EU Taxonomy Alignment

2024

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Powering Renewables.

Introduction

The EU Taxonomy Regulation (2020/852) is a crucial market transparency tool designed to promote direct investments in economic activities essential for the transition to a sustainable economy, in line with the European Green Deal objectives. The EU Taxonomy is a classification system that sets criteria for economic activities aligned with a net-zero trajectory by 2050 and broader environmental goals beyond climate change.

According to the Regulation, an economic activity is considered "eligible" 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

For eligible economic activities to qualify as Taxonomy-aligned, they must meet the technical screening criteria defined in the Taxonomy's delegated acts, which require that they:

- Make a substantial contribution to at least one environmental objective, and
- Do no significant harm (DNSH) to any other environmental objective.
- Comply with the Taxonomy's minimum social safeguards.

The alignment analysis focuses on Econergy's whole energy project portfolio, including solar PV activities, co-located and stand-alone storage technologies, as well as wind energy projects. Econergy reports on the financial KPIs for eligible economic activities in accordance with Regulation (EU) 2020/852 and the supplementary delegated acts.

Identification of Eligible Economic Activities

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

- Electricity generation using solar photovoltaic technology, including the operation, construction, and development of solar PV plants
- Electricity generation from wind power, including the operation, construction, and development of solar PV plants
- Storage of electricity, including the operation, construction, and development of Battery Energy Storage Systems (BESS - defined as an 'enabling' activity, meaning it does not directly contribute to an environmental objective through its performance but enables other activities to make a substantial contribution to an ecological objective).

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

As of December 31, 2024, Econergy operates nine plants, including eight PV plants in Romania and Italy with a total installed capacity of 265 MW and one storage project in the UK with a 50MW AC connection and 102 MWh capacity. Econergy's development pipeline includes 8 GW in photovoltaic, agrivoltaics, and onshore wind projects, along with 6 GWh in storage capacity for both stand-alone and co-located projects in Romania, Italy, Poland, the UK, Spain, and Greece.

According to the Regulation, Econergy's business activities are considered "eligible" under the EU Taxonomy. Therefore, 100% of Econergy's business activities are considered for the EU Taxonomy's alignment.

Doing no significant harm (DNSH) to any other environmental objective

The EU Taxonomy regulation calls for certain conditions to be verified for an activity to be considered '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.

All business activities of Econergy were assessed by the degree of alignment with the EU Taxonomy's "Do No Significant Harm" technical screening criteria.

Following are the results of the DNSH assessment conducted for the environmental objectives relevant to our activities and technologies.

Environmental Objective 2:

Climate change adaptation

Technical Screening Criteria: 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

Econergy's Solar PV, wind and BESS projects: Econergy uses the AXA Altitude platform to assess exposure to physical risks and climate-related hazards. This platform uses scientific algorithms and databases to automatically identify all risks and opportunities related to climate change, carbon emissions and biodiversity loss for specific projects and investments. It generates comprehensive reports detailing the risks that could impact assets based on location and suggests appropriate mitigation actions. Our analysis considered physical climate and transition risks and opportunities associated with all projects at various stages, including operation, construction, and development. These assessments consider the activity's expected duration and the climate RCP 4.5 scenario (SSP2 - 4.5 on the platform), which assumes 'intermediate' emissions between now and 2050. Based on the outcome of the risk analysis conducted, the AXA platform can offer insights on viable 'adaptation' and 'mitigation' solutions which may help mitigate the risks emerged; Econergy takes into account AXA's insights and sets the ground for implementing any remediation operations.

Environmental Objective 4:

Transition to a Circular Economy

Technical Screening Criteria: 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. As per the Waste Electrical and Electronic Equipment (WEEE) Directive, PVs' minimum overall recycling rate threshold is set to 85% to be considered aligned with the EU Taxonomy. For battery storage projects, a waste management plan must be in place and ensure maximal reuse or recycling at the end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections, or official project documentation.

Econergy's Solar PV Projects: 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 be 92%. Since 2012, PV waste has been subject to the updated Waste Electrical and Electronic Equipment (WEEE) Directive. Solar modules must be treated and recycled like any other electrical waste. The EU currently demands a PV collection rate of 85%, and 80% must be reintroduced into the material cycle. The EU Extended Producer Responsibility standard extends producers' responsibility for a product to observe reuse and recovery rates.

Econergy's Wind Projects: Wind turbines have a lifespan of 20 to 30 years, and with minor modifications, they can last up to 35 years. Today, 85% to 90% of turbines are easily recyclable because they are made of steel, aluminum, and copper, which have established recycling practices. The real issue concerns the disposal of the remaining 10-15%, made of composite materials—including carbon or glass fibers, resin, wood, or PET—which make up the wind turbine blades and must be dismantled, then recovered and recycled. In 2024, no wind projects in Econergy's pipeline were under construction. However, Econergy's wind projects procurement operations take thoroughly into account the disposal plans and policies of potential suppliers so to reach the highest recyclability rate and align with the EU Taxonomy.

Econergy's BESS Projects: The provisions on extended producer responsibility remain essentially the same, i.e., anyone who places batteries on the EU market must take care of the collection and recycling of all batteries and regularly report the quantities they put on the market to the national authorities—tasks that are outsourced mainly to Producer Responsibility Organizations (PROs), which take on these tasks on their behalf. In 2024, Econergy verified how the supplier of its BESS is dealing with extended producer responsibility and verified the supplier's adoption of a Circular Economy Policy.

Environmental Objective 6:

Protection and restoration of biodiversity and ecosystems

Technical Screening Criteria: 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's Solar PV, wind and BESS projects: Econergy performs preliminary environmental analysis for all projects under development and an EIA or equivalent if legally required. Moreover, Econergy uses the AXA Altitude platform to assess the biodiversity risks of its plants. This platform uses scientific algorithms and databases to automatically identify all risks and opportunities related to climate change, carbon emissions and biodiversity loss for specific projects and investments. It generates comprehensive reports detailing the risks that could impact assets based on location and suggests appropriate mitigation actions.

Complying with Minimum Social Safeguards

Minimum safeguards are integral to the EU Taxonomy, ensuring that entities engaged in Taxonomy-aligned economic activities adhere to specific social and governance standards. According to the EU Taxonomy Regulation, green investments cannot be deemed sustainable if they negatively impact human rights, including labor rights, involve corrupt practices, or are associated with non-compliance with tax laws or anti-competitive practices.

In practice, Taxonomy-aligned activities must incorporate due diligence and remediation procedures to uphold the standards for responsible business conduct outlined in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). This includes adherence to the principles and rights set forth in the eight fundamental conventions identified in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, as well as the International Bill of Human Rights.

In 2022, Econergy adopted a comprehensive set of corporate policies and tools to promote good governance within the company:

- Code of Ethics
- Health, Safety & Environment Policy
- Anti-Bribery and Corruption Policy
- Human and Labour Rights Policy
- Equality, Diversity, and Inclusion Policy
- Suppliers' Code of Conduct

These tools guide the company in implementing its corporate vision, ensuring alignment with global best practices and standards, and fostering strong stakeholder relationships. The documents outline specific activities for their implementation, monitoring, review, and dissemination among internal and external stakeholders.

To further reinforce our commitment to ethical conduct, we adopted a whistleblowing procedure in 2022 and developed the Global Compliance Helpline, an online portal for reporting actual or suspected misconduct. This platform guarantees confidentiality and accepts anonymous reports, ensuring a thorough investigation of any violations. Our whistleblowing framework, compliant with the EU Whistleblowing Directive and national laws, provides clear reporting channels, anonymity, and protection from retaliation. In 2024, we reviewed and updated our whistleblowing procedure, reflecting our strong governance culture.

Human Rights, Including Workers' Rights

We have adopted a comprehensive Human and Labour Rights Policy to uphold the highest ethical standards and support the protection of internationally proclaimed human rights. This policy aims to ensure respect for human rights within our business operations and external engagements.

Moreover, our Equality, Diversity, and Inclusion Policy promotes equality and fosters a diverse and inclusive organisational culture. This includes fair recruitment practices and emphasising work-life balance to support personal well-being and professional excellence. Despite challenges in attracting women to the renewable energy sector, Econergy has taken proactive measures to enhance its career opportunities, positioning itself as an employer of choice for women seeking growth and excellence. With women representing 39% of the workforce in 2024, Econergy demonstrates its commitment to diversity and inclusion through equitable recruiting practices. In addition to our annual gender pay gap calculation and commitment to closing it, we introduced quantitative goals in 2024 to advance gender equality. By 2030, women should hold at least 30% of all management positions and 25% of senior management positions. This strategic goal underscores Econergy's dedication to creating an inclusive workplace and cultivating diverse leadership at all levels.

Regarding our supply chain, our Supplier Code of Conduct encourages suppliers to operate with similar ethical values and adopt equivalent corporate responsibility policies, whether entering into new agreements or maintaining existing ones. Suppliers are expected to adhere to the following requirements:

- Ethics, Transparency, and Compliance: Suppliers must not engage in or tolerate bribery or corruption.
- Human Rights and Labor: Suppliers must avoid any form of slavery and human trafficking.
- Health, Safety, and Environment: Suppliers must comply with all applicable health, safety, and environmental regulations.

We are committed to implementing all possible safeguards to ensure we do not engage with suppliers whose conduct does not align with the principles that guide us.

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)
- ESG practices and 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 (aka "Bills of Materials"), including the places of origin of principal technology components. This is required for PV module suppliers, who are asked to provide the places of origin of different components (Polysilicon, Ingot, Wafer, Cells, Modules). Since 2024, we have expanded our traceability efforts to include battery storage applications, enhancing oversight around high-risk areas and components.

We also introduced an ESG Clause in our technology supply agreement template. This clause embeds sustainability and ethical standards into Econergy's supply chain management, requiring suppliers to align with international frameworks such as the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights.

Bribery / Corruption

Our Anti-Bribery and Corruption Policy upholds a zero-tolerance stance against such acts. These may include offering or receiving illegal benefits, gifts, hospitality, facilitation payments, unauthorised political contributions, or donations. All individuals affiliated with the Company must prevent, detect, and report bribery and corruption. Furthermore, in cases where suspicion or identification of such behaviour arises among contractors or supply chain members, we thoroughly review our relationship with the implicated party. Integrity and transparency are the basis for our relations with stakeholders, aiming at a culture of trust. We steadfastly commit to nurturing this culture by prioritising compliance with internal rules and external legislation, recognising it as an essential concern for our business. Dedicated trainings on the Code of Ethics and Corporate policies are delivered online through the learning platform and is available to all Group employees.

Taxation

Adopting the Tax Adherence Policy by our company signifies a strategic approach to managing our tax obligations efficiently and effectively across the entire organisation. By centralising tax planning and compliance processes, we streamline operations, optimise tax structures, and ensure alignment with regulatory requirements. Through this model, we can leverage synergies within the group, minimise tax liabilities, and enhance overall tax transparency. Additionally, the Group Tax Model lets us stay abreast of evolving tax laws and regulations, allowing for proactive adjustments to maximise tax efficiency while maintaining compliance. This strategic initiative underscores our commitment to responsible tax management and adds value to our business operations.

Fair Competition

Our Code of Ethics highlights our commitment to operate legally and ethically, supporting free and open competition in the marketplace. The Group complies with all competition laws and refrains from collusive or predatory conduct and abuses of a dominant position.

Results of the 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, i.e., aligned with the EU Taxonomy, contribute to the mentioned financial metrics. The 2024 assessment incorporates the evaluation of the three key financial metrics as requested by the Regulation and, more specifically, the degree of alignment to the EU Taxonomy of:

- Revenues generated in 2024
- Capital Expenditure (Capex) for 2024
- Operating Expenditure (Opex) for 2024

We assessed 225 projects overall, at all stages of development, including those in early development. Among these, 170 are photovoltaic plants; 31 are stand-alone storage (BESS) projects; 15 are PV and BESS co-located projects; and 8 are onshore wind projects. All projects have been assessed against the environmental objective of Climate Change Mitigation (CCM).

All the ongoing projects are EU Taxonomy-aligned as contributing to CCM, and, in compliance with the regulation, they do not cause any significant harm to any of the other environmental objectives. However, there are several "dropped" projects - i.e., initiatives initially pursued but ultimately discontinued before completion. These projects have been discontinued at various stages of development due to various technical, financial, regulatory, or strategic factors. The capital expenditure relative to dropped projects cannot be considered Taxonomy-eligible thus it negatively impacts (for 1.3%) the overall share of Taxonomy-aligned CapEx.

With regards to the EU Taxonomy financial metrics:

- Econergy FY24 turnover linked to projects development (around €13.5 M) is 100% Taxonomy-aligned;
- Econergy FY24 capital expenditure (CapEx) linked to project development (around €89 M) is 98.7% Taxonomy-aligned;
- Econergy FY24 operative expenditure (OpEx) linked to project development (around €1.15 M) is 100% Taxonomy-aligned.

These results are promising and reflect our efforts in contributing effectively to the transition to a low-carbon, and sustainable economic and productive system.

EU Taxonomy Alignment - FY24

Notes:

- The percentage defining the CapEx share aligned with the EU Taxonomy is calculated as follows:

$$\textbf{\% of EU Taxonomy aligned capex} = \frac{\text{The sum of the capex generated by each EU Taxonomy fully aligned project}}{\text{The total company CapEx}}$$

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How Econergy will keep monitoring Taxonomy alignment

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 Regulation. 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 (%).

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