EU Taxonomy Alignment

2023

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Powering Renewables.

Introduction

Econergy is a global independent power producer specialising in renewable energy. Our expertise spans the entire lifecycle of utility-scale renewable energy projects, from project origination to the delivery of sustainable electricity. Our business model is diverse, including electricity sales, development, EPC (engineering, procurement, and construction), and long-term asset management fees.

We are committed to sustainable development in all its forms. Our dedication to environmental stewardship is an integral part of our mission to produce decarbonised energy and address the challenges of climate change.

As of December 31, 2023, our development pipeline is robust, with projects totalling 7,030 MW in photovoltaic and onshore wind and 943 MWh in storage capacity for both stand-alone and co-located projects. We are currently in the construction phase for approximately 358 MW of photovoltaic and 102 MWh of storage projects in Romania, Italy, Poland, and the UK, demonstrating our commitment to expanding our renewable energy portfolio.

Our approach to sustainability is also a response to our financial partners' increasing emphasis on ESG issues. In 2024, we evaluated the degree of alignment of our operations with the EU Taxonomy for sustainable activities (i.e., EU Reg. 2020/852), a piece of regulation that aims at creating common and shared criteria to assess which economic and productive activities can be legally defined 'sustainable'. This exercise is a clear demonstration of our commitment to promoting sustainable development, even in the financial field, and ensures the company's sustainability in the long run.

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EU Taxonomy Regulation

According to EU Regulation 2020/852, the so-called EU Taxonomy, an economic activity can be considered sustainable if it contributes to at least one of the six environmental objectives:

1 Climate change mitigation

2 Climate change adaptation

3 Sustainable use and protection of water and marine resources

4 Transition to a circular economy

5 Pollution prevention and control

6 Protection and restoration of biodiversity and ecosystems

All Econergy's activities were assessed based on their contribution to environmental objective n.1, **"Climate change mitigation"**. They can be grouped under the following three categories:

1 | Electricity generation using solar photovoltaic technology;

2 | Electricity generation from wind power[1];

3 | Storage of electricity (this activity is defined as 'enabling'[2] i.e., an activity that does not directly contribute to an environmental objective through its performance but directly enables other activities to make a substantial contribution to an ecological objective)[3].

The corresponding NACE codes are: 42.22, 35.11, 35.16.

According to the regulation, the three categories are eligible to be considered 'sustainable' under the EU taxonomy. Thus, 100% of Econergy's business activities are considered eligible for the EU Taxonomy.

1 Wind power plants are all onshore.

2 The EU Taxonomy identifies three types of eligible activities: primary activities, which contribute substantially to one of the six environmental objectives above; transitional activities, which support the transition to a climate-neutral economy; and Enabling activities, which indirectly facilitate the Primary activities.

3 Storage projects are stand-alone and co-located with PV and wind power energy.

Alignment of Econergy's activities with the EU Taxonomy

In addition, the EU Taxonomy regulation calls for certain conditions to be verified for an activity to be considered as 'aligned', i.e. effectively 'sustainable'. More specifically, an activity is considered sustainable when:

- It respects the principle of 'Do No Significant Harm' (DNSH) and related technical screening criteria: the activity must not harm any of the other environmental objectives set out by the EU;
- It presents minimum safeguards to comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

In this first Alignment analysis of Econergy's activities to the EU Taxonomy, **only solar PV activities (including those co-developed with storage plants) were considered to assess the degree of alignment with the "Do No Significant Harm" technical screening criteria of the EU Taxonomy.**

The results of the DNSH assessment carried out for each environmental objective are presented in the following table:

Environmental Objective	Technical Screening Criteria	Econergy's Solar PV projects
Climate change adaptation	All activities must comply with the criteria outlined in Annex A of Delegated Act Reg. 2021/2139, which essentially refers to conducting an analysis of the activities' exposure to physical risks and climate-related hazards. The analyses shall be proportionate to the foreseen duration of the activities, and measures must be taken to reduce exposure to such risks.	In the context of this assessment, Econergy employs the AXA platform to assess exposure to physical risks and climate-related hazards. Under all circumstances, the identified physical risk is classified as 'low'.
Sustainable use and protection of water and marine resources	Not applicable (Does not apply to On-shore Renewable Plants)	
Transition to a circular economy	The activity assesses the availability of and, where feasible, uses equipment and components of high durability and recyclability that are easy to dismantle and refurbish. The minimum overall recycling rate threshold is set to 85% to be considered aligned with the EU taxonomy.	Econergy has computed the recyclability rate of the materials and components used to build PV plants. It has also estimated the recycling rate at decommissioning of its PV projects and related components to 92%.
Pollution prevention and control	Not applicable (Does not apply to On-shore Renewable Plants)	
Protection and restoration of biodiversity and ecosystems	All activities must comply with the criteria outlined in Annex D of Delegated Act Reg. 2021/2139, which essentially refer to the conduction of an Environmental Impact Assessment (EIA) analysis or, where not necessary, an equivalent thorough environmental analysis.	Econergy performs preliminary environmental analysis for all projects under development and an EIA or equivalent if legally required.

The analysis concluded that Econergy carries out its Solar PV project activities in compliance with DNSH's technical criteria.

According to the EU Taxonomy Regulation, green investments cannot be considered sustainable if they negatively impact human rights, including labor rights, corrupt practices, or are linked to non-compliance with tax laws or anti-competitive practices.

Practically, taxonomy-aligned activities must respect the standards for responsible business conduct mentioned in:

- The OECD Guidelines for Multinational Enterprises
- The UN Guiding Principles on Business and Human Rights (UNGPs), including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- The International Bill of Human Rights

In this context, in 2023, Econergy started assessing its suppliers according to ESG criteria. Suppliers are required to complete a vendor assessment questionnaire, which collects financial, technical, and sustainability performance information and covers the following Governance areas/factors:

- Certified management systems and corporate policies **(including Code of Ethics, Human Rights Policy/Modern Slavery Statement, Anti Bribery and Corruption Policy)**
- ESG reporting
- Supply chain monitoring

To assess respect for human rights along the supply chain and thus avoid risky or particularly sensitive areas, suppliers must share traceability tables ("Bills of Materials"), including the places of origin of principal technology components.

This is currently required for PV module suppliers only, who are asked to provide the places of origin of different components (Polysilicon, Ingot, Wafer, Cells, Modules).

The analysis concluded that Econergy performs its activities in compliance with the minimum safeguards prescribed by Article 18 of EU Reg.852/2020.

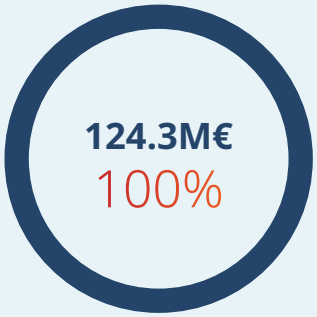
Results of the alignement assessment

According to the EU Taxonomy Regulation, the alignment exercise must consider three financial metrics: turnover, capital expenditure (Capex), and operational expenditure (Opex). More specifically, the exercise aims to determine to what extent the economic activities considered sustainable in accordance with the EU Taxonomy contribute to the mentioned financial metrics; that is, for example, the percentage of turnover directly related to sustainable activities. Since Econergy's renewable projects are currently under construction, no revenues and Opex account for solar PV project activities in 2023.

The alignment exercise, therefore, focused on the following financial indicators:

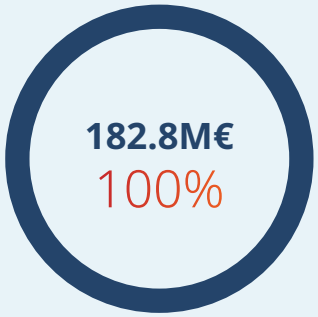
- Capex FY 2023 (from 01/01/2023 to 31/12/2023)
- Accumulated Capex (sum of investments for acquiring, upgrading, and maintaining Solar PV plant technologies, infrastructure, and equipment since the inception of Econergy activities and as of 31/12/2023)

Capex FY 2023



% Aligned Capex FY 2023

Accumulated Capex



% Aligned Capex (accumulated)

Notes:

- The EU Taxonomy does not require disclosure of Accumulated Capex; however, we decided to include it in the analysis to give a general overview of our aligned activities.
- The percentage defining the Capex share aligned with the EU Taxonomy is calculated as follows:

$$\textit{\% of EU taxonomy aligned Capex} = \frac{\textit{The sum of the capex generated by each EU taxonomy fully aligned project}}{\textit{The total company Capex}}$$

- Considering the total Capex as of 31/12/2023, including wind and storage projects for which we did not check the alignment with the technical screening criteria, the results are as follows: 87% Capex FY 2023 and 85% Accumulated Capex.

How Econergy will monitor the alignment with the EU Taxonomy

Econergy has created a general file that serves as the central database providing all the necessary data inputs to assess activities' alignment with the European Union's Green Taxonomy. The objective of this database is to gather all the valuable data points to determine the alignment of Econergy's activities with the EU Taxonomy.

Moreover, the database measures the rate of alignment of the Econergy turnover, capital expenditure (Capex), and operational expenditure (Opex) with the EU Taxonomy as in Art. 8 of Reg. 2020/852 and following the guidelines outlined in EU Reg. 2021/2178.

The database is built to be updated annually, including new project activities and it includes the following fields for each project: ID code, project name, country, Geographical coordinates, technology, development stage, type of activity (according to the EU Taxonomy definitions), NACE codes, eligibility according to the EU Taxonomy, technical screening alignment, exposure to physical risks and climate-related hazards and potential measures taken to reduce the exposure to physical risks when medium or high, alignment to DNSH criteria (% average rate of materials' recyclability or waste management plan etc), investment type (greenfield/brownfield/agricultural), environmental analysis compliance, minimum safeguards compliance, Taxonomy alignment.

Econergy Renewable Energy Ltd
Menivim Tower
1 HaTahana Street, Kfar Saba
Israel

info@econergytech.com
www.econergytech.com

Designed by: 7design Studio | www.7design.co.il

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