



# **ENGIE APAC GREEN LOAN FRAMEWORK**

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## 1. Introduction

ENGIE Group is a global reference in low-carbon energy and services. Its purpose (“raison d’être”) is to act to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally friendly solutions, reconciling economic performance with a positive impact on people and the planet. ENGIE develops its businesses - (i) low CO<sub>2</sub> power generation, (ii) global networks, and (iii) customer solutions - around a model based on responsible growth to take on the major challenges of the transition to a low-carbon economy: access to sustainable energy, climate-change mitigation and adaptation and responsible use of resources. ENGIE provides individuals, cities and businesses with highly efficient and innovative solutions largely based on its expertise in key sectors: renewable energy, energy efficiency and preservation of natural resources. As a global energy player, ENGIE operates in close to 70 countries on 5 continents.

With over 170,000 employees, customers, partners, and stakeholders, ENGIE is a community of Imaginative Builders, committed every day to more harmonious progress. Turnover in 2019: 60.1 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

ENGIE is deeply committed to the Asia-Pacific region in helping governments, customers and businesses transition to capitalize on growth opportunities, yet at the same time, do so in a sustainable manner through developing gas and renewable power, energy efficiency optimization (such as district cooling, data centres) and decentralized energy solutions (such as microgrid technologies).

### *ENGIE Asia Pacific (“ENGIE APAC”)*

ENGIE APAC has been successfully operating in the region and is of strategic importance to ENGIE’s business globally. With nearly 5,000 employees across Asia Pacific covering Australia, Indonesia, Japan, Korea, New Zealand, Malaysia, Mongolia, Singapore, Thailand and The Philippines, and with its Asia Pacific headquarters now in Singapore, ENGIE APAC aims to capitalise on sustainable growth opportunities to help accelerate the region’s energy transition.

## 2. ENGIE APAC’s Commitment to Sustainability & ESG

ENGIE is committed to safeguarding the welfare of the environment. In the Asia Pacific region, ENGIE has closed or divested all emission intensive power generation facilities. Decarbonisation of our generation infrastructure is a major goal for ENGIE around the world. ENGIE has developed a management approach designed to limit its environmental impact. By developing renewable energies, optimizing its production facilities’ energy efficiency and preserving natural resources, ENGIE contributes to the fight against climate change and to the preservation of natural resources. In this regard, ENGIE has identified a number of "Sustainable Development Goals" (SDGs), as defined in September 2015 by the United Nations for the period 2015-2030 that are particularly relevant for the Group:

- Goal 3: Ensure healthy lives and promote well-being for all at all ages
- Goal 5: Achieve gender equality and empower all women and girls
- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 9: Investment in infrastructure and innovation
- Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable



- Goal 13: Take urgent action to combat climate change and its impacts
- Goal 14: Conserve and sustainably use of the oceans, seas and marine resources for sustainable development
- Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss
- Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

To support its strategic ambition, and to demonstrate its impacts on society, ENGIE Group has committed the following objectives to be achieved by 2030:

- a) Production portfolio containing 58% renewable energy;
- b) Net-zero emissions for “Ways of Working” (after compensation, with compensation being the last resort);
- c) 100% coverage of industrial activities by environmental plan and an appropriate mechanism for dialogue and consultation with its stakeholders;
- d) 100% coverage of industrial sites with ecological management plan; and
- e) A reduction of 35% water consumption for industrial activities, compared to 2019.

### **3. ENGIE APAC’s Renewables Strategy**

ENGIE APAC operates in a vast, diverse fast-growing region. A need for basic energy infrastructure in some countries, growing digitalization and urbanisation and growing or nascent environmental concerns offer immediate and future opportunities. In addition, the region has many Fortune 500 and RE100 companies physically present which provides the opportunity to assist global customers in achieving their Sustainable Development Goals.

Following the completion of our asset rotation strategy (8,000 MW thermal), ENGIE APAC has completed its large-scale decarbonisation transformation and has embarked on an ambitious growth strategy which is primarily orientated around Renewables and Client Solutions.

ENGIE APAC is currently focused on developing renewables in Australia and South East Asia (Malaysia, Philippines, and Indonesia), where we aim to build stronghold positions in all these markets. Our growth strategy is predicated on pursuing growth through organic means, as well as M&A. Across the Asia-Pacific region, ENGIE has an ambition to add >4,000MW of renewable capacity by 2030.

- Australia currently has 165MW of renewable assets in operation and currently has a >3,000MW pipeline of solar and wind projects under development and is actively engaged with customers seeking Corporate PPAs to help meet their sustainability goals. In October 2020, ENGIE launched an innovative equity finance platform in partnership with Infrastructure Capital Group (ICG) to accelerate the development of renewable energy assets.
- Across the 5 countries, South East Asia has a renewable pipeline of >4,000MW of solar, wind, hydro, storage projects under development. In Indonesia, ENGIE is a key player in geothermal through our investment in Supreme Energy with 85MW in operation and 90MW under construction (COD 2021). In 2020, ENGIE was awarded 135MWp project in Malaysia as part of its Large Scale Solar Round 3 (LSS3) auction which is now under construction (COD 2022).



## 4. Green Loan Framework

ENGIE APAC has designed this Green Loan Framework (the “Framework”) with the aim to align it with current best market practices.

The Framework complies with the Green Loan Principles 2018 (GLP) as published by the International Capital Market Association (ICMA) and the Loan Market Association (LMA). ENGIE APAC also intends to align this Framework, to the extent feasible, with the European Union Green Bond Standard, in order to be aligned with the European Commission’s recommendations. The GLP are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green loan market, by clarifying the approach to be followed for green loans. The aim of this Framework is to facilitate transparency, disclosure, integrity and quality in ENGIE APAC’s green loan (“Green Loan”) for interested stakeholders.

This Framework sets out how ENGIE APAC or any of its subsidiaries, project companies or majority owned JVs (whether directly or indirectly) (a “Borrower”, or together the “Borrowers”), whether individually or together propose to use the proceeds which are consistent with the 4 key pillars below as set out in this Framework:

- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting

As is usual for a project financed transaction, the Borrower for each “Eligible Green Project” will be a project specific SPV which is designated to undertake the financing on behalf of the project.

### 4.1. Use of Proceeds

The proceeds from Green Loans will be applied to finance the construction of the following renewable energy projects (“Eligible Green Projects”):

- Solar Photovoltaics
- Wind

### 4.2. Process for evaluation and selection of projects

ENGIE APAC is managed by a Board of Directors who are responsible for project strategy and objectives, financial activities, and overall project process. The Directors have suitably determined the project loan requirements as green loan and in alignment with ENGIE APAC’s goal of reducing carbon emissions in the environment by developing renewable energy projects. The Directors are supported by a “Duty of Vigilance Committee” which verifies the eligibility and compliance of each project as an “Eligible Green Project”. The “Duty of Vigilance Committee” consists of representatives from ENGIE APAC who are responsible for matters such as sustainability, legal, ethics, supply chain, environment, health & safety.

In order to ensure that all Eligible Green Projects provide environmental and social benefits, they are evaluated and selected based on a set of environmental and social criteria (“**ESG Criteria**”),



ESG Criteria include:

1. Fight climate change and/or contributing to natural resources preservation
2. Environmental management
3. Biodiversity and natural resources
4. Stakeholder dialogue and community involvement
5. Business ethics
6. Responsible purchases
7. Human and labour rights
8. Health and safety

The grid of commitments associated with each of these ESG Criteria is detailed in the Appendix.

### **4.3. Management of Proceeds**

The proceeds of the Green Loan are to be used exclusively for the construction of the Eligible Green Project. A typical project finance structure is such that all facilities under the finance documents can be used towards eligible costs for the purposes of constructing the Eligible Green Project. Following drawdown, funds are deposited in designated project accounts. For further comfort, the funds from all commercial facilities will be monitored and confirmed that they are to be used for construction costs by the Lenders Technical Advisor (LTA). The Eligible Green Project's finance and accounting team, supervised by the Chief Finance Officer (CFO), and the management team are responsible for monitoring and tracking. The oversight function is complemented by the financing and accounting team at ENGIE APAC where the project team is required to report. The CFO along with the management team will oversee the allocation process, while it will be vetted by the Intercreditor Agent. Following drawdown but before the proceeds are fully allocated, the funds will be temporarily held in designated project cash accounts of each Eligible Green Project or invested in low-risk financial products.

### **4.4. Reporting**

Reports on the Eligible Green Project's construction progress and use of funds will be provided to the Project's commercial lenders in accordance with the finance documentation. These reports will not be made public but will be circulated on an as needed basis. Third party certified annual reporting is optional for green loans.

In line with finance documentation, the following will be provided to lenders:

- Construction reports will be provided quarterly; and
- Operational reports will be provided semi-annually.
- These reports will contain:
  - MW of contracted capacity;
  - MWh of energy produced or delivered;
  - Avoided GHG emissions (will provide assumptions and methodologies)



## **5. External Review**

### **Verification**

ENGIE APAC has appointed Sustainalytics to independently verify ENGIE APAC's Green Loan Framework and underlying assets. Sustainalytics have reviewed the Framework content and underlying assets and has confirmed its alignment with the Green Loan Principles and claims made by the issuer, providing ENGIE APAC and investors with a Verification Report. The Verification Report as well as the Green Loan Framework can be found on ENGIE APAC's website.

## Appendix: ESG Criteria

ESG Criteria		Checklist
Criteria	Commitments	
Fighting climate change and/or contributing to natural resources preservation	The project contributes to the fight against climate change through the reduction of Green House Gases by the production of energy by renewable energy.	<ul style="list-style-type: none"> <li>• Installed capacity in MW in full operation, specifying the nature of the energy produced (electricity, heat or cold)</li> <li>• Annual reduction of energy consumption expressed in percentage and in energy (MWh) in full operation</li> <li>• Annual reduction of natural resources consumption (in Mt) in full operation</li> </ul>
Environmental Management	The project must identify and work out management plans for possible environmental impact and corrective/mitigation measures to these impacts.	<ul style="list-style-type: none"> <li>• Environmental Social Impact Assessment (ESIA)</li> <li>• Conducts an annual projection of its carbon emissions incurred through “Ways of Working” – operations.</li> <li>• Effective flood and sediment control must be detailed in the Environmental Social Management Plan.</li> </ul>
Biodiversity and natural resources	Through the entire lifecycle of the project, the project must conduct consultation, dialogue, or concerted actions with local stakeholders, that include action plans as eventual social impact assessment, or at the minimum, satisfaction surveys for low impact project.	<ul style="list-style-type: none"> <li>• The ESIA must include the provision of assessment the possible risks towards biodiversity and natural resources.</li> <li>• Peatlands’ natural water level and flow regimes should be established prior to construction and kept close to the natural reference conditions as possible.</li> </ul>
Stakeholder dialogue and community involvement	The project maps and engages its stakeholders across all relevant topics and geographies, to ensure the interests of all stakeholders have been addressed. The project works towards integrated itself as a responsible new member of the community.	<ul style="list-style-type: none"> <li>• Map out stakeholders and conduct dialogue and consultation with all stakeholders for industrial activities (or equivalent), or</li> <li>• Implement a localised stakeholder engagement plan which details each stakeholder group and frequency of engagement.</li> <li>• Engagement of local community to help them understand the key issues and priorities of peatland conservation.</li> </ul>
Business Ethics	Senior executives will receive training on business ethics, anti-corruption and adhere to “the Ethics Charter”.	<ul style="list-style-type: none"> <li>• Attestation of attendance for ethic training for all senior executives.</li> <li>• Inclusion of ENGIE's "Ethics and Environmental and Societal</li> </ul>

	Ethical clause will be included in contracts with key suppliers and subcontractors.	Responsibility" in contracts with key suppliers and subcontractors.
Responsible purchases	The project or acquisition ensures a traceability of its procurement processes, on the basis of tendering procedures (if a call for tenders is required) and takes into account CSR criteria in the qualification of the key suppliers of the project, prioritising local supply chain if quality permits.	<ul style="list-style-type: none"> <li>• Furnish documents and exhibit the process of strong adherence towards ENGIE Procurement Policy, particularly with respect to process traceability and the consideration of CSR &amp; HSE criteria for the qualification of key suppliers</li> <li>• Documentation includes: <ul style="list-style-type: none"> <li>○ Example (s) of call for tenders and qualification grid for supplier(s) or</li> <li>○ Letter of commitment from the project manager attesting that the purchase or procurement processes are in line with the ENGIE Procurement Policy, including traceability of process and integration of CSR criteria in the qualification of key suppliers.</li> </ul> </li> </ul>
Human and labour rights	The project must be verified by ENGIE for the respect of international standards in human and labour rights, in particular the Universal Declaration of Human Rights, its associated Covenants and Conventions of the International Labor Organization.	<ul style="list-style-type: none"> <li>• ENGIE assessment (ethics check) verifying the respect of international standards in human and labour rights, in particular the Universal Declaration of Human Rights, its associated Covenants and Conventions of the International Labor Organization, from its upstream or design phase.</li> <li>• Furnish letter of commitment from the project manager attesting its existence</li> </ul>
Health and Safety	<p>Health &amp; Safety and process safety matters are considered during all phases of the project life cycle.</p> <p>The project has appointed the needed Health and Safety resources linked with the concerned phase. (construction phase, operational phase etc)</p>	<ul style="list-style-type: none"> <li>• Health and Safety assessment with a risk analysis and a prevention/management plan (or equivalent) - Process Safety Design (eg. HAZOP, ATEX or equivalent)</li> <li>• Appointment of H&amp;S coordinator by project manager attesting to the H&amp;S responsibilities of the project.</li> <li>• Community health, safety and security management plan will be in place to safeguard the health &amp; safety of its employees and the proximate community.</li> </ul>