cannot entirely avoid areas with higher prevalence of vulnerable species. SSD, in cooperation with relevant authorities and partners, regularly takes part in activities that help assess and prevent serious bird injuries that often occur along distribution networks, and applies the necessary mitigation measures, such as relocation of stork nests within the distribution network to other areas, and installation of diverters throughout the protected bird area of Poiplie. As a result, we believe the company likely meets the biodiversity DNSH criteria for this and other activities.

The issuer aligns its waste management practices with the regulatory framework of Slovakia, which mirrors the Directives set by the EU. Operating in compliance with these laws, SSD has established robust internal protocols governing the handling of both hazardous and non-hazardous waste. Predominantly generated from maintenance and infrastructure projects within the distribution network, the waste stream encompasses materials like concrete, soil, ferrous and non-ferrous metals, as well as hazardous items such as electrical components and oil-contaminated parts. Adhering to the waste hierarchy, SSD prioritizes recycling over landfill disposal wherever feasible. Furthermore, the company ensures proper disposal of hazardous waste by engaging certified third-party entities. Therefore, we consider the DNSH circular economy criteria to be met.

Regarding DNSH criteria related to pollution prevention, the issuer informs us that its environmental management system (EMS) is certified ISO 14001, with external audit performed on a yearly basis. Additionally, SSD's internal protocols are in harmony with EPH's broader Environmental Policy. Concerning compliance with polychlorinated biphenyl (PCB) regulations, SSD, in adherence to EU standards, replaced all PCB-contaminated technology. Furthermore, SSD also focuses on the disposal of waste containing asbestos, and on operation of electrical substations containing oils, which may present a risk of water and soil contamination in case of technical failure and oil leakage. Any leaks, whether large or small, are reported to the dedicated environmental team, which manages remediation and restoration activities. For all the substations, the issuer developed emergency plans approved by the Slovak Environmental Inspection, which oversees compliance. Further initiatives include regular testing of the impermeability of containment and emergency tanks at facility level, and regular emergency preparedness training for employees, performed on a yearly basis. The issuer also confirms that all products and components of the distribution system are designed and operated in accordance with the EU and Slovak standards and regulations, including those concerning electromagnetic radiation. Each construction is permitted by the relevant competent authorities, which require opinions from relevant bodies on any adverse impact of equipment on public. Nonetheless, our examination reveals a lack of conclusive evidence regarding adherence to the IFC General Environmental, Health, and Safety (EHS) Guidelines, an essential criterion under EU regulations concerning pollution prevention. This absence constrains our ability to fully endorse alignment with the specified criteria.

Economic activity:	4.14 Transmission and distribution networks for renewable and low carbon gases	
NACE code:	D35.22, F42.21, H49.50	
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 transmission and distribution networks for renewable and low carbon gases aligned with the TSC for substantial contribution to the EU's climate mitigation objective.

Projects assessed for this economic activity aim to accommodate renewable gases in gas transmission and distribution networks. The issuer's eligibility criteria align with the EU taxonomy's substantial contribution criteria, allowing financing for:

- Construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases.
- Conversion/repurposing of existing natural gas networks to 100% hydrogen.
- Retrofit of gas transmission and distribution networks to integrate hydrogen and other low-carbon gases, including activities increasing the blend of hydrogen or other low-carbon gases.

EU Regulation mandates gas transmission system operators accept up to 2% hydrogen content at interconnection points. In 2022, one of EPH's subsidiaries engaged in gas distribution with some success, completing a pilot project blending 10% hydrogen into the gas distribution network. The issuer reports 58% of local networks use polyethylene, fully compatible with hydrogen distribution. Newly laid pipelines are also made of polyethylene, proven compatible with 100% hydrogen. The timeline largely depends on hydrogen market development and adoption rate by various sectors.

Lastly, adhering to TSC requirements, EPH confirms methane leak detection and repair (LDAR) investments are included in other project categories, excluding stand-alone LDAR investments.

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

Aligned
Not aligned

Except for the climate adaptation DNSH, we consider this issuer's activity of transmission and distribution networks for renewable and low carbon gases as aligned with the DNSH TSC for all the remaining and applicable EU objectives.

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

Regarding climate adaptation, the issuer performed a screening of its power and gas distribution networks, and qualitatively identified the key acute and chronic climate-related physical risks. For the gas distribution network, the key identified risk relates to extreme local rainfall and floods. The issuer, therefore, performs regular monitoring of the geological factors (such as landslides, erosion, and waterlogging) and where the local risk is higher, the issuer increases the level of monitoring. While we view such initial steps positively, the performed assessment is currently not in line with all of the EU taxonomy's requirements for the DNSH to climate change adaptation. The issuer is in the process of performing a comprehensive physical climate risk assessment across its assets, to meet its reporting obligations under the CSRD. This includes elements such as conducting scenario analysis, as required by the ESRS. All eligible assets under the framework will be subject to such analysis. The issuer also aims to subsequently use such results to implement appropriate adaptation solutions, which may support an assessment of alignment in the future. In the absence of these steps, the issuer cannot currently demonstrate alignment with the EU Taxonomy's DNSH requirements.

For water criteria, the EU Water Framework Directive is implemented in Slovakia. The issuer discloses that operation of existing gas transmission and distribution networks does not pose direct risk for any water bodies and complies with local regulation and internal environmental policies. At the gas transmission network, each compressor station has a preventive plan to avoid discharge of pollutants into the environment in line with Act no. 364/2004 Coll., on Waters. The expansion of the networks leading to potential harm to waters during the construction phase is relatively limited, according to the issuer. A past exception was the construction of the Poland–Slovakia gas interconnector completed by EUS (EP Infrastructure’s subsidiary) in October 2022, for which an EIA was carried out, and the environmental permit was issued by the competent authority. At the gas distribution network, SPPD has implemented an Integrated Management System, which includes environmental considerations. Additionally, the Methodological Guideline for Environmental Management contains specific guidelines on water pollution prevention. Therefore, we consider the DNSH sustainable use and protection of water and marine resources criteria to be met.

For DNSH on pollution prevention, we conclude that the issuer aligns with the criteria. In fact, EUS and SPPD, EPH’s subsidiaries, operating in the distribution and transmission of renewable and low carbon gases, are certified as compliant with several environmental certifications, including ISO 14001, for environmental management, and ISO 3834-2, for welding quality. Furthermore, EUS also holds certification ISO 50001, for energy management, and SPPD holds certification ISO 55001. Additionally, the issuer informs us that EUS and SPPD ensure compliance with EU requirements regarding efficiency and technology in components used through their procurement process. Lastly, EP Infrastructure (EPH’s subsidiary operating in gas transmission gas and electricity distribution) needs to comply with air protection legislation, including compliance with Commission Implementing Decision (EU) 2017/1442, which, pursuant to Directive 2010/75/ EU of the European Parliament and of the Council, establishes best available techniques (BAT) conclusions for large combustion plants.

The Slovakian legislation on EIAs is aligned with the relevant EU Directive. Therefore, the issuer, in its Slovakian and other European activities, performs EIAs or screening in line with the relevant EU Directives. The issuer discloses that the pipelines of EUS and SPPD in Slovakia cross several wetland areas which are protected by the international Ramsar Convention on Wetlands. For development and reconstruction works which were performed in the respective areas, all required permits were obtained. According to the issuer, impact on biodiversity is a primary consideration in the decision-making process for networks development and operation. In line with its biodiversity policy, SPPD strives not to interfere with areas of the highest biological diversity through its activities, and to preserve biodiversity after the construction of a facility, both during operation and when decommissioning facilities. As a result, we believe the company meets the biodiversity DNSH criteria for this activity.

Economic activity:	4.15 District heating/cooling distribution	
NACE code:	D35.30	
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 district heating/cooling distribution as aligned with the TSC for substantial contribution to the EU's circular economy objective.

The projects assessed for this economic activity involve the construction, operation, and refurbishment of pipelines and associated infrastructure for the distribution of heating and cooling, adhering to the efficiency standards outlined in Article 2, point 41, of Directive 2012/27/EU. This concept of "efficient district heating and cooling" entails that EPH's assets utilize a minimum of 50% renewable energy, 50% waste heat, 75% cogenerated heat, or a combination thereof, in line with the climate mitigation substantial contribution criteria. We understand from the issuer that the heat distributed through the network currently within the project registry is produced solely in cogeneration mode by the adjacent cogeneration heating plant, which is also owned by the group. The exceptions are occasional periods with peak heat demand that needs to be partly covered by backup hot water boilers (though, in all cases will be less than 25%). Finally, the issuer could finance modifications to lower temperature regimes and advanced pilot systems that meet EU taxonomy criteria.

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

Aligned
Not aligned

Except for the climate adaptation DNSH, we consider this issuer's activity of district heating/cooling distribution as aligned with the DNSH TSC for all the remaining and applicable EU objectives.

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

Regarding climate adaptation, the issuer performed a screening of its distribution networks, and qualitatively identified the key acute and chronic climate-related physical risks. The distribution networks are currently considered as being at low risk of direct damage from more extreme weather events resulting from the climate change (such as wind and storms), since the pipelines are mostly underground. However, further risks identified relate to extreme local rainfall which could potentially cause floods. The issuer, therefore, performs regular monitoring of the geological factors (such as landslides, erosion, and waterlogging) and where the local risk is higher, the issuer increases the level of monitoring. While we view such initial steps positively, the performed assessment is currently not in line with all of the EU taxonomy's requirements for the DNSH to climate change adaptation. The issuer is in the process of performing a comprehensive physical climate risk assessment across its assets, to meet its reporting obligations under the CSRD. This includes elements such as conducting scenario analysis, as required by the ESRS. All eligible assets under the framework will be subject to such analysis. The issuer also aims to subsequently use such results to implement appropriate adaptation solutions, which may support an assessment of alignment in the future. In the absence of these steps, the issuer cannot currently demonstrate alignment with the EU Taxonomy's DNSH requirements.

For water criteria, the issuer discloses that the district heating networks represent closed systems where water is circulated from the main heat exchanger at the heat generation source to the heat exchange station near to the end consumers, and subsequently returned to the heat generation source for re-heating. Water in the network is regularly resupplied to compensate for water lost through evaporation. However, no water is discharged to the water bodies. Furthermore, the issuer performs a water

stress analysis to ensure that it only operates in the low water stress areas based on the Aqueduct Water Risk Atlas. Moreover, it ensures that the water withdrawn is discharged back (except for the water evaporating in the process) to the water body with very similar parameters (quality, temperature). Therefore, we consider the DNSH sustainable use and protection of water and marine resources criteria to be met.

In terms of the DNSH criteria related to pollution prevention, the issuer discloses that the EU efficiency requirements for the compressors used across the networks are already binding for manufacturers of this technology, from whom EPH entities source the equipment.

For biodiversity requirements, the issuer discloses that Czech legislation on EIAs is aligned with the relevant EU Directive, consequently EIAs are taken as standard. According to the issuer’s assessment, none of EPH’s district heating systems, and cogeneration plants, have been identified to be located near biodiversity-sensitive areas. Therefore, we see the biodiversity DNSH criteria to likely be met.

Economic activity: 4.20 Cogeneration of heat/cool and power from bioenergy

NACE code: D35.11, D35.30

Analytical focus	Opinion	Rationale
<p>Our assessment is focused on how the activity meets the substantial contribution technical screening criteria.</p>	<p>Aligned</p>	<p>We consider the issuer’s activity of cogeneration of heat/cool and power from bioenergy as aligned with the TSC for substantial contribution to the EU’s climate mitigation objective.</p> <p>EPH aims to finance co-generation heat/cool and power plants using forest and agricultural biomass, aligning with the thresholds set forth in Directive 2018/2001. Biomass combusted by PLTEP, an EPH subsidiary, is locally sourced within the Czech Republic, mainly from the Plzeň Region. This proximity results in greenhouse gas savings exceeding the substantial contribution threshold of 80% compared with fossil fuel alternatives. The issuer informs us that PLTEP also prioritizes railway transport over road transport when possible.</p> <p>The substantial contribution criteria allow forest and agricultural biomass under certain conditions, including legality of harvesting and sustainability criteria. PLTEP ensures compliance through supplier certification, requiring adherence to Czech regulations on sustainability and greenhouse gas savings. Suppliers must demonstrate entitlement to harvest wood from the land. EP Infrastructure, another EPH entity, utilizes biomass certified under the KZR INiG system, aligning with EU taxonomy criteria and RED voluntary schemes.</p> <p>We note that there are some criteria related to cogeneration installations that rely on anaerobic digestion of organic material; however, the issuer confirms that no anaerobic digestion is included under the framework.</p>

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

Aligned

Not aligned

Except for the climate adaptation and pollution prevention DNSH, we consider this issuer's activity of cogeneration of heat/cool and power from bioenergy as aligned with the DNSH TSC for all the remaining and applicable EU objectives.

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

Regarding how EPH aims to address DNSH criteria for biodiversity, please refer to the DNSH rationale described in the activity "4.15 District heating/cooling distribution".

For climate adaptation, the issuer performed a screening of its gas power and cogeneration heating assets, and qualitatively identified the key acute and chronic climate-related physical risks. Furthermore, in line with the group's asset integrity policy, the issuer follows a holistic approach in investment decisions, which considers all life-cycle stages of the assets, including future maintenance activities. Furthermore, for the gas power and cogeneration heating plants, the issuer identifies water scarcity for cooling systems as the key risk. Consequently, the issuer performs water stress analysis of its activities, and where feasible prefers air-cooling technology. While we view such initial steps positively, the performed assessment is currently not in line with all of the EU taxonomy's requirements for the DNSH to climate change adaptation. The issuer is in the process of performing a comprehensive physical climate risk assessment across its assets, to meet its reporting obligations under the CSRD. This includes elements such as conducting scenario analysis, as required by the ESRS. All eligible assets under the framework will be subject to such analysis. The issuer also aims to subsequently use such results to implement appropriate adaptation solutions, which may support an assessment of alignment in the future. In the absence of these steps, the issuer cannot currently demonstrate alignment with the EU Taxonomy's DNSH requirements.

Regarding water DNSH criteria, according to EPH, the impact on water is a standard element of the EIAs, which are undertaken as usual. Furthermore, the issuer states that under the integrated permit, its heating plants are authorized to withdraw cooling water from the nearby river and discharge it back. The issuer also informs us that the discharged volume does not significantly differ from the withdrawn amount. Finally, the cooling flow systems used in cogeneration heating plants are designed as closed systems. This means that the water discharged from these systems should adhere to the same or improved quality standards and maintain a similar temperature as when it was initially drawn from its source. We see this DNSH criteria to be met.

In terms of the DNSH criteria related to pollution prevention, the issuer discloses that following major refurbishments aimed at reduction of dust particles, EPH's subsidiary PLTEP is compliant with the best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council for large combustion plants. The issuer discloses that the area where the biomass plant is located is among the areas with the cleanest air, where air emissions limits are rarely exceeded, however it does not provide enough evidence about whether the plant satisfies the thresholds laid down in Directive 2008/50/EC for air quality, therefore not meeting alignment for the specific criteria. Lastly, since the plant is categorized as a large combustion plant, and does not rely on any anaerobic digestion for district heating purposes, the other criteria set out in the specific DNSH do not apply.

Economic activity:	4.29 Electricity generation from fossil gaseous fuels
NACE code:	D35.11, F42.22

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the substantial contribution technical screening criteria.	<div style="background-color: #cccccc; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #cccccc; padding: 2px; text-align: center;">Not aligned</div>	<p>We consider the issuer’s activity of electricity generation from fossil gaseous fuels as aligned with the TSC for substantial contribution to the EU’s climate mitigation objective.</p> <p>Eligible projects in this activity include the commissioning of new gas-fired power plants during 2024-2025. To meet the substantial contribution criteria, the asset could have direct greenhouse gas emissions lower than 270 g CO2e/kWh of the output energy, or the annual direct greenhouse gas emissions of the activity do not exceed an average of 550 kg CO2e/kW of the facility’s capacity over 20 years.</p> <p>The issuer recognizes that to achieve the emission intensity of 270 g CO2/kWh, the power plant would have to demonstrate an efficiency of capacity of 75%, which is not feasible with current technologies. Therefore, EPH will only finance assets where the emissions do not exceed an average of 550kg CO2e/kW of the facility’s capacity over 20 years. According to EPH, this will be achieved by using the plants as peaking sources designed to operate for a very limited number of hours to complement renewable generation.</p> <p>The issuer also confirms that it will carry out a stakeholder dialogue upon conducting the required comparative assessment of the TSC, i.e., that the power replaced cannot be generated from renewable energy sources (using the most cost-effective and technically feasible renewable alternative).</p> <p>According to EPH, these assets will replace existing coal high-emitting electricity generation activities where the new assets will not exceed the capacity of the replaced facility by more than 15%. Additionally, the gas turbines at all facilities shall be ready for blends of hydrogen from the outset, with a gradual increase up to 100% envisaged by 2035, following the decarbonization trajectory and phase-out targets of the EU countries where the assets will be located. Lastly, EPH aims to implement all measures to prevent gas leaks, including a leak detection and repair program across all sites, and in regard to biomethane, EPH commits to sourcing biomethane in line with the respective EU directives.</p> <p>Overall, the issuer’s commitments to following the above-mentioned criteria are in line with the substantial contribution requirements, and thus aligned with the EU taxonomy criteria.</p>

Our assessment is focused on how the activity meets the does not significantly harm other EU objectives' technical screening criteria.	<div style="background-color: #cccccc; padding: 2px; text-align: center;">Aligned</div> <div style="background-color: #cccccc; padding: 2px; text-align: center;">Not aligned</div>	<p>Apart from the water DNSH criteria, we consider this issuer’s activity of electricity generation from fossil gaseous fuels as not aligned with the DNSH TSC for all the applicable EU objectives.</p> <p>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity conservation efforts. The circular economy EU objective is not applicable for this eligible economic activity.</p> <p>Regarding how EPH aims to address DNSH criteria for climate adaptation and water please refer to the DNSH rationale described in the activity “4.20 Cogeneration of heat/cool and power from bioenergy”.</p> <p>For the biodiversity DNSH requirement, the issuer needs to comply with the criteria displayed in the Appendix D: Generic Criteria for DNSH To Protection and Restoration of Biodiversity and Ecosystems. The criteria require entities</p>
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to perform an EIA or screening in accordance to Directive 2011/92/EU, and related necessary mitigation measures. Furthermore, for sites located near biodiversity-sensitive areas, a dedicated assessment and related mitigated measures need to be implemented. Therefore, since the issuer applies EIA as standard, we consider EPH addressing properly the plants in proximity to biodiversity-sensitive areas. Lastly, we confirm its alignment with the biodiversity DNSH Taxonomy requirements.

In terms of the DNSH criteria related to pollution prevention, the issuer confirms that its emissions meet or are below the levels associated with the best available techniques (BAT-AEL) as defined in the latest relevant BAT conclusions, including those for large combustion plants, while also preventing significant cross-media effects. Furthermore, EPH’s power plant, classified as a large combustion plant, is exempt from the emission limit values specified for smaller combustion plants in Directive (EU) 2015/2193. Regarding the criteria displayed in the Appendix C: Generic Criteria for DNSH To Pollution Prevention and Control regarding Use and Presence of Chemicals, while we acknowledge that EPH states it follows the relevant EU Directives, and that it applies constant monitoring and implements stringent emissions control technology, its current unavailability of a thorough assessment at asset level hinders our alignment opinion with the pollution DNSH criteria.

Economic activity:	4.30 High efficiency co-generation from of heat/cool and power from fossil gaseous fuels
NACE code:	D35.11, D35.30

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the substantial contribution technical screening criteria.	<div style="background-color: #d9ead3; padding: 5px; text-align: center;">Aligned</div> <div style="background-color: #f5f5dc; padding: 5px; text-align: center;">Not aligned</div>	<p>We consider the issuer’s activity of high efficiency co-generation from of heat/cool and power from fossil gaseous fuels as aligned with the TSC for substantial contribution to the EU’s circular economy objective.</p> <p>Under this economic activity, from the two options available to align the eligibility criteria with the EU Taxonomy, the issuer aligns its framework criteria with assets related to facilities with emissions higher than 100 gCO₂e and permits granted before 31 December 2030. To be aligned, the issuer aims to align the substantial contribution for climate mitigation criteria summarized as follows:</p> <ul style="list-style-type: none"> i) The activity achieves primary energy savings of at least 10% compared with separate production of heat and electricity: The issuer informs us that based on expected cogeneration efficiency and assuming a 50:50 split between heat and power, cogeneration plants create primary energy savings of approximately 21-25% compared to separate production, as per Regulation (EU) 2015/2402, with calculations based on the formula provided in Directive 2012/27/EU, confirmed by the issuer. ii) Direct greenhouse gas emissions of the activity are lower than 270 g CO₂e/kWh of output energy: Issuer plants aim for an overall efficiency of 75%, resulting in emission intensity of approximately 264 g CO₂e/kWh, assuming sole combustion of natural gas, with plans for reduced emissions through the adoption of green gas blends. iii) Power and/or heat/cool to be replaced cannot be generated from renewable sources without stakeholder consultation: Comparative assessments for both power and heat were provided by the issuer, stating the importance of gas-fired plants for grid stability and assessing viable renewable alternatives for heat generation. We understand that the comparative assessment required under has not be made public or subject to a stakeholder consultation; however, the issuer confirms that that all

assets to be financed following these criteria will comply with the criteria, so we would expect the issuer publishing it and performing a stakeholder consultation.

iv) The activity replaces existing high-emission generation activities: The CCGT technologies replace existing technologies reliant on lignite, significantly reducing emission intensity.

v) Newly installed production capacity does not exceed that of the replaced facility: The issuer confirms that the installed thermal capacity of CCGT units is below that of the replaced units.

vi) The facility is designed to switch to renewable and/or low-carbon gaseous fuels by 2035 with a commitment and verifiable plan approved by the management body of the undertaking: EPH is committed to exclusively using renewable gases in the gas turbines within cogeneration heating plants for heat and power generation by 2035. This transition plan is bolstered by decarbonization targets set for the medium-term and long-term (refer to the Issuer Sustainability Context). The Board approves sustainability reports containing decarbonization targets, the underlying decarbonization strategy, and Capex plans that support emission reduction goals, with each segment's directors accountable for preparing their respective Capex plans.

vii) The replacement leads to a reduction in emissions of at least 55% greenhouse gas per kWh of output energy: The emission intensity of current lignite units ranges from 600-900 g/kWh, varying with cogeneration and condensation production. New CCGT units aim for an emission intensity below 270 g/kWh, targeting a reduction of at least 55%.

viii) Refurbishment of the facility does not increase production capacity: The thermal installed capacity of the CCGT units is lower than that of the units they replace at all plants, resulting in reduced generation potential

ix) The activity takes place in a Member State committed to phasing out coal: With the Czech government aiming to phase out coal by 2033, Although not yet officially formalized.

EPH aims to implement measures to prevent methane leakage, including a leak detection and repair program.

The EU Taxonomy criteria requires verification by an independent third party to certify both the level of direct greenhouse gas emissions (as mentioned in point ii) and the credibility of the trajectory toward renewable gases (as mentioned in point vi). EPH's Taxonomy assessment will be integrated into the ESRS-aligned disclosure and undergo external assurance. This assurance process will involve an independent auditor evaluating greenhouse gas emissions and the feasibility of transitioning to renewable gases.

Lastly, EPH aims to implement all measures to prevent gas leaks, including a leak detection and repair program across all sites following the substantial contribution criteria.

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

Aligned
Not aligned

Except for biodiversity conservation and water, we consider this issuer's activity high efficiency co-generation from of heat/cool and power from fossil gaseous fuels as not aligned with the DNSH TSC for the remaining and applicable EU objectives.

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

Regarding how EPH aims to address DNSH criteria for climate adaptation and water please refer to the DNSH rationale described in the activity "4.20 Cogeneration of heat/cool and power from bioenergy". Furthermore, regarding how EPH aims to address DNSH criteria for pollution prevention please refer to the DNSH rationale described in the activity "4.29 Electricity generation from fossil gaseous fuels".

For biodiversity requirements, the issuer discloses that in the countries where it operates, the relevant EU directives were transposed into legislation within the member states, and EIAs are performed accordingly. Furthermore, EPH informs that where the EIA is not required, EPH ensures robust biodiversity management. According to the issuer's assessment, none of EPH's district heating systems, and cogeneration plants, have been identified to be located near biodiversity-sensitive areas. Therefore, we see the biodiversity DNSH criteria to likely be met.

Economic activity:	4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system
NACE code:	D35.30

Analytical focus	Opinion	Rationale
Our assessment is focused on how the activity meets the substantial contribution technical screening criteria.	Aligned Not aligned	<p>We consider the issuer's activity of production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system as aligned with the TSC for substantial contribution to the EU's climate mitigation objective.</p> <p>According to EPH, heat will be used in its adjacent district heating networks which satisfy the definition of "efficient district heating and cooling system as defined in Directive 2012/27/EU," given they always distribute more than 75% cogenerated heat. For all other criteria, see "High-efficiency co-generation of heat/cool and power from fossil gaseous fuels," above.</p>
Our assessment is focused on how the activity meets the does not significantly harm other EU objectives' technical screening criteria.	Aligned Not aligned	<p>Apart from the water and biodiversity conservation DNSH, we consider this issuer's activity of production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system as not aligned with the DNSH TSC for all the remaining and applicable EU objectives.</p> <p>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity conservation efforts. The circular economy EU objective is not applicable for this eligible economic activity.</p> <p>Regarding how EPH aims to address DNSH criteria for climate adaptation and water, please refer to the DNSH rationale described in the activity "4.20 Cogeneration of heat/cool and power from bioenergy." Furthermore, for the DNSH assessment on biodiversity, please refer to the description in activity "4.30 High efficiency co-generation from of heat/cool and power from fossil gaseous fuels."</p>

Second Party Opinion: EPH Green Finance Framework

For pollution prevention, since EPH informed us that currently any asset falls under this category, insufficient evidence was provided by the issuer, therefore resulting in the criteria appearing not met.

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	  7. Affordable and clean energy* 13. Climate action

*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: EPH Green Finance Framework

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