



[gasnet.cz](http://gasnet.cz)

# GasNet Green Finance Framework August 2021

<b>#1 Sustainability at GasNet</b>	<b>3</b>
About GasNet	
Sustainability approach and contribution to UN SDGs	
Safety Management	
Environmental Management	
Social Management	
Governance Management	
<b>#2 GasNet Green Finance Framework</b>	<b>18</b>
Rationale for Green Financing	
Basis of this Framework	
<b>#3 Use of Proceeds</b>	<b>21</b>
<b>#4 Process for Project Evaluation and Selection</b>	<b>22</b>
Roles and Responsibilities	
Risk Management	
<b>#5 Management of Proceeds</b>	<b>24</b>
<b>#6 Reporting</b>	<b>25</b>
Allocation Reporting	
Impact Reporting	
<b>#7 External review</b>	<b>26</b>
Second Party Opinion	
Annual Audit/Limited Assurance on the Allocation Reporting	

1  
2  
3  
4  
5  
6  
7

# #1 Sustainability at GasNet

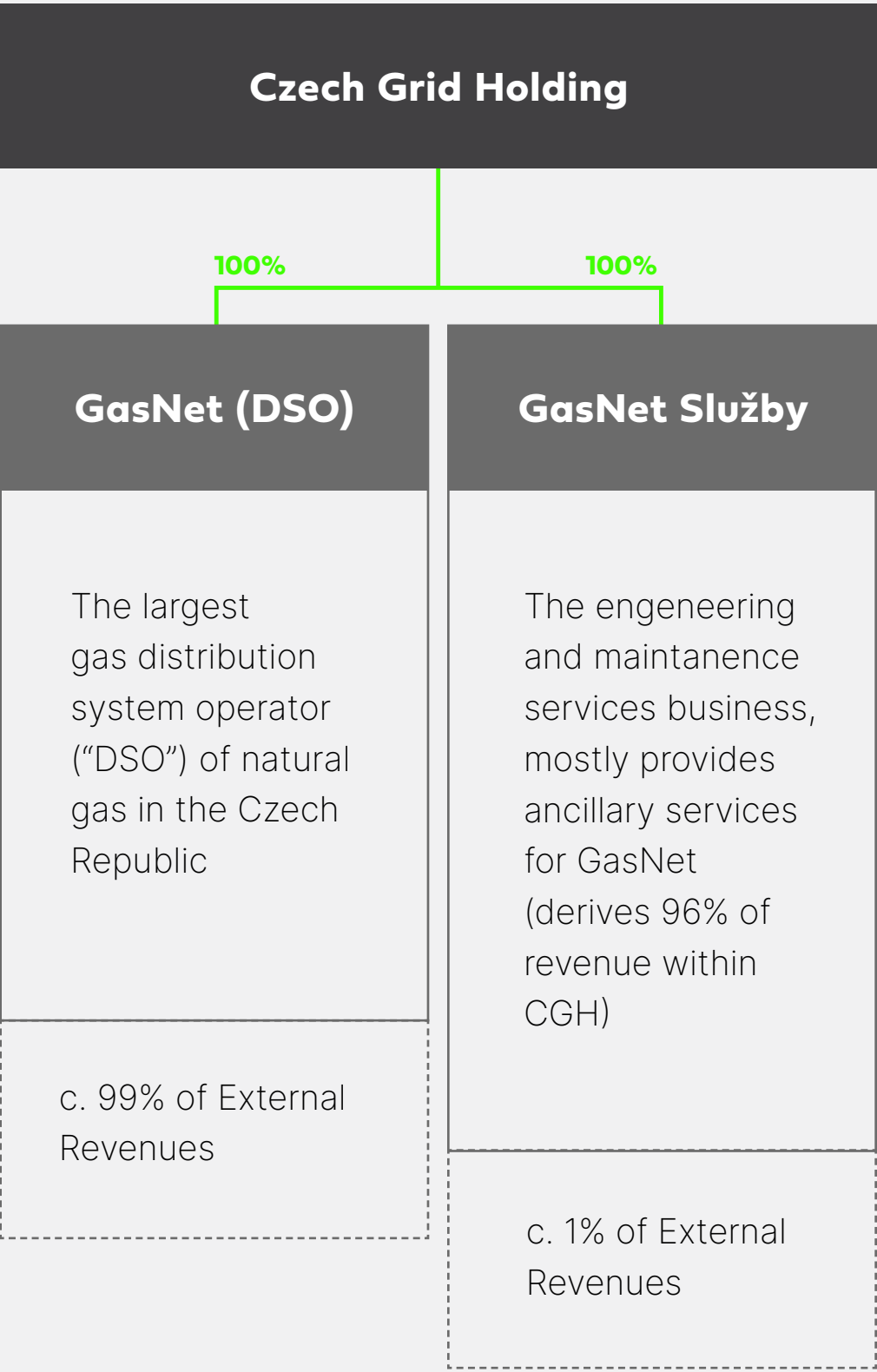
## About GasNet

GasNet (the “Company”) operates the largest gas distribution system in the Czech Republic. It provides reliable and secure natural gas supplies for more than 2.3 million customers. In the Czech Republic, GasNet has roughly 80% share in the distribution of natural gas and manages 65,000 kilometres of gas pipelines in all regions of the Czech Republic except Prague and the South Bohemian Region.

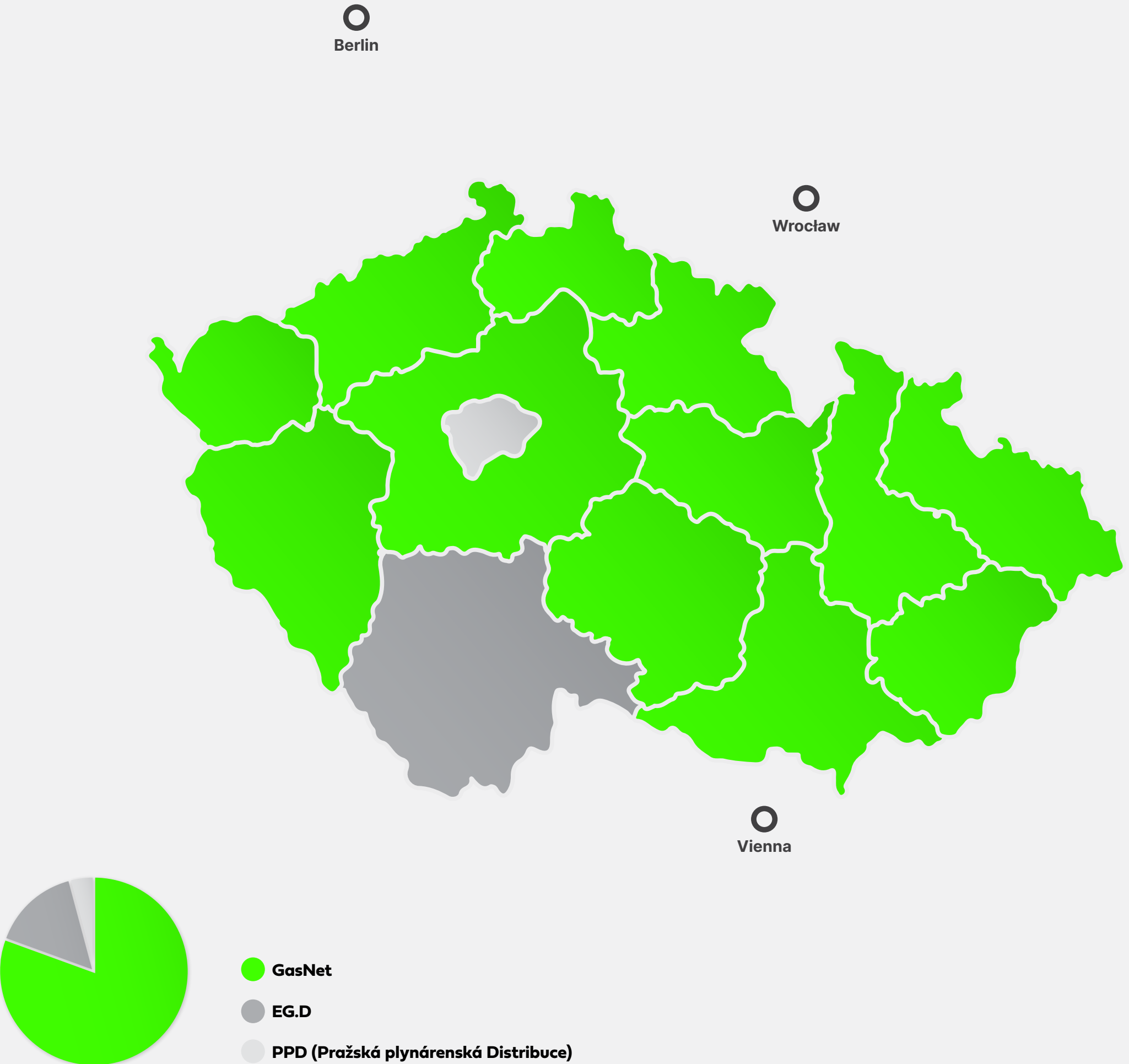
The associated company GasNet Services (GasNet Služby) is a service company providing efficient operation and maintenance of the gas network, with a focus on operational safety of gas facilities, health of employees and contractors, and environmental protection.

Czech Gas Networks Investments S.à r.l. (“the issuer”) holds 100% of the shares in Czech Grid Holding a.s. (CGH), which owns 100% of the shares in GasNet and GasNet Services.

GasNet and GasNet Services are wholly owned by a consortium of investors led by Macquarie Infrastructure and Real Assets (MIRA), which includes the British Columbia Investment Management Corporation (BCI) and Allianz Capital Partners (ACP).

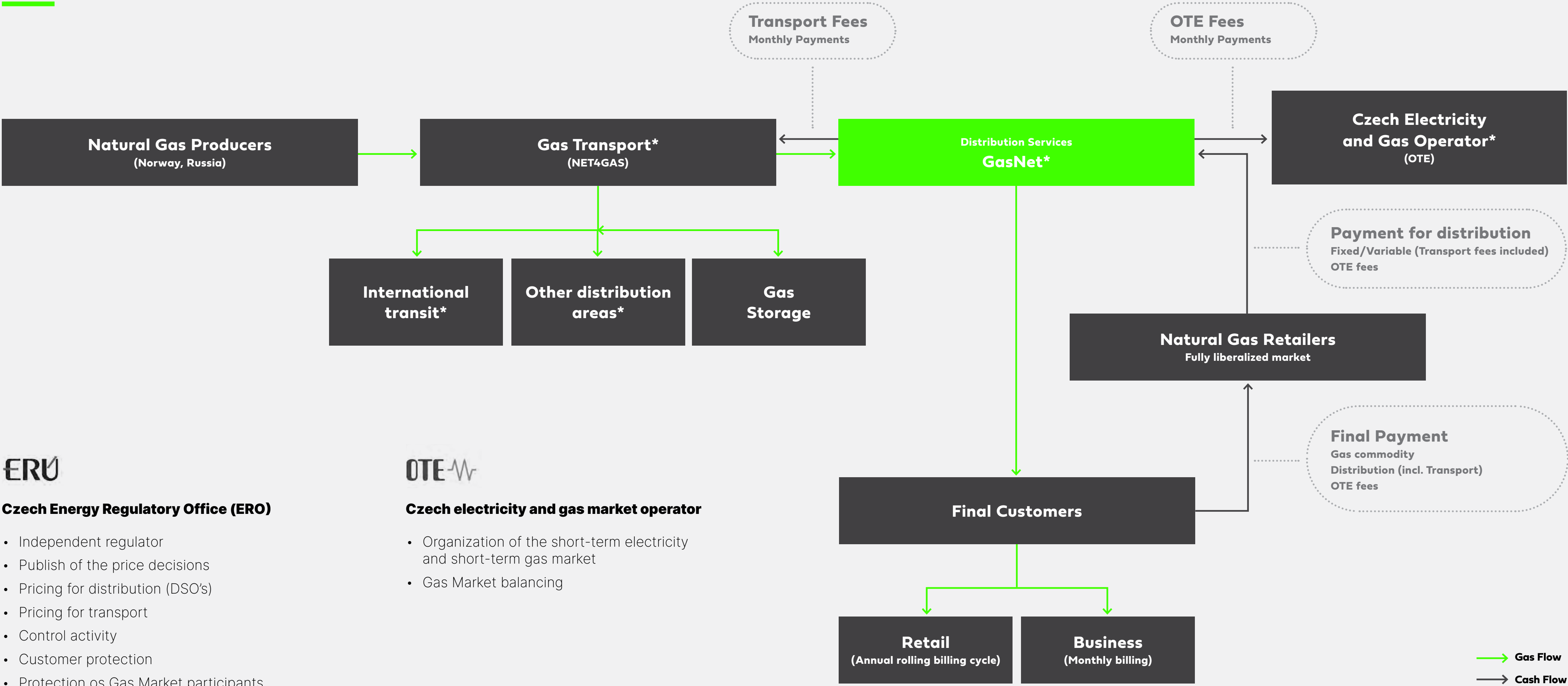


Czech Gas Distribution Regions by Company / Operator



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GasNet’s role within the wider energy sector  
in the Czech Republic is as follows:



\* Subject regulated or partially regulated by ERO



# Sustainability approach and contribution to UN SDGs

## Long-term ESG commitment

Sustainability topics have been a part of our daily business for many years. However, after GasNet's separation from innogy Czech Republic, we have increased our focus on sustainability by defining an ESG framework within the context of our wider corporate strategy. As such, we have been working tirelessly since the beginning of 2020 to systematically implement high priority measures to deliver on key focus areas. The newly established ESG & Security Department is responsible for overseeing our ESG strategy, its implementation as well as the monitoring of achievements and performance.

## Our long-term ESG commitment

We are a socially **responsible** company with a strong focus on **sustainability, environment, and ethical governance**.

We strive to **digitalise** and leverage **modern technologies** as we believe they enable sustainable business development.

We **care deeply** about the **future** that we shape together with our **employees** and **stakeholders**.

Our commitment is to help **communities** and support **diversity**.





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Four ESG principles

To integrate sustainability and corporate responsibility into our business endeavours, we have developed four ESG principles underpinning commitment and encompassing all key areas.



We embody safety standards and health protection

Topics of focus: Health & Safety of Employees & Partners | Process Safety | Culture of Health & Wellbeing at Work | Public Safety | Network Security



We believe in sustainability and the future of gas

Topics of focus: Retrofit of our network | GHG Emissions | Energy Consumption | Technological Losses & Leakages | Circular Economy & Waste | Biodiversity



We care about our people and the communities around us

Topics of focus: Workforce Development | Diversity | Employer Brand | Partnership & Education | Responsible Corporate Citizenship | Community Work (e.g. ecology)



We conduct business in a responsible and considerate way

Topics of focus: Cyber, Information & Physical Security | Data Protection | Crisis Preparedness | Business Model Resilience | Supply Chain Management | Risk Management | Financial Sustainability

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## Contribution to UN Sustainable Development Goals

Our sustainability principles ensure alignment with selected UN SDGs (“UN Sustainable Development Goals”) that are of high priority for our business activities. The 17 UN SDGs provide a framework for the private sector to work together with government and other partners to tackle climate change and ensure a better and more sustainable future for all.

### #1

We embody safety standards and health protection

SUSTAINABLE DEVELOPMENT GOALS



- Ensure health & safety for our employees and business partners
- Continuously improve process safety
- Promote culture of health & wellbeing at work
- Maximise public safety
- Provide network security



### #2

We believe in sustainability and the future of gas

SUSTAINABLE DEVELOPMENT GOALS



- Assure network readiness to distribute green gases through an adjusted asset management and retrofit strategy
- Reduce technological losses and leakages
- Decrease energy consumption in operations and buildings
- Optimise car fleet usage
- Optimise waste management
- Minimise air pollution
- Promote community and biodiversity support



### #3

We care about our people and the communities around us

SUSTAINABLE DEVELOPMENT GOALS



- Develop our employees
- Support communities we serve
- Promote diversity and inclusion



### #4

We conduct business in a responsible and considerate way

SUSTAINABLE DEVELOPMENT GOALS



- Ensure cyber, information, and physical security
- Provide appropriate risk management
- Create a resilient business model





# Safety management

## We embody safety standards and health protection

For GasNet, maintaining the integrity of its gas networks without endangering safety of the general public, employees and contractors is the foremost priority. The Workplace Health and Safety policy outlines GasNet’s commitment to safety and how it is integrated into its operations. GasNet goes beyond legal requirements and aims to become an industry leader in safety standards to minimise risks for all employees and partners.

Safety management topics are regularly discussed and communicated to employees, management and shareholders. Every GasNet meeting starts with safety inputs to highlight safety as key company value. A WHS (Workplace Health and Safety) meeting with managers is organised every two months to discuss latest safety developments and planned changes. Lastly, quarterly WHS & EP (Environmental Protection) Committee is in place to report safety performance and discuss safety topics with representatives of GasNet shareholders.

### SAFETY ASSURANCE PROGRAMME

In the continuous effort to improve Health & Safety, GasNet has an ongoing company-wide **Safety Assurance Programme** in place. The Programme aims to combine specific corrective measures with the development of a revised Safety Management System:

The **first improvement measures** were proposed and implemented for the start of new construction season in 2021

**Long-term improvement to continue in the coming years** with the vision of achieving the goal of zero incidents

**The programme has outlined 3 key objectives that shape the focus of the work and proposed measures:**

- 1/** Embed changes in both the GasNet and Contractor workforces, promote continual safety improvement and eliminate risks at all stages of work
- 2/** Drive improvements through leading and lagging key performance indicators
- 3/** Develop actions to gradually change employees’ behaviour and positively reinforce the expected safety culture

The program is divided into 6 workstreams:

- 1** Database of hazards
- 2** Policies, Procedures, Technical & Process Standards
- 3** Project Planning, Design & Construction
- 4** Management of Contractors
- 5** Auditing, Inspections & Reporting
- 6** Safety Culture, Communication & Responsibilities



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# Environmental management

## We believe in sustainability and the future of green gases

GasNet's commitment to sustainability is built upon the shared responsibility for the environment and dedication to digitalise and leverage modern technologies. The increased environmental focus responds to a changing world on a path to low carbon, sustainable future. GasNet aims to monitor the direct and indirect impact of its activities and to minimize the adverse environmental impact where possible.

### 1/

**Environmental performance in our operations** is key for GasNet's shareholders and management as we strive to set and achieve ambitious decarbonisation targets for all portfolio companies (Net Zero emissions by 2050). Environmental performance is regularly disclosed through reports to various stakeholders, including regular independent ESG audits and quarterly shareholder WHS & EP Committees.

### 2/

Shareholders and Management are aware of the crucial role of the gas distribution network to enable the transition of the whole Czech energy and industrial sector. The development and implementation of an **accelerated retrofit of the network to allow for future distribution of low carbon gases** like biomethane, hydrogen (H<sub>2</sub>) and synthetic gas (syngas) is therefore the focus of our work.





Ad 1) GasNet’s Environmental Strategy for its operations covers 7 key areas:

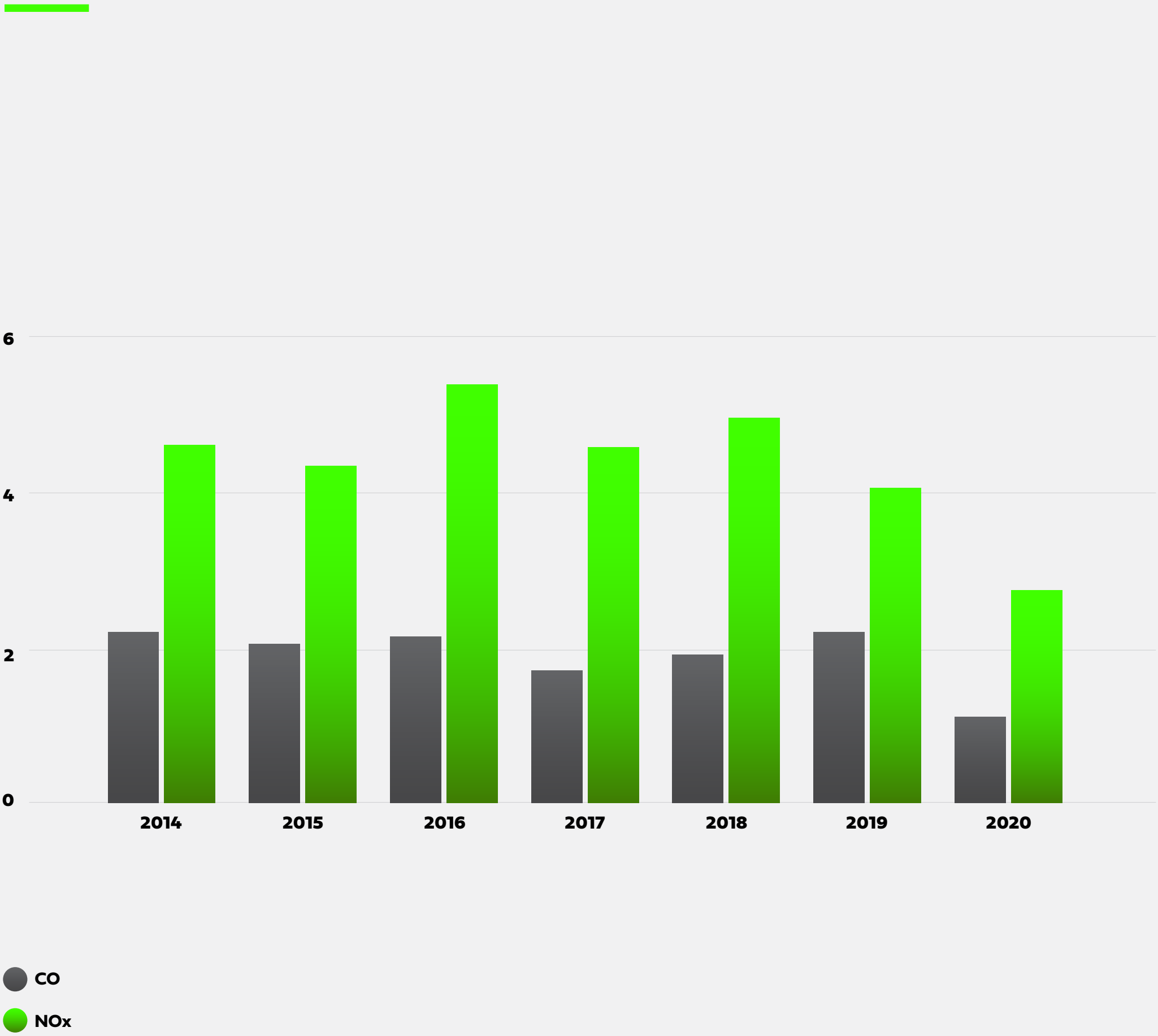
	Initiatives	Objectives
Technological losses and leakages	Development of methodology for calculating fugitive methane emissions; identification of further measures and targets	Increase accuracy of reported emissions, prepare for legislative changes
	Reduction of technological losses in operations and their accelerated elimination; develop targets and measures	Continuous reduction of emissions (Scope 1)
Energy consumption in operations	Systematic boiler replacement, cogeneration, implementation of new Energy Management System (ISO 50001)	Optimisation of energy mix and reduction of emissions (Scope 1 & 2)
	Procurement of green electricity for operations	
Energy consumption in buildings	Baselining of facilities inventory; optimisation of consumption in own and rented buildings, implementation of energy management system (ISO 50001)	Optimisation of energy mix and reduction of emissions (Scope 1 & 2)
	Renewable energy (green electricity procurement, PVs, batteries)	
Car fleet	Optimisation of fuel consumption and driven kilometres	Continuous optimisation of fuel consumption (Scope 1)
	Use of alternative fuels for own fleet (transition to CNG, bio-CNG)	
Waste management	Waste management optimisation (circular economy, waste handling)	Reduction of waste and increase of recycling share
	Setting environmental requirements for suppliers with Procurement	
Air pollution	Optimization of preheating related emissions (NOx, CO) in accordance with legislative requirements and exceptions (part of Investment Plan)	Continuous reduction of CO and NOx emissions
Community and biodiversity support	Long-term cooperation with selected organisations and increasing environmental awareness	Revitalisation and enhancement of biodiversity
	Removal of old environmental burdens, enhancement of soil and water	Increase environmental awareness



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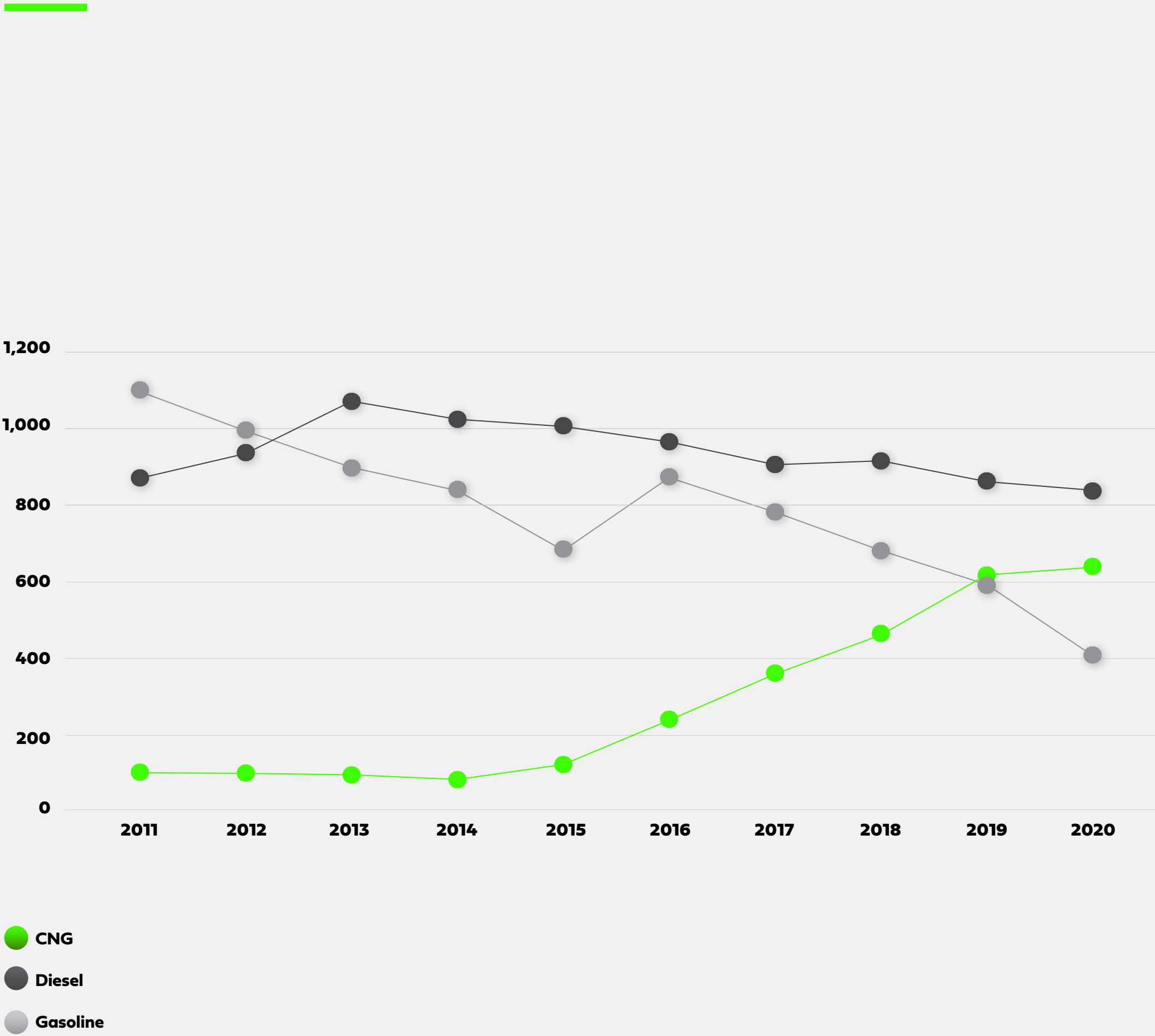
Over the last six years, we have managed to significantly reduce CO and NO<sub>x</sub> emissions at regulation stations by 44%

CO and NOx Emissions (tonnes)



We are gradually transitioning our car fleet to CNG in order to reduce fuel consumption and thus CO<sub>2</sub> emissions

Car fleet fuel consumption







## Ad 2) Accelerated retrofit of the network to allow for future distribution of green gases

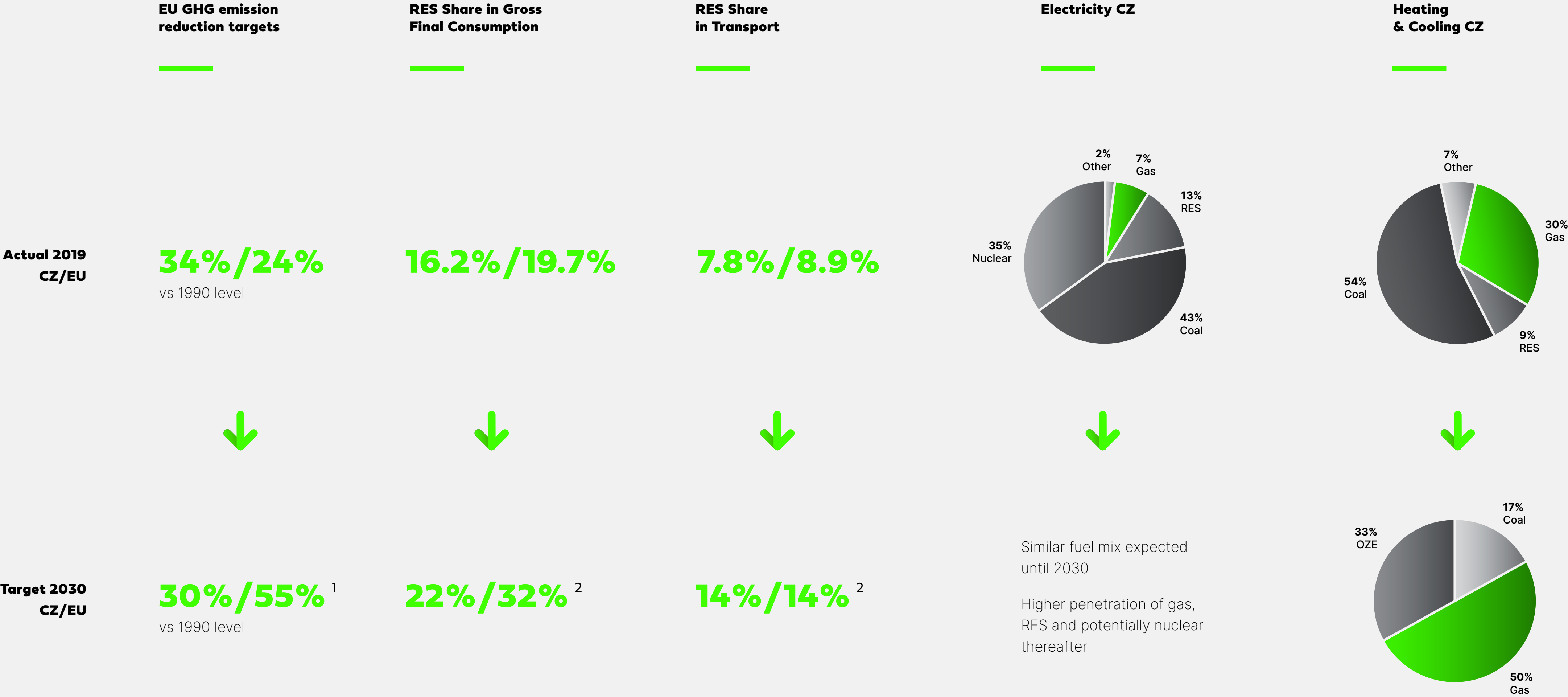
### Aligned with decarbonisation goals of the Czech Republic and EU GHG emissions reduction targets for 2030 and 2050

Our programme Future of Gas aims at developing and implementing an adjusted asset management and network strategy to adjust the network in upcoming years to enable distribution of low carbon gases like biomethane, hydrogen and syngas, and thus to allow for the energy transformation in key industrial segments in the Czech economy. The initiative responds to decarbonisation goals outlined at the national level in Czech Republic’s National Energy and Climate Plan (NECP) and EU level in its European Green Deal. As such, Future of Gas looks to define GasNet’s role in contributing to national emission reduction plan and European Net Zero targets for 2030 and 2050 respectively.

The Czech Republic set ambitious targets for the share of renewable sources within the total energy consumption as well as consumption in the transportation sector. Specifically, the country aims to achieve 22% share of renewables in consumed energy and 14% in transportation by 2030.

According to prognoses, gas and renewable power sources will subsequently grow in prominence in the next decade. Nevertheless, the planned coal phase-out in the Czech Republic is only targeted between the years 2033-2038 and development of large-scale renewable projects currently hampered by resource and geographical constraints, making drastic change to the current fuel mix unlikely until 2030. On the other hand, heating and cooling is expected to shift to gas in the medium-term, growing its share from 30% to 50% by 2030. Due to increasing CO<sub>2</sub> price and restrictions on financing, heating and CHP (Combined Heat and Power) plants will be forced to switch from coal to other energy sources even before 2030, which will improve the position of the existing gas infrastructure to enable the transition in the energy sector.





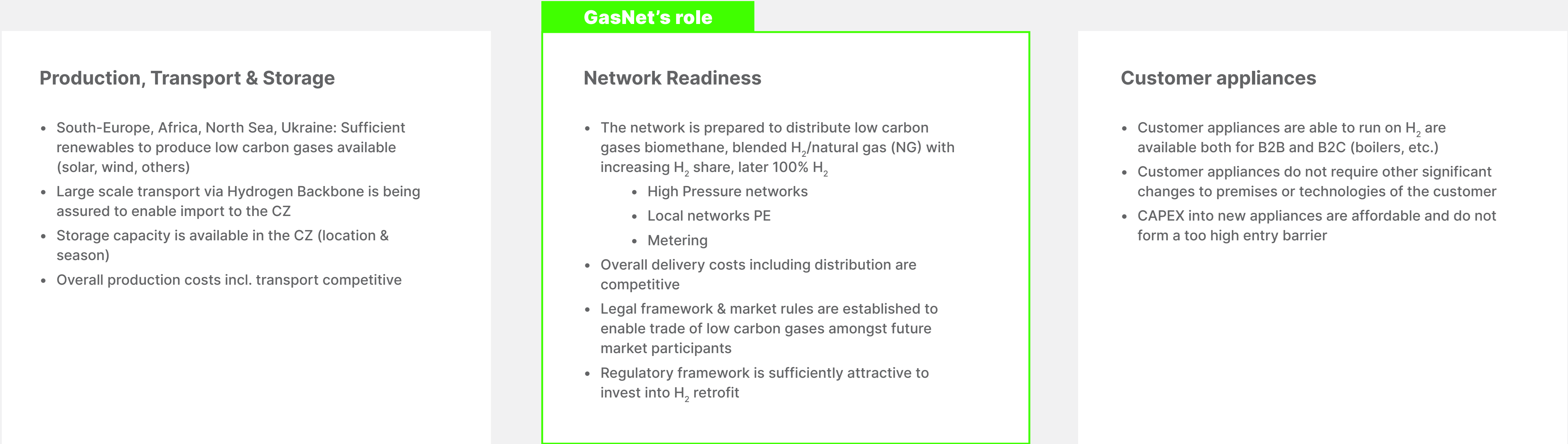
<sup>1</sup> Past EU 2030 overall target was 40% reduction and all other targets (CZ/EU GHG (greenhouse gases) and all ESH (environmental, social and health) targets) link to that. In line with Green Deal the overall EU target changed to 55% reduction by 2030 and other targets need to get changed. Current indication of ESH 2030 targets mentions ca -35%, CZ specific can be expected around 27-30%.

<sup>2</sup> The figures include also bonuses for advanced biofuels in the form of doubling the figures of advanced biofuels. In reality the Transport RES (renewable energy sources) target value would be ca 10.5%. EC (European Commission) says CZ RES targets in first line are unambitious.

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GasNet’s primary role is to assure network readiness to distribute low carbon gases, in a position of a regulated infrastructure-provider. Further requirements must be fulfilled in other parts of the value chain to make the energy transition happen. This includes transformation processes on the production and storage infrastructure as well as technological adjustments in customer’s appliances.

To make the transition happen, the whole value chain must adapt, and that over time in several steps. GasNet’s role is primarily to assure the network readiness by retrofitting its assets





The future energy landscape around GasNet’s network will be more sustainable but also more complex. Instead of a natural-gas-only network with a large share of imported gas, a range of blended low carbon gases must be distributed, with different composition of gases fed into the network over time, season, and region. This transition will not happen at once, but go through several phases, which also may differ from region to region. Also, the number of market participants will increase or change, with additional green gas or hydrogen producers connecting to the network and industrial customers changing their

energy profile towards a more sustainable sourcing. In addition, sector coupling will be newly introduced, between the agricultural sector (biomethane plants), through our gas network infrastructure, via connected liquefaction plants to liquefy blended gases to provide sustainable fuels to the long-haul transport sector.

Various studies and analyses have been published in recent months suggesting potential transformation paths for gas distribution networks in the region. The network must be adjusted to enable the distribution of the following carbon-free or low carbon gases:

- Natural gas as transformation fuel blended with biomethane
- Natural gas blended with hydrogen, up to a maximum level of 20%
- Natural gas blended or replaced by synthetic gases up to a level of 100%
- Hydrogen
- It is therefore very likely that major investments will be necessary to transform the Czech gas distribution

network to allow for the distribution of natural gas, biomethane, synthetic methane and/or hydrogen to customers while maintaining safety, reliability, and sustainability.

To safeguard this investment programme towards a sustainable energy supply, GasNet defined initiatives in four key areas:

	Initiatives	Objectives
Prepare GasNet’s distribution network for distribution of green gases and H <sub>2</sub> through accelerated network retrofit	Accelerated replacement of steel pipes by polyethylene (PE) in local networks Analysis of retrofit measures for the high pressure networks Preparation to adjust pressure reduction stations for distribution of blended gases, hydrogen and/or syngas Analysis of necessary replacement of meter devices	Enable green transformation in key industrial segments in the Czech economy
Connect biomethane plants to the network	Connect biomethane plants to the network and establish relevant market rules	
Support transformation of the heating sector from coal to gas by connecting heating plants to GasNet’s network	Support the transition of heating plants from coal to natural gas Connect heating plants to GasNet’s distribution network	
Enable transformation in transport sector through (bio-) LNG or H <sub>2</sub> -LNG	Assure sector coupling between biomethane and blended H <sub>2</sub> -NG fed-in into the network and the long-haul transport sector through liquefaction	



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# Social management

## We care about our people and the communities around us

We care deeply about the wellbeing of our people and the communities around us. The success of our business depends on the success and development

of each and every one of our employees. Community support and engagement is well embedded in our culture.

### GasNet’s Social management strategy focuses on two key areas with the following initiatives:

Initiatives	
Supporting Our Employees	Culture & Brand Alignment: Development of and promotion of revised cultural values in line with GasNet’s new strategy, vision, and updated brand identity
	Employee Surveys: Regular engagement with employees to obtain feedback on ways of working, general happiness, and work satisfaction
	Diversity & Inclusion Promotion: Active monitoring of GasNet’s recruitment process, management representation, and remuneration across key demographics; culture workshops to raise awareness amongst our employees; newly defined and agreed D&I strategy with KPIs to steer activities; EU Diversity Charter signatory
	Workforce Development: Hard and soft skills training via in-person workshops and online trainings; compulsory professional and compliance certifications; focus on digital skills in the aftermath of COVID-19
Engaging Communities We Serve	Fire Rescue Services: Collaborations with professional units through gas industry-related trainings; promoting volunteer services through awards sponsorship
	Diversity Promotion: Support for reskilling of women – e.g. IT skills through partnership with Czechitas (education NGO); sponsorship of various events
	Fair Employment: Pride Business Forum Memorandum (commitment to equal treatment of LGBT communities); Equal Pay Day
	Education: Direct co-operation with 4 vocational schools; STEM promotion through youth competitions; Duke of Edinburgh partnership; Start Driving to promote safe driving principles amongst young drivers







# Governance management

## We conduct business in a responsible and considerate way

GasNet’s Governance efforts involve multiple management support functions striving to assure not only compliance with national and industry standards, but also promote responsible and ethical behaviour across all facets of our business. Our Governance strategy focuses on the following priorities:

- **IT, Cyber, and Physical Security**
- **Risk Management**
- **Legal & Audit**
- **Finance**
- **Business Model Resilience**

### ESG Governance

GasNet recognises the importance of integrating ESG into every aspect of the business. Therefore, an ESG engine responsible for the development of ESG strategy and ensuring the implementation of ESG framework into operations was set up. The ESG engine includes representatives from a variety of business units covering each of the 4 ESG principles.

The ESG engine is overseen by an overarching management structure which includes the Chief Services Officer (CSO), ESG & Security Director, and the ESG Manager. This structure is collectively responsible for establishing an ESG strategic framework and ensuring stakeholder and business engagement. The ESG Manager coordinates key initiatives and leads reporting efforts including publication of our annual Sustainability Report.

The Communications department validates key strategic concepts in relation to the wider strategic narrative and also coordinates and executes both internal and external communication, providing transparency to GasNet’s stakeholders.

Work Health & Safety (WHS) team drives GasNet to identify risks and seek opportunities to improve safety conditions throughout our operations, as well as office facilities. WHS specialists are essential for ensuring stable and safe operations of the network in individual regions by conducting regular inspections and trainings to all GasNet’s employees.

The Environmental Protection team helps us to achieve the goal of ensuring business sustainability and supporting the Future of Gas programme. Environmental Protection specialists are responsible for ensuring legislative compliance, coordination of environmental initiatives and environmental reporting for the areas of GHG emissions, energy management, waste management, and air pollution.

The Human Resources team coordinates various social initiatives with emphasis on company culture, employee development, diversity & inclusion, as well as support of local communities through several partnerships and events.

Lastly, representatives from Security & Data Protection, Cyber & Information Security, Crisis Management and Regulatory, Legal & Internal Audit cover our responsible business agenda.

## ESG ENGINE



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# #2 GasNet Green Finance Framework

## Rationale for Green Financing

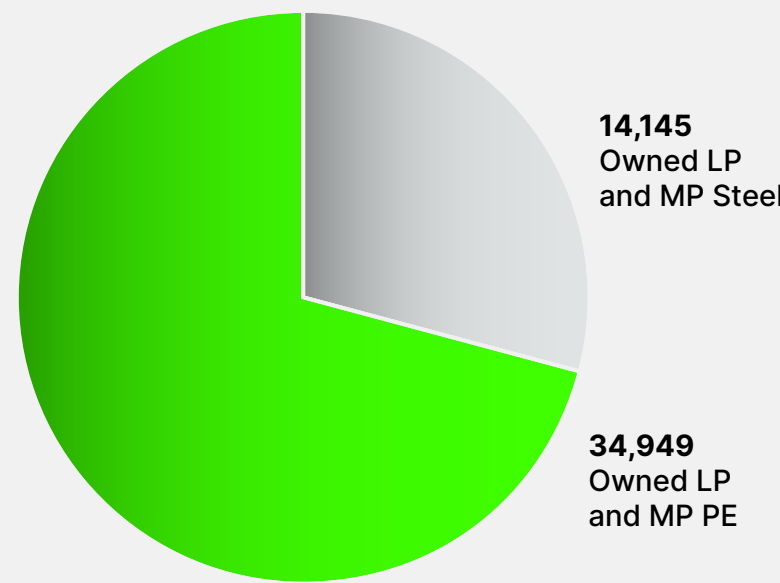
Focus on Network Readiness as part of wider sustainable investment programme

To cope with the target picture of a net-zero environment in 2050 at the latest, via distribution of hydrogen or other low-carbon gases on the basis of the existing gas network, the network asset and renewal strategy will require adjustments. This includes mainly a retrofit of distribution mains, pressure stations and meter devices for low carbon gas distribution. This holds especially true for distribution of hydrogen, for its specific chemical molecule structure.

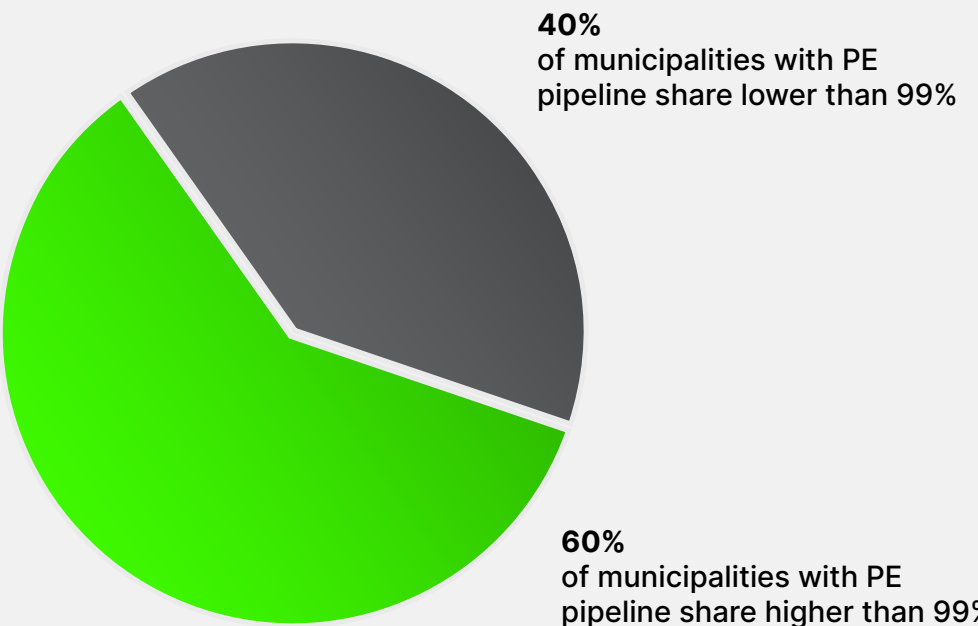
A key feature in the **retrofit of local networks** covering ca. 49,000 km\*, i.e. 81% of the whole network, is the replacement of steel for polyethylene (PE) pipelines, to enable the distribution of clean energy in more than 3,800 municipalities. 60% of municipalities have already a PE share higher than 99% in the given network, while still 40% of the remaining municipalities have still a significant share of steel mains. Therefore, the primary objective is to convert the remaining part of networks to full PE status.

\* GasNet operates 54,000 km of pipelines: 49,000 km owned, 5,000 km leased.

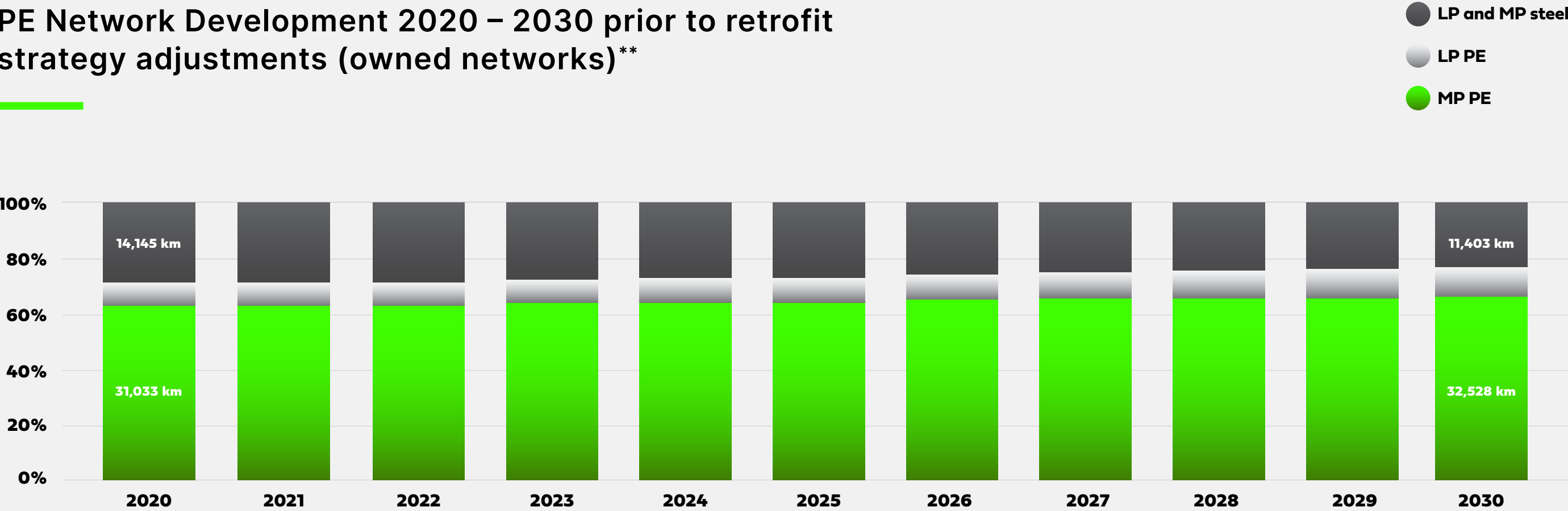
Steel and PE Pipeline Breakdown (km)



60% of municipalities have already a PE pipeline share higher than 99%



PE Network Development 2020 – 2030 prior to retrofit strategy adjustments (owned networks)\*\*



Source: Company Information. | Note: HP; High Pressure, MP; Medium Pressure, LP; Low Pressure | \*\* Subject to revision within the Future of Gas programme





## Chapter #2

Apart from the retrofit of local networks in municipalities, also the **high pressure network**, connecting cities with the transmission network (Net4Gas) must be assured to allow for distribution of imported hydrogen or any other low-carbon gases. Here, the dominant steel pipes cannot be replaced by PE. The readiness for delivering blends with H<sub>2</sub> is conditioned by several variables (steel grade, thickness, operating pressure, etc.) Depending on the combination of variables, some high pressure sections will need to be replaced. However, newer high pressure pipes are ready for distribution of H<sub>2</sub> or blended gases and no retrofit is required.

Large **pressure reduction stations (PRS)** will also play a key role in assuring GasNet's network readiness at the intersection of high-pressure networks operated by the Czech transmission operator Net4Gas and GasNet's own medium pressure distribution system. 26 large pressure stations and more than 3,000 smaller stations (regulating from medium to low pressure) must be retrofitted in upcoming years to enable the handover of other low-carbon gases from one pressure level to the other. Hydrogen will impact several components of the pressure reduction stations e.g. heating burners at the boilers which need to be retrofitted. Furthermore, hydrogen blends will have a reduced energy content in the gas mixture (MJ/m<sup>3</sup>), increasing the amount of gas necessary to deliver the same quantum of energy to customers. The corresponding higher gas flow may exceed the capacity of installed valves and trigger the replacement of these components at PRS.

Moreover, 2.3 million **meter devices** need to be adjusted to enable proper metering of blended gases in the future. In contrast to pipelines, meter readiness for hydrogen is not conditioned by material constraints but must be adapted to the new gas flow capacities and metrological specifics when distributing blended gases.



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# Basis of this Framework

GasNet has established this Green Finance Framework as an overreaching platform under which the Company intends to issue Green Finance Instruments, which may include bonds (including private placements), commercial paper, loans, promissory notes (Schuldscheindarlehen) and any other Green Finance Instruments in various formats and currencies, to finance and/or refinance green investments with a positive environmental benefit.

This Green Finance Framework is based on the International Capital Markets Association (“ICMA”) Green Bond Principles (“GBP”), 2021 version<sup>4</sup> and Loan Market Association (“LMA”) Green Loan Principles (“GLP”), 2021 version<sup>5</sup>. These are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of Green Finance Instruments. Any future changes in the standards mentioned above may be implemented in future versions of this Green Finance Framework.

**The GasNet Green Finance Framework has four core components:**

- 1/ Use of Proceeds**
- 2/ Process for Project Evaluation and Selection**
- 3/ Management of Proceeds**
- 4/ Reporting**

For each Green Finance Instrument issued, GasNet asserts that it will adopt (i) Use of Proceeds (ii) Process for Project Evaluation and Selection (iii) Management of Proceeds and (iv) Reporting, as set out in this Framework. The GasNet Green Finance Framework also follows the recommendations of the Green Bond Principles regarding External Review.

In addition, the Green Finance Framework is aligned as closely as possible with the EU Taxonomy Regulation<sup>6</sup> and the EU Taxonomy Climate Delegated Act<sup>7</sup>. As the green finance market continues to evolve, GasNet’s Framework may be subsequently revised or updated to remain consistent with shifting expectations, best market practices and regulatory landscape.

This Framework will apply to any Green Finance Instruments issued by GasNet and will be in force as long as any Green Finance Instrument is outstanding.

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<sup>4</sup> To be found [here](#)  
<sup>5</sup> To be found [here](#)  
<sup>6</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending regulation (EU) 2019/2088, see [here](#)  
<sup>7</sup> See [here](#)



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# #3

## Use of Proceeds




The net proceeds of GasNet’s Green Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing projects (“Eligible Green Projects”) from any of the Eligible Green Project as defined in the following table.

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<sup>8</sup> Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see [here](#)

<sup>9</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, see [here](#)

<sup>10</sup> The activity complies with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU

EU Economic Activity <sup>8</sup> (with NACE Code) ICMA GBP/GLP Category	Eligibility Criteria	Contribution to UN SDG	Contribution to EU Environmental Objectives <sup>9</sup>
<b>EU Economic activity (NACE Code): Transmission and distribution networks for renewable and low-carbon gases (D35.22, F42.21, H49.50)</b>  <b>ICMA GBP/GLP: Renewable Energy</b>	<p>Retrofit of existing gas distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system</p> <p>Conversion/repurposing of existing natural gas networks to 100% hydrogen</p> <p>Construction or operation of new distribution networks dedicated to hydrogen or other low-carbon gases</p> <p>Measures aimed at leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage</p>	  	<p><b>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.a) Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid</p>
<b>EU Economic activity (with NACE Code): Installation, maintenance and repair of energy efficiency equipment (F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12)<sup>10</sup></b>  <b>ICMA GBP/GLP: Energy Efficiency</b>	<p>Energy efficiency measures aimed at improving the general level of efficiency at GasNet buildings such as (but not limited to):</p> <ul style="list-style-type: none"><li>• Replacement of existing windows with new energy efficient windows</li><li>• Installation and replacement of energy efficient light sources</li></ul>		<p><b>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.b) improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>



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# #4

## Process for Project Evaluation and Selection

### Roles and responsibilities

GasNet has established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the description of the eligibility criteria mentioned in the Use of Proceeds section of this Framework.

Eligible Green Projects will be selected by a dedicated Green Finance Committee set up within GasNet. This committee will verify the compliance of the selected Eligible Green Projects with the Eligibility Criteria. The committee will meet at least on an annual basis. The Green Finance Committee is composed of representatives from the following departments:

- Finance department
- ESG & Security department
- Any relevant business lines involved in the selection of Eligible Green Projects when required

The Green Finance Committee is also responsible for:

- Reviewing the content of GasNet Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market and regulatory developments on a best effort basis

- Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of, and replacing them
- Reviewing and approving of allocation and impact reporting

### Risk management

Following the EU Taxonomy Climate Delegated Act on EU Taxonomy Regulation, Eligible Green Projects should not only contribute to at least one of the EU Environmental Objectives, however should also not significantly harm (“DNSH”) any other EU Environmental Objectives. In addition, Eligible Green Projects should be complying with Minimum Social Safeguards (“MSS”) that should be in place at company level.

In accordance with the recommendations above, GasNet takes care that the Eligible Green Projects comply with official international, national and local laws and regulations on a best effort basis. It is part of GasNet’s transaction approval process to ensure that all its activities comply with internal environmental and social directives.

The Eligible Green Projects are aligned with GasNet’s related internal sustainability policies and management processes. Set out below are some examples of relevant codes and policies:

### Social/Governance Risk Mitigation

#### GROUP CODE OF CONDUCT

Code of Conduct describes principles regarding human rights, labour standards, data protection, anti-corruption, compliance and stakeholder conduct to which the Company is committed. Anti-corruption and conflicts of interest: No corruption is tolerated, and we take all necessary and appropriate measures to prevent corruption. Conflicts between employees’ private interests and the interests of the company are to be avoided. We make sure that no undue influence is exerted on policymakers. Moreover, we subscribe to the notion of corporate citizenship, especially regarding social, environmental, and cultural issues. The company respects the dignity and individuality of all their employees and constantly improves their health and safety conditions.

#### HEALTH & SAFETY POLICY

Central document describing commitments to health and safety as key value of the company.

The document describes multiple H&S (Health & Safety) principles that ensure all employees leave the workplace as healthy as they were upon arrival. Key principles include responsibility of employees for H&S of co-workers and others, fulfilment and assessment of KPI targets, continuous improvement of the H&S management system, improvement of safety culture, compliance with legislation and regulation, appropriate training and equal treatment of all employees and others.



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Environmental Risk Mitigation

ENVIRONMENTAL PROTECTION POLICY

The Environmental Protection Policy is a central document describing commitments of the company towards improving environmental performance and complying with all legal and regulatory requirements, while improving the awareness of environmental issues among employees. The company specifically commits to reducing greenhouse gas emissions and emissions produced by sources of air pollution. Additionally, the company focuses on resilience to catastrophes, promoting biodiversity, water protection, waste management, proper handling of chemicals and setting environmental criteria in procurement processes.

STRATEGIC ENVIRONMENTAL ASSESSMENT

GasNet currently conducts regular environmental impact risks assessment from all operational activities as a legislative requirement on a yearly basis.

MITIGATION MEASURES

Regular risk assessment of environmental themes is being conducted for both GasNet and GasNet Services with evaluation/ranking of risks and proposed mitigation measures as part of company-wide Risk Controlling process.

Additionally, environmental risks are closely monitored using Register of Environmental Aspects, which is used for risk assessment and identification of mitigation actions (register is prepared and updated on a regular basis).

Overarching

Environmental Protection Policy

Procedures

Environmental protection in the company

Environmental emergency preparedness

Environmental Management System (EMS) manual

Environmental policies

Air pollution

Energy

Chemical substances and mixtures

Waste management

Water protection

Nature and landscape protection

ADR (transport of dangerous goods by road)

Remediation of old ecological burdens





# #5 Management of Proceeds

The net proceeds of the Green Finance Instruments issued under this Framework will be managed by GasNet in a portfolio approach.

GasNet intends to allocate the proceeds from the Green Finance Instruments to a portfolio of Eligible Green Projects that meet the Use of Proceeds eligibility criteria and in accordance with the Evaluation and Selection process presented in this Framework. A look-back period of three years applies for eligible green capital and/or operational expenditures.

The Finance department will monitor the allocation of the net proceeds to the Eligible Green Projects in GasNet’s internal information systems and database.

GasNet will strive, over time, to achieve a level of allocation to the portfolio of Eligible Green Projects which matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments. In this regard, GasNet will strive to maintain a constant buffer of Eligible Green Projects in the portfolio versus the total amount of Green debt issued. Additional projects will be added to the portfolio of Eligible Green Projects to the extent required.

Pending the allocation to Eligible Green Projects, unallocated proceeds will be invested in accordance to GasNet’s liquidity guidelines, in cash, deposits or money market instruments and other capital management activities.



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# #6

# Reporting

GasNet will make and keep readily available annual reporting on the allocation and impact of the portfolio of Eligible Green Projects after a year from the issuance of the Green Finance Instruments, to be renewed annually until full allocation or in case of material change. This report will be publicly available on GasNet ´s website (ESG section)<sup>11</sup>.

GasNet intends to report on an aggregated basis for all the GasNet’s Green Finance Instruments outstanding, at the level of the EU Economic activity and GBP/GLP categories.

GasNet intends to align its impact reporting with the Handbook for ‘Harmonized Framework for Impact Reporting’, June 2021 version<sup>12</sup>.

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<sup>11</sup> To be found [here](#)

<sup>12</sup> To be found [here](#)

<sup>13</sup> Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see [here](#)

## Allocation Reporting

The allocation report may provide indicators such as:

- The total amount of GasNet Green Finance Instruments outstanding
- The amount of net proceeds allocated to Eligible Green Categories
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The geographical distribution of the projects
- The proportion of projects that are aligned with the EU Taxonomy Climate Delegated Act

## Impact Reporting

On a best effort basis and where feasible, GasNet intends to publish an impact report that will provide information on the expected output and environmental benefits of the selected projects. The relevant metrics might include:

EU Economic Activity <sup>13</sup> (with NACE Code) ICMA, GBP/GLP Category	Potential impact indicators
<b>EU Economic activity (NACE Code): Transmission and Distribution networks for renewable and low-carbon gases (D35.22, F42.21, H49.50)</b>	% of network covered by PE pipelines  Reduction in leakage as a result of the project (in GWh/y or GWh/km replaced)  Capacity of hydrogen and/or low carbon gas (biomethane for example) connections/distribution systems
<b>ICMA GBP/GLP: Renewable Energy</b>	
<b>EU Economic activity (NACE Code): Installation, maintenance and repair of energy efficiency equipment (F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12)</b>	Energy savings (KWh saved/reduced)  Number of new energy efficient windows  Number of new energy efficient light sources
<b>ICMA GBP/GLP: Energy Efficiency</b>	



# #7 External Review

## Second party Opinion

ISS ESG reviewed the alignment of GasNet’s Green Finance Framework with ICMA’s 2021 Green Bond Principles and LMA’s 2021 Green Loan Principles. ISS ESG provided a Second Party Opinion (SPO). In addition, ISS ESG assessed the alignment of GasNet’s Green Finance Framework with the EU Taxonomy Climate Delegated Act (June 2021 version).

## Annual Audit/Limited Assurance on the Allocation Reporting

GasNet may request on an annual basis, starting one year after issuance and until full allocation, a limited assurance report of the allocation of the Green Finance Instruments proceeds to Eligible Green Projects, provided by an external auditor.





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# **Safety Responsibility Respect**

