



Green Bond Framework
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Disclaimer

1. Introduction

Eurogrid GmbH (hereafter: "Eurogrid") issues under its debt issuance programme inter alia green bonds to fund green projects of its subsidiary 50Hertz Transmission GmbH (hereafter: "50Hertz") and 50Hertz' subsidiary 50Hertz Offshore GmbH (hereafter: "50Hertz Offshore") (hereafter: "Green Bonds"). The Green Bond Framework set up for this purpose follows the International Capital Market Association (ICMA) Green Bond Principles (GBP).

2. About Eurogrid, 50Hertz and 50Hertz Offshore

2.1 Company overview

Eurogrid is a German company based in Berlin that holds and manages a participation in 50Hertz, 50Hertz being one of the four transmission system operators in Germany.

Eurogrid is indirectly owned and managed by the Belgian Elia and by the German KfW. Eurogrid owns a 100% interest in 50Hertz which as one of the German transmission system operators is regulated by the German federal regulator "Bundesnetzagentur". 50Hertz is responsible for the operation, maintenance, planning, and expansion of the 380/220 kilovolt transmission grid throughout the German Federal States of Thuringia, Saxony, Saxony-Anhalt, Brandenburg, Berlin, Mecklenburg-Western Pomerania and Hamburg. Through its electric transmission assets and its system services, 50Hertz plays a crucial role in integrating renewable energies into the transmission system. Under its transmission activities, 50Hertz plans, erects, owns and operates electrical transmission infrastructure, balances the electricity system and facilitates the market. 50Hertz in its turn owns a 100% interest in 50Hertz Offshore, a separate entity planning, erecting, owning and operating the connections between offshore windfarms in the Baltic Sea and the German onshore electricity grid.

News about Eurogrid, 50Hertz and 50Hertz Offshore can be found at <https://www.eurogrid.com/en-us/Publications/News>.

2.2 Sustainability strategy

"A successful energy transition – for a sustainable world"
-Vision 50Hertz-

Responsible corporate management and a vision led by social interests – this is what distinguishes 50Hertz. Motivated by the vision to realise "a successful energy transition for a sustainable world", the company has set itself strategic objectives: it wants to make grids ready to increase the shares of renewable energies, maintain the level of security of supply and, in doing so, achieve a competitive result. 50Hertz seeks to conserve and protect the environment and landscape and to deliver its share in the realization of the energy transition into a world supplied by renewable energies, combined with the reduction of emissions and

increasing efficiency at own premises and implementation of ecological management of all transmission lines.

50Hertz fully supports the objectives of the EU and the German federal government for reducing CO₂ emissions, particularly by expanding the electricity grid, which increases the share of CO₂ neutral energy sources, but also by optimising the company-wide carbon footprint. It is 50Hertz' policy to keep the impact on nature and on biodiversity as low as possible. During the project planning and approval process, the company does not only consider efficiency, concerns of the local population and technology, but always keeps flora and fauna protection in mind. In the preliminary stages of those processes, environmental impact assessments are carried out in order to minimise any nature conservation conflicts at an early stage. In its operations, waste prevention and effective water protection are also of paramount importance.

At the same time, 50Hertz focusses on occupational safety¹ and continues to promote a value-based corporate culture. In its Corporate Charter, the company has undertaken to act in accordance with the ten principles of the UN Global Compact in the areas of working norms, occupational safety, environmental protection, human rights and combating corruption. Engaging in an open dialogue with all its stakeholders is an integral part of its communication. 50Hertz is involved in numerous cultural as well as nature and species conservation projects in the control area and supports social initiatives in partnership. The company also cooperates closely with partners from business and science as well as NGOs.

As transparency is of utmost importance to 50Hertz, Global Reporting Initiative (GRI) compliant sustainability reporting² is published. Additionally, 50Hertz' Sustainability Principles³ are publically available to explain the company's behaviour towards environmental, social and governmental factors.

3. Green Bond Framework

The Green Bond framework follows the four key pillars of the ICMA Green Bond Principles [2018] (hereafter "GBP [2018]"): Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. The Eligible Projects (as defined below) conform to the eligible categories defined in the GBP [2018].

3.1 Use of Proceeds

"Eligible Projects" means projects and assets of 50Hertz or 50Hertz Offshore contributing to the integration of renewable energies into the transmission system or between transmission systems and in particular includes a portfolio of offshore renewable electricity projects and assets in order to integrate offshore wind energy into the onshore electricity transmission system(s).

"Eligible Project Portfolio" means a portfolio of Eligible Projects.

¹ <https://www.50hertz.com/en/Company/Sustainability/Occupationalsafety>

² Sustainability Report 2018: <https://www.eliagroup.eu/en/publications>

³ Sustainability Principles: <https://www.50hertz.com/en/Company/Sustainability/>

The proceeds of the issuance of Green Bonds by Eurogrid will be applied to finance, refinance and/or invest in Eligible Projects which contribute to the category “renewable energy”. The Eligible Project Portfolio may include investments in projects/assets made 24 months before the respective Bond issuance.

Through the Eligible Projects, Eurogrid contributes to the realization of the United Nations Sustainable Development Goals (SDGs), more specially to “SDG 7: Affordable and Clean Energy” and “SDG 13: Climate Action”.



The Eligible Projects also are in line with the EU Action Plan for Financing Sustainable Growth as they contribute to the EU environmental objective of Climate Change Mitigation, and fall under the NACE Macro-sector: “electricity, gas, steam and air conditioning supply”. The aim is to increase the numbers of households that could be supplied by wind energy and consequently avoid CO₂-emissions.

Eligible Projects include inter alia:

- Offshore platforms
- Grid connections between offshore energy projects and onshore substations through sea and land cables. This includes offshore interconnectors to electricity grids across territory boundaries and connection facilities at the onshore substation.

Examples of Eligible Projects:

I. Ostwind 1

Ostwind 1 connects the Baltic Sea wind farms “Wikinger” (capacity: 350 MW) and “Arkona” (capacity: 385 MW) in the cluster Westlich Adlergrund via two offshore platforms with the onshore substation of Lubmin in the Bay of Greifswald. The Westlich Adlergrund area has proven to be particularly suitable for the construction of wind turbines, and has a surface of 109.2 km². It is located ca. 42 km from the closest coast of Rügen island and ca. 90 km from Lubmin. Connections to both wind farms have been completed in 2019, enabling both wind farms to feed power into the German grid.

More details at <http://www.50hertz.com/en/Grid-Extension/Offshore-projects/Projects/Ostwind-1>.

II. Ostwind 2:

This project connects the Baltic Sea wind farms “Arcadis Ost 1” and “Baltic Eagle” to the German extra-high voltage transmission grid. Together, the two wind farms will generate an output of ca. 725 MW. 50Hertz plans to build two offshore platforms and three 220 kV AC submarine cable systems to deliver this power via the onshore substation Lubmin into to the German grid.

The clusters Arkonasee and Westlich Arkonasee have been designated as special areas of wind power for the construction of wind turbines, together they cover an area of ca. 106 km². The turbines are located in the German Exclusive Economic Zone (“EEZ”: Arkonasee) as well as in the 12-mile zone (Westlich Arkonasee) of the Baltic Sea. Permits have already been granted for the Ostwind 2 project for the land route, for the 12 mile zone (12 sm zone) of Mecklenburg-Vorpommern and for a section of ca. 5 km in the EEZ. 50Hertz has accepted a contract to manufacture and install three 220 kV AC cables in November 2018, coming down to an order worth ca. € 550m. The first construction activities are planned to start in 2020.

More details at <https://www.50hertz.com/en/Grid/Griddevelopment/Offshoreprojects/Ostwind2>.

3.2 Process for Project Evaluation and Selection

Eurogrid's Treasury department and 50Hertz' CSR manager jointly evaluate and select the Eligible Projects based on the following ESG criteria:

In general potential Eligible Projects offshore are evaluated based on them being executed according to the offshore site development plan⁴ and subject to standard project management requirements by 50Hertz/50Hertz Offshore such as community and stakeholder consultation.

The potential Eligible Projects are evaluated based on the following environmental impact assessment criteria (as applicable):

- In the planning, construction and operation phases of offshore platforms, impacts on the environment are assessed and/or mitigated in terms of:
 - Assessment of impacts on maritime fauna
 - Noise mitigation
 - measures for clearing the sea floor from ammunition, scrap or other waste
 - Safe waste storage and disposal
 - Environmentally friendly antirust protection

- In the planning, construction and operation phases of connection cables between offshore energy projects and onshore substations, projects' environmental impacts are assessed and mitigated in terms of:
 - measures for clearing the sea floor from ammunition, scrap or other waste
 - Optimising cable routes for biodiversity impact where possible
 - Relocation of species
 - Consideration of sea life breeding periods
 - Mitigation of impacts in terms of soil warming
 - Decent decommissioning and rehabilitation of construction sites onshore

50Hertz' Management Board approves the evaluation and selection of Eligible Projects.

The Eligible Projects Portfolio will expand gradually. The Eligible Project Portfolio may include investments in projects/assets made 24 months before the respective Green Bond issuance.

Projects aiming at financing any activity within high extra financial risk sectors (Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Embryonic human stem cells, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco) can never be considered as Eligible Projects.

⁴ https://www.bsh.de/EN/TOPICS/Offshore/Sectoral_planning/sectoral_planning_node.html

3.3 Management of Proceeds

The proceeds will be allocated and managed by Eurogrid's Treasury department on a portfolio basis in collaboration with 50Hertz' Management Board. Eurogrid will pass the Green Bond proceeds through to 50Hertz respectively via 50Hertz to 50Hertz Offshore. 50Hertz/50Hertz Offshore monitor and track an amount equal to the net proceeds through their internal accounting system to seek to allocate 100% of this amount to the Eligible Project Portfolio. If a designated project in the applicable Eligible Project Portfolio ceases to be an Eligible Project, the proceeds will be re-allocated to different Eligible Projects in the applicable Eligible Project Portfolio, as soon as reasonably practicable. Pending the full allocation to the applicable Eligible Project Portfolio, 50Hertz respectively 50Hertz Offshore will hold and / or invest the balance of net proceeds not yet allocated, at its own discretion, by cashpooling to Eurogrid's treasury liquidity portfolio. Eurogrid is investing available cash out of its cashpool in banks' current accounts, term or termination deposits and will not be invested in any GHG intensive activities or controversial activities.

The management of the proceeds will be verified by internal audit or an external independent third party as a part of the annual Green Bond report.

3.4 Reporting

Reporting on the Use of Proceeds and impact evaluation will be available to investors within one year from the date of the respective Green Bond issuance and annually thereafter until the proceeds have been fully allocated (hereafter "Green Bond Report"). The Green Bond Report will be published on the Eurogrid website, along with a letter of an internal auditor or an external independent third party (see below) and assertions by Eurogrid's management that the net proceeds of the Green Bond were allocated to Eligible Projects.

Allocation reporting

Eurogrid will report on the percentage of Green Bond proceeds allocated. It also specifies the percentage of proceeds allocated to the different types of Use of Proceeds and disclose information on the geographical location of the projects on country level.

Impact reporting

Per Use of Proceeds category, relevant metrics could include the metrics listed below. The impact reporting occurs on portfolio basis, but certain projects could be highlighted to provide examples:

I. General

- A description of the Eligible Projects, including a clarification which EU Environmental Objective the projects pursue

- A breakdown of Eligible Projects by the nature of what is being financed (e.g. assets, capital expenditures, operating expenditures, etc.)
- The share of new financing vs. refinancing as well as co-financing.

II. Impact

- Renewable energy provided by the project (in MW)
- Avoided CO₂ emissions (in tonnes CO₂ equivalent)
- Number of households supplied with 100% renewable energy
- The progress of the Eligible Projects in building phase
- Data on working and safety conditions during construction and maintenance work, e.g. number of accidents, injuries and deaths related to construction and maintenance work (own employees and contractors) at Eligible Project sites
- Eventually case studies on Eligible Projects as examples

4. External Review

4.1 Second party opinion

Eurogrid is going to obtain an independent second party opinion from Vigeo Eiris to confirm that the Green Bond Framework follows the ICMA Green Bond Principles [2018]. The independent second party opinion will be published on Eurogrid's website.

4.2 Verification post issuance

Starting one year after Green Bond issuance until full allocation of the proceeds Eurogrid is going to request on an annual basis a limited assurance letter on the allocation of Green Bond proceeds to Eligible Projects provided by an external independent third party.

A review of the coherence between initial commitments and the Green Bond Principles will be provided by an independent third party with the following elements:

- Bond processes actually implemented
- Allocation process and results obtained from the use of Bond proceeds financing Eligible Projects
- Reporting on the social and environmental benefits of the Eligible Projects, at Projects and aggregated at Bond levels

4.3 Climate Bonds Initiative Certification

Eurogrid obtained a pre-issuance Climate Bonds Initiative (CBI) Certification on its Framework. Vigeo Eiris has conducted the pre-issuance verification of Eurogrid's 2020 Green Bond and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 3.0.

Disclaimer

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