

Romande Energie Holding SA

Green Finance Framework



July 2022

Introduction

Romande Energie Group is the leading supplier of electricity in Western Switzerland and a mainstay in the Swiss energy industry. We offer several sustainable solutions for the generation, marketing and distribution of electricity and thermal energy in addition to energy services, which include energy efficiency and electromobility.

All our generation assets are driven by renewable sources of energy. Additionally, we are working hand in hand with customers, investors, and employees to provide ever-better standards of living through innovative services and a commitment to sustainability. We are dedicated, day in day out, to offering high-grade services and security of supply, just as customers expect, as well as supporting them in transitioning to more sustainable forms of energy.

To both customers and business partners, Romande Energie Group offers efficient and innovative solutions while providing top-quality services and ensuring a provision of power that is reliably delivered, sustainably sourced and competitively priced.

Romande Energie Group's business model is underpinned by the three pillars of sustainable development (economic, social, and environmental pillars). To embed this approach and align ourselves consistently with the United Nations' 2030 Agenda, we embarked in 2020 on the process of complying with the 17 Sustainable Development Goals (SDGs). To date, eight of these are now firmly anchored in our business strategy. Those SDGs are interlinked with the material topics identified through the materiality matrix defined for the first time by the company and its key stakeholders in 2021.








The new strategy announced in September 2021 aims to establish the Romande Energie Group as a mainstay driving Western Switzerland towards net zero by providing sustainable and carbon-free solutions to meet our clients' needs. Renewable energies will have pride of place in the future, following on from the significant investments made in 2021. Several projects are set to go ahead, including various district heating installations in Switzerland. The Group will also continue developing its own green energy assets, marketing turnkey offers and providing advice and services to help its various customers – households, businesses, municipalities, and property market firms – decarbonise their activities. To that end, Romande Energie Group plans to invest 1.4 billion CHF by 2026 (growth in capital expenditures) to significantly increase investments in power and thermal energies (objective: +63% for power energy with a focus on solar and wind, and +246% for thermal energy between 2021 and 2026).


Regarding the management of ESG risks, the latter are under the responsibility of the Risk Manager who ensures an exhaustive identification, assessment, monitoring and reporting of enterprise risks to the Executive Committee as well as the Board of Directors. This process is performed annually with the risk holders to check that the risk cartography is still up to date and the mitigation actions are taken and planned. Moreover, climate risk is actually part of the enterprise risk management and is integrated in the current process. When applicable / possible business plans integrate assumptions on key parameters influenced by climate risk in the financial assessment of projects. Regarding our environmental footprint specifically, we have monitored from 2020 onwards the carbon intensity of our revenues, targeting to decrease it by 5% each year between 2021 and 2026.

1. Use of Proceeds

Sustainability is integrated into Romande Energie Group's operations, product and service offering, and engaging in Green Finance is a continuation of such commitments. To ensure alignment with international market practice, Romande Energie Group's Green Finance Framework is aligned to market practice and meet the core pillars as set out in the Green Bond Principles and the Green Loan Principles, the voluntary process guidelines of the International Capital Market Association (ICMA) and the Loan Market Association (LMA) respectively.

Green Finance Category	Description of eligible green projects	Positive impact on sustainable development according to UN SDGs ¹
Renewable energy	<p>Projects to expand and maintain renewable energies and related infrastructure, as well as to connect and distribute energy from the same.</p> <p>Renewable energy projects may include the following categories:</p> <ul style="list-style-type: none"> • Wind power: <ul style="list-style-type: none"> - Onshore wind turbines • Hydro power: <ul style="list-style-type: none"> - Small hydroelectric plants with less than 10 MW generation capacity - Medium-scale hydroelectric plants (i.e., 10 to 1'000 MW generation capacity) • Solar energy: <ul style="list-style-type: none"> - Open-air installations - Roof installations - Solar energy contracting (with or without microgrid) across Switzerland, through the installation of solar panels on roof or car parking • Geothermal energy 	  
Energy efficiency	<ul style="list-style-type: none"> • Development of thermal energy (district heating) • Biomass CHP (combined heat & power) 	 

¹ Please refer to ICMA's "Green and Social Bonds: A high-level mapping to the Sustainable Development Goals" and LMA Green Loan Principles

<p>Clean transportation</p>	<ul style="list-style-type: none"> • Infrastructure for clean energy vehicles (pre-equipment and installation of private charging points for parking spaces) to ease the transition to electric mobility • Hydrogen production plant to provide green hydrogen thanks to renewable energy and therefore decarbonize heavy mobility (in the short term: goods transport heavy trucks and intensive fleets / in the medium to long term: collective transportation, construction and / or agricultural machinery) 	
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Net proceeds will be used to finance and/or refinance eligible projects which are owned and developed either wholly by Romande Energie, or by SPVs which are wholly or partly owned by Romande Energie and created specifically to develop projects that fall within the above list of eligible projects.

2. Process for Project Evaluation and Selection

Romande Energie Holding SA has further strengthened the integration of sustainability into its business model by setting up a dedicated cross-departmental Green Finance Committee (GBC) to identify and select Eligible Green Projects. The GBC is comprised of the following members:

- The Chief Financial Officer
- The Head of Group Treasury, also in charge of Investors' relations
- The funding specialist
- The Chief Sustainability Officer
- Members of the business teams
- Other functional teams (as needed)

The GBC's role is to:

- Review, select and validate the pool of Eligible Green Projects, in accordance with the criteria defined in the Green Finance Framework.
- Validate the annual investor report on the use of net proceeds from issues.
- Monitor the on-going evolution related to the Sustainable Capital Markets (i.e., GBPs) in terms of disclosure/reporting to be in-line with market best practices.
- Monitor and assess potential social and environmental risks of/for the pool of Eligible Green Projects.
- Review the Framework to reflect any changes with regards to the Company's sustainability strategies and initiatives and to be in-line with market best practices.

3. Management of Proceeds

Net proceeds from Green Finance issues will be added to cash and cash equivalents of Romande Energie Holding SA and used to fully finance and/or refinance green projects in the Green Finance project portfolio. The net proceeds from Green Finance issues will be allocated using a Green Finance Register.

This register will compare the projects in the Green Finance project portfolio with the net proceeds from Green Finance issues. The Head of Group Treasury will be responsible for the full allocation of these proceeds. Group Treasury will monitor any green proceeds raised in its internal information systems and adjust the amount as disbursements are made to Eligible Projects.

Romande Energie Holding SA is intending to allocate an amount equal to the net proceeds from Green Finance issues to the projects in the Green Finance project portfolio in full within three years. In principle,

an amount equal to the net proceeds are to be used to finance green projects that will be commissioned within the next three years or to refinance projects that were commissioned no more than three years ago. Should the use of funds differ from the above-mentioned funding periods in individual cases, information will be provided in a transparent manner within the annual reporting.

If net proceeds from Green Finance issues have already been allocated to projects that subsequently no longer meet the Green Finance Asset criteria of this Framework, the available funds for financing and/or refinancing green projects in the Green Finance Register will be increased and, if necessary, allocated to projects that continue to qualify for funding in accordance with the Framework Guidelines.

The net proceeds from Green Finance issues will be allocated in the Green Finance Register to the project-related equity and/or intra-group debt of green projects.

Any unallocated proceeds will be managed in accordance with Romande Energie Holding SA normal liquidity policies.

4. Reporting

Romande Energie Holding SA will report on the allocation of net proceeds and associated impact metrics annually until the maturity of the respective Green Finance instrument, and as necessary in the event of material development. This report will be publicly available on our website every year.

Allocation reporting

- The list of Eligible Green Projects (re)financed with a description.
- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects.
- The proportion of net proceeds used for financing versus refinancing and,
- The balance of any unallocated proceeds invested in cash and/or cash equivalents.

Example Impact Reporting

Green Finance Category	Examples of impact measurement metrics (not exhaustive)
Wind power	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO2 equivalents]
Hydro power	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO2 equivalents]
Solar energy	<ul style="list-style-type: none"> • Installed capacity [MW] • Energy produced [MWh] • Avoided greenhouse gas emissions [t CO2 equivalents]
Energy efficiency	<ul style="list-style-type: none"> • Increase in heating-related energy efficiency [MWhth]
Clean transportation	<ul style="list-style-type: none"> • Charging stations for electromobility [number] • Avoided greenhouse gas emissions [t CO2 equivalents]

5. External review

Second Party Opinion

The Second Party Opinion (SPO) was provided by ISS ESG. ISS-ESG reviewed Romande Energie Holding SA Green Finance Framework and confirmed that it complies with the ICMA’s Green Bond Principles and Market. The SPO will be made available on Romande Energie Group’s website.

Green Finance report

An independent party is requested to deliver a methodological review of the Green Finance report that will be delivered by Romande Energie Holding SA.

The external review includes:

- Reporting indicators review (materiality, relevance, methodologies for calculation).

- Analysis and evaluation of the Green Finance report and alignment with ICMA GBPs and recognized market guidelines.
- Analysis and evaluation of the soundness of Romande Energie Holding SA process and methodology of reporting developed compared to the framework.
- Analysis and evaluation of the metrics chosen by Romande Energie Holding SA and its underlying data sourcing and baseline.

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