# Opportunities in the energy market

Eneco Groep N.V.
Annual Report 2020

**About this report**

In this integrated report, Eneco Group reports on its financial and non-financial performance in 2020 and its financial, social and ecological value creation. We opt for a compact transparent report that provides the information required by our stakeholders based on a stakeholder dialogue and materiality analysis.

The financial statements have been prepared based on the International Financial Reporting Standards (IFRS) and the relevant provisions in the Dutch Civil Code.

The report is compliant with the standards of the Global Reporting Initiative (GRI). We use the International Integrated Reporting framework to clarify the interrelationship between the core elements of our policy. We also report on the Sustainable Development Goals (SDGs) that are relevant for us. As a member of the UN Global Compact, in our report, we report on our progress with regard to the ten principles and each of the four focus areas: human rights, labour conditions, the environment and anti-corruption.

The value creation model reflects our One Planet focus, Eneco's essential purpose and its mission, strategy and business model. The realisation of Eneco's strategy is explained based on strategic key performance indicators (KPIs) in the section Progress and sustainability and in the financial statements.

We have given the assignment to Deloitte Accountants B.V. to audit the 2020 financial statements and to assess the strategic KPIs and the application of the GRI standards in this report. An auditor's report was provided for the financial statements and an assurance report was provided for the strategic KPIs and the application of the GRI standards.

# Contents

# Foreword by the Management Board

**Events in 2020 were overshadowed by the Covid-19 pandemic. The whole year was dominated by public health concerns and the impact of the restrictions put in place to prevent the coronavirus from spreading. On behalf of the Management Board, I want to express my heartfelt gratitude and appreciation for the tremendous mental resilience and dedication that our employees have shown. Thanks to their wonderful care for each other and for our customers, we managed to maintain a low accident rate and a high customer satisfaction.**

## Sustainable recovery

Besides the numerous challenges that this crisis has brought, it also presents a unique opportunity to move the energy transition into a much needed higher gear, in the form of green investments in sustainable recovery, to help the Netherlands realise its climate goals and at the same time create numerous future-proof jobs. This matches Europe's Green Deal ambitions to pick up the pace of the sustainability efforts and target a 55% $CO_2$ reduction by 2030.

Eneco's sincere passion for sustainability makes it a wonderful company: it is what we all have in common, across all echelons of the company, and from technicians to office workers, in the Netherlands, Belgium, Germany and the United Kingdom. We want to realise our mission of "Everyone's sustainable energy", for ourselves but also, and more importantly, for our children and grandchildren.

> 'We want to realise our mission of "Everyone's sustainable energy", for ourselves but also, and more importantly, for our children and grandchildren.'

Since I was appointed CEO on 1 July, I have become acquainted with most parts of the company, in the Netherlands and beyond. The partnership with our new shareholders Mitsubishi Corporation and Chubu Electric Power is perceived in a very positive light, both at the level of the company's executive management and in developing our updated strategy and our plans for the five years ahead.

In 2020, the Netherlands recorded the hottest year since records began. As a result, the demand for gas and heat fell, while the pandemic also caused the demand for electricity and gas to drop. Despite those external factors, the Management Board is very pleased with the financial results. Eneco's results improved significantly in 2020: our operating income (EBIT) was up 23% to €163 million (2019: €132 million), while our EBITDA rose to €484 million (2019: €428 million). Our net profit surged 48% to €118 million (2019: €80 million). One factor that contributed to this increase was that new wind assets were operational all year, while the participating interests also outperformed previous results. Our gross margin improved to €1,094 million (2019: €1,071 million).

## Customer services

Our clients' interests are paramount in everything that we do, now and in the future. With this in mind, Eneco wishes to lead the way in digitalised services, and last year we continued to improve our online customer services. The new online Eneco Omschakelaar transition service advises customers on what their next step should be when they are improving their home's sustainability. Eneco's technicians now use Eneco Home to help customers to make the switch to sustainable energy solutions such as solar panels and smart central heating applications. We have also updated the MijnEneco personal environment so customers can now make all the necessary arrangements for maintenance to their devices. Our partnership with participating interest Suniverse has been expanded, with a view to easy and affordable energy-efficient home solutions, and in Germany we have successfully taken over and integrated 260,000 customers from E.On Heizstrom.

Besides signing a number of exciting contracts in the business market, such as with RET and Bol.com, and with Borealis in Belgium, we have also introduced our ZonnigLaden solution, which involves installing solar roofs to convert parking spaces into green charging stations, and in 2020 Eneco eMobility also started offering charging stations in partnership with ANWB. To help us provide our customers with new and innovative solutions, we have initiated a digital transformation, and we are making investments to modernise our technology and IT infrastructure.

‘Our ambition is to double our installed sustainable capacity to 3,200 MW by 2025.’

In 2020, we adopted Hollandse Wind&Zon as our default solution for consumers and SME customers. This helped Eneco to become the first major energy supplier to score an 8.1 out of 10 on the ranking that Wise, Natuur & Milieu and the Dutch Consumers’ Association publish of sustainable electricity suppliers.

Eneco also recorded some amazing performances in terms of sustainable generation, which will help us to further consolidate our position. Key highlights are the now operational offshore wind farm Borssele III&IV, and winning the contracts for the Hollandse Kust Noord offshore wind farm and the Maasvlakte 2 wind farm. In total, we added 202 MW in sustainable capacity, installed capacity and sustainability improvements to our heat sources. Of course we are also very happy to be chosen to construct the heat grids in Schiedam’s Groenoord district and Rotterdam’s Bospolder-Tussendijken district, as part of the transition to gas-free homes.

## Business strategy

The environment in which Eneco operates is a dynamic one. To continue to lead the way in the energy transition, we also devoted a great deal of focus to updating our business strategy. Although our mission is essentially still the same, we have made some clear choices and we will focus on three pillars: customers and assets, and integrating the two.

We will provide our customers with even better assistance through smart, affordable and clean energy solutions, including electric vehicles, heat pumps and heat grids. To achieve the integration, we will focus on using smart flex solutions to balance supply and demand, for example by converting surplus wind energy into heat, controlled remotely from our trading room. Of course we will also continue to invest in sustainable generation. Our ambition is to almost double our installed capacity to 3200 MW by 2025. In everything that we do, we choose to be a responsible enterprise. We take our role in society very seriously, and we endeavour to have a positive impact on the wellbeing of people and nature.

In 2020, Hiroshi Sakuma (Chief Cooperation and International Officer) and Hans Peters (Chief Customer Officer) joined the Management Board. Guido Dubbeld (Chief Financial Officer) announced his intention to step down last autumn. He has been succeeded by Jeanine Tijhaar. I would like to thank Guido for everything that he has contributed towards Eneco’s development over the past 19 years, and I wish him all the best for the future.

The climate crisis is casting an ever-growing shadow over the future, in the form of more and more extreme weather effects. Eneco expressly wants to be part of the solution, by offering our customers attractive and affordable sustainable propositions. Thanks to our knowhow and our expertise, our motivated employees and our financial capabilities, we are in an excellent position to do this, and 2021 will be another year in which we can continue to make a difference, with challenges to overcome and exciting opportunities to seize. With a justifiable sense of optimism and pride, Team Eneco is looking forward to further shared successes.

As Tempelman
CEO

# Profile

**One of the biggest changes today is the energy transition: we are switching to clean energy. Eneco is making the transition to sustainable energy possible. As a group and together with our customers and partners, we are working on realising our mission: 'Everyone's sustainable energy'. Eneco is producing and delivering more and more sustainable energy. In addition, we develop products and services with which consumers and businesses can produce, store, consume and share sustainable energy themselves.**
**Thanks to our consistent strategy, we are frontrunners in the energy transition. We are active in the Netherlands, Belgium, Germany, and the United Kingdom.**

**Eneco** is producing and delivering more and more sustainable energy. Together with customers and partners, Eneco develops affordable energy services that save energy and enable others to generate energy. In this manner, Eneco is helping everyone in the Netherlands and Belgium switch to sustainable energy.

**Oxxio** is the energy supplier specialising in online services. It offers customers the best price for 100% European wind-generated electricity and gas. In addition, Oxxio also offers Internet, TV and Telephone packages since 2019.

**WoonEnergie** helps housing corporations and their tenants save energy and thus reduce their energy and housing costs.

**AgroEnergy** focuses primarily on horticulturists in the greenhouse sector. It supports customers in the agriculture sector so that they can purchase their own sustainable energy at the best price.

**LichtBlick** is a green and innovative energy company. It is established in Germany, where it is the market leader in delivering green electricity to consumers.

## Associates

Eneco has interests in various companies and start-ups:

**Ecco Nova** Ecco Nova strives to promote the energy transition and sustainable economic development using crowdfunding.
**Enyway** enables consumers to purchase their electricity directly from a green source of their choice.
**Greenchoice** is a supplier of sustainable energy to companies and households.
**GreenFlux** offers a software platform to manage charging stations remotely, process transactions and balance the charging process with the grid capacity.
**Luminext** makes public lighting smart and controllable.
**Olisto** connects smart devices, apps and services.
**ONZO** is a data-analytics software company that has developed a platform that recognises and analyses the energy consumption of household appliances based on data that are generated by smart meters and connected devices such as smart thermostats.
**Roamler Tech** offers a platform that is changing the way of working in the installation world.
**Suniverse** provides sustainable energy systems to home owners and housing corporations, including a wide range of financing solutions under, for instance, the brand name 'Energie In Huis' (Energy solutions in the home).

# Overview of the main results

Amounts from the 2020 financial statements; in €1 million

| | 2020 | 2019 |
|---|---|---|
| Gross margin and other revenues | 1,094 | 1,071 |
| Operating profit (EBIT) | 163 | 132 |
| Cash flow from operating activities | 551 | 454 |
| Total revenues | 4,148 | 4,332 |
| Operating income before depreciation (EBITDA) | 484 | 428 |
| Net result | 118 | 80 |
| Investments (and acquisitions) in fixed assets | 549 | 372 |
| Net debt/EBITDA | 0.56 | 0.54 |

| | 2020 | 2019 |
|---|---|---|
| Group equity | 2,948 | 2,937 |
| Interest-bearing debt | 828 | 767 |
| Balance sheet total | 6,281 | 6,043 |

| | 2020 | 2019 |
|---|---|---|
| Group equity/total assets | 46.9% | 48.6% |
| Credit rating | A- | BBB+ |
| ROCE (Return on Capital Employed*) | 3.5% | 3.0% |
| ICR (Interest Coverage Ratio**) | 7.8 | 5.5 |

| | 2020 | 2019 |
|---|---|---|
| Number of customer contracts (in millions) | 5.9 | 5.7 |
| Increase in our own sustainable capacity (in MW) | 202 | 205 |
| Customer satisfaction | 89.1% | 88.4% |

* ROCE for the reporting year is defined as the ratio of (EBIT – corporate income tax) and the average of (fixed assets + net working capital) at balance sheet dates 1st of January and 31st of December.

** Definition for the calculation of ICR has been changed from EBITDA to the generally accepted definition for this calculation, EBIT.

# Important events

The Covid-19 pandemic has had Eneco in its grip since February last year. Every single one of Eneco's employees in the countries where it has operations was faced with drastic measures, including working from home or under strict safety precautions. This situation put everyone under a great deal of strain, including management. However, we are proud to say that we all rose to the occasion, and successfully continued to serve our customers. Despite a drop in demand and the effect on prices in the business markets, moreover, the pandemic had relatively little impact on the results for the reporting year, and Eneco was not forced to draw on any government support packages.

## Eneco and the pandemic

### Crisis management team

Our safety experts were quick to perceive the potential impact on the organisation, and in February a crisis management team was set up that included representatives from numerous parts of the company. That team remained in place throughout the year, and will continue to exist until the crisis passes. The separate business units also set up additional Covid-19 teams of their own, to impose specific measures and protocols. Another early decision was to move away from the crisis organisation wherever possible, in favour of including pandemic-related matters in our day-to-day work.

Eneco based all its measures on the policies of the various governments, which, while not necessarily the same in every country, had a number of factors in common: social distancing, taking steps for better hygiene, working from home and keeping offices shut or limiting access to them. Working in close consultation with the Management Board, the crisis management team reviewed the situation on a daily basis. The principal areas of focus were:

- Operational continuity (safety/health of employees and customers, availability of energy procurement trade markets, ICT availability including facilities for working from home, security of supply and operational asset management)
- Financial continuity (sufficient cash and cash equivalents, continuity in financial transactions and reports)
- Strategic continuity (consolidating partnerships and growth including mergers and acquisitions, and project operations such as the bid for the Hollandse Kust Noord offshore wind farm)

## Work and working from home

In the Netherlands, the big change started in mid-March, when working from home became the default. However, not everyone had the option of working from home: our technicians, the workers in our power plants, our traders and the employees working at our operations control centre spent the entire year working at their usual locations, where of course we had strict safety procedures in place.

This shift to working from home did not disrupt Eneco's operations, fortunately. Having proactively taken precautions, we had sufficient VPN capacity and bandwidth to allow our employees to work from home. Cybersecurity was an important issue during this period, and we took additional measures to minimise the possibility of identity fraud (as a risk of working from home). Eneco's office workers continued to work from home until the end of the year, and it is expected that they will need to work from home for much of 2021.

Safety and proper working conditions are very important aspects of working from home. Eneco allows its employees to borrow desks and chairs, and they can purchase a keyboard, mouse and monitor for a predefined maximum price. Our focus is on our employees' wellbeing and vitality, and in particular promoting people's physical and mental health, and strengthening connections between colleagues individually and with the organisation, by communicating with them, offering training and coaching and giving employees the possibility of taking emergency leave. We also encourage everyone to take breaks regularly and observe their normal working hours as much as possible, in order to rest properly and be able to switch off. Another recommendation that Eneco makes possible is to take occasional walks with colleagues, for a change of scenery.

Eneco has developed a 5-stage model, describing a series of measures that it can take as the Covid-19 restrictions are relaxed or, like they were in the autumn, tightened. From June until the end of September, it was possible for our employees to return to the office, following a great effort to Covid-proof the premises. Although this was initially limited to necessary meetings, a few of our employees later started working at our offices occasionally and parts of the company restaurant also opened for business. In the autumn, unfortunately, this had to be scaled back again.

All our employees have been wonderful in adapting to what are, in some cases, difficult circumstances, and they deserve our praise and appreciation for carrying on with their jobs as best as possible. The words 'health' and 'flexibility' had more importance for Eneco in 2020 than ever before. Fortunately the organisation proved to be resilient and innovative, and our employees showed their mental strength.

## Communication

From the early days of the Covid-19 crisis, we have devoted particular care to the wellbeing of our employees. Besides sharing useful tips and measures on the intranet, we also kept up a continual flow of communication on the subject. The Management Board emailed employees and recorded weekly video messages, our employees posted videos with tips on the intranet, we organised online pub quizzes and we continually ran surveys among our employees to find out how they were doing. Sick leave rates stayed low, fortunately. However, we will continue our efforts to prevent employees from suffering from loneliness or alienation, working too long, not taking enough breaks, not getting enough exercise and similar problems. The results of our surveys show that our employees greatly appreciate these efforts.

## Customer and employee safety comes first during COVID-19

**The COVID-19 virus has also had an impact on the work of Eneco's technicians. Of course, the safety of both customers and employees is a main priority. 'Energy is a primary need, so many activities must continue even during the pandemic', according to technician Koen van Vliet. 'Strict measures are in place and all technicians have received special instructions, we use additional personal protective equipment, and personal contacts are always avoided. Generally, our mechanics wash their hands ''to bits'', to use Prime Minister Rutte's words during one of his press conferences. More hygienic measures are in place than ever before. We even give all of our tools an extra clean. That is something we should keep doing once the coronavirus is no longer with us.'**

Read on

## Remote customer satisfaction

The Covid-19 restrictions had a major impact on our methods of customer support. For example, we made arrangements for no fewer than 1,000 customer experts to talk to our customers from their own homes. For our technicians, the primary concern was to ensure that none of our customers were left in the cold: maintenance work was only put on hold temporarily, and fortunately we succeeded in helping all our customers – we managed to find a solution each time, even in the face of emergencies or possible health risks. Within less than a week we had regained control of our response times and quality processes, and our customer satisfaction rating did not suffer.

Eneco played a key role in swiftly realising the energy tax deferments that the Dutch government had imposed for the April-September 2020 delivery periods, which gave our business customers extra financial breathing space in 2020. We implemented a deferment of energy tax invoices for both business and Agro customers. Some of our larger customers had already announced that they did not require a deferment; in those cases, we accommodated the customer's specific wishes. Eneco also announced to the Dutch government that we are prepared to expose ourselves to a cash flow risk for a limited period of time only, and do not wish to expose ourselves to an income risk on the non-recoverable part of the energy tax invoices that were pushed back. All the deferred energy tax invoices went out by year-end 2020. We are continually monitoring which of those invoices have been paid.

Sales felt a considerable impact. The sales street force (door-to-door) in the Netherlands was put on hold during the first three months, while in Belgium it was stopped for the majority of the year and we used that time to Covid-proof the process. When we could restart the process, whenever we made house calls we rolled out a 1.5-metre red carpet to maintain a safe social distance, under the motto, 'Customers first'. Contracts were signed remotely, by email or text message.

Recognising that our customers are still surrounded by uncertainties, we went the extra mile to accommodate them. We proactively reminded them of the possibility of arranging a payment schedule if necessary – an option that was gratefully utilised by self-employed customers and small businesses in particular.

## Impact on the result

Eneco did not draw on the support deals that the government offered to reduce the harmful impact of the Covid-19 lockdown on a number of sectors and industries, such as the Dutch Temporary Bridging Measure for Sustained Employment (Noodmaatregel Overbrugging voor Werkgelegenheid, or 'NOW').

As we explain in the financial statements, the results were affected by the Covid-19 crisis. That impact is visible chiefly in the sharp drop in the demand for electricity from the business market, which was not compensated by the higher consumption caused by consumers working from home. However, we are proud to announce that Eneco recorded strong results despite that drop.

# Other events

**3 February**

Eneco wins the contract for the wind farm to be constructed on the seawall in the Maasvlakte 2 area. The wind farm will have a capacity of more than 100 MW, corresponding to the power consumption of 138,000 households.

**25 March**

The sale of the shares of Eneco to the consortium of Mitsubishi Corporation and Chubu Electric Power is finalised. S&P increases the credit rating to A- stable outlook.

**25 March**

Upon finalisation of the sale, Hiroshi Sakuma (Chief Cooperation & International Officer) and Hans Peters (Chief Customer Officer) join the Management Board.

**15 April**

Eneco, four heat companies, umbrella organisation Aedes, and 36 housing corporations sign the Starter Engine framework agreement that is aimed at accelerated improvement of the sustainability of 100,000 rental homes without impacting the housing costs.

**21 April**

As Tempelman is appointed as the new Chair of the Eneco Management Board. Before joining Eneco he worked for Shell and he commences his duties on 1 July.

**29 April**

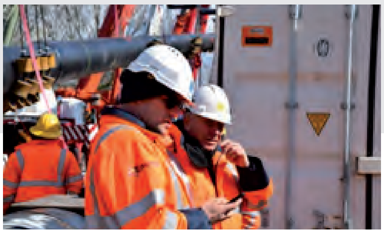
In Germany, LichtBlick takes over the supply of electric heating from E.ON, resulting in the addition of 260,000 new customers with a total of 355,000 contracts to the portfolio.

**11 June**

Eneco signs a procurement contract with SwifterwinT, an onshore wind farm in Flevoland, for a term of 15 years (starting in 2023) and a volume of 780 GWh per year, which corresponds to the power consumption of some 275,000 households.

**1 July**

Eneco's replacement of the heating pipelines in the Haringvliet waterway in Rotterdam is a technical tour de force. A 68 metre sinker pipeline is installed in one go.



**29 July**

Eneco and partner Shell win the tender for the subsidy-free offshore wind farm Hollandse Kust (Noord) that has an installed capacity of 759 MW. The consortium expects the wind farm to come on stream in 2023.


**7 September**

Eneco is a partner in the alliance that carries out an investigation in Stad aan 't Haringvliet into the possibility to use hydrogen as a sustainable energy source. This involves attaching an electrolyser directly to a wind turbine.

**25 September**

Eneco is awarded a platinum rating by Ecovadis, putting Eneco among the top-rated 1% companies in our sector in terms of sustainability performance.

**15 October**

Borealis signs a power purchase agreement with Eneco Belgium for a period of ten years. The more than 1000 Gigawatt hours (GWh) of wind energy to be supplied will be generated by offshore wind farm Mermaid.

**10 November**

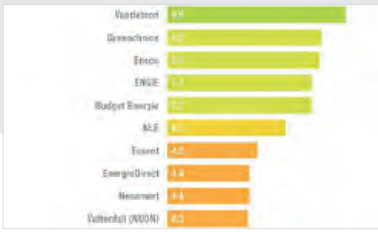
All of bol.com's Dutch and Belgian premises switch to green electricity that is supplied by Eneco and generated, in part, by the 13,000 solar panels installed by Eneco on the roof of bol.com's most recently constructed building in Waalwijk.

**20 November**

Eneco is the first major energy supplier to score an 8.1 out of 10 for consumer electricity on the annual sustainability ranking published by the Dutch Consumers' Association, Natuur & Milieu and Wise, thus maintaining its position as the most sustainable electricity supplier among the large energy companies.

**17 December**

The construction of a heat grid in the Groenoord district of Schiedam is launched. Eneco signs contracts to this effect with the municipality and housing corporation Woonplus.


# Value creation model 2020

Eneco's strategy is aimed at creating long-term value for various groups of stakeholders: our employees, our customers, our shareholders and society as a whole. With our sustainable activities, we seek to ensure that our impact on the economy, people and the environment is as positive as possible. Our value creation model shows how we do this.

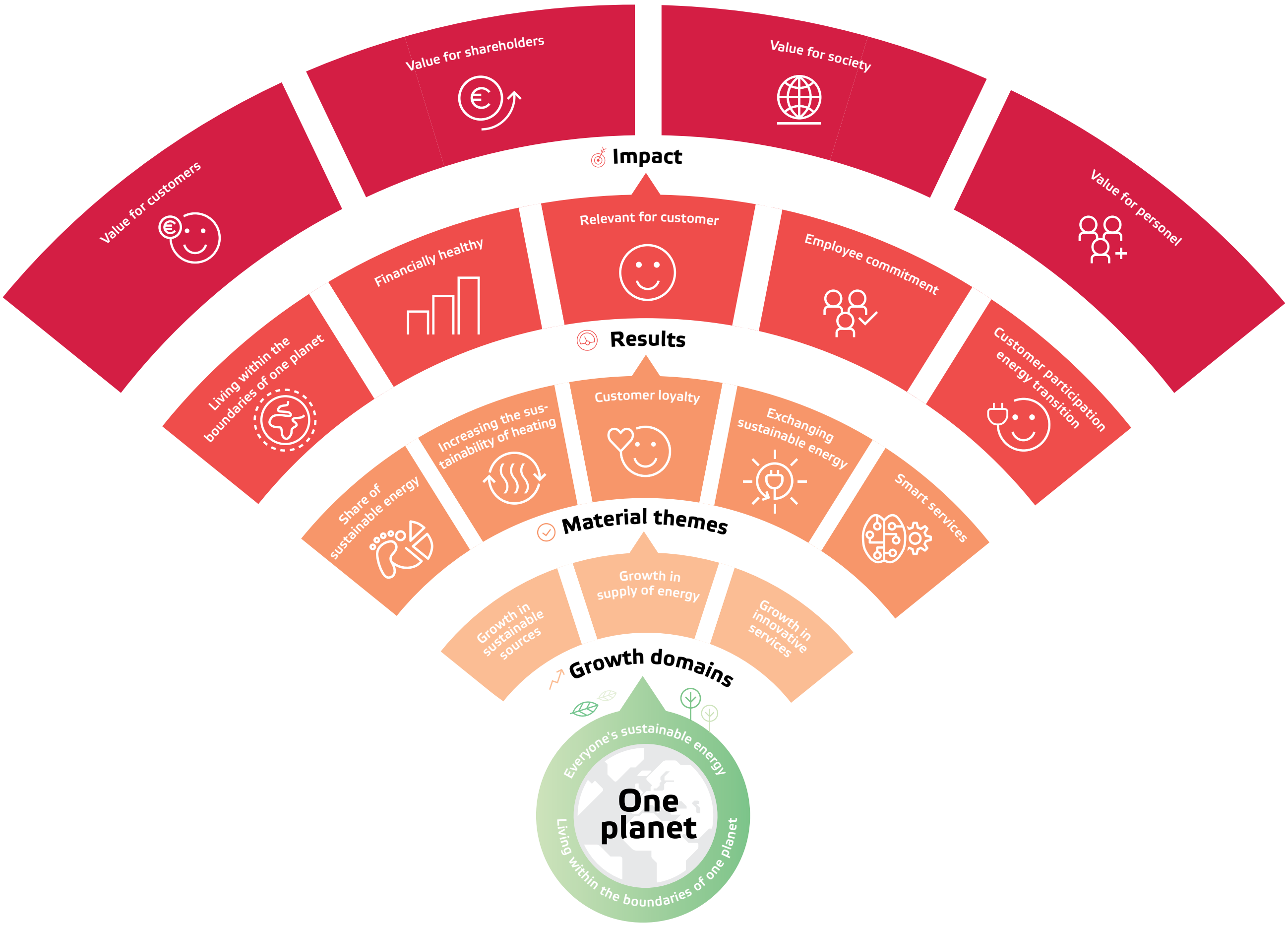
## Value creation model

The value creation model is a schematic representation of our strategic choices. The point of departure is that we live within the boundaries of one planet Earth. Eneco aims for growth in sustainable production, energy delivery and innovative services. These growth domains can be made concrete in goals or, in other words, in the answer to the question what we aim to achieve with our strategy: a growing share of sustainable energy in our production, increasing the sustainability of our heating supply chain, customer loyalty, the exchange of sustainable energy and our range of smart services. We make these goals measurable in strategic KPIs (key performance indicators), with which the impact for our customers, our shareholders, society and our employees can be quantified more clearly. In this manner, we implement our mission: everyone's sustainable energy.

We will adjust the value creation model in 2021 to reflect our updated strategy.

## Indicators and continuous reporting

Besides financial results, we also report on our non-financial performance. These ESG (environment, social and governance) figures reflect our performance in the areas of climate and the environment, safety and how we manage our company: what proportion of our energy is sustainable, for example, and how safe our work is and how satisfied our customers are. We present information about our production capacity and delivery specified according to source and country on our website on a continuous basis (see Energy figures on our corporate website).




## Our growth domains

**Growth in sustainable sources**
We have a leading position in renewable energy generation and are expanding our market leadership in heating.

**Growth in delivery of energy**
We are growing in the number of customers to whom we deliver sustainable energy. By combining this smartly with products and services that are of added value to the customer, we thus increase the customer value.

**Growth in innovative services**
We are scaling up the development and provision of innovative services around the home and in the field of electronic transport and energy management.

## What are we achieving with our strategy?

**Share of sustainable energy**
We invest together with customers, cooperatives and partners to increase the share of sustainable energy.

**Increasing the sustainability of heating**
We opt for renewable heating and replacement of fossil options.

**Customer loyalty**
We are enlarging our loyal customer base, which we provide insight into their energy consumption and offer ways to manage this.

**Exchanging sustainable energy**
We support our customers to integrate their sustainable energy consumption at home, at the office and in transport in the changing energy system.

**Smart services**
We provide smart services that increase the customer's comfort and enable customers to make use of energy at times when there is an abundant supply of green energy.

## How do we measure our progress?

**Living within the boundaries of the planet**
Reduction of the absolute $CO_{2eq}$ emissions in our chain emissions.
- Growth in sustainable sources E + H
- Share of sustainable energy in the total delivery

**A healthy financial return**
ROCE and higher EBITDA

**Relevant for the customer**
Higher value for customers
- Number of contracts
- Customer satisfaction

Gas-free and maintaining value of heating customers

**Enthusiastic and knowledgeable employees**
Recordable Incident Frequency
Preventing absenteeism
Diversity, equal opportunities
Execution power

**Customers participate in the energy transition**
- Growth number of paid services per customer
- Growth charging services and electric transport
- Growth in energy management
- Leading in Energy as a Service

## What value do we deliver?

**Value for society**
Eneco Group is committed to the Paris climate agreements and is market leader in the energy transition. Contributes in the area of environmental impact in cities (SDG [Sustainable Development Goals] 11, 13) and to maintaining biodiversity on land and in the sea (SDG 14, 15).

**Value for customers**
Eneco Group enables customers to determine how they wish to generate, use, store and share clean energy (SDG 7 and 12).

Customers receive affordable and clean energy and more comfort thanks to innovative products and services.

**Value for shareholders**
Eneco Group is a financially healthy company with a clear growth potential and with social objectives.

**Value for employees**
With over 3,000 highly motivated employees, Eneco Group creates employment and stimulates knowledge and innovation in the countries in which it is active. Employees contribute to sustainable development.


‘Working as one team to integrate value chain can unlock the huge potential’

# Managing supply demand balance is the key to be a winner in the industry

**Eneco, previously owned by 44 Dutch municipalities, was sold in late March 2020 to a consortium consisting of Mitsubishi Corporation (80% of the shares) and Chubu Electric Power (20%). Hiroshi Sakuma, Chief Cooperation & International Officer and member of the Management Board of Eneco, believes there are huge opportunities for Eneco to grow in the coming years.**

**What were the most important strategic reasons for Mitsubishi and Chubu to invest in Eneco?**
'The energy transition has been developing rapidly all over the world, including in Japan, Southeast Asia and the USA – markets where Mitsubishi is a strong player. The energy transition is more advanced in Europe than in the rest of the world, and that is why we view Europe as a kind of emblematic region for the global energy transition. Eneco has access to extensive knowledge about the energy transition, particularly in the area of offshore wind, and about issues arising from the introduction of large volumes of renewable energy generation. Japan, for example, is only just starting to construct large-scale offshore wind farms, so, by combining Eneco's knowledge with Mitsubishi and Chubu's local network and knowledge of Japanese legislation and subsidies, we can create an advantageous position there. We will strengthen Eneco's sustainability strategy and expand it internationally. Eneco will become the European hub for all of Mitsubishi's energy-related activities. Mitsubishi and Chubu will also further strengthen Eneco's financial position, and Eneco will therefore be able to continue its core activities in a financially healthy way and remain one of the largest energy companies in the Netherlands and in Europe.'

**In the Netherlands, Mitsubishi is mainly known as a player in the automotive market. Can you tell us more about Mitsubishi Corporation's size, activities and position in the market?**
'With assets exceeding EUR 150 billion, a listing on the Japanese stock exchange, over 90,000 employees, ten divisions, 120 offices and activities in 90 countries. Mitsubishi Corporation is one of the largest consolidated companies in the world. There are many other companies named Mitsubishi, and even while they share the logo with its three red diamonds (in Japanese, 'mitsu' means "three" and "bishi" means 'diamond') it does not mean they are part of Mitsubishi Corporation. Not many people in the Netherlands may know this, but Mitsubishi Corporation also has a strong Power Solution Group (one of its ten divisions) and is a global player with major ambitions relating to the energy transition – around 10% of Mitsubishi Corporation's total revenue is power business related. The Power Solution Group, which operates in Japan, the USA, Europe and Southeast Asia, has assets of almost EUR 14 billion (including Eneco) and consists of three divisions: International Power, Energy Services Solutions and Utility Retail. With the acquisition of Eneco, with whom we had already actively collaborated in offshore wind energy, Mitsubishi Corporation now also has a stronger position in Europe. Besides this, Chubu is the third-largest player in the Japanese energy market, with more than 10 million customers.'

Read the full interview

**Hiroshi Sakuma**
Chief Cooperation & International Officer

# A clear strategy as a recipe for success

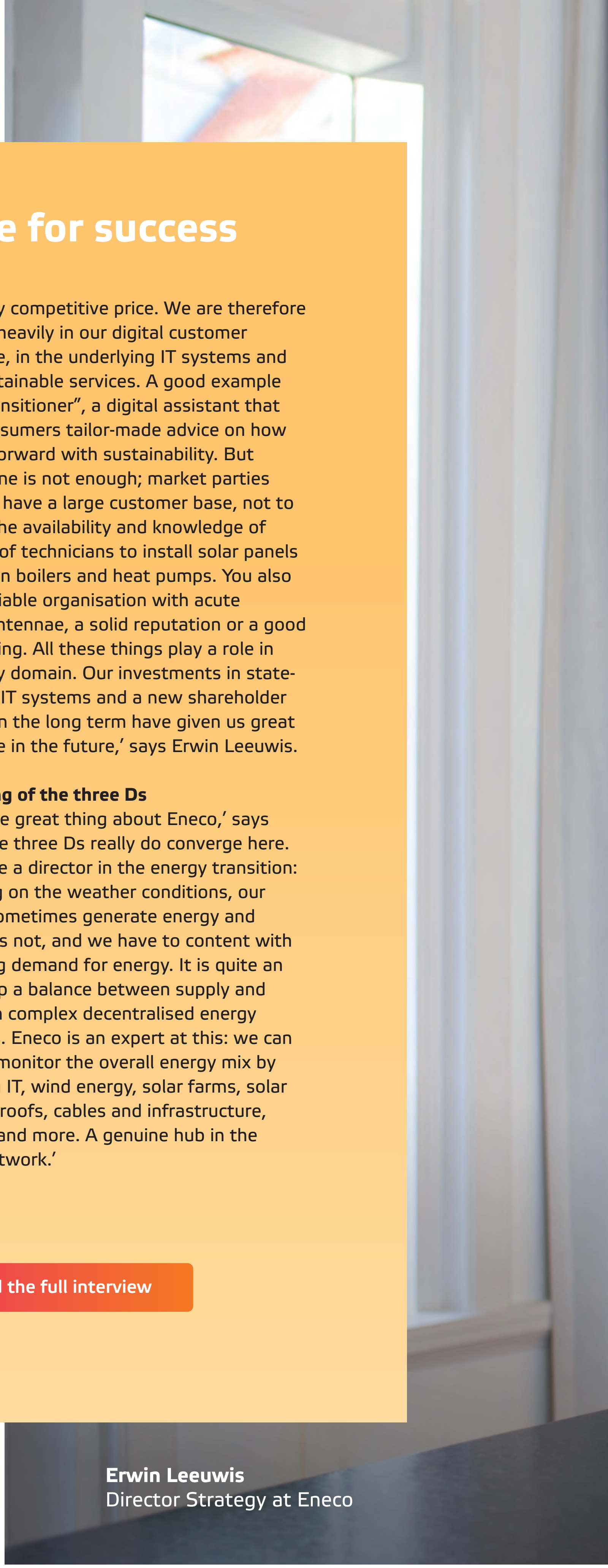
**Eneco has a leading position in the deployment of renewable sources such as wind and solar energy. At the same time, Eneco is facing rapid change. Customers, politics, subsidy-free assets and technological innovation have made the market for energy and the energy supply more dynamic than ever before. To keep up, Eneco must continuously adapt. How does this work, and what are the key challenges and strategic goals? An interview with Erwin Leeuwis, Director of Strategy at Eneco.**

'The energy market is changing faster than ever. We are witnessing three megatrends, often referred to as the three Ds: decarbonisation, decentralisation and digitalisation. In other words, the reduction of carbon emissions is a key focus for the rapidly increasing number of decentralised energy networks. And digitisation is not only changing how we interact with customers, but it is also further integrating and accelerating energy flows. The combination of these three trends can significantly accelerate the energy transition. We view this as an opportunity rather than a threat. Of course, there are born digitals that are trying to penetrate this domain with online solutions or parties that are heavily specialised in solar panels or battery solutions, but on the retail side, energy is still very much a national affair. Each country has different laws and regulations when it comes to electricity, gas or heat. This makes it difficult and less appealing for the large, digital international players. But we are not about to throw in the towel. Our customers expect a lot from us: a digital experience they already know well from the digital leaders outside the energy sector, concrete help with sustainability issues, but also a very competitive price. We are therefore investing heavily in our digital customer experience, in the underlying IT systems and in our sustainable services. A good example is the "Transitioner", a digital assistant that offers consumers tailor-made advice on how to move forward with sustainability. But digital alone is not enough; market parties must also have a large customer base, not to mention the availability and knowledge of hundreds of technicians to install solar panels or maintain boilers and heat pumps. You also need a reliable organisation with acute political antennae, a solid reputation or a good NGO ranking. All these things play a role in the energy domain. Our investments in state-of-the-art IT systems and a new shareholder focused on the long term have given us great confidence in the future,' says Erwin Leeuwis.

**Converging of the three Ds**

'That is the great thing about Eneco,' says Erwin. 'The three Ds really do converge here. We are like a director in the energy transition: depending on the weather conditions, our sources sometimes generate energy and sometimes not, and we have to content with fluctuating demand for energy. It is quite an art to keep a balance between supply and demand in complex decentralised energy structures. Eneco is an expert at this: we can remotely monitor the overall energy mix by combining IT, wind energy, solar farms, solar power on roofs, cables and infrastructure, batteries and more. A genuine hub in the energy network.'

Read the full interview



**Erwin Leeuwis**
Director Strategy at Eneco

# ‘Focus on the three Ds: decarbonisation, decentralisation and digitalisation’

# ‘Thinking outside the sustainability box’

Ilse van Andel
Sustainability Officer at Eneco

# A prominent role in society

**Eneco is a frontrunner in the energy transition. In 2007, Eneco presented its sustainable One Planet strategy with the World Wildlife Fund. In the years that followed, substantial steps were taken, and the scope of Eneco's sustainability policy for 2021-2025 goes much further than many stakeholders realise. A look behind the scenes at Eneco's approach to sustainability in an interview with Sustainability Officer Ilse van Andel.**

Ilse: 'Eneco plays a prominent role in society. Our roots go back to the 19th century. In 2007, we were the first energy company to adopt a sustainable path and we are still on it. This is how Eneco became a frontrunner in the energy transition, both in Belgium and in the Netherlands. We are one of the largest investors in sustainable energy, and we work with millions of consumers and thousands of businesses on the energy transition.
As Sustainability Officer, I am committed to making our supplier portfolio and the products and services we purchase more sustainable. This role goes beyond sustainable procurement. My aim is also to further advance circularity and contribute to our sustainability strategy by identifying CSR risks in the value chain.'

**Climate impact key focus**
Ilse: 'Our climate impact is a key focus in everything we do. Our One Planet vision, which was developed by our Sustainability Manager, Gerben Meijer, outlines our intention to keep global warming well below 2ºC. Our target is 1.5ºC. The agreements to achieve this goal have been incorporated into a carbon budget for our company, including our suppliers and customers. In 2020, the carbon budget was 17.8 Mton $CO_2$ equivalents and our emissions amounted to 14.0 Mton $CO_2$ equivalents. Since the signing of the Paris Climate Agreement in 2015, our supply chain emissions have remained below the agreed carbon budget. Of course, that is excellent. In fact, Eneco scores best on sustainability compared to the large energy companies in the Netherlands according to the NGO sustainability ranking. The share of sustainable electricity production in the total supply must be 50% by 2022, and in 2020 it amounted to 28.2%. Together, we are moving towards 100% sustainable mobility. We are not using coal or nuclear energy and have opted for gas as a transition fuel. Our aim is to ensure that our activities do not have a negative net impact on biodiversity and ecosystems, and to further enhance our circularity policy. In short, we are making a broad social contribution to the energy transition.'

**One Planet vision 2021-2025: climate, chain and employership**
'In the meantime, we've gone a step further, however. With One Planet, we are essentially creating a vision with a strong focus on social and ethical aspects with three clear directions: climate action, chain responsibility and good employment practices. This vision shows our intention to go beyond the primary objective of the energy transition. For example, we will look at the raw materials used in the turbines in our wind farms and focus on long-term recycling with the aim of optimal circularity to recover pure raw materials. Of course, it is good to use wind turbines and solar panels to accelerate the transition to a sustainable electricity supply, but which raw materials are actually needed to produce those wind turbines and solar panels, and in which quantities?

Read the full interview

# Strategy

**Eneco wishes to help as many customers as possible in their transition to sustainable energy. This requires producing more affordable and reliable sustainable energy – in other words, upscaling for the transition. By making carbon-neutral energy and innovative sustainable solutions available to everyone, these become affordable. We are ambitious: our target is to register 1 million new customers within the next five years, increase our installed capacity from 1700 MW to 3200 MW and generate healthy profits.**

## Mission and positioning

With the global demand for energy, we are exhausting our planet's capacity. If everyone in the world lived as the average Dutch person does, we would need nearly 3 planets. Eneco is determined to bring the energy requirement and energy consumption within the boundaries of a liveable planet. This is the One Planet concept. Our mission to realise 'Everyone's sustainable energy' is based on our belief that it is vital for society to transition towards becoming emission-free and that everybody can do their bit to help. This is what we are working on together with our customers and partners (see page 56).

## Strategic objectives

In order to further strengthen our role as frontrunner in the energy transition and to keep up with the developments in the market, it is important that we grow our customer numbers and the volume of our sustainable production. We also want to strengthen the entire supply chain, from production to delivery (integration). What goals we have formulated for this are described here. In the chapters that deal with our results, we explain what efforts we have made and what we have achieved.

### Customers

We aim to deliver value for our customers with affordable energy, excellent digital service and a wide range of products and services that are aligned with our customers' needs. This aim reflects our ongoing transformation from a strong supplier of sustainable energy to a supplier of innovative energy-related services. However, we will also remain loyal to our traditional role. We aim to deliver even more sustainable energy and to combine that with smart services, which we expect will make for longer customer retention.

**Growing our customer numbers**
We wish to attract new customers and to retain existing customers. We offer more value for our customers when we make their interests our first priority and offer favourable prices. Working efficiently will help us to achieve this. Using data as a source, we identify what customers need in terms of service and information and ensure that the customer experience is always a positive and personal one. We are responding more to our customers' needs, enabling us to sell greater volumes of more relevant products and services. In the Netherlands, our focus is on retaining our market share through longer

## Market trends

**The pace of the energy transition is high; changes and innovations are following one after another. The market trends can be summarised under the 4 Ds: decarbonisation, decentralised, digital and democratic.**

**Decarbonisation**
The share of energy from renewable sources is increasing substantially. This leads to decarbonisation. As a result of more electric transport and alternative heating sources, the demand for electricity is increasing at the expense of fossil fuels. The costs of sustainable energy production are decreasing.

**Decentralised**
Due to the availability of cheap and efficient technologies, new energy sources are often more decentralised. Large centralised production installations are making way for smaller local installations for own use.

**Democratic**
Decentralised energy production makes it possible for our customers or citizens' cooperatives to invest themselves and become the owners of production installations, often supported by companies. The number of energy cooperatives and the number of installations that they have are growing, and more local residents are being involved.

**Digital**
Customers expect flawless digital service 24/7; the purpose of human contact is mainly to exceed customer expectations. Systems not only coordinate production and consumption of energy but also predict energy demand. Thus, energy can be delivered at the right moment, to the right place at the lowest costs. Digital tools also contribute to reducing energy consumption. Companies from other sectors, such as Amazon, Google and Apple, are entering the energy world and introducing new services in domains that energy suppliers are still just discovering (such as Smart Home). In addition, we see entrants from the automotive industry, such as Tesla and BMW. The energy and telecom markets are also moving closer to each other.

customer retention. The focus in Belgium, and particularly in Germany, is on growth.

We are also pursuing a strong growth in heating customers. In the Netherlands, we have adopted a district-based approach to disconnect entire residential districts from the gas grid and transition to our district heating grids, which we are expanding. We also offer consumers customised heating solutions, whether individually or on a larger scale, such as thermal storage and heat pumps (hybrid or otherwise). As a result, not only have we – and our customers – reduced our $CO_2$ emissions, we are also compensating the drop in our revenue from gas.

**Growing the numbers of paid services per customer**
By responding to individual customer needs, we can develop and sell more and better relevant integrated products and services per customer.

**Leading in Energy as a Service**
We are developing new business models in which we combine our digital platform with concrete products and services for at home, such as smart boilers. By also developing energy-related services, for example our Omschakelaar transition service to show customers what solutions are possible for their homes, we are creating valuable propositions for our customers.

**Growing the number of charging services for electric transport**
To achieve our goal of a Top-3 position in e-mobility in the countries where we operate, we are increasing the number of charging stations and charging services (such as charging cards), at home and at work. We are working to provide sufficient scale and coverage in the Netherlands, Belgium and Germany.

## Towards climate-neutral online shopping at bol.com

**All bol.com buildings in the Netherlands and Belgium now run entirely on green energy. A final part of this transition is the installation of over 13,000 solar panels by Eneco on the roof of the new bol.com fulfilment centre in Waalwijk, the Netherlands. Bol.com is aiming for climate-neutral shopping by 2025. The current fulfilment centre in Waalwijk was already fully powered by local green energy from Eneco's wind turbines, which are located right next to the warehouses in Waalwijk. The last bol.com sites have made the switch now as well, so all of the company's offices, data centres and warehouses use 100% renewable energy. Bol.com's sustainable energy circle has therefore been closed, which is a crucial step towards achieving zero grams of $CO_2$ emissions per parcel by 2025.**

Read on

## Sustainable production

We want to be of added value to our customers by leading in the production of sustainable electricity and heating solutions. We supply this electricity and heat directly or through third parties.

**Growing our production of sustainable electricity**
Eneco has a leading position in sustainable production. In order to maintain this position, we will double our sustainable electrical capacity (heat and power) to 3,200 MW by 2025. In this manner, we will remain strong in onshore wind energy and retain our leading position in offshore wind energy in Belgium and the Netherlands. We are already leading in Belgium in rooftop solar energy systems, and we are the second largest producer of solar energy in that country. We will continue to expand our solar energy portfolio in the Netherlands as well. We are also working with our shareholders to pursue significant expansions in Germany, both onshore and (once invitations to tender go out) offshore. In addition, we are expanding our onshore wind energy position in the United Kingdom.

**Growing in sustainable heating**
The Netherlands is switching from natural gas to other heating sources. Eneco is taking the lead in this transition, to retain its leading position in the heat market. We are switching from natural gas to other heating sources based on electricity, thus by increasing our sustainable heating capacity to 350 MW by 2022.

**Growing the proportion of sustainable electricity in our delivery portfolio**
In addition to our own production, we also enter into long-term contracts to procure green electricity. This offers a guarantee for investors in sustainable production, who only invest if they can purchase sustainable electricity for a longer term.

Where we are not yet able to produce sufficient sustainable electricity ourselves, we purchase electricity for customers with Guarantee of Origin (GoO) certificates. In this manner, the share of sustainably produced electricity in the total delivery portfolio will increase from 30% now to 58% by 2025.

## Integration

Eneco is an integrated energy company. This means that our operations extend across the entire value chain, from production to delivery, for both electricity and heating. This integration already offers significant value, which will only increase during the years ahead as subsidies for sustainable production diminish, fluctuations in the energy system increase and production and producers become more decentralised.

**Realising sustainable production without subsidies**
Less subsidy will be available in the future, while electricity prices will remain uncertain and subject to greater fluctuation. This means that expanding production will be possible only if it is cost-effective. Another factor that is becoming increasingly important is offsetting the risks of fluctuating prices and volumes. Eneco is in a strong position here, possessing a large direct customer base, a seasoned trade division and extensive experience with linking electricity production from (for example) offshore wind energy directly to long-term customer contracts. We work in partnership with our shareholders to establish those links.

**Power-to-X**
'Power-to-X' refers to converting electricity into heat, for example, or into green hydrogen. This will be achieved using electrical boilers for the industrial sector to generate heat and through the first green hydrogen projects. By 2025, we expect to have developed a portfolio totalling more than 200 MW, to help our clients improve their sustainability, restore the balance to the energy system and shift (and consequently avoid) the risks associated with sustainable production.

**Growing in energy management**
Power-to-X will give us further possibilities for managing, controlling and balancing the energy system. Another area of growth that we are pursuing is our range of energy management services for customers (in particular decentralised services). We help them to purchase or deliver back energy at the right moment or we offer storage capacity. To achieve this, we are consolidating our level of skill with the Internet-of-Things and targeting substantial growth in the number of devices (charging stations, central heating systems,

## Plastics manufacturer Borealis enhances sustainability with wind energy from Eneco

**In 2020, Eneco signed an agreement with Borealis to supply renewable energy to the Belgian sites of the international plastics manufacturer. This agreement brings Borealis closer to its strategic goal of deriving half of its total electricity consumption from renewable energy sources by 2030 and reducing its indirect carbon dioxide emissions.**

Read on

boilers, heating metres, delivery sets etc.) that we can read and/or operate remotely.

**Virtual Power Plants**
More and more large and small business customers are generating their own sustainable energy. Although those customers are eager to sell their production on the market, many of them are unable to do that by themselves. As this production is largely flexible in terms of scaling up and down, it offers opportunities for our trading division. Eneco has identified this as a growth market and is pursuing a strong organic growth here, both in the Netherlands and in Belgium.

# What is material?

**Eneco's sustainability strategy determines what the company does to create value for people, the environment and society as a whole. Our connection with our stakeholders is a key tool for determining whether we are on the right track. From the dialogue with our internal and external stakeholders, we distil a set of material themes that are reflected in our policies, governance and accountability reports.**

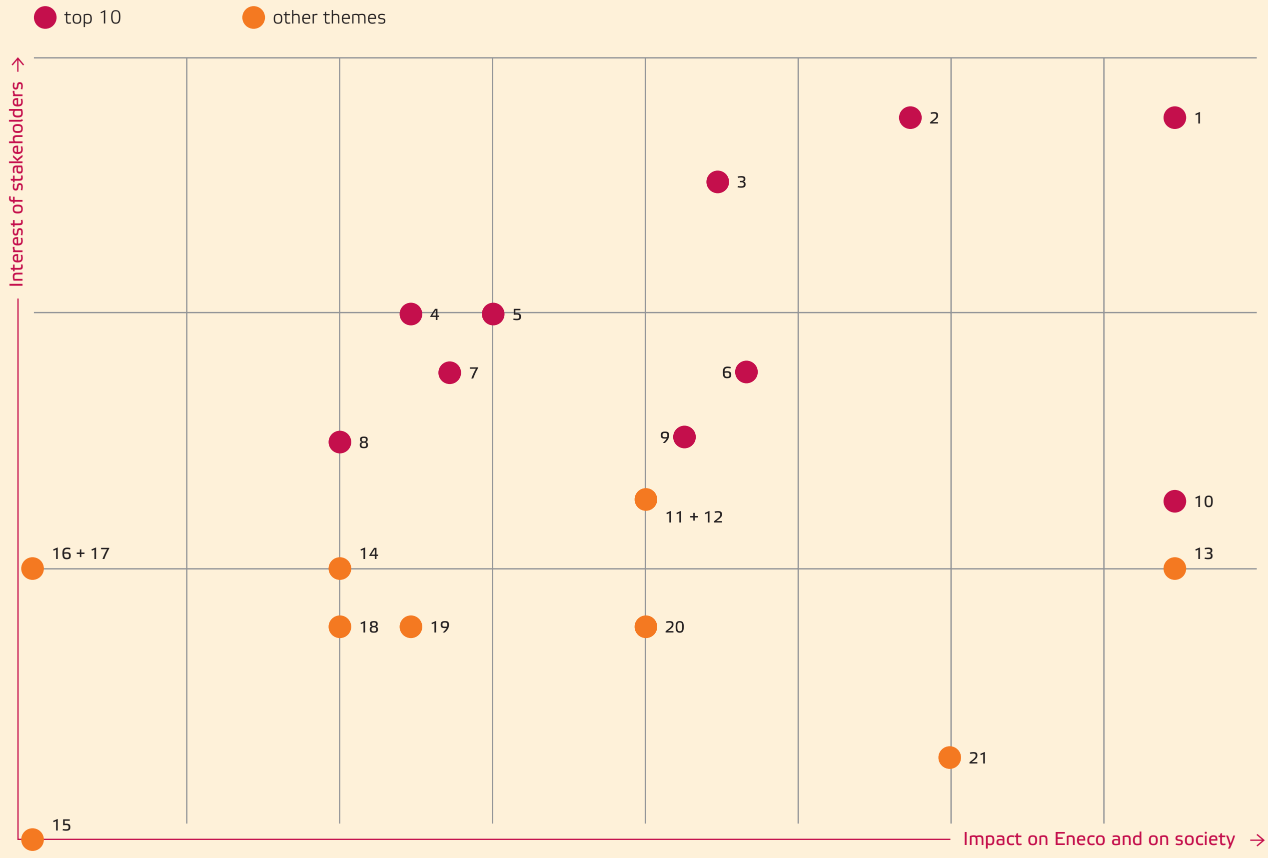
## No change in material themes

After Eneco was sold to Mitsubishi Corporation and Chubu Electric Power, the first move was to further streamline our strategy. Our strategic objectives also determine the material themes that are used as the basis for designing and managing the process of value creation. Our internal stakeholders were involved in this strategy process throughout the financial year.

We have concluded that the material themes that we presented last financial year have remained almost entirely unchanged; they have only been rearranged, with a prominent position for our new shareholders. See the Reporting policy (see page 196) annex for further details.

The plan is to engage our external stakeholders in round-table discussions next financial year, to determine whether the material themes still sufficiently match their interests and expectations.

## Eneco's Materiality Matrix




**Top 10 linked to SKPIs and GRI**

1. Contributing to the energy transition
2. Safety, health and well-being
3. Working together with new shareholders
4. Expanding innovative services
5. Growth in heating solutions - gas transition
6. Relevant for the customer
7. Investing in renewable sources – Origin of energy
8. Competitive pricing - retention of customers
9. Contributing to Paris climate agreements - Lowering $CO_2$ and other emissions in the supply chain, Contributing to energy savings by customers
10. Returns from a financial healthy company

**Other relevant themes on which we report in our annual report**

11. Data security (privacy, continuity, cyber security)
12. Sustainable procurement
13. International growth
14. Governance (information about the composition and cooperation in the top of the company)
15. Reliablility and availability/accessibility
16. Good employment practices
17. Training and education
18. Compliance with applicable laws and regulations, including violations and fines
19. Anti-corruption policy
20. Biodiversity
21. Fair remuneration, equal pay men-women, ratio management and staff

# Result: Customers

Based on our mission of 'everyone's sustainable energy', we want to help our customers in their choice of energy supply. We offer them the best solution for their personal situation. Our services are smart, affordable and sustainable. Customers can choose whether to hand over the entire matter to Eneco, or to arrange it for themselves with our help: it is their choice.

## Growing our customer numbers

Eneco wants as many people as possible to switch to sustainable energy. To achieve this goal, which will be impossible without our customer base of consumers, small and medium-sized businesses (SMEs) and large enterprises, we are focusing on strategic partnerships and are targeting large shares in the Dutch, Belgian, German and UK markets.

# Netherlands

## Eneco HollandseWind & Zon

In June, we launched Eneco HollandseWind & Zon for consumers and small businesses, to provide our Dutch customers with sustainable electricity generated in the Netherlands. We have invested heavily in this in recent years; for example, we have opened numerous new wind and solar farms, which we will continue to do until everyone in the Netherlands has access to green electricity generated on home soil.

These products fulfil a major demand, from both new and existing customers. Customers who have a contract for another electricity product are automatically switched to HollandseWind & Zon when their contract expires. Starting May 2021, all our customers will be using HollandseWind & Zon.

## Strategic partnerships

To fulfil our deliveries of energy generated through sustainable methods, we enter into contracts with strategic partners. In 2020, we formed exciting new partnerships that will help Dutch companies to make the transition. We also made progress with innovation, and together with our existing customers we took further steps in 2020 towards sustainability. Some of the most exciting examples are described below.

## Making RET energy-positive

In partnership with Rotterdam transport authority RET, Eneco is developing an 'energy-positive roadmap', which describes sustainable initiatives for consistently reducing non-sustainable energy consumption and eventually achieving energy-positive public transport. This will be achieved through building management and battery storage, and by reusing old bus batteries and using dedicated wind turbines.

## Working with Sligro to help bars and restaurants cut their costs

Energy is a major cost for bars and restaurants, and many owners of these businesses want to improve the sustainability of their operations. Eneco has joined forces with wholesaler Sligro to help bar and restaurant owners cut their energy costs: Eneco gives businesses that contract their energy through Sligro a best-price guarantee and delivers 100% green electricity. Sligro and Eneco also offer an EnergyCoach: a personal adviser and a smart tool for saving energy and becoming more sustainable. Sligro awards vouchers to businesses that take out an Energy & Gas Contract or sign up for the EnergyCoach from Eneco.

## Shore power

Eneco and the Port Authority of Rotterdam are working on a joint project to provide sustainable shore power to the offshore installation vessels of Heerema Marine Contractors. A new installation will supply the vessels with electricity from Eneco's nearby wind farm on the Rozenburg peninsula, or from the national grid when the wind is not blowing. Vessels with shore power will no longer need to carry diesel-fuelled power generators on board, and so will emit far less $CO_2$ and other harmful substances and make much less noise. The direct connection between a wind farm and shore power is unique worldwide. The project will be completed during the winter of 2020-2021. Work is underway to offer shore power elsewhere in the port as well.

## PartnerPortal

As a key sales channel for the business market, our partners have access to the online PartnerPortal to produce offer letters for delivering electricity and gas to their customers in a matter of minutes. The PartnerPortal was launched in 2018 with only 5 partners. Now used by 50 partners, it was fully automated in 2020 and contracts are uploaded into our system directly from the PartnerPortal. A number of improvements were also made to make it more user-friendly. The design matches the Mijn Eneco Zakelijk environment for business customers, which will help us to develop a more integrated customer journey in 2021 and move forward with our self-service ambitions.

## Knowledge sharing based on in-depth content

In 2020, we started to share information and inspiration online to help large-volume customers improve their sustainability. We describe case studies such as the Sophia children's hospital Ronald McDonald House and roof tile manufacturer Wienerberger. We also offer information about energy products and about Guarantee of Origin (GoO) certificates, and provide reasons to switch to green energy generated in the Netherlands.

## AgroEnergy

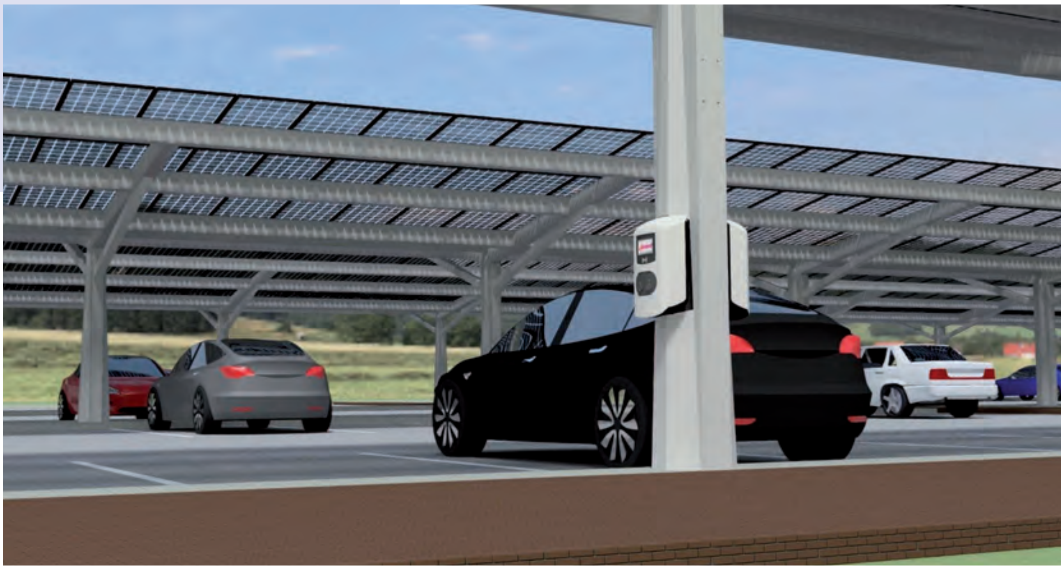
AgroEnergy, the energy partner for businesses in the greenhouse horticulture sector, fulfils this role by combining energy services, energy delivery and heating projects. The greenhouse horticulture sector is evolving all the time, as companies consolidate and increase in scale. Horticultural companies are becoming larger and more professional; more and more of them are adopting new decision-making structures as well. The sector is also becoming more international, fuelled by the increasing global demand for food and reliable horticultural expertise and experience. It is becoming more and more common for horticultural companies to focus on their core operations (optimising growth and sales) and outsource their energy management to experts.

In 2020, AgroEnergy continued its growth in data-driven energy services in response to this issue among business customers. It also created an independent spin-off, BlueRadix, for autonomous greenhouse controls. The synergy in customer services between energy optimisation and growth optimisation is enshrined in the partnership. The greenhouse horticulture sector has been hit hard by the Covid-19 crisis, and the flower industry in particular suffered during the initial months of the pandemic. Fortunately, the situation has

## Car park to become energy-neutral, covered charging station

**In the winter of 2020-2021, 120 parking spaces at Dronten's town hall will be covered by almost 1,100 solar panels. The initiative is backed by the EU, and Eneco is one of the partners in the European Regional Development Fund (ERDF) 'Power Parking' pilot project. This project aims to integrate renewable energy generation, electric charging and energy storage in a smart way.**

Read on



improved since May and by November no debtors remained outside usual patterns.

AgroEnergy has a strong position in contracts for delivering energy, allowing customers to put together their procurement mix according to their own preferences in the gas and electricity wholesale markets. The advanced customer portal EnergyManager is gives access to the various markets (future, spot, intraday) and the imbalance. AgroEnergy also helps businesses in the horticultural sector by providing energy management based on data-driven services, which always include personal advice from an energy specialist. It realised growth in all its services in 2020 (bid optimising service BiedOptimaal, energy management service EnergeBeheer, emergency capacity service Noodvermogen and congestion management service Congestiemanagement).

Companies in the greenhouse horticulture sector are looking for ways to join this development, or are adopting sustainable alternatives. Unfortunately, market prices and taxes mean that this is currently very much an uphill struggle. In response, AgroEnergy has decided to focus entirely on optimising and expanding a more sustainable delivery of heat from the RoCa pipeline, working together with partners such as the heating cooperatives in the Oostland region.

## Oxxio

Oxxio, the brand for price-conscious, digital-minded consumers, delivers its customers green wind-generated electricity and gas, plus internet, television and telephone connections. In 2020, Oxxio continued its growth and digitalisation, recording larger customer numbers for both categories of products and services. Most of these customers use the Oxxio App, giving them access to fast online service (and self-service). Oxxio is also answering more and more questions from its customers in digital form, either using the chatbot or in a live chat with an employee.

## WoonEnergie

Besides its specific target market of housing corporations and their tenants, home energy provider WoonEnergie also focuses on administrators, and delivers energy to households in debt rescheduling programmes. WoonEnergie entered into further partnerships with administrators in 2020, and even developed a service platform dedicated to that market. WoonEnergie has very high customer satisfaction ratings for its entire business.

## Other achievements

Eneco has signed a long-term contract to deliver electricity to the new offices of the Dutch National Institute for Public Health and the Environment (RIVM) and the Dutch Medicines Evaluation Board (CBG) in Utrecht. The building in which the organisations have their offices has been awarded a BREEAM Outstanding certificate, thanks in part to the delivery of 100% Eneco HollandseWind® wind energy. One of the sources from which the electricity is drawn is the nearby Houten Wind Farm.

We have strengthened our partnership with Nouryon, the global leader in the market for essential chemicals, with further arrangements for the steam and electricity that is produced by the Bio Golden Raand biopower plant.

We have signed a contract with the Dutch National Police to deliver sustainable wind energy and gas in 2021-2022, with an option for three successive years after that. For the State of the Netherlands, we will produce sustainable electricity for the years 2021-2022, again with an option for three more years.

## Belgium

### No drop in sales

Eneco Belgium has succeeded in controlling the impact of the Covid-19 pandemic. As Belgium went into a full lockdown, the principal door-to-door sales channels were lost. Despite this, however, new customer acquisition numbers did not drop. The business market performed strongly, buoyed by low market prices and the active sales team in Belgium.

### Contract with Borealis

By signing a contract with polymer manufacturer Borealis to deliver wind energy from the SeaMade offshore wind farm, Eneco Belgium has reinforced its leading position in the market for Corporate Power Purchase Agreements.

### A strong brand

The Eneco brand continues to perform well: 71% of Belgium's population are familiar with the name, and 22% are considering the possibility of signing with Eneco Belgium. These figures are the result of the marketing campaigns conducted in the spring and autumn.

## Germany

### Growing customer numbers

In 2020, LichtBlick took over a portion of E.ON's contracts for households heated by heat pumps and night storage heaters. This transfer was dictated by the European Commission (EC) as a condition for approving the merger between Innogy and E.ON. The EC had studied the deal in 2019, and identified potential negative consequences for consumers in some countries. The transfer places LichtBlick in the fifth position in the German energy market.

By 2022, LichtBlick hopes to be Germany's best-known and best-loved brand for a climate-neutral lifestyle. To achieve this, the company updated its brand strategy in August 2020, and now defines its mission as working together with its customers to create a 'new normal': a carbon-neutral lifestyle.

## United Kingdom

Some years ago we decided to stop developing facilities. Focusing on location and types of facilities, Eneco UK is currently evaluating a number of potential development projects. These preparations will serve as input for defining and developing the broader business strategy.

# Leading the way in digitalisation

Digitalisation paves the way for a shift from 'paying per unit' to 'paying for services' that make it possible for customers to be charged reasonable prices for energy usage and allow us to provide our consumer customers with more digital services and to better accommodate their preferences. It also means greater efficiency and lower costs.

## Digital energy services

Many of our services for consumers show significant improvements in convenience and speed after digitalisation, and we are working all the time to expand our digital services.

### Ongoing digitalisation of maintenance

We continued to expand our online services in 2020. In August 2020, we made it possible for new residents with rented central heating systems, water heaters or boilers in their homes to register online for the appliances' rental contracts.

In the MijnEneco personal environment, customers can view and arrange every aspect of their maintenance contracts: they can see how long it has been since the most recent maintenance and when to expect the next maintenance – and immediately schedule or change their appointment. Customers can also see what their contracts cover and what they do not.

We have improved our digital service for malfunctions: if a customer's central heating system, water heater, boiler or smart thermostat Toon malfunctions, a chatbot gives them access to online self-help, including in the form of videos. Self-help is available on eneco.nl and through the Eneco app. Customers can also use the live chat function to schedule an appointment for repairs.

### SAM: virtual malfunction assistant

In September, our technicians started using our virtual malfunction assistant SAM, short for Smart Asset Management. If a customer experiences a malfunction, the central heating system will show an error code, which the customer then passes on to the call centre. Drawing on our experiences with previous repairs and maintenance, we establish how to deal with that particular error code. That information is then included with the malfunction order when the technician visits the customer, so that the technician can prepare for the job and resolve the malfunction straight away, for example by taking along the right materials.

### Eneco Omschakelaar transition service

The new online Eneco Omschakelaar transition service advises customers on what their next step should be when they are improving their home's sustainability. Customers – and non-customers too – answer a series of questions and enter details such as their postcode and house number, and are advised on how much this next step will cost and how much money it could save them. The advice is based on information from the Land Registry and the latest energy consumption data. With these customer profiles, we can better help our customers to improve the sustainability of their homes.

Previously, the data for this advisory tool was managed by an external partner; now, by managing the tool ourselves instead, we can better 'train' the models used for advising users and constantly improve the accuracy of the advice. Both the app team and the web team use these data. For example, the solar panel simulator that is included in the Eneco app also makes use of the Omschakelaar.

## Energy solutions for in and around the home

We are working with partners to develop smart solutions for sustainable production and energy savings for households.

### Eneco Home

Eneco Home, launched in 2020, makes it easy for households to switch to sustainable energy solutions such as solar panels and smart central heating applications. Eneco sends technicians to customers' homes to help make the switch. All Eneco's smart energy solutions for in an around the home are described together on our website: Eneco Home. However, introducing Eneco Home presented a great deal of work: we needed to update propositions and redesign the website, and we ran a campaign on radio, television and the internet.

### Roamler

Eneco teamed up with Roamler back in 2016 to introduce the Roamler Tech platform. The purpose of the platform is to make it possible for independent technicians to install sustainable solutions for Eneco's consumer customers, such as central heating systems, boilers and heat pumps. Roamler's growth has surged since then, and now the organisation also covers other customers and products. In 2020, Roamler raised €20 million from investors to fund its expansion, including abroad.

### Suniverse

We expanded our partnership with portfolio company Suniverse in 2020 to bundle our expertise and quality. Eneco and Suniverse work together to make energy-efficient homes affordable and easily accessible for everyone. Operating under the home energy solutions brand Energie in Huis, Suniverse provides sustainable solutions for at home, for example solar panels, solar boilers and hybrid heating pumps (such as the Eneco WarmteWinner heat pumps). Eneco's sustainable home solutions team Duurzaam Wonen helps Suniverse's customers to make the transition.

## Information about energy consumption

Eneco offers a number of digital tools to provide customers with more information about their energy consumption patterns and so make it easier for them to regulate that consumption and save energy.

### Eneco app

We continued to improve the Eneco app during 2020, adding triggers to reward customers who save energy, and as a way of creating more awareness if their energy consumption goes up.

Eneco app users with solar panels can now see what their estimated production is, what portion of that production is used by their own household and what portion is supplied to the public grid.

We have also added targets and challenges to the app: customers who want to save energy can select a target based on personalised information per household appliance or consumption category. The app then offers exciting challenges to encourage users to achieve their targets.

### Toon: smart thermostat

Quby, the developer of the Toon smart thermostat, sends the thermostat's users a 'Monthly Magazine': an activating overview containing personalised energy information. Since April, the magazine also includes a page explaining how Toon helps users to cut back their energy consumption. With the introduction of 'Smart Heating' in September, customers have even further tools to help them save energy.

In October, we launched the 'Not At Home' check for 10% of Toon users: Toon helps these customers to save energy by checking whether the heating is on when nobody is at home. We expect to be able to offer the check for all Toon users starting in early-2021.

Toon's self-help feature was improved in 2020, allowing customers to resolve more problems by themselves. In early-2021, the app's appearance and layout will be given an upgrade. Preparations are underway to offer Toon to customers with district heating.

### Integration of Quby

Quby is the company that manufactures the Toon smart thermostats. It has also developed, or co-developed, a wide range of data-driven information services. In 2020, we began to prepare for Quby's integration into Eneco in 2021. Quby has decided to pursue an 'Eneco Only' strategy, gearing its operations to Eneco as much as possible, and not developing any further activities for other clients (although it will continue its services to existing clients in Belgium and Spain). Once it has been integrated into Eneco in 2021, Quby will become part of Eneco's Business Technical Organisation.

# Growing the number of charging services for electric transport

Our goal is to become one of the Top-3 e-mobility providers in the Netherlands, Germany and Belgium. This market has surged recently, and Eneco eMobility has become a major player. To further improve our position in this market, we are increasing our charging stations and charging services for at home and at work.

## The Netherlands

**Eneco ZonnigLaden**
Eneco ZonnigLaden for business customers was launched in 2020, involving the transformation of parking spaces into green charging stations with solar roofs for generating energy. As a bonus, visitors and employees also enjoy the benefits of covered parking. Eneco's first ZonnigLaden project will be realised in Dronten as part of a complete renovation of the municipality's town hall. It will include a combination of charging stations and batteries. The all-electric building will be 100% energy-neutral.

## Ordering charging stations

In 2020, we introduced the possibility for consumers to order charging stations via our Eneco eMobility website. The first results are promising, and we expect to expand the possibilities further during 2021. We are transitioning all our charging stations and charging cards to green electricity, using solar and wind energy generated in Europe.

## Charging with no investment

In November, Eneco eMobility launched its first major online campaign for ‘charging with no investment’, to allow hospitable businesses to offer their own customers use of parking spaces with a charging station. Eneco eMobility installs the charging stations; users pay market rates for charging their vehicles, and the business owner is compensated for the electricity that is charged.

## First smart charging installation with machine learning

Eneco eMobility is the first provider worldwide to offer a smart charging installation that operates on machine learning. The first installation is located at Royal HaskoningDHV in Amersfoort. The charging technology is supplied by our partner GreenFlux. By using machine learning, we can install up to three times as many charging stations on the same electrical infrastructure.

## Municipal garages in Rotterdam

In Rotterdam, we began fitting municipal car parks with more than 1,000 charging stations in 2020. All these stations use smart charging technology to maximise charging rates within the car park’s available capacity.

## Partnership with ANWB

Having tendered for the contract with Dutch travel organisation ANWB, and won, in 2021 we will give the partnership shape by developing propositions. Sales of charging

## 260,000 new electric heating customers in Germany

**LichtBlick, a 100% German subsidiary of Eneco, has been experiencing a formidable growth spurt in the early 2020s by taking over utility company E.ON’s (e-)heat customers. This transaction was required by the European Commission on grounds of competition law as a result of E.ON’s takeover of Innogy. LichtBlick now has about 260,000 new e-heat customers in its portfolio, with a total of 355,000 supply contracts.**

Read on

stations via ANWB already began in December.

## All of the Netherlands is making the switch!

**Consumers are never on their own with Eneco. Eneco works with customers to come up with energy solutions that best suit their home environment. Regardless of where or how they live or what their family situation is. Solar panels are a considerable investment. With Eneco Sustainable Living, Eneco not only takes care of the installation of solar panels but provides advice on other kinds of sustainable investments as well. Eneco's ZonneHub™ even enables consumers to generate their own green power without having to purchase solar panels. Eneco offers numerous tips for purchasing solar boilers, which work with solar collectors on the roof and a boiler tank. Gas will become a lot more expensive in the future due to higher taxes. Eneco offers numerous solutions, such as the Eneco WarmteWinner®. Eneco also provides consumers with a wide range of energy-saving tips. The Eneco Omschakelaar® encourages consumers to take pragmatic steps to enhance sustainability.**

Read on

## Germany

### Surge in customer numbers

Besides Eneco eMobility's increasing municipal customer numbers in Germany (indirect sales), the business market was a particular area of substantial growth. For example, in reversal compared with 2019, 65% of the charging stations sold in Germany during 2020 were earmarked for places of work, and 33% for the public domain.

### Contract with BFT

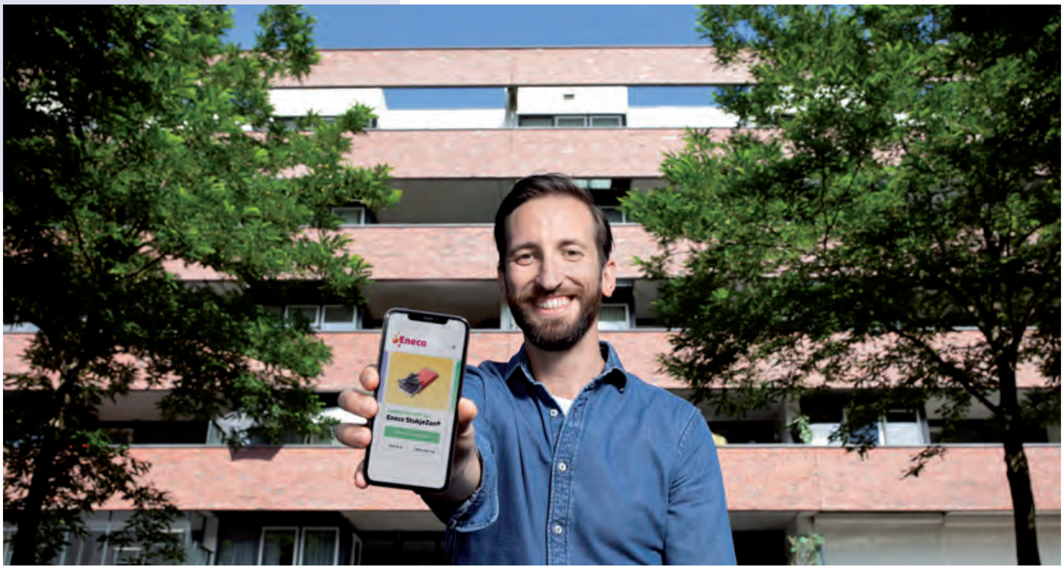
Eneco eMobility signed a contract with Bund Freier Tankstellen/Einkaufsgemeinschaft Freier Tankstellen (BFT/EFT) in Germany to install charging stations at more than 2,500 petrol stations and 500 companies that are associated with BFT/EFT.

### LichtBlick's charging solution

FahrstromUnterwegs, LichtBlick's unique new charging solution for e-mobility customers, guarantees easy access to charging stations in Germany and Europe, with green electricity at fixed low charging prices.

### Stake in bitinity

During 2020, Eneco eMobility acquired the remaining shares in German company bitinity.



That company's IT will help us to achieve our e-mobility goals. In 2020, our subsidiaries ChargeIT and bitinity merged to form a single company.

## Belgium

### Rise in sales of charging infrastructure

Despite the big impact of the pandemic on the automotive sector, government measures in Belgium triggered a surge in sales of hybrid cars, and the popularity of electric cars for lease companies rose even further. This also led to a rise in sales of smart-cable charging infrastructure. Besides renewing our contracts with Alphabet Car Lease and Jaguar, we also formed new partnerships in Belgium, for example with ALD Automotive, Mazda Motor Belgium and Ford Belgium.

### Combined charging stations

Electro-test, whose activities include inspecting electrics, gas, plumbing, lifting gear and lifts, is the first Belgian company in the SME segment for which we have installed a combination of AC (alternating current) and DC (direct current, fast chargers) charging stations. The DC charging stations are available for use by the public.

# Result: Sustainable production

To supply our customers with sustainably produced energy, we are constantly working to expand our installed capacity for solar and wind energy, while also increasing our sustainable heat production.

## Growing in sustainable solar and wind energy

In 2020, we continued to invest heavily in producing sustainable energy for our customers. We delivered more electricity generated by the wind and the sun. With the progress that we made with our projects in 2020, we are on track to achieve our goal for the end of 2022: to have more than 2 GW of renewable energy sources in operation.

## Large-scale sustainable energy production

| Produced (GWh)[1] | Total | | NL | | BE | | UK | | GE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Biomass | 176 | 124 | 172 | 111 | 4 | 13 | - | - | - | - |
| Solar | 674 | 323 | 555 | 223 | 96 | 78 | 22 | 22 | - | - |
| Hydro | - | 2 | - | - | - | 2 | - | - | - | - |
| Onshore wind | 4,649 | 4,071 | 3,000 | 2,579 | 896 | 982 | 685 | 510 | 67 | - |
| Offshore wind | 2,914 | 1,835 | 1,186 | 923 | 1,727 | 912 | - | - | - | - |
| **Renewable, subtotal** | **8,413** | **6,355** | **4,914** | **3,836** | **2,724** | **1,987** | **708** | **532** | **67** | **-** |
| Conventional | 3,164 | 3,340 | 3,164 | 3,340 | - | - | - | - | - | - |
| Co-generation systems | 1,680 | 1,622 | 1,680 | 1,622 | - | - | - | - | - | - |
| **Total** | **13,258** | **11,317** | **9,758** | **8,798** | **2,724** | **1,987** | **708** | **532** | **67** | **-** |

1 Including procured production.

| Production capacity (MW)[1] | Total | | NL | | BE | | UK | | GE | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Biomass[2] | 18 | 56 | 15 | 50 | 3 | 6 | - | - | - | - |
| Solar | 884 | 463 | 763 | 348 | 98 | 93 | 23 | 23 | - | - |
| Hydro | - | 5 | - | - | - | 5 | - | - | - | - |
| Onshore wind | 2,110 | 1,716 | 1,412 | 1,045 | 334 | 448 | 335 | 223 | 29 | - |
| Offshore wind | 1,434 | 611 | 615 | 249 | 820 | 362 | - | - | - | - |
| **Renewable, subtotal** | **4,447** | **2,851** | **2,806** | **1,692** | **1,255** | **913** | **358** | **246** | **29** | **-** |
| Conventional | 523 | 522 | 523 | 522 | - | - | - | - | - | - |
| Co-generation systems | 508 | 508 | 508 | 508 | - | - | - | - | - | - |
| **Total** | **5,478** | **3,881** | **3,836** | **2,722** | **1,255** | **913** | **358** | **246** | **29** | **-** |

1 Including controlled capacity at third parties.
2 Bio Golden Raand has been modified to also supply steam, resulting in a reduction of the effective power production capacity of this wastewood biomass plant compared to previous years.

## Milieukeur environmental quality certification

By the end of 2020, five of Eneco's energy products had been awarded the Milieukeur environmental quality label. Following Eneco HollandseWind's certification in 2011, the quality label has now also been awarded to solar energy product Eneco HollandseZon and Eneco HollandseWind local wind energy from Amsterdam, Groningen and Rotterdam. Contracting for HollandseWind or HollandseZon with the Milieukeur quality label gives our business customers clear and reliable proof of their sustainability efforts, allowing them to satisfy the sustainability requirements for their operations.

## More and more wind farms

We completed many of our wind and solar energy projects during 2020 and in so doing added more than 200 MW generating capacity to a total renewable fleet of 1479MW, an increase of 16% compared to 2019. Important projects that contributed to this increase include the completion of the Borssele III/IV (Blauwwind) and Seamade offshore wind farms off the coast of Belgium, in which Eneco holds an equity interest and from which we procure large volumes of electricity under a Power Purchase Agreement (PPA). Other exciting projects that were completed include the Delfzijl Geefsweer wind farm (25 MW), the Goes solar farm (5 MW) and the bol.com solar roof (5 MW), plus numerous smaller solar roofs for key customers such as Audi, Schiphol, Ahoy, Flora Holland and ArcelorMittal.

In February, we were proud to be awarded the contract for a large-scale wind farm in the Maasvlakte 2. This wind farm, Eneco's largest onshore farm with 'near-shore' conditions and a capacity in excess of 100 MW, will be completed in 2023 or earlier. All its electricity will be procured by the Dutch government's public works department Rijkswaterstaat.

## Bol.com

Starting in November 2020, all of bol.com's Dutch and Belgian offices, data centres and warehouses are powered entirely by green electricity. Eneco played a key role in this transition by installing a staggering 13,240 solar panels on the roof of bol.com's fulfilment centre in Waalwijk, capable of generating some 4 GWh of energy: about the same volume as consumed by 1,200 households. The existing fulfilment centre was already powered by local green electricity, generated using Eneco wind turbines at the Ecopark in Waalwijk.

## ZonOpDak: popular solar energy solution

In 2020, we made a decision to invest in large-scale construction of onshore wind energy and ZonOpDak rooftop solar energy projects in the Netherlands and Belgium, for completion by Q1 of 2022 at the latest. ZonOpDak in particular is rapidly gaining in popularity, and Eneco has improved its position compared with previous years, particularly in the Dutch market. Large numbers of projects are currently in the pipeline, thanks in part to a successful spring campaign, which helped us to obtain a subsidy to build around 40 MW of solar roofs. This result makes Eneco the market leader in this segment in the Netherlands.

## Sunny company rooftops

**Eneco wants to encourage the business community in the Netherlands to convert unused company rooftops into green power plants. Solar panels are a smart and visible solution for improving sustainability. To inform our business customers, we have shared in-depth articles and a whitepaper to show them what the possibilities are and what factors they need to consider, and to help them make a carefully balanced decision.**

Read more

## Realising sustainable production without subsidy

To construct large-scale wind farms and produce sustainable energy despite the diminishing possibilities for subsidised production of wind energy, we have set up joint ventures with major operators.

In the summer of 2020, Eneco and its partner Shell won the contract to construct the Hollandse Kust (Noord) offshore wind farm. We will use cutting-edge innovations for system integration and more flexible output.

Hollandse Kust (Noord) will be one of the first offshore wind farms not to be subsidised – another instance of how Eneco is highlighting its leading role in the energy transition. Hollandse Kust (Noord) will have a capacity of 760 MW. The wind farm will product 3.3 TWh per annum: enough to power more than a million households. The wind farm will be situated 18.5 km off the Dutch coast, opposite Egmond aan Zee. We expect it to be completed in 2023.

## Belgium

### More wind

Eneco Belgium obtained environmental permits in 2020 to construct wind farms in Hannut, Turnhout, Beerse, Arendonk and Herentals. Work on building the wind farms in Boneffe, Fauvillers and Neufchateau started in 2020. Existing wind turbines at various locations were replaced, many by new turbines offering more capacity.

Having been connected to the grid in June 2019, in 2020 the Norther offshore wind project was officially completed and refinanced.

### Less noise from wind turbines

A key requirement whenever wind turbines are installed is to generate public support. To make it easier to find that support, in 2020 Eneco Belgium introduced a series of technologies to reduce the noise caused by turbines.

### Growing in solar

The sunny weather in the spring caused a 10% peak in the Belgian solar farms' revenues. The existing ArcelorMittal, Wienerberger and Audi projects were expanded in 2020, and new projects (Bekaert and Vande Moortel) were added to the portfolio.

### Crowdfunding by Ecco Nova

Eneco is participating in crowdfunding initiatives relating to the energy transition. In 2019, Eneco acquired an interest in Ecco Nova, a leading Belgian platform that uses crowdfunding to finance sustainable projects at home and abroad.

In 2020, Ecco Nova built on its strong growth in 2019 by doubling the size of its team. Even though that growth slowed down during the pandemic, the outlook remains favourable. Ecco Nova has a 5-year strategic plan. Its first concrete result was setting up Ecco Nova Finance to underwrite the offered loans, for example by securing them with mortgages. This makes it possible for Ecco Nova Finance to replace bank loans. Clients benefit from an extensive range of safe investment products. Project leaders now have a one-stop-shopping solution to fund projects up to €5 million.

### Enecogen gas-fired power plant

Enecogen is a gas-fired high-efficiency power plant in Rotterdam's Europoort port district. We have contracted Siemens to make Enecogen the world's first gas turbine to be upgraded to the Advanced Turbine Efficiency Package, or ATEP. This will give Enecogen a 1.2% fuel efficiency and increase its capacity. The upgrade is scheduled to be carried out during the downtime for major maintenance work in 2022 and 2023.

# Growing in sustainable heating

Eneco is the leader in the market for sustainable heating. We help government authorities, companies and others to make the transition from natural gas to other sources of heat, and enter into contracts wherever we can to accelerate the shift towards sustainability.

## Heating transition

### District-based approach

Eneco has developed a district-based approach, providing a full range of services to housing corporations and municipal authorities for a customer-friendly and affordable heating transition. We have already implemented this approach in Rotterdam's Bospolder-Tussendijken district and Schiedam's Groenoord district, where we have decided on the financial and technical details of an exciting sustainable heating solution for tenants and homeowners. The contracts with the Municipality of Schiedam were signed on 17 December, and the work is expected to start in 2021.

We are in dialogue with housing corporations, with input from the municipal authorities, to connect districts to the heating grid. The housing corporations have agreed to disconnect at least 100,000 homes from the

## Hydrogen as a sustainable source of energy for households

**Eneco is conducting research with Coöperatie Deltawind and HYGRO Energy on the use of green hydrogen as a source of energy for households. In this project, the energy generated by a wind turbine is converted and stored as hydrogen through electrolysis and transported to households through a pipeline. The research will demonstrate whether this technology can be used on a large scale as a sustainable energy source for households in Stad aan 't Haringvliet to replace natural gas. Over the next few years, the idea will be developed further. The aim is to switch to hydrogen by 2025. And if the residents of Stad aan 't Haringvliet decide to go for it, they will be the first in the Netherlands!**

Read on

natural gas grid during the years ahead, in favour of heating grids and other alternatives. To accelerate this process, Eneco has signed the Starter Engine framework agreement with housing association umbrella organisation Aedes. Under that framework agreement, tenants' heating costs will not go up compared with the existing situation, and we will define a transparent business case for our partnerships in heating projects (for more details, see the chapter on One Planet).

### Heating Pact

Eneco and a group of other heating companies have signed a Heating Pact with environmental organisation Natuur & Milieu and with environmental federations Natuur en Milieufederaties. An initiative of Natuur & Milieu, the Heating Pact, is aimed at accelerating the increase and sustainability of heating grids in the Netherlands, with a view to reducing $CO_2$ emissions and the amount of natural gas used. By signing the Heating Pact, Eneco has committed to be transparent about our efforts to improve the sustainability of our heating grids and to endeavour to improve people's appreciation for and awareness of heating grids. A joint national campaign was launched in November to help achieve this. We have published the sustainability routes for our largest heating grids on our website.

## Other sources of heat

### Geothermal heat

Acting in partnership with Shell, Eneco applied for a geothermal heat exploration permit in 2019. The application covers parts of Rotterdam, Capelle aan den IJssel, Lansingerland, Krimpen aan den IJssel and Zuidplas for a total of 70 MWth in geothermal heat for existing and new heating grids.

In Nieuwegein, Eneco is working with the municipal authorities and the Utrecht provincial authorities to identify a suitable first drill site to start exploring for a geothermal heat source in 2021. Eneco's role in this project is as a partner in a broad consortium that includes Engie, Huisman and applied research organisation TNO. The total geothermal heat that will be extracted is 30 MWth. As this involves drilling in a built-up area, community management is an important factor.

In The Hague, we have made it possible for a geothermal heat source on Leyweg to become operational. This approximately 2.5 MW heat source is operated by Haagse Aardwarmte Leyweg; Eneco procures heating for 750 local households.

### Aquathermal heat pump in Utrecht

To make good use of the heat in treated waste water from water treatment plants, Eneco and district water authority Hoogheemraadschap De Stichtse Rijnlanden are developing a heat pump on the site of the water treatment plant in Utrecht. With a capacity of 25 MWth, this aquathermal heat pump will be the largest in the Netherlands. Despite some months' delay in the heat pump's development, caused by (among other factors) environmental legislation related to nitrogen rules, we expect the investment decision to be finalised during the first half of 2021. When it becomes operational in 2022 or 2023, the heat pump will provide for 10% of the total heating demand of Utrecht's district heating grid.

### BioHeat Installation 2

The construction of the second BioHeat Installation (BWI) in Utrecht was completed in late-2020. The first had been opened for business in 2019. Together, the BioHeat Installations supply up to 40% of the existing demand for heating in Utrecht's heating grid.

### WarmtelinQ

In 2019, Eneco handed over construction of the Leiding door het Midden pipeline (LdM) to natural gas infrastructure company Gasunie. LdM is part of WarmtelinQ, an underground pipeline for heating homes and business premises in the Province of Zuid-Holland using residual heat from the Port of Rotterdam. When Gasunie took over the LdM, we also signed the terms for a Heat Transport Contract. Work on that continued in 2020. The WarmtelinQ pipeline is scheduled to start supplying heat in the autumn of 2024.

## Sustainable building projects

Binckhorst, a transformation area where offices and residential complexes are being built, is situated on an offshoot of the district heating grid. We are constructing a medium-voltage station to create a separate local grid: BinckNet®. The project's heat pumps will be hooked up to the general grid in a smart-grid set-up, to exchange heat surpluses and shortfalls. In time, we can also phase in sustainable connections to sources from the surrounding area, such as geothermal heat.

Renovation of the Edge office complex in Amsterdam with improved sustainability Eneco is realising the sustainable energy systems for this property. A combination of solar panels with thermal storage will provide a maximum degree of sustainable climate control. These efforts have been recognised with a BREEAM-NL Outstanding certificate: the highest possible sustainability certificate. We are also negotiating the possibility of installing carports and solar-powered charging stations.

## Smart applications

### Smart heat meter

Our smart heat meter has been tested, and accepted as user-friendly, and Eneco is ready to roll it out on a large scale. Over a projected period of three years starting in January 2021, around 150,000 regular heat meters will be replaced by smart meters.

### Smart heat sets

We have tested our heat energy sets extensively among heating customers in Leidsche Rijn, who are helping us to determine how to improve their comfort while also reducing loss of heat. We are also looking at how peaks in the demand for heating can be better spread across the day.

## Maintenance and replacements

Despite the difficult circumstances during 2020, we nevertheless managed to successfully conduct maintenance with our contractors. While carrying out that work, we developed best practices for preventive Covid-19 measures which we then also applied at our other sites – using thermal imaging cameras and multiple break rooms, for example, and maintaining separation of people with critical roles. These measures allowed us to carry out regular maintenance for Bio Golden Raand in April. In August, we temporarily shut down BioHeat Installation 1 and the Lage Weide LW06 gas-fired power plant in Utrecht for maintenance. In October, we inspected the MK12 gas turbine in Utrecht, which will extend its useful life until 2028.

The quiet period also created favourable circumstances in some places, with less traffic in town and city centres. We took the opportunity to carry out a number of complicated replacements, for example at Snellenlaan in Utrecht, De Boompjes in Rotterdam and A.C. Verhoefweg in Nieuwegein.

# Result: Integration

**Eneco's operations extend to all parts of the value chain: from production to trading and delivery. This allows us to integrate customers and assets. This yields benefits, particularly in markets where subsidies will become scarcer and production and energy prices will experience greater fluctuations.**

## Smart solutions

Eneco is working on integrated smart solutions to optimise energy production and yields. This also includes storage possibilities and a more balanced electricity grid.

Under a partnership with Eneco, Peeeks is developing software for smart behind-the-meter energy solutions for heating, solar energy, storage and electric transport. In 2020, besides working on heat pump project THE FCTR E, further progress was made towards monitoring heat pumps, and making them controllable, as part of the Home Energy Management System (HEMS). As part of a close partnership with Eneco e-Mobility, HEMS in Germany is being integrated with electric charging almost everywhere.

In the Netherlands, Eneco Comfort-as-a-Service has been launched, in partnership with project developer Bo-Ex. For a flat monthly fee, Eneco guarantees a comfortable temperature in the house and a fixed daily amount of hot water. Another project is the SmartBoiler Module, which is used to offset peaks in solar and wind energy production. An in-depth analysis of the new and improved version of this innovative product shows that it can save customers large amounts of energy.

'Curtailing', or topping off capacity, is achieved by fitting converters with a lower capacity than the total generation capacity to improve yields. Peeeks has revitalised its industrial wind and solar curtailment division. This division will now work with Eneco's trading department to increase the number of wind and solar farms and create more market opportunities. Lastly, a pilot has been launched for a scalable proposition, beginning in 2021, to curtail solar and wind farms in the SME sector and solar roofs on business properties.

## Back-up batteries for KPN

In May 2020, KPN and a group of partners, including Eneco, began to research how the hundreds of back-up batteries that the telecommunications company uses for its local neighbourhood exchanges can help to balance electricity consumption patterns.

## Schwarmbatterie

In Germany, LichtBlick and Peeeks have been working on further commercially upscaling the Schwarmbatterie, a solution that combines solar panels with battery storage. It allows users to optimise their own consumption and earn money from the flexibility that the battery offers. The commercial channels were also further expanded, with partners such as Audi, Krannich and CitrinSolar.

## Solar by LichtBlick

In 2020, our German subsidiary LichtBlick launched an innovative product for consumers: Solar, an integrated solution that eliminates households' energy costs for life. The module that it contains features solar panels, the SchwarmBatterie home storage system, the smart SchwarmBox to support the SchwarmBatterie and an electricity contract with LichtBlick.

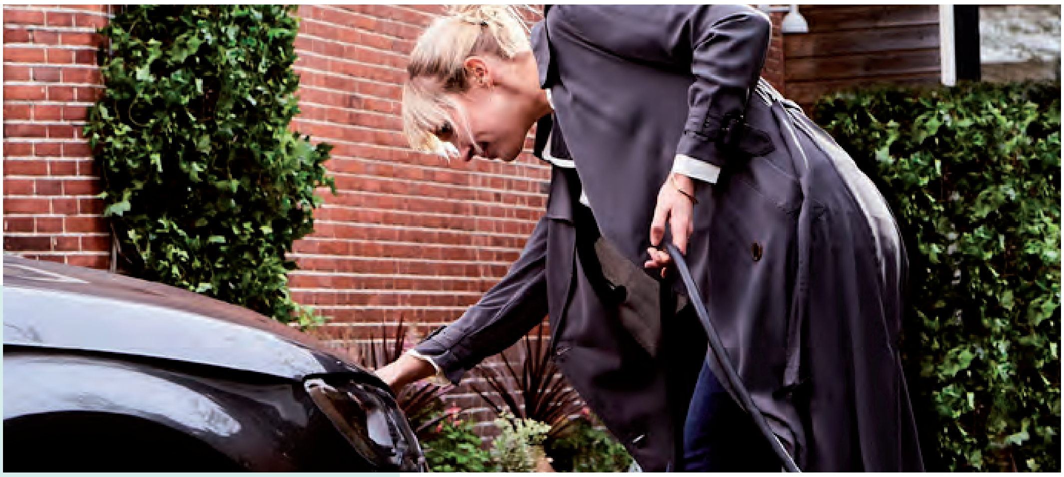
## Trading room

The developments on the energy wholesale markets during 2020 were remarkable. With temperatures reaching record heights, the demand for heat and gas deviated substantially from normal temperature patterns. The Covid-19 coronavirus also led to non-standard energy consumption patterns, particularly during the lockdown periods that began in March and December. Eneco's trading department Eneco Energy Trade increasingly focused on projecting and balancing the effects on our portfolio of flexible energy production and storage facilities, and on trading shortfalls and surpluses on the wholesale markets in the countries where Eneco operates and elsewhere. Market prices fluctuated strongly relative to previous years, partly as a result of the weather and Covid-19. The resulting market conditions benefited Eneco, and had a positive impact on the results.

Key highlights include the formation of long-term contracts with both a prominent major customer and a prominent industrial operator for the non-subsidised Hollandse Kust (Noord) offshore wind farm. We also signed long-term contracts to procure wind and solar energy from external developers, including Swifterwind and Kroningswind. We are also proud of the corporate-level delivery contracts that we signed with multinational customers such as Borealis in Belgium.

Eneco's portfolio of facilities for flexible energy production benefited from the market conditions, which created relatively favourable 'spark spreads': the gross margins between energy revenues and the related costs of gas and $CO_2$ emission rights. Throughout the year, Eneco was also very active in supplying additional services to the grid operator.

Eneco's trading department spent part of 2020 overhauling its IT platform, and switched to a new IT vendor for its business-critical processes. It also invested in energy management facilities, for example weather forecasting expertise, real-time control of



## A world first: smart charging electric cars

**Eneco eMobililty and its partners GreenFlux and Royal HaskoningDHV are taking part in a world first in the field of charging electric cars. Royal HaskoningDHV's office is the first location in the world to offer smart charging for cars through machine learning. The charging stations are operated by Eneco eMobility using smart charging technology by GreenFlux. As a result, up to three times as many vehicles can be charged simultaneously on the same electrical infrastructure. Royal HaskoningDHV's target is a hundred percent electric fleet.**

Read on

production facilities and compliance with laws and regulations.

# Power-to-X

'Power-to-X' refers to converting electricity into heat, for example, or into green hydrogen – such as using electric boilers to generate heat. We are also taking part in projects to use green hydrogen as a new source of energy.

## Steam from wind and solar energy

The Dutch industrial sector and heating grids have exciting opportunities to improve their sustainability, such as the use of electrode boilers. Eneco's e-boiler converts solar and wind energy into heat and steam – not only reducing the volumes of $CO_2$ and NOx emitted, but also helping to cut energy costs. Already commonly used in countries such as Norway and Germany, Eneco is now launching the e-boiler in the Netherlands too.

## E-boiler in Ypenburg

We have added an e-boiler to the heating plant for our district heating grid in Ypenburg. The first e-boiler for district heating, it will be used to electrify part of the heat production for the grid instead of gas-fired heat. It is scheduled to become operational during the first half of 2021.

## Hydrogen

According to Eneco's predictions, hydrogen will play a key part in the energy mix of the future. We have developed a strategy to take part in a number of hydrogen projects. For example, we are proud to be part of the H2GO project to demonstrate that hydrogen is a safe, reliable and affordable alternative to natural gas in the built-up environment. H2GO is an alliance involving parters such as infrastructure company Gasunie, grid operator Stedin and the local population of Stad aan 't Haringvliet and businesses on Goeree Overflakkee. At the Hollandse Kust Noord offshore wind farm, the Crosswind consortium is pioneering the offshore production of hydrogen.

# Growing in energy management

Business customers can save money by properly managing their energy systems. We offer our customers services to make this easier, and to help them see what possibilities they have for cutting costs. Industrial customers in the Groningen, IJmond, Rijnmond and West-Brabant and Zeeland regions are helped to achieve this, including by Eneco's regional managers. One of the solutions on which the team advise is using electrode boilers. In 2020 Eneco launched new propositions for these e-boilers. The first is SteamComplete, Eneco's comprehensive package of steam services. Another proposition is Delivery & Control, which is less comprehensive: the customer invests in the e-boiler, and Eneco provides green electricity and regulates the e-boiler. At present, 6 projects are being developed, representing a total of 70.5 MW from e-boiler generation.

The team of regional managers also focus integrated energy issues within the logistics hubs, which have already resulted in subsidy applications for a total of 35 MW's worth of new solar roof projects.

## Mijn Eneco Zakelijk B2B environment

In the Mijn Eneco Zakelijk B2B environment, business customers have real-time access to their own invoices, consumption patterns, connections and company details. The portal's design has been updated. Self-service was one of the spearheads for 2020: we made it much simpler to pass on changes.

## Eneco GreenGrowth

For our leading business customers, we developed Eneco GreenGrowth in 2020: a range of products and services that help customers to procure as much electricity as possible from fully renewable sources at times when those sources are in fact producing green electricity. Together, we strive to match supply and demand as closely as possible, thus enabling customers to use electricity from sustainable sources as much as possible at every hour of the day.

We also set up a series of Eneco GreenGrowth pilots with high-profile customers in 2020, including NS, KPN, RET and DSM. The pilots are focused on developing the growth plan, identifying the ideal mix of sources, using batteries and mapping out the match between the demand for electricity and the sustainable supply.

## Eneco EnergyCoach

Although many companies want to make the transition, some of them do not know how to go about it, or whether it will benefit them in any way. Fortunately, large businesses and SMEs can draw on the assistance of the Eneco EnergyCoach. The customer is given custom-designed advice, based on an intake by an energy expert and a scan of the business premises. The customer then uses an online dashboard to see which sustainable measures would yield the highest return and which measures are necessary to comply with energy laws. In partnership with Eneco B2B and DPG Media, a campaign has been developed to increase awareness of the EnergyCoach among business customers. The campaign kicked off in September, and will continue until mid-January 2021.

## Rotterdam Climate Deal

Eneco has signed a Rotterdam Climate Deal with the Municipality of Rotterdam and Rabobank, to make 40 business parks in Rotterdam energy-neutral by 2030. We will kick the deal off with three pilots: Spaanse Polder, Gadering-Hoogvliet and Stadionweg. The Eneco EnergyCoach provides the companies and business park managers with details of their energy consumption and what possibilities they have reduce to that energy.

## EnergyManager by LichtBlick

In Germany, LichtBlick has introduced a new service: the EnergyManager. A digital energy management service for the SME sector, the EnergyManager provides details about the electricity, gas and water consumption at each of the customer's sites, and shows ways to help save energy and cut costs.

# Virtual Power Plants

Customers that generate sustainable energy of their own do not always use it immediately when it is produced. Although we sold our shares in Next Kraftwerke in early 2021, we worked with them in 2020 to help those customers to trade their surplus electricity, using what we call Virtual Power Plants.

## Next Kraftwerke

Eneco and Next Kraftwerke work together in various areas. For instance, together we power a 2 MW battery at our customer Peleman Industries, and we connect our AgroEnergy customers' heating plants to a Virtual Power Plant to allow them to keep the electricity grid in balance with their capacity.

Next Kraftwerke further consolidated its position as one of the world's largest Virtual Power Plants (VPPs), growing its capacity under management to more than 8,500 MW. Next Kraftwerke is recognised internationally as one of the leaders in this area: the company was included in the Global Cleantech 200 in 2020, as one of 10 companies to be awarded the Blooomberg New Energy Finance Pioneer label, and CHARGE selected Next Kraftwerke as its winner in the category 'Best Product & Innovation Brand'.

# Result: One Planet

**If everyone in the world were to live as we do in the Netherlands, we would require about 3 planets to meet the demand. Eneco wishes to reduce its impact to within the boundaries of the planet's capacity. Together with our customers and suppliers, we have spent the past 5 years working on the One Planet programme. You can read the results in this chapter. For 2021-2025, we are developing a new programme, called One Planet CSR (*corporate social responsibility*), which again will be linked to the United Nations Sustainable Development Goals (SDGs).**

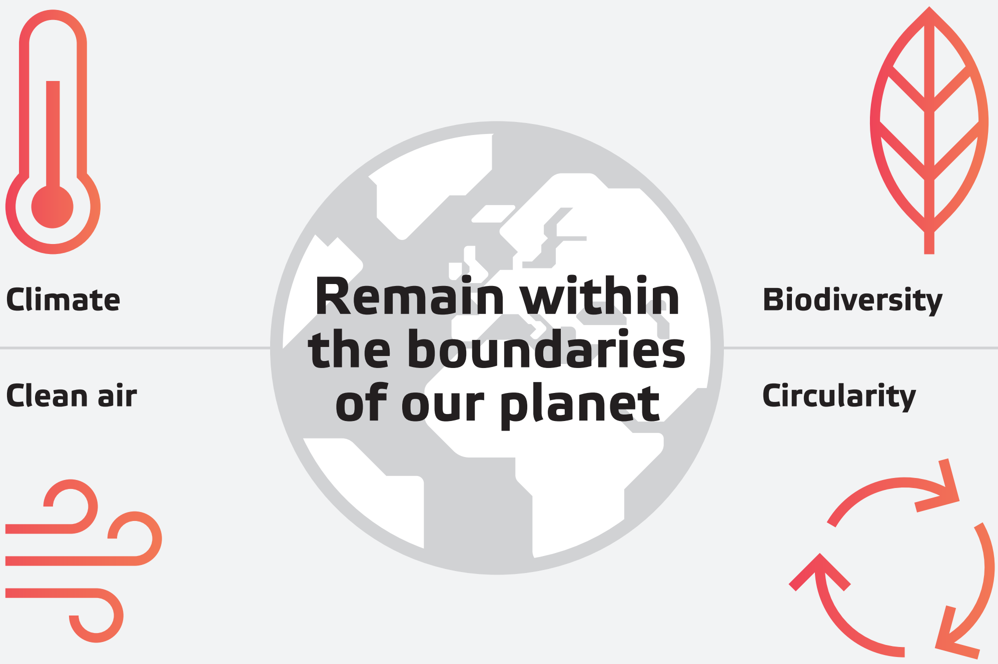
## Climate

Eneco wants to help achieve the goals of the Paris Climate Agreement of 2015. This means that the related emissions of our suppliers, our operations and our customers (supply chain emissions) must be limited in order to ensure that global warming remains below 2ºC, with the aim to remain below 1.5ºC. The impact of our supply chain emissions on climate change is relatively large. Our own emissions (scope 1 according to the Greenhouse Gas Protocol) consist mainly of the $CO_2$ emissions from our power plants. Our scope 3 emissions have the most impact, in particular the consumption of natural gas used mainly for heating our customers' homes and offices.

## Our One Planet goals

- Our One Planet goalsKeep global warming below 2ºC, while aiming for 1.5ºC (Paris Agreement)
- The share of sustainable electricity production in the total supply is 50% in 2022

Our activities are not at the expense of the biodiversity and ecosystems




- Together towards 100% sustainable mobility
- Flue gas treatment by using the best available and proven techniques

Socially Responsible Procurement (SRP) of which circularity is a part

## Keeping global warming well below 2ºC while aiming for 1.5ºC

The agreements to achieve this goal have been translated into a carbon budget for our company, including our suppliers and customers. This budget has been calculated according to the SDA (Sectoral Decarbonisation Approach) of the Science-Based Target initiative (SBTi).

Our supply chain emissions have remained under the agreed carbon budget since the Paris Climate Agreement was signed in 2015. The principal factor that has helped us to reduce our emissions in recent years is that we have invested in sustainable energy. This has cut back the emissions from our deliveries of heat and electricity. That drop was amplified in 2020 as a result of the pandemic, which caused the volume of our deliveries to diminish, particularly in the business market.

**In all our countries retail and SME clients receive fully sustainable power. In Germany this applies to all our business clients.**

In 2020, our German subsidiary LichtBlick acquired one of E.ON's customer portfolios, involving the transfer of 260,000 electric heating customers with a total of 355,000 electricity delivery contracts to LichtBlick. Having stayed well within the agreed carbon budget in recent years, we had further lowered the target for 2020 – over and above our SBTi target – to a maximum carbon budget of 15.5 Mtons of $CO_2$-eq. In 2020, our emissions in the entire supply chain were 14.0 Mtons of $CO_2$-eq, staying well within the carbon budget.

Last year, in order to satisfy the requirements of the Global Reporting Initiative (GRI) for reporting on our non-financial data, we worked on improving the professionalism of our reports on our own energy consumption and associated emissions from mobility and our properties, in every country where we have operations. Our ambition is to attain the same standard of quality in our non-financial data as we have in our financial data.

## By 2022, the proportion of sustainable electricity production in the total supply will be 50%

The proportion of sustainable production in our total electricity supply rose from 21.6% in 2019 to 28.2% in 2020[1] (including the acquired German E.ON portfolio). Although part of the reason was a 6% drop in the volume supplied, the principal factor lay in the production and procurement of electricity generated by new wind and solar farms such as the offshore wind farms Blauwwind (Borssele II&IV) and Seamade (Belgium). We expect to realise our goal for 2022 with our substantial investments and by forming more long-term contracts in the form of PPAs (Power Purchase Agreements).

### Membership of the Corporate Leaders Group Europe

Eneco has joined the Corporate Leaders Group Europe, one of the leading climate coalitions at the European level. Its goals include achieving a climate-neutral economy by 2050. The coalition has successfully lobbied for the EU climate goal to reduce $CO_2$ emissions by 55% in 2030, rather than the 40% that had been agreed previously. This is a key element of the European Green Deal.

Members of the Corporate Leaders Group Europe need to meet strict criteria before they can join, including having goals that have been approved by the SBTi (see SBTi: Companies taking action). Other members besides Eneco include IKEA, Microsoft and DSM.

## Laws and regulations

The Dutch government will continue to pursue reduced $CO_2$ emissions. In late-2020, in compliance with the judgment in the Urgenda case, the government presented a legislative proposal to limit emissions from coal-fuelled power stations during the 2021-2023 period. These new restrictions come on top of the obligation for coal-fuelled power stations to eliminate their use of coal after 2025. Another

| **Target 7.2** | **Eneco's goal** | **Result for 2020** |
|---|---|---|
| Promoting the use of renewable energy (CBS) | Increasing the proportion of sustainable electricity production in the total delivery to 50% by 2020 | 28.2% |

| **Target 13.2** | **Eneco's goal** | **Result for 2020** |
|---|---|---|
| Climate policy and reducing greenhouse gas emissions (CBS) | Keeping global warming well below 2°C while aiming for 1.5°C | 14.0 Mton |

1 Different from the 2019 calculation, in our 2020 calculation we included gross supplies to our growers in the denominator instead of our net supply (a number of AgroEnergy customers supply in certain time frames power to Eneco from their local cogeneration (WKK) installations).

current legislative proposal, presented in 2019, provides for a minimum $CO_2$ price for electricity production.

In 2020, the SDE++ subsidy scheme became available, for the first time, for electrification applications such as e-boilers and large-scale heat pumps. Eneco has submitted multiple applications for electrification projects.

The legislation mandating elimination of low caloric natural gas from Groningen effective October 2022 entered into law in 2020. Under this legislation, Eneco will need to convert its power plants in Utrecht to make them suitable for high caloric natural gas; gas grid manager GTS will need to construct a grid connection for high caloric natural gas by then as well. Steps are being taken to make sure this happens on time.

The government initiated two major legislative processes in 2020: a new Heat Act and a new Energy Act, which will incorporate the existing Dutch Electricity Act (Elektriciteitswet) and Dutch Gas Act (Gaswet). The Heat Act in particular will trigger changes in the heat market, as municipalities are assigned a more prominent role in realising the heat transition in their various districts. These legislative proposals are not expected to be presented to Parliament until the next Cabinet takes office. Eneco is actively involved in these processes, generally as part of the sector's representation.

One area for concern is the lack of sufficient transport capacity in the electricity grid. Eneco already needed to downscale some of its wind and solar farms in 2020. Adequate legislation and regulation will be needed to overcome and prevent this scarcity.

# Biodiversity

Its importance for a resilient environment makes biodiversity key to making the planet inhabitable. We want to avoid any harm to the biodiversity or ecosystems from our activities, and we can gain more support among local residents and stakeholders for our projects by taking biodiversity into account as we develop those projects.

## On balance, our activities do not have a harmful impact on biodiversity or ecosystems

We are starting research into the effect of solar farms on biodiversity. Eneco has formed a partnership with 25 other developers of land-based solar farms in the EcoCertified Solar Parks project. A variety of management strategies such as mowing and grazing will be examined, together with the solar farms' layout, in the research into ecosystem services, mammals, birds, insects, soil diversity and soil quality. At the same time, we are working to develop a certification system for solar farms, with universal support from the industry. In combination with their management and design, this will contribute to greater biodiversity in the local environment.

### Nature development

At the Borssele III/IV offshore wind farm, oyster bags were fitted in October 2020 to protect against erosion. In the spring of 2021, substrate will be deposited at the wind farm, where the oyster larvae can settle. We hope that this will kickstart a flat oyster reef. At the Luchterduinen offshore wind farm, in 2021 we will examine whether the oysters have successfully attached themselves and are producing larvae at the wind farm. We will work with environmental organisation Stichting De Rijke Noordzee to study whether biogenic reefs have developed at Luchterduinen. As the seabed has gone untouched by fishing for 5 years, it is possible that honeycomb worms will have established reefs there.

## Biomass

In order to realise our One Planet goals, we need all sustainable energy sources: solar, wind, geothermal, hydro energy and energy from biomass. Biomass is the biologically degradable part of products, waste and residual matter from agriculture and horticulture, our woods and forests, the sea and industrial and household waste.

Using biomass for energy is attracting a great deal of societal awareness. The Dutch Social and Economic Council (SER) has drafted an advisory report that will serve as the basis for government policy. In essence, the SER advises that the use of biomass should be maintained at the highest possible standard, and that the biomass should satisfy clearly defined sustainability requirements. The SER also advises phasing out low-grade use (including low-temperature heat and electricity), increasing bridging uses (such as a high-temperature heat for industrial use) and expanding high-grade use (materials and feedstocks). Eneco agrees with this breakdown and these conclusions. We also share the conclusion that biomass should not be burned simply to generate electricity, given the ample availability of cheaper sustainable alternatives such as wind and solar energy. However, the situation is more complicated with biomass that is used to generate heat. Until such a time as other viable sustainable alternatives are available, such as residual heat, aquathermic heat and geothermic heat, biomass remain be a necessary ingredient for producing sustainable heat in the built-up environment. In addition, biomass is also useful for producing high-temperature steam for industrial purposes.

As such, Eneco works on the principle that we will only make use of biomass when insufficient sustainable alternatives are available and that we will only use biomass that satisfies strict sustainability criteria. We use biomass with certificates that have been approved by European and Dutch authorities – such as Better Biomass – to demonstrate that the biomass that we process, trade and use satisfies international sustainability criteria and supply chain management requirements. These certificates impose requirements on greenhouse gas emissions, competition with food production and local use of biomass, biodiversity, the environment, prosperity and well-being. Where the available supply of biomass with the necessary certificates is insufficient, Eneco uses the Dutch verification protocol, to cover some of the sustainability criteria with certification schemes that the Dutch government has recognised, such as FSC.

We use waste wood and residual flows without any further high-quality uses in the Netherlands. At the Eneco Bio Golden Raand power plant, wood chips from waste wood are turned into green steam and green electricity. The waste wood comes from a variety of sources, for instance construction and demolition waste, household waste and municipal waste deposit stations. Wherever possible, we draw it regionally, from the Netherlands and surrounding countries. At the BioHeat Installation Lage Weide in Utrecht, we mainly use wood shreds, material made from green waste and the residues that remain after composting. Other biomass consists of wood chips from regular maintenance of parks, green areas and managed woods and forests. The waste wood is collected as locally as possible. We endeavour to have our suppliers use the cleanest possible vehicles (Euro VI) for transport.

We reduce the emissions of nitrogen and particulate matter during the combustion to an extreme degree, by imposing stricter requirements on flue gas treatment than required by law. We achieve this by using the best available technologies. We continuously monitor the composition of the treated flue gases, and periodically report the measurements to municipal authorities and other relevant bodies.

## Research partnerships

GROW is a joint programme involving 20 leading partners, which is aimed at research, development and demonstration in the area of offshore wind energy. The partners exchange expertise and work to reduce the costs of offshore wind energy and create added value in the energy system and the ecosystem. In November 2019, GROW demonstrated the Gentle Driving of Piles (GDP) method in the Maasvlakte 2 area. The demonstration involved driving tubular piles into the ground using a variety of methods: the traditional hammering method, vertical vibration and the GDP method, which combines vertical and torsional vibration. Measurements showed that the pile penetrated to the required depth with GDP, while producing less noise and fewer vibrations in the soil.

In the project's current phase, the measurements are being processed further to validate models for calculating the driving behaviour and the bearing capacity of the installed pile. If the GDP can be successfully developed to full scale, it offers a promising technology that produces less noise than the existing methods, which will be less harmful to sea mammals. Three follow-up projects are also foreseen for after the GDP project. GDP 1.2 will involve analysing how the method works in clay and optimising energy consumption. SIMOX will compare various low-noise-emission pile driving methods. GDP 2.0, lastly, will demonstrate the method at full scale.

At Belgian offshore wind farm Norther, a large-scale experiment has been set up for seaweed cultivation at a wind farm. The foundations have been fitted, and the cultivation systems will be installed in 2021. Norther is the first wind farm to test a seaweed cultivation system, representing a key step in the efforts to effectively use the available space in the crowded North Sea.

The bird research partnership with Dutch public works department Rijkswaterstaat continued in 2020, using both radars and cameras. The data will be analysed in 2021, and the results will be made available. The behavioural patterns of birds are also being studied at the Borselle III/IV offshore wind farm.

### Stonemeal for reducing nitrogen

At De Hoge Veluwe National Park, small-scale experiments to spread stonemeal were completed successfully. Those experiments are financed in part by Eneco. Stonemeal will now be spread on a larger scale. A PhD student is researching the effects, with a view to restoring the heathland's biodiversity of plants, insects and birds.

### Green roof on heat transfer station

We launched an initiative to construct a green roof on a heat transfer station in Utrecht. In a combination of water management, cooling and nature, green roofs can help to stabilise the urban climate. During periods of heavy rainfall, they offer additional water storage. Green roofs also help to improve the urban climate in periods of extreme heat or extended drought.

# Clean air

In the countries in which we are active, the air quality is worse than the World Health Organisation Health Organisation (WHO) recommends and sometimes even falls short of European standards. Eneco's impact on air quality is limited; however, we consider it important to contribute to clean air.

## Flue gas treatment

Where regulations lag behind the technical possibilities, we aim to anticipate future regulations by requesting stricter emission requirements in permits, like we did for the construction of the Enecogen power plant. We also specified stricter emission requirements than stipulated by law for our BioHeat Installation Lage Weide in Utrecht. In addition, we plan to monitor the composition of flue gases more closely than required by law. Energy production with fuels such as biomass and natural gas produces emissions that include particulates and nitrogen. Our commitment is to apply flue gas treatment according to the best available and proven technologies.

## Working together towards 100% sustainable mobility

Sustainable mobility helps to reduce air pollution and $CO_2$ emissions. Within a very short space of time, the pandemic has demonstrated that using digital means of communication can help to reduce mobility.

As working from home increases in the future, we will also reduce our footprint. In terms of our own mobility, we cut our $CO_2$ emissions per FTE by 58% relative to 2016 (1.2 tons of $CO_2$/FTE in 2020 against 2.9 tons of $CO_2$/FTE in 2016). The emissions from our internal our business operations (mobility and energy for our offices) decreased in absolute terms to 3.7 ktons in 2020, down from 8.7 ktons (-58%) in 2016.

We have been using REDD+ and Gold Standard $CO_2$ certificates since 2008 for offsetting the $CO_2$ emitted by our internal business operations due to our energy savings and our use of sustainable energy in our buildings, the footprint of our internal business operations is almost entirely attributable to mobility. The $CO_2$ emissions were also compensated in 2020 to arrive at climate-neutral internal business operations. As the sustainability of our mobility increases, eventually compensation will no longer be necessary.

We are a frontrunner in sustainable mobility. We have been working hard since 2018 to rapidly make our car fleet in the Netherlands more sustainable. At year-end 2020, 76% of our passenger car fleet in the Netherlands was already sustainable (electric or running on green gas). We expect to have a completely sustainable fleet in the Netherlands by 2022. We have also started to increase the sustainability of our car fleets in Belgium and Germany and we expect to have a completely sustainable fleet by 2025.

| **Target 11.6** | **Eneco's goal** | **Result for 2020** |
|---|---|---|
| Less environmental impact in cities (CBS) | Working together towards 100% sustainable mobility | 58% of $CO_2$ reduction relative to 2016 (1.2 versus 2.9 ton of $CO_2$/FTE)<br><br>76% of our car fleet in the Netherlands is now fossil-free |
| **Target 14.2** | **Eneco's goal** | **Result for 2020** |
| Sustainable management and conservation of marine and coastal ecosystems (CBS) | On balance, our activities are not harmful to the biodiversity or ecosystems | First results from the Luchterduinen oyster pilot<br><br>Partner in WinWind (sustainable crab and lobster fishery), GROW and GROW's 'Gentle Driving of Piles' pilot<br><br>Partnership with the Dutch Ministry of Infrastructure and Water Management to research the behaviour of birds at Luchterduinen |
| **Target 15.2** | **Eneco's goal** | **Result for 2020** |
| Pollution of land and soil (from nitrogen surplus) (CBS) | On balance, our activities are not harmful to the biodiversity or ecosystems | Co-funding nature restoration measures |

# Circularity

Our impact on people, the economy and the environment is caused in part by our procurements of goods and by our procurements and rental of equipment. Besides quality, service and costs, we also select our suppliers based on sustainability. In every procurement process, we ask ourselves and our suppliers whether the requirement can be fulfilled in a more sustainable manner.

## Socially Responsible Procurement

With Socially Responsible Procurement (SRP), we are shifting our focus in the regular procurement process and we are also taking social and ecological criteria into account when selecting suppliers. For 2020, we had set ourselves the target that 60% of our contracts for procurement volumes representing more than €50,000 should include the SRP criteria. Unfortunately, the SRP criteria defined in our calls for tenders did not always result in concrete contractual arrangements. However, although this meant that we did not achieve our target, we did make progress. For example, in 2019 we prepared Category Cards for each category, describing sustainability criteria for procurement officers in their calls for tenders; thanks to those Category Cards, 36% of the contracts eventually featured one or more sustainability criteria. In 2021, we will consider how to progress from including SRP criteria in our calls for tenders to actual contractual sustainability arrangements.

## Circular procurement

The proportion of circular procurement climbed from 6% in 2019 to 13% in 2020. While this fell short of our 20% target, it is nevertheless twice as much as in 2019. For example, we worked with a supplier to successfully make the residual product 'bottom ash' 100% reusable. Bottom ash is the residue that remains after incineration in an incinerator or boiler. Our bottom ash, after it has been cleaned, can now serve as a sustainable, clean and safe alternative to sand and gravel in the production of bricks, curbstones, paving stones, industrial paving slabs, sewer pipes and wells. It can also be used as an alternative to glazing on ceramics.

Being now more aware of our responsibility for the issue of materials that the energy transition entails, in late-2020 we made a start with a baseline measurement, to identify Eneco's *high impact areas* where circularity can play an important role. In 2021, we will know what those areas are and where we can achieve circularity.

## Growing the number of Leaders

We assess our strategic and preferred suppliers on the basis of their social responsibility (CSR). To this end, we work together with EcoVadis. By 2022, we want to raise the proportion of CSR Leaders among our 50 principal suppliers to 40%. However, this will only be possible if we work together closely with those suppliers. It will also require time and effort on both sides. We achieved our annual target of 15% for the Leaders score. Suppliers with the Leader score now make up 18%; suppliers with the Performer score (one step lower) represent 30%. Although this shows that we are on track, achieving our target for 2022 will still demand considerable effort, both from Eneco and from our suppliers. If a supplier's score so dictates, we

| | Target 15.5 | Eneco's approach | Result for 2020 |
|---|---|---|---|
|  | Biodiversity (CBS) | Purchasing biomass that satisfies strict sustainability requirements (NTA8080/ Better Biomass, FSC or comparable) | Eneco compares all its biomass projects against the NTA8080 sustainability framework with the Better Biomass certification scheme |

will discuss the results with that supplier in order to further improve its Environmental Social and Governance (ESG) scores.

At least 90% of our procurement expenditure should be spent at suppliers that subscribe to our Supplier Code of Conduct (see Annex). In 2020, 90% of the procurement volume came from suppliers that had signed this code.

### Responsibility for our suppliers

Covid-19 and the need to work from home have hit our facilities suppliers hard. In reflection of our social responsibility, we respected their contracts and continued to pay those suppliers in full from March until the end of October, working on the principle of helping our suppliers to retain their employees who work for us. With our cleaning services supplier, for example, we moved periodic work forward to make it possible for people to keep working. Other suppliers were paid without actually providing their services.

However, this situation cannot continue indefinitely, and once the Covid-19 pandemic is behind us the function of our offices will change, becoming less place of work and more meeting place. With this in mind, we are encouraging suppliers to prepare by considering alternative concepts and income models.

## Sustainability scores

Our customers, investors and other stakeholders are attaching more and more value to proof in the form of ESG (Environmental, Social & Governance) ratings, benchmarks and sustainability standards.

### EcoVadis Platinum

In late-August, EcoVadis awarded Eneco its Platinum rating, putting us among the top-rated 1% companies in our sector in terms of our sustainability performance. EcoVadis rates companies on environment, labour and human rights, ethics and sustainable procurement policy. Eneco has devoted a great deal of effort to these areas in recent years, and our rating shows it: having been awarded the Silver rating in 2018, in 2020 we were rated Platinum.

In 2020, Eneco increased its focus on making its business operations sustainable even further, including particularly a sustainable procurement policy. As a result, our ratings on these points are considerably above the average in the energy sector. Our investments in improved working conditions, a safe working environment and a record of our ethical standards and values are also reflected in the high scores in those areas. The overall Platinum rating serves as affirmation of our performance in terms of social and sustainable operations.

| Target 12.2 | Eneco's goal | Result for 2020 |
|---|---|---|
| Sustainable management and efficient use of natural resources (CBS) | 20% circular procurement in 2020 | 13% circular procurement |
| | SRP criteria in 60% of our new contracts (>50k euro) in 2020. | 36% new contracts with SRP criteria |

## Sustainalytics

Our ESG score from Sustainalytics is 80 of a possible 100 points. This makes us an 'outperformer' and ranks us among the top 8%. Sustainalytics is a global player in assessing companies' sustainability performances at the request of investors. The rating overview states, "*The company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. Notably, its overall risk is higher since it is materially exposed to more ESG issues than most companies in our universe. The company is not publicly held, which reduces its corporate governance risk compared to its peers.*"

## CDP

In terms of efforts to fight climate change, Eneco is one of the best performers worldwide. The Carbon Disclosure Project (CDP) awarded Eneco an A rating in its annual report, which discloses companies' climate footprints and ambitions.

Of the 9526 companies that took part in the CDP in 2020, 278 were awarded an A rating. This puts Eneco in the top 3% of best performing companies worldwide.

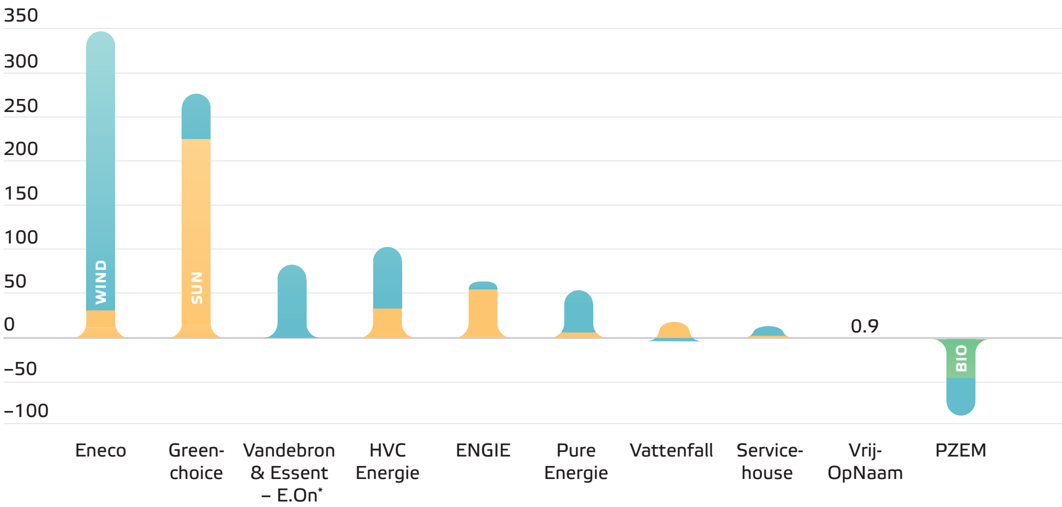
This rating comes as recognition of the measures that Eneco has continued to take in 2020 to further accelerate the energy transition by generating more renewable energy and increasing the level of intensity of its various partnerships. We will continue this in 2021: only by working together can we achieve the goals defined in the Climate Agreement.

The Carbon Disclosure Project (CDP) is the international standard for climate reporting. For more than 20 years, the CDP has been reporting on companies' climate footprints and ambitions. The project requests detailed information, and assigns ratings from D to A. Playing a key role in the energy transition and the efforts to achieve the climate goals, energy companies such as Eneco in particular need to lead by example in the area of climate reporting and ambitions.

## Science-Based Targets Initiative

In 2017, Eneco was the first Dutch company to have its targets approved by the Science-Based Targets Initiative (SBTi). The relative targets at the time were set for 2020. We have met, and even exceeded, those targets. Last year, we updated our targets to absolute targets along the entire supply chain. A particular factor is that Eneco takes responsibility for the entire supply chain in which we operate, to help our customers to transition to sustainable energy. Aligning our goals with the Paris Climate goals will help us to realise our One Planet ambition of 'Living within the boundaries of our planet' and contribute to finding alternatives for practices such as our customers' use of natural gas, and so to creating new business models.

**Invested in renewable capacity in the Netherlands** (minus disposals)
**by electricity supplier and type in the period 2015 to 1 May 2020** (in operation)
In MW



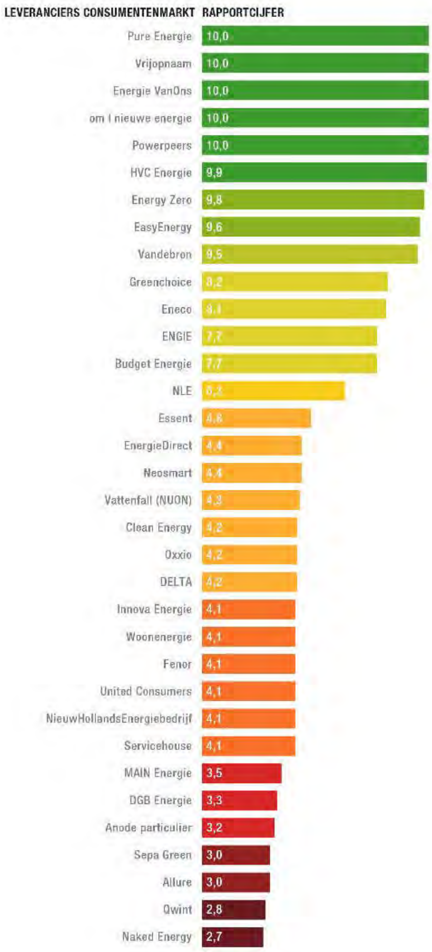

* Vandebron was acquired by Essent at the end of 2019, but still operates under its own name.
Slightly earlier in 2019, Essent had been acquired by E.On.

*Source: CE Delft, Investments in renewable energy capacity in the Netherlands (only available in Dutch).*

With regard to our contribution to the Paris Climate Agreement, we have remained well below 2ºC global warming since 2015. As evidenced by recent research by research organisation CE Delft, Eneco is investing substantially in wind and solar farms in the Netherlands. The diagram shows the investments by electricity suppliers (i.e. companies that sell electricity to consumers and business customers in the Netherlands) in renewable production capacity that is currently operational in the Netherlands during the period from 2015 to 1 May 2020.

## Dutch electricity suppliers sustainability study

WISE, Natuur & Milieu and the Dutch Consumers' Association published their annual report on the sustainability of Dutch electricity suppliers in November. The Eneco brand scored a solid 8.1 for the consumer market. We scored lower in the commercial ranking than might be expected of a company that has invested more in renewable production capacity in the Netherlands than any other Dutch electricity supplier; this is borne out by a recent study by CE Delft.




Eneco supports NGOs' annual publication of electricity supplier rankings, as they lead to more transparency and encourage suppliers to attach more importance to sustainability. However, in the underlying methodology that is used for the ranking, investments in sustainable production capacity carry relatively little weight. For example, suppliers can attain the maximum score and head the ranking without investing a single euro in solar panels or wind turbines. This does not do justice to suppliers that invest in renewable capacity on a large scale but at the same time still have to maintain gas-fired power plants to ensure that backup for periods without any wind or sun. Eneco urges the NGOs to align their methodology with what society requires in this respect, to make sure that during the years ahead the rankings will provide an even better understanding of which suppliers are contributing to the acceleration of the energy transition.

One factor causing Eneco's lower commercial ranking is that we supply fossil electricity to approximately half our business customers. We aim to make it possible for our business customers to also switch to sustainable energy as soon as possible.

## Greenpeace ranking of Belgian electricity suppliers

Every year, Greenpeace analyses the sustainability performances of around 20 energy suppliers, examining where the electricity supply originates and what the investment policy is for green energy. Greenpeace's recommends, "The reason for the Eneco Group's drop since our last major update (2018) is that it needs to procure large volumes of energy for the substantial increase in its operations in the Dutch business market. Procuring that energy means buying in what is still a fiercely polluted energy market, which has forced its rating down. In time, long-term contracts with a number of large-volume users will result in new investments in solar farms and onshore and offshore wind farms, however. As such, despite the lower rating, we still have a favourable impression of the company and its strategy: determined to choose renewable energy, including for the business market."

# Enthusiastic and knowledgeable employees


**Eneco's share ownership changed in 2020, and we had a new CEO. Another factor that determined events during the year was Covid-19, which disrupted numerous plans. Through all these changes, our employees brought all their dedication and talents to work together to put Eneco's strategy into practice. To help them, we focused on three issues: updating the organisation, internationalisation matters and dealing with the pandemic.**

## Updating the organisation

Eneco is making good progress in evolving from not only being a supplier of sustainable energy to also being a provider of integrated services and products relating to sustainable energy. For the entire organisation, our client focus is paramount. This route also appeals to our new Japanese shareholders: Mitsubishi Corporation and Chubu Electric Power.

### Introduction of new colleagues from Japan

The new shareholders also meant new Japanese colleagues. Their onboarding was supported by a joint cultural programme to help us become better acquainted with each other and better understand our different cultural backgrounds. We put together a series of webinars in which some 200 colleagues worked together on business topics and on cultural and behavioural aspects.

## Strengthening the organisation

We have designed a leadership and culture path to help increase the degree of internal cooperation and improve our effectiveness. The reason lies in our new business plan: if we are to realise it, we need to change our culture. We need to improve our client focus even further, react to change even faster and work together even more effectively: as one Eneco. To achieve this, we are working to improve strong leadership and effective conduct at every level of the organisation – for example by introducing a 'shared language' in every country where we operate. We have worked with colleagues from each of those countries to create a new and uniform set of cultural and behavioural values. As active and key players in the culture change, all our managers will be included in the new strategy, the values and the associated conduct. Of course we will also help all our employees to translate the new values into concrete actions in their jobs, for example by providing training and in team meetings.

The opportunity for employees and their managers to have open discussions is also still important, of course. In 2021, our employees will see the values reflected in their performance system, under the heading 'how' – making it possible for everyone to make a concrete contribution towards the new culture.

## Employee survey

Our annual employee survey 'State of the transition' measures how far our workforce has come in transitioning towards more customer focus, partnerships spanning the entire supply chain and execution power. This year, our State of the transition is 73%: almost three quarters of our employees are ready, willing and able to realise the change that we want, and are in fact acting accordingly. Virtually every question polled in the survey shows a significant improvement, for example:

'The colleagues in my team translate ideas and the goals agreed with them into results' was up from 76% to 83%, exceeding the targeted +3%.

'My team executes Eneco's strategy' rose from 73% to 77%, outperforming the +3% target.

The question asking whether colleagues recommend Eneco as an employer (our employer Net Promoter Score, or eNPS) also shows a considerable improvement, rising from 42 to 64: evidence that most of our colleagues enjoy working for Eneco and share that feeling with others. One of the factors influencing this increase was our focus on employees, specifically during the Covid-19 pandemic. The most common score by our employees for our performance as an employer is an 8.

## Gratuity payments

Eneco has paid all its employees a gratuity, in token of our appreciation. The decision was supported by our outgoing shareholders and our new shareholders Mitsubishi Corporation and Chubu, with input from the Central Works Council. The payments reflect the efforts across more than 12 years of building a leading and sustainable energy company. The amount of each employee's gratuity was linked to their years of service with Eneco. In total, we paid around €25 million in these gratuities.

## Technology campaign for the energy transition

A sufficient workforce of properly qualified employees is a key requirement for realising our business strategy and targeted growth. Technical staff is scarce, and this is a group where Eneco is not as widely known as an employer as it should be. Moving forward, we hope to recruit technically trained employees more easily and at lower cost. Starting in early-2021, we will be conducting a campaign to boost Eneco's visibility as a technical employer.

## Internationalisation

More and more, Eneco is evolving into an international organisation. In 2020, we launched a process to create a match between the central values and associated conduct in the various countries and to introduce a new set of behaviour on which we all agree. We made decisions with a view to cooperation between our various countries, with uniform processes and systems, including in HRM and payroll systems and in performance management. We should see the first results of this in 2021.

## Dealing with Covid-19

The Covid-19 pandemic has had an enormous impact on the organisation and its employees. Our normal working methods were turned completely on their heads, and more than 80% of our workforce spent most of the year working from home. By introducing a wide range of measures, we managed to continue our processes and services, both on location and at our customers. However, this took a toll on us. As an employer, we have invested heavily in navigating our way safely and effectively through this crisis.

We have put a great deal of effort into communicating, understanding and staying in touch. The Management Board, managers and employees have worked hard to be transparent, time and time again, about the latest developments. In short videos and during online team meetings, colleagues have

## Eneco to develop wind farm on Maasvlakte 2

**In 2020, Eneco won the tender for the future Maasvlakte 2 wind farm. Eneco will develop a wind farm with a capacity of over 100 megawatts on the sea defences of the Maasvlakte 2 area on behalf of Rijkswaterstaat, the Directorate-General for Public Works and Water Management. The innovative onshore wind turbines will generate as much as 416 gigawatt hours (GWh) of green electricity as of 2023. This will provide the Ministry of Infrastructure and Water Management, including Rijkswaterstaat, with 100% sustainable energy. At the same time, Eneco took into account the impact on nature, recreation and safety when developing this wind farm. This was meticulously researched and recorded in an Environmental Impact Report.**

Read on

shared insights into their lives and work. They also gave each other tips and tools for effective online teamwork.

We use a Covid-19 monitor to stay in touch with the latest developments, surveying our employees to find out how they are doing and who needs help to continue to work together effectively and with a shared sense of connection.

We have invested in our employees' sustainable employability by introducing facilities such as proper ergonomic home offices, allowances towards their costs and help with coping with pressure and stress and balancing their work and private lives. We provided coaching, workshops and training to support our employees as they learn to take control of this unfamiliar situation. Throughout the crisis, we have raised awareness of the importance of managers leading by example, and we will continue to challenge everyone to take care of themselves and each other.

### Connection

Our informal network of influencers was given the specific role of making a positive impact on our employees during the pandemic. One of the ways in which they did was in biweekly Coffee Conversations. Their efforts created an uplifting mood and, very importantly during these difficult times, established a sense of connection between people from different teams.

We want to stay in touch with each other and with the organisation, and develop new ways of working. We are also trying to find the best balance between working at the office and from home, using digital resources and skills that will help us to improve our processes and customer interactions now and in the future.

## Employee participation in decision-making

Employee participation is a key part of Eneco Group's decision-making, and we give it shape in our typical modern and 'networking' fashion. The Central Works Council works in constant partnership with Eneco Group's management whenever the company undergoes any change. By increasingly favouring gradual change over wholesale reorganisation, and the associated demands on the organisation and its time, we can better focus on what actually matters: our customers and realising our strategy.

### Members, role profiles and theme groups

All business units have their own works councils, which elect members to represent them on the Central Works Council. Modern employee participation means that the separate works councils and the Central Works Council each have only a few members, and each member only holds office for a limited number of terms. We use specific role profiles that describe what is expected of each member. We also strongly emphasise development of the works councils' members. For advice procedures, we set up theme groups consisting of a few works council members, plus employees who possess a specific expertise.

### Early involvement

The essence of modern employee participation is that management brings in the appropriate works council at an early stage of the process, to establish a shared vision of the problem or opportunity at hand. Management and the works council then work together to consider the various options and decide on the best course of action. This leads to swifter employee participation, better decisions and broader support.

## Themes

The works councils were involved in each of their business unit's important themes in 2020, such as reorganisations.

In early-2020, the Central Works Councils, which deals with Eneco Group's Management Board, was involved in the finalisation of the transaction to sell Eneco. It also handled the allocations and payments of employee gratuity bonuses that the Central Works Council had negotiated as a condition for the transaction. The Central Works Council was also involved in the search for a new CEO in 2020, and for Supervisory Board members based on its enhanced right to recommend two members of Eneco Group's Supervisory Board.

Besides regularly addressing issues such as the organisation's Covid-19 response, the Lighthouse programme, the strategy and the new portfolio allocation among the Management Board's members, the Central Works Council worked in close liaison with all the various works councils during the year to adopt a new employee participation structure to reflect the organisation's overall structure. A date was subsequently set for new works council elections in 2021.

# Safety, quality, security and ICT


In pursuit of our wish for Eneco's business operations to be safe and healthy, we comply with all laws and regulations and safeguard and improve the quality of our services while respecting the environment and the world around us. We also make sure that our digital systems are secure.

To guarantee business continuity for our stakeholders, we are continually making improvements across the entire supply chain. Safety, quality and the environment are integral parts of how we operate, and our motto is: we do not compete on safety and the environment.

## Safety scores

Safety affects numerous parts of our work, including technology, organisation, processes and systems, but of course also our conduct and our safety culture. Only by working together can we create a safe environment to work and live. We use a series of strategic KPIs for monitoring and managing our performance.

## Leading (i.e. predictive) KPIs

This year we again invested in efforts to improve our safety practices, and the organisation's awareness made further progress towards a proactive safety culture. This extends to the entire supply chain: from customers to our own processes and employees, and to suppliers and contractors. We outperformed our target for the NEN Safety Ladder this year.

The result of these efforts was an average score of 3.9 the NEN Safety Ladder for the business units that are exposed to the greatest risks: Solar & Wind, Heat & Industrials and Field Services. Field Services, the Solar & Wind NL business unit and Heat & Industrials (Heat & Cold Distribution, Heat Generation en Bio Golden Raand) divisions made the impressive leap to Step 4 on the NEN Safety Ladder (of a possible 5). Step 4 means: safety has a high priority and is deeply ingrained in the company's operations. Wind UK, Solar Belgium and Gasspeicher maintained their high safety level (Step 4) and further consolidated it within the organisation. Wind Belgium achieved its initial audit target of Step 3. In total, 9 division are now certified externally on the NEN Safety Ladder.

Our safety and culture programme for achieving Step 4 is a long-term process that will continue to demand and receive our attention during the years ahead, in both the operational and the office setting. We are in continual dialogue with our employees and contractors to improve safety awareness. We do this by means of work consultations and toolboxes, but also during safety rounds and work station inspections.

## Lagging (i.e. retrospective) KPIs

We measure safety using the strategic KPI Recordable Incident Frequency (RIF). The RIF represents the moving average number of incidents resulting in absenteeism, alternative work or medical treatment per 200,000 hours worked (also: 'lost time incidents'). In 2020, we achieved an RIF score of 0.23 (target: 0.59). This is a significant improvement compared with 2019 (RIF: 0.89).[1]

We recorded 2 accidents resulting in absenteeism this year, with a total of 7 absenteeism days, for a severity rate of 3.5 (7/2). This is another significant drop relative to 2019, when it was 10.1 (91/9).

## Safety of our contractors

We also take safety very seriously in respect of our contractors. During the Covid-19 pandemic, we have continued to work hard to ensure continuity of the vital infrastructure. Our ability to work together with our contractors is essential here: only with engaged and proactive contractors and employees can we be successful in creating a proactive and safe working environment. One example of this is when we shut down Bio Golden Raand for maintenance, and all the parties involved worked together closely.

We are actively involved in sector initiatives and for the Working Conditions Catalogue in the energy sector. This gives us the opportunity to work more closely with other companies on matters of health and safety and together achieve better standards.

Despite those joint efforts, this year contractors were involved in 11 accidents resulting in absenteeism, alternative work or medical treatment. However, the severity rate fell by 3 accidents with absenteeism compared with 2019 (8 accidents with absenteeism). We follow up on such accidents immediately with a workplace dialogue between Eneco's management and the contractor's management: we believe that a constructive dialogue based on a shared interest in work safety is the best way to create collective safety awareness.

1 The range of staff in scope for the RIF measurement in the reporting year 2020 is broadened compared to 2019: it now also includes our staff at LichtBlick and all external workers. This should be taken into consideration when comparing these RIF scores, but even with the larger number of staff in scope, the absolute number of incidents decreased significantly in the reporting year compared to 2019.

In 2021, we will work to further improve the understanding of this supply chain responsibility by comparing the number of accidents involving our contractors against the number of hours worked (RIF of contractors).

## Environmental safety

Eneco has additional policies in place for waste, water and air, and their implementation has a direct impact on our sustainability strategy (see the chapter on One Planet). In each of these areas Eneco makes deliberate choices, recognises its responsibilities and seeks coordination, while also subscribing to the principle of the circular economy: production and consumption should not exhaust nature.

### Mission for water, waste and air

Eneco wishes to minimise the amount of water used, avoid creating waste and limit aerial emissions as much as possible. We use sustainable and cost-effective methods in pursuit of the best possible protection of water, air and the environment and efficient ways to treat cooling and waste water. We have adopted our shareholder Mitsubishi's practice of measuring our water consumption primarily at our headquarters in the Netherlands, Belgium, Germany and the UK. Waste flow monitoring and $CO_2$ emissions are measured primarily at our assets (and in particular our manned assets).

## Crisis management organisation

If a crisis arises or looms, we mobilise a temporary crisis management organisation, which is convened in addition to the regular organisation to deal with the crisis professionally. It uses a special meeting technique to enable fast and reliable decision-making.

The Covid-19 crisis presented the crisis management organisation with a major challenge, bringing prolonged uncertainty and constantly changing laws and regulations, initial shortages of PPE and a need to work from home wherever possible. However, our crisis management organisation handled the Covid-19 crisis well.

Despite the Covid-19 pandemic, we succeeded in further professionalising the organisation's ability to handle potential crises. The crisis managers received training. In the Netherlands, upscaling was necessary for two other incidents besides the Covid-19 crisis (including an asbestos incident in Rotterdam's city centre), in which the crisis management organisation also proved its effectiveness.

## Quality management

Eneco's integrated management system Quality Information System (QIS) provides assurance and connects elements such as legislation, our processes, risks and controls, management systems and information to each other and to the organisation. It makes it possible for each of our employees to know how, why and when to carry out their work. We continued to professionalise QIS during 2020, including in terms of improvement management (continual improvement) and risk management (implementing the J-SOx financial reporting laws).

We have set up an integrated audit programme for more efficient and integrated audits of the management system, using the Business Rules. Findings from business audits and from internal and external audits are recorded in QIS for follow-up. The result is that we ensure a sufficient degree of visible follow-up, which is a key factor in maintaining our focus on continual improvement. These programmes, continued development and ongoing professionalism help Eneco to provide customers with safe and high-quality products and services and remain compliant with laws and regulations.

# Cybersecurity

## Remote working

A small number of cybersecurity incidents occurred in 2020. Major incidents were averted, however. We learned that not only technological developments can trigger increased cybersecurity alertness: the dynamics and impact of the Covid-19 pandemic took Eneco by surprise. As a result, coupled with remote working, we identified new threats and cybersecurity risks. We have analysed and updated the relevant controls. This consisted largely of improving workplace security and detecting incidents and vulnerabilities. We also joined forces with our strategic partners to launch awareness campaigns.

One encouraging lesson was that working from home in large numbers did not impact the availability of our business processes, nor did it disrupt our business continuity.

## European requirements

As a result of European legislation, the requirements for the cyber-resilience in the essential sector are becoming relevant to Eneco too, as an energy producer, and specifically where information and operational technology meet (IT/OT). The original plan for Eneco to be designated as an essential service provider in 2020 was delayed as a result of the Covid-19 pandemic; however, we expect Eneco's designation to be finalised on 1 January 2021, with the planned entry into force of the Dutch Network Security and Information Systems Decree (Besluit netwerkbeveiliging en informatiesystemen). In anticipation, we have started preparatory measures, including inventorising our production and distribution resources and determining the impact.

## J-SOx compliance

The arrival of our new shareholder triggered a process to ensure that our IT and cybersecurity controls are compliant with Japan's laws on financial reporting obligations (the Financial Instruments and Exchange Act). We have launched a project to supplement our existing controls by becoming J-SOx-compliant. Our security governance is geared towards the whole of Eneco, and as such all our business units in the Netherlands, Belgium, Germany and the United Kingdom.

## Roadmap for cyber-resilience

In Q3 of 2020, we began the process of recalibrating our cybersecurity strategy and roadmap (2021-2025), including updating our Security Operating Model. Directly linking our business strategy to the identification of our strategic cybersecurity risks will provide us with the understanding and capability needed to guarantee and improve Eneco's cyber-resilience, now and in the future.

# Financial result

## Good year for Eneco

### Financial

Eneco saw a strong improvement in its results in 2020. Operating profit (EBIT) was up by 23% to €163 million (2019: €132 million) and EBITDA rose to €484 million (2019: €428 million). Net profit increased by no less than 48% to €118 million (2019: €80 million), in part because new wind assets were operational throughout the year and the participating interests performed better. Gross margin increased to €1,094 million (2019: €1,071 million).

Eneco delivered this performance despite the adverse effects of the weather and the coronavirus crisis on revenue (€4,148 million compared with €4,332 million in 2019). The warm weather depressed gas sales and previously purchased gas had to be sold at a lower price on the forward markets. Although electricity revenue also fell in Belgium and the Netherlands, this was offset by new customers in Germany following the acquisition of E.ON Heizstrom.

### Controlling costs

Eneco maintained its sound cost management in 2020. Expenditure was little changed despite the growth in operations and a slight increase in the workforce (2020: 2,835 FTEs; 2019: 2,802 FTEs).

### Investments

In 2020 Eneco once again invested more than in the previous year: €385 million compared with €343 million in 2019. The digitalisation of Eneco is evident in this with €33 million being invested in ICT systems. The largest share of the investment was in offshore and onshore wind farms, notably Seamade off the Belgian coast and Borssele III & IV off the coast of Zeeland, both of which started full production in 2021. On land, investment was in the Delfzijl, Zeewolde and Kabeljauwbeek wind farms in the Netherlands and the Libeccio wind farm in Belgium. €15 million was invested in solar farms. There was also investment in making the heating business more sustainable. A second BioHeat Installation was built in Utrecht (€34 million), while €75 million was invested in maintaining and expanding various heating grids.

### Customers

Our customers' interests come first in everything we do, now and in the future. Eneco is helping its customers by further professionalising and digitising its services. As well as the improvements in online service, the partnership with our associate Suniverse has been expanded to make energy-efficient living easy and affordable for our customers. We entered into excellent contracts in the business market, including with bol.com and with Borealis in Belgium. We also introduced ZonnigLaden, which transforms parking spaces into green charging stations with solar roofs, and started offering charging stations in 2020 in partnership with ANWB.

### Outlook

Our revised strategy is designed to accelerate the energy transition and our own targets have been strengthened. By 2025 we want an additional million customer contracts and to have almost doubled our available sustainable capacity from some 1,700 MW (2020) to about 3,200MW (2025). Our shareholders, Mitsubishi Corporation and Chubu Electric Power, fully support this updated strategy. Co-operation is excellent and we are always looking for opportunities for further collaboration in the market. The energy transition continues to be a subject of major social debate, with ongoing changes in the roles of European and national authorities, legislation and regulation and the content of government schemes. Against this background, we will refrain from issuing a results forecast for 2021.

# Corporate Governance

In this chapter, we describe what executive and supervisory roles we distinguish and what the corresponding duties and powers are. We subscribe to the importance of diversity, inclusion and integrity.

## Duties and responsibilities

### Management Board

The Management Board holds the ultimate responsibility for Eneco's performance. The Management Board is appointed by the Supervisory Board and is accountable to the Supervisory Board and the General Meeting of Shareholders (AGM). The Management Board, consisting of 6 members, represents the company. The biographies of the members of the Management Board can be found on the Governance page on Eneco's corporate website.

### Supervisory Board

Eneco's Supervisory Board advises the Management Board, operates independently and supervises the general course of business in the Eneco Group and the Management Board's policies. Eneco's Supervisory Board consists of 7 members. Two of those members are independent, appointed under the Central Works Council's enhanced right of recommendation; it is their responsibility to oversee the fulfilment of the additional arrangements that Eneco and the shareholder made when Eneco was privatised. In 2020, the Supervisory Board had the following committees:

- a Remuneration, Selection and Appointment Committee (RSA), which advises on matters such as the remuneration, selection and appointment of members of the Management Board and the nomination of members of the Supervisory Board. This committee is chaired by Michael Enthoven. Its other members are Annemieke Roobeek, Yutaka Kashiwagi and Mel Kroon

- an Audit Committee (AC), which supervises the integrity of the financial and non-financial reporting, the internal controls and risk management. The Audit Committee also oversees the internal and external audit processes. This committee is made up of Michael Enthoven (chair), Mel Kroon and Haruhiko Sato

The biographies of the members of the Supervisory Board are available on the Governance page on Eneco's corporate website.

# Shareholders

Prior to 24 March 2020, the shares in Eneco Group were held by 44 municipalities (see page (see page )). On 24 March 2020, Diamond Chubu Europe B.V. became Eneco Groep N.V.'s sole shareholder.

Within six months after the end of the financial year, or more often if the Supervisory Board or Management Board considers this necessary, Eneco will organise a General Meeting of Shareholders (AGM). The annual report is discussed and the annual financial statements are adopted during the AGM.

# Diversity and inclusion

Eneco Group considers it very important to work with teams in which diversity in backgrounds and personalities mirrors society and in which we appreciate and make use of these differences in a positive manner. Diversity enables us to connect with our customers, our environment and with each other to the greatest extent possible. Eneco's focus on diversity is for example seen in our dedication to achieving gender diversity. At the end of 2019, Eneco decided to highlight diversity and inclusion in 2020, through a programme that has a number of concrete ambitious goals and concrete actions.

Diversity is intrinsically linked to inclusion. Inclusion means creating a working environment where people's individual characteristics and the differences between them are acknowledged and where everyone feels welcome, appreciated and supported. Inclusion is therefore also an important part of the diversity programme.

Since 24 March 2020, the Management Board has been made up of six male members, and the Supervisory Board of seven members, one of whom is a woman. As such, we have not yet achieved the desired diversity. As soon as a position opens up, we will try to make the split more balanced (as the appointment of our new CFO on 11 January 2021 demonstrates, for example).

# Code of Conduct

Conduct and integrity standards that have been codified in our code of conduct apply to everyone within Eneco. Eneco has established an integrity reporting desk, and appointed a confidential counsellor to whom employees can report complaints regarding socially unacceptable conduct.

# Risk management

**Risk management helps us to realise our strategic objectives in a responsible manner. In our risk policy, we carefully weigh what risks Eneco incurs and what controls we put in place to manage those risks. We review those controls for effectiveness.**

## Governance

The Management Board is responsible for the risk management of the Group as a whole. Our risk management system is organised according to the three-lines-of-defence model. That model provides a widely accepted regulated framework designed to facilitate an effective risk management system. The Management Board has delegated the job of implementing risk management primarily to the directors of the business units (i.e. the first line of defence). Business Control and functional areas such as compliance and security support the business units from the second line of defence. The Operational Risk Management department is also part of the second line of defence, and translates policy into guidelines and coordinates the risk management process. The Internal Audit function (the third line of defence) conducts independent audits and reports the results to the Management Board and the Supervisory Board's Audit Committee.

Every calendar quarter, the directors of the business units discuss their risks, the risk assessments and the status of controls directed at mitigating and managing those risks. The most important risks and controls are reported to the responsible portfolio holder on the Management Board on a quarterly basis, in the Business Unit Review. These are consolidated and reported to the Management Board and the Audit Committee.

We have recorded the risk limits at the Group level in various concrete policy statements, codes and guidelines for matters such as safety, trading mandates, authorisational powers and conduct. The Audit Committee oversees the proper functioning of the risk management activities.

# Risk and performance management framework

We use ECRS, Eneco's internal control and risk management system, which is based primarily on the COSO ERM framework, the worldwide standard for Enterprise Risk Management.

ECRS comprises a systematic approach to risk assessment, a set of controls and a self-assessment method for management of the various business units to determine whether the controls are effective. The Management Board's In-Control Statement is based in part on the outcomes of these self-assessments by the business units.

Risk management is an iterative and continuous process and is part of the regular Business Planning Cycle. The business units carry out in-depth analyses of the threats and opportunities at least once a year. For each risk, we determine the potential impact on the risk categories Financial, Reputation, Integrity and Safety. We manage our risks using controls that mitigate individual risks and financial-strategic projections supported by

## Risk and performance management framework


1. **Strategic Framework Strategic KPIs**
   - Framework risk and performance management
2. **Financial Strategic Forecasts 'FSP'**
   - Expected realisation of strategic objectives
   - Expected financial results
   - Expected credit rating ratios
3. **Risk & control assessment**
   - Gross risk inventory (risk register)
   - Determining controls
   - Determining the potential impact of risks on financial strategic forecasts
4. **Risk management & monitoring**
   - Mitigating measures and follow up
   - Net risk reporting and monitoring on all levels
   - Determing whether risks are acceptable

sensitivity analyses, including single-event stress tests and VaR analyses for all of our business risks. Risk management systems containing specific risk-mitigating measures have been set up at all levels of the organisation. The business units report twice yearly on their self-assessments of the key controls. Key controls are controls that significantly reduce the most important risks.

# Risk tolerance

| Risk categories | Impact: low | Impact: medium | Impact: high |
|---|---|---|---|
| **Safety** | Injury resulting in alternative work | Injury resulting in absenteeism or hospitalisation | One or more fatalities |
| **Integrity & Compliance** | No/limited fraud possible | Incidental fraud possible | Large-scale fraud possible |
| **Financial** | < €1 million | > €1 million < €10 million | > €10 million |
| **Reputation & Quality** | Limited negative image among stakeholders | Decrease in confidence among stakeholders | Structural damage among stakeholders |

| Risk categories | Risk tolerance |
|---|---|
| **Safety** | Eneco devotes a great deal of attention to safety, with a very low risk tolerance. We regard serious incidents (hospitalisation, fatal accidents) as unacceptable. |
| **Integrity & Compliance** | Eneco has a zero-tolerance policy with regard to integrity and compliance risks. |
| **Financial** | Our risk tolerance is generally low; however, sometimes the limited possibilities for mitigating a particular risk (for example the weather risk) force us to 'accept' a higher financial impact for that risk. In addition, we consciously opt for a higher risk profile in specific areas such as innovation and transformation. We use sensitivity analyses and stress tests to determine whether we are sufficiently robust to cope with negative developments and incidents. |
| **Reputation & Quality** | Our risk tolerance is low and, wherever possible, we try to avoid any events that could give rise to a negative image of Eneco. |

# Developments in 2020

With the Covid-19 pandemic raging, we devoted more attention to our business continuity and upped the frequency of monitoring specific performance and risk indicators and developments.

Among other improvements, we upgraded our IT network capacity and added new possibilities for working from home, introduced additional security procedures and added safeguards to ensure that our continued services to customers. In financial terms, energy volumes and payment schedules for consumers increased, volumes for small and large business customers dropped and fluctuating volumes affected costs.

We also increased our focus on managing the risks of operational processes, external reporting, compliance and IT in 2020, with a view to improving the quality of the processes and controls.

## Incidents

A number of incidents occurred in 2020. One of these incidents is described here, for a better understanding of how we implement mitigating actions and use the lessons learned to avoid repeats in the future.

We update our customer contact processes every year, including digitalising some of them. One of the changes this year was the introduction of a voicebot, to carry out the customer identification required by sector regulations. By introducing the voicebot, we have provided another tool for safeguarding the traceability of specific details in our customer contact records. Although some of our processes for demonstrating our compliance with laws and regulations were not properly designed to cope with this new method of registration, we subsequently analysed the data and redesigned the processes to as yet trace back the relevant data and demonstrate our compliance with sector requirements. To prevent the need for further data analyses to demonstrate our compliance in the future, we improved the effectiveness of the design of the interfacing and data transfers for the primary records and data sources for compliance testing.

# Strategic risks

Strategic risks are long-term risks that influence the realisation of our strategic objectives. For the goals and objectives that we have defined, we recognise the most important strategic risks listed below, which may not only constitute threats, but can often also present opportunities.

### 1. Loss of credibility of our sustainable image

Eneco Group's mission is 'Everyone's sustainable energy'. We want to lead the way in the energy transition and as a sustainable energy company acting within the boundaries of our planet: our One Planet ambition. That ambition has been translated into a $CO_2$ reduction target for our own operations, viz. a twofold increase of our own sustainable production capacity, and the aim to deliver more than 50% green energy to our customers. Our mission 'Everyone's sustainable energy' is reflected in all our interactions with business and non-business customers and stakeholders.

### 2. Changes in customers' needs

The energy transition is transforming customers' needs and stimulating innovations. The margin per customer is under pressure, and we are losing 'traditional' energy customer contracts. Eneco wishes to create added value for customers and develop new energy services with promising technologies such as smart ways to use data for Smart Home applications and energy management. We also apply digitalisation and data analytics to optimise existing processes, to ensure that we get them*right the first time*and that we exceed out customers' expectations. We want to be the exclusive owners of specific data and market knowledge, which will create opportunities to develop valuable propositions.

### 3. Structurally low electricity prices and subsidies

Structurally low electricity prices in the future and lower subsidies for sustainable production will adversely affect the feasibility of our strategic sustainability goals. Electricity prices and the prices of green certificates can be fixed for multiple years on the energy trading markets, but often not for the full useful economic life. Decreasing revenues indicate less and less room for future investments in sustainable production assets. We use international diversification to spread the risk. In addition, our strategy is also to build sustainable production facilities in partnership with and at the request of customers (Client Sources with long-term purchasing contracts). We pass on price risks by structuring trading contracts.

#### 4. Decreasing profitability of heat segment

The government wants all households to be no longer reliant on natural gas by 2050. Gas revenues and margins will also decrease in the short term due to increasing insulation and new energy saving solutions (local and otherwise), such as the electrification of heating. We are investing in sustainable alternative heating solutions, looking at both collective solutions such as district heating and individual solutions such as heat storage. In addition, we are optimising the supply chain in order to minimise the impact of lower gas margins.

#### 5. Changes in the public opinion

The energy transition poses a challenge for society. Whether we succeed in achieving our goals depends heavily on public opinion, which has both a direct impact, for example on the willingness of residents to accept district heating, and an indirect impact, such as in how the government determines the level of stimulation measures. Eneco is aware of the uncertainties for customers inherent in the energy transition. Our mission 'Everyone's sustainable energy' means that we seek to proactively facilitate changes together with our customers. We also mitigate this risk through transparent communication with stakeholders on our progress in implementing our strategy.

#### 6. Increasing impact of weather on the result

Weather conditions lead to fluctuations in revenues from both sustainable production and heat deliveries. Given the targeted relative growth of these elements in our portfolio and the growing number of weather-based energy sources in the market, our financial result is structurally coming to depend more and more on the weather. Active portfolio management helps us to gain control over the increasing exposure. We mitigate the weather risk using hedging transactions in the market, entering into structured agreements and taking out insurance.

#### 7. Insufficient competencies and employability of personnel

Implementing our strategy and realising the energy transition will require new competencies, speed and agility of the organisation and its employees. Our focus is on building a high-performance organisation, for instance by applying the principles of agile working and the Lean methodology and digitalising further. The inverted organisation structure supports an approach that focuses on the customer and the supply chain. To ensure that our organisation is not affected by the imminent scarcity of qualified personnel in specific disciplines, Eneco gives those disciplines proactive attention. That attention is illustrated by our own business school, which we set up to train technical personnel, and the Eneco Hackathons that we organise in order to retain our current and attract new IT colleagues.

### 8. Missing the boat in the data revolution

The movement towards digital and data-driven products and services is continuing at a rapid pace. Smart use of data technology can threaten existing markets and value chains; however, it also offers opportunities for anyone who capitalises at an early stage. Eneco embraces this trend. We use artificial intelligence (AI) to approach the right customer with the right message at the right time. An example of this is our use of Toon data to detect the electricity consumption of old and inefficient appliances and provide customers with very specific advice at the right moments. It also involves being very careful about how we store and use those data, in particular where they can be traced back to individuals.

### 9. Impact of COVID-19

Covid-19 is affecting everyone. Eneco is making every effort to prevent the disease from spreading further. Our policy strictly follows the measures imposed by the several national authorities. Our employees' mental state is another matter of constant attention. Besides providing equipment for safe and proper conditions for working from home, and focusing on virtual contact to increase the sense of togetherness, we also encourage our employees to take regular walks and breaks.

The restrictions needed to control the virus also have an economic impact. Compared with other sectors and industries, Eneco as a whole has felt relatively little of that impact:

- Although the demand for energy in the business market has dropped unexpectedly, at the same time working from home is driving up the demand in the consumer market
- Eneco's financial balance sheet is solid, and we are sufficiently liquid; we have increased the frequency of our periodic monitoring of these factors
- For Eneco, the situation is creating opportunities for reinforcing partnerships and growth, including through M&A, for example to acquire customer portfolios and assets
- Despite the hit that the economy has taken, the climate is still a high priority for the Dutch government and the EU
- However, the fact that some of our customers might be unable to pay all their bills, combined with the shifting cost risks caused by the demand for energy, exposes us to an elevated risk

Besides helping to swiftly realise the energy tax deferments that the Dutch government had imposed, which gave some of our business customers extra financial breathing space, Eneco also introduced measures of its own to assist consumers facing financial difficulties. Eneco itself did not draw on any of the support that was offered, even the Dutch Temporary Bridging Measure for Sustained Employment (Noodmaatregel Overbrugging voor Werkgelegenheid, or 'NOW').

## Operational risks

The operational risks are mainly related to performance and business. Below, we discuss our most important operational risks that despite mitigation still present a projected remaining impact of >€5 million.

| Risk (trend compared with 2019 ↑→↓[1]) | Potential impact | Controls |
| --- | --- | --- |
| **Financial position** | | |
| **Creditworthiness ↓**<br>Decrease in Eneco's perceived creditworthiness, or a rating downgrade. | • Decrease in the willingness of energy trading parties to give Eneco Group uncovered limits on trading positions or an increase in guarantees and other security required from Eneco Group.<br>• Less favourable conditions for access to capital and money markets and (to a limited degree) higher interest mark-ups. | • Supported by new shareholders with high credit ratings (Mitsubishi Corporation and Chubu Electric Power), our creditworthiness has improved compared with 2019.<br>• Stress testing, particular for EBITDA.<br>• Stipulating contractual terms with customers and trading parties and forming new contracts. |
| **Spark spread →**<br>Lower spark spread resulting in fewer hours for profiting from a high spark spread and longer times that power plants are idle. | • Approximately €10 million per year (€20 million in non-liquid years).<br>• Impact of potential $CO_2$ tax will depend on political decisions. | • Portfolio management and hedging strategies in the energy trading markets using energy derivatives. |
| **Profitability of sustainable assets ↑**<br>Lower future revenues due to lower electricity prices or lower market value of green electricity. Portfolio is growing and with it the risk. | • Approximately €10 million per year (€ 15 million in non-liquid years).<br>• The Dutch and Belgian subsidy schemes do not eliminate the price risk entirely. The subsidy scheme in the UK implies inherently more price sensitivity.<br>• Portfolio is growing and with it the risk. | • Spreading investments over multiple countries.<br>• Hedging positions via energy trading markets; however, the market is only liquid for a limited number of future years.<br>• Forming long-term customer supply transactions. |
| **Degree days risk →**<br>Lower customer demand for gas and heating due to mild weather. | • Approximately €25-30 million on an annual basis.<br>• The temperature risk per household is decreasing by degrees due to better insulation and other technologies. Even though it is possible to cost-effectively mitigate part of the weather risk, a substantial residual risk remains.<br>• This risk may rise as the gas and heating customer portfolio expands. | • Taking out degree days hedges, weather insurance.<br>• Using Eneco storage facilities.<br>• Using portfolio management and expertise to forecast weather relative to the projected energy supply and demand. |
| **Wind volume risk ↑**<br>Weather conditions that cause below-average production yields from wind farms (less wind). | • Approximately €35-55 million on an annual basis.<br>• The influence of weather on our results has increased due to the expansion of our wind energy production. Less wind leads to lower revenues. | • Using demand-steering mechanisms together with our customers.<br>• Taking out weather insurance, wind volume hedges.<br>• Using portfolio management and expertise to forecast weather relative to projected wind generation volumes. |

1 ↑ risk higher compared with 2019 ↓ risk lower compared with 2019 → risk unchanged compared with 2019.

| Risk (trend compared with 2019 ↑→↓[1]) | Potential impact | Controls |
|---|---|---|
| **Risks with regard to business performance, control and governance of our participating interests and recent acquisitions →** | • Reputation damage and financial losses in relation to the scale of the organisation and our interest in it.<br>Reputation damage occurs when business objectives are not achieved sufficiently or internal control incidents occur.<br>Financial losses occur if anticipated synergy advantages are not realised when acquisitions are consolidated, if claims arise, or if the company is unable to realise the growth targets with acquisitions and participating interests.<br>We intentionally give our innovative participations more room to allow them to innovate and excel faster, and we accept that those participations carry an inherently greater risk. | • Sourcing some of our sustainable energy under long-term procurement from third parties (PPAs).<br>• Through representative seats in its participating interests' supervisory bodies, Eneco oversees and assesses management's policies for business development and internal control.<br>• Additional requirements apply to participating interests included in the consolidation, in particular where reporting and IT controls are not aligned Eneco's own standards.<br>• We use periodic monitoring to oversee our venture portfolio. The higher risk profile is partially mitigated using the applied transaction structure and conditions (for example use of preference shares). |
| **Financial reporting** | | |
| **Risks in the area of the internal and external financial planning and reporting →** | • Reputation damage, claims and legal proceedings.<br>• Non-compliant or incorrect reporting.<br>• Lack of accurate, timely and substantiated financial steering information for management's decision-making. | • Maintaining up-to-date financial reporting expertise.<br>• The internal controls and accounting organisation, including our accounting guidelines.<br>• Procedures for periodic closing, reporting, forecasting and energy balance. |
| **Operational – IT-related** | | |
| **Unauthorised access and/or changes to the IT infrastructure and discontinuity in IT systems as a result of cyber attacks →** | • Reputation damage.<br>• Fraud.<br>• Financial impact: depending on the nature and gravity of the incident in question, the damage may exceed €1 million.<br>• In reflection of the trend in society, the risk of cybersecurity incidents remains high. | • Employee awareness training.<br>• Strengthening the management organisation for coordinating critical suppliers.<br>• In-Control programme in which important controls are subjected to assessments and self-assessments. Those controls include change management, creating and deleting accounts, verifying assigned rights and applying IT security protocols.<br>• Identification and detection technology for unauthorised access and suspicious activity.<br>• Security penetration tests by specialist external parties.<br>• Assurance audits by third parties. |

1 ↑ risk higher compared with 2019 ↓ risk lower compared with 2019 → risk unchanged compared with 2019.

| Risk (trend compared with 2019 ↑→↓[1]) | Potential impact | Controls |
|---|---|---|
| **Operational - Customers** | | |
| **Business continuity interruptions →**<br>Incidents and/or interruptions in our heat deliveries, production and/or trading and customer systems with a negative impact on operations. | • Accidents with injury or worse.<br>• Financial impact.<br>• Reputation damage. | • Safety policy and instructions.<br>• Duplicated IT platforms for critical systems.<br>• Carrying out periodic crisis management and recovery tests.<br>• Maintaining and monitoring our assets, including heat grids and production units. ISO 55001 certification in place for the production units and distribution grids, for example in Utrecht and Delfzijl.<br>• Critical business functions such as the supply chain and invoicing are organised and controlled centrally. |
| **Laws and regulations** | | |
| **Non-compliance with laws and regulations →** | • Reputation damage.<br>• Claims.<br>• Legal proceedings.<br>• Financial impact: The Dutch Data Protection Authority (Dutch DPA) has the power to impose fines of up to €20 million, or 4% of the global revenue of any party that finds guilty of fundamental breaches or failure to comply with the Dutch DPA's instructions.<br>• As energy companies become more data-intensive, the increasing regulations in that area pose an ever-greater risk. | • Privacy and compliance control frameworks at business units, including risk-mitigating controls.<br>• Staying up-to-date on upcoming relevant laws, and using internal media and knowledge sessions (e.g. privacy) to actively exchange expertise with the business. |

1 ↑ risk higher compared with 2019 ↓ risk lower compared with 2019 → risk unchanged compared with 2019.

# Integrity and compliance

A key condition for achieving our mission is treating our customers, each other and our partners properly and doing business with integrity. With this in mind, we have an integrity programme in place to encourage and enforce our standards and values, and a proactive programme to ensure compliance with laws and regulations.

## Three lines of defence

The guidance in these integrity and compliance programmes is based on the 'three lines of defence' model, in which the business (front line), support departments (second line) and audit (third line) all play important roles. The Compliance & Integrity Manager, in the second line of defence, provides coordination and reports to the Management Board on both programmes' functioning.

# Integrity

## New Corporate Code of Conduct

Our organisation is changing rapidly, as Eneco evolves into an international enterprise. With the arrival of our new shareholder and our new CEO in 2020, we also adopted a new strategy. However, for us to properly realise that new strategy, our culture needs to change: we need to harmonise our international organisation's central values, and the associated conduct, and we all need to speak the same language. With this in mind, in late-2020 the Management Board announced the new cultural and leadership values on which the strategy rests: Drive the change! Deliver the plan! And make each other successful! These key values appeal to each individual's sense of responsibility to make a difference through their own conduct and actions. In 2021, we will roll out a leadership and culture change process to implement our new set of values, increase the degree of internal cooperation and improve our effectiveness. The new cultural values have also been incorporated into our updated Corporate Code of Conduct, which we modified in 2020 to reflect Eneco's altered circumstances. With an international scope, and full applicability in each of our core countries, the code has been made available in multiple languages.

The code of conduct helps our employees to understand and apply our rules, our integrity standards and our new values. The communications surrounding the code were part of a broad corporate programme in 2020 aimed at guiding conduct. The programme focused heavily on key conduct issues such as diversity, inclusion, social safety, physical safety, corporate social responsibility and internet safety.

## Guidance for fraud

In 2020, we focused extra attention on the additional requirements for fraud guidance (in connection with integrity) under Japan's financial reporting laws, commonly known as J-SOx legislation, which are relevant for Eneco since the new shareholders entered the picture. Almost all business units and key support departments underwent integrity risk assessments. Fraud was a prominent element in those assessments, which investigated the quality and demonstrability of the risk controls, and in particular as they relate to reporting fraud. The conclusion was that overall the risks are properly managed. In the future, we hope to develop a high-quality risk integrity management programme at J-SOx level.

## Integrity programme

The Covid-19 pandemic forced us to modify the practical implementation of our integrity. This involved fewer workshops and more focus on online communication. We are using e-learning and an app to communicate our new Corporate Code of Conduct, for example. We also factored in the possibility of increasing non-integrity and fraud risks relating to working from home, for example as a result of the lack of oversight by colleagues, the added pressure (in particular mental stress) and the elevated risk of internet fraud. We did not identify any concrete indications of increased levels of fraud or other integrity issues as a result of the pandemic.

## Reporting desk and confidential counsellor

Any employee who is the victim of unacceptable psychosocial working conditions such as bullying, discrimination or sexual harassment, or who encounters any other integrity issue, may report this to our integrity reporting desk or ask for help from our confidential counsellor. In 2020, the reporting desk and the confidential counsellor received 32 reports. Approximately 40% of these reports concerned fraud or theft, 15% concerned psychosocial working conditions such as discrimination, harassment and bullying, and 45% concerned other integrity-related issues. Where necessary, we imposed disciplinary measures and updated our processes to prevent further incidents.

# Compliance

## Risk assessments

Non-compliance with national and international laws and regulations exposes us to risks for our licence to operate and our reputation with customers, as well as the possible financial consequences of fines and invalid contracts. The compliance risk assessments at the various business units, where we map out the risks, controls and gaps, are a key part of our compliance programme. The pattern that this summary shows is stable, and does not require any ad-hoc intervention.

## Energy legislation

Compliance with energy laws as they relate to consumers was a particular area of attention during 2020. An audit by an external firm revealed that Eneco's compliance with the relevant legislation is up to standard, with only a few minor improvements indicated. The Consumers department organised e-learnings and workshops to maintain expertise and awareness at the required level.

## Assurance

Internal assurance for the compliance process is based on the In-Control statement (see page 96)and audits. We are subject to external supervision of legal enforcement by various supervisory authorities, including the Netherlands Authority for Consumers & Markets (ACM) and the Dutch Data Protection Authority (Dutch DPA).

## MiFID licensing exemption

In early-2020, the Dutch Authority for the Financial Markets (AFM) again informed us that we are exempt from the licensing obligation under the MiFID (the Markets in Financial Instruments Directive; a European investment directive). This announcement covers multiple Eneco entities.

## Incident

In 2019, Eneco uncovered a relatively minor compliance incident. It was reported to the ACM in late-2019. Following a customer's complaint, it emerged that during the 2014-2018 period Eneco had inadvertently charged a number of consumers a higher rate than it should have for their new heat grid connections. The consumers were charged a fee that was based on actual cost, instead of the maximum rate imposed by law. In late-March 2020, the ACM approved our proposal for settling the incident, and published its decision on its website.

## Proceedings

As part of Eneco's acquisition by its new shareholders Mitsubishi Corporate and Chubu Electric Power in 2020, it was agreed that it was no longer necessary to continue the proceedings that Eneco's Works Council had brought against Eneco Group N.V. before the Enterprise Division of the Amsterdam Court of Appeal in 2018. As such, this issue has been settled.

# Privacy

## GDPR

We put a great deal of effort during 2020 into demonstrating our compliance with the General Data Protection Regulation. To demonstrate our privacy compliance we rolled out a Privacy Risk and Control Matrix. Our business units in the Netherlands and Belgium underwent privacy self-assessments, and in Germany LichtBlick took steps to use the same method. Eneco has appointed a Data Protection Officer to advise on GDPR compliance and provide internal supervision. The Data Protection Officer has been registered with the Dutch Data Protection Authority (Dutch DPA).

## Data breach

Eneco reported a total of 16 data breaches to privacy supervision authorities. In the Netherlands, we reported 4 incidents to the Dutch DPA. One of those reports was subsequently retracted. In Germany, LichtBlick reported 12 incidents to the supervisory authority.

## Smart Meter Code of Conduct for Suppliers

Together with Dutch energy industry association Energie Nederland, Eneco proposed a new Smart Meter Code of Conduct for Suppliers in 2020. That proposal, which describes the obligations pursuant to the GDPR, has been discussed with the Dutch DPA and should come into effect once that authority has given its formal approval. By issuing a Declaration of Compliance with the Code of Conduct for Electricity and Gas Suppliers, we recognise that we handle our customers' personal data with due care. We completed another compliance process in 2020, in which the relevant business units explicitly announced their compliance with the rules.

# In-Control statement

The Management Board is aware of its responsibility for the adequate and effective functioning of the internal control within Eneco.

The Management Board has also implemented the risk management and control system described in the risk paragraph to ensure that the realisation of strategic, operational and financial objectives is monitored, the reporting on financial and non-financial information is reliable and that laws and regulations are complied with.

Every internal risk management and control system has its inherent limitations. Therefore, we can not provide absolute assurance that we will realise our business objectives or that no material errors, losses, incidents of fraud or violations of laws and regulations will occur.

With regard to financial reporting risks, the Management Board is of the opinion that the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting is free from material misstatement and that the risk management and control systems have functioned adequately in the reporting year.

In 2020, we continued with our project approach to further strengthen the standardisation and formalisation of the control measures for operational and financial reporting, ICT and compliance risks. This professionalisation is appropriate for the progress that we intend to make with regard to internal control. In 2020, the programme has become more stringent in view of the acquisition by our new shareholders listed on the Japanese stock exchange. In connection with this, in future, Eneco's internal control must be compliant with the Japanese SOx regulations.

# Remuneration

Eneco is a leader in the energy transition and its mission is 'Everyone's sustainable energy'. Eneco wants to accelerate its development as a sustainable company in a strategic partnership with its shareholders, Mitsubishi and Chubu, in order to create long-term value for its customers, employees, shareholders and society.

Eneco's remuneration policy is designed to support this strategy and allows Eneco to attract and retain enthusiastic and qualified employees, all of whom can contribute in their position and at their level to the development of the business and its role in the energy transition. To this end, it offers a remuneration package that is fair in both the internal context and when compared with the external market.

## Remuneration policy for the Management Board

The remuneration of the Management Board is determined by the Supervisory Board in accordance with the remuneration policy for the Management Board that was approved at the General Meeting of Shareholders on 29 May 2020. The policy is based on the general criteria set out above. The remuneration of the members of the Management Board has been applied in accordance with this policy since 24 March 2020. See note 6 to the financial statements 'Remuneration of the Management Board and Supervisory Board' for a summary of the remuneration policy that applied until 24 March 2020.

An appropriate and competitive level of remuneration for the members of the Management Board is determined by a comparison with a peer group of Dutch companies of comparable size and complexity and European competitors. Given Eneco's position and sustainable nature, the benchmark is set at 20% below the median of the peer group.

### Composition of the remuneration package

In addition to a salary, the policy provides for short-term and long-term variable remuneration. The short-term variable remuneration is granted on the basis of targets set each year by the Supervisory Board for the financial result (EBITDA, with a weight of 60%) and for customer satisfaction and employee engagement (each with a weight of 20%).

The grant of long-term variable remuneration is fully dependent on growth in the financial result (EBITDA) over a three-year period.

Short-term variable remuneration will only be granted if two basic requirements are met:

- no fatal accidents involving Eneco employees during the performance of their work (other than when commuting);
- no significant breaches of IT security or privacy that could damage the company's reputation.

Members of the Management Board receive a contribution to building up their pensions and other allowances in line with schemes for other employees and customary market practice.

### Remuneration level

When this policy was adopted, the salaries were set at the figures shown in the table. The Supervisory Board may index these amounts annually in line with the remuneration of employees and periodic reviews of remuneration trends in the market. Short-term variable remuneration on achieving the targets ('on-target') is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%. On-target long-term variable remuneration is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%. The level of achievement is assessed at the end of the relevant three-year period.

| Components of direct remuneration | CEO | Other members of the Management Board |
|---|---|---|
| Salary | €600,000 | €435,000 |
| Short-term variable remuneration | 30% of salary | 30% of salary |
| Long-term variable remuneration | 30% of salary | 30% of salary |

## Remuneration policy for the Supervisory Board

The remuneration policy for the Supervisory Board is designed to attract and retain well qualified members in relation to the international context in which Eneco operates. The fact that meetings will alternate between Rotterdam and Tokyo and the impact this has on the time required for the position were taken into account when setting the remuneration.

The remuneration comprises fixed fees for membership of the board and for members' participation on the various committees of the board, as shown in the table.

| Fixed annual fee | Chairman | Member |
|---|---|---|
| Basic fee for membership of the Supervisory Board | €80,000 | €60,000 |
| Audit Committee fee | €10,000 | €7,500 |
| Fee for other committees | €8,500 | €6,500 |

The remuneration of members of the Supervisory Board has been in accordance with this remuneration policy since 24 March 2020. The members of the Supervisory Board appointed on the recommendation of the shareholder have stated that they will waive the remuneration for their membership of Eneco's Supervisory Board.

See note 6 to the financial statements 'Remuneration of the Management Board and Supervisory Board' for the costs of the remuneration of the Management Board and Supervisory Board for 2020.

# Report of the Supervisory Board

**The Supervisory Board hereby presents the Annual Report including the Financial Statements 2020 of Eneco Group as prepared by the Management Board.**

The Supervisory Board is proud of all Eneco Group's employees, and is grateful for all their hard work during 2020. Last year was eventful in many ways: not only because of the Covid-19 outbreak, but also because we finalised the privatisation process. The relationship with our new shareholders is also off to a great start, and our complementary operations and good mutual understanding mean that we have an excellent partnership with Mitsubishi Corporation and Chubu Electric Power. Unfortunately, last year brought many uncertainties as well. It was a difficult time for our customers and our employees, and the Supervisory Board wishes to express its appreciation for everyone's dedicated and enthusiastic efforts to find solutions and opportunities for solid results, and to help our customers as they continue the transition towards more sustainable solutions. We managed this very well. Whether in the B2B market, for example making sustainability improvements for bol.com and winning contracts to construct new heating grids in Schiedam and Rotterdam, or introducing simpler ways to carry out maintenance on boilers at home, Eneco is working hard with and for our customers to accelerate the energy transition.

## Privatisation process finalised

In early-2020, the 44 municipal shareholders made the final decision to sell their shares to a consortium formed by Mitsubishi Corporation and Chubu Electric Power Co., Inc. under the name Diamond Chubu Europe B.V. The transaction was finalised on 24 March 2020, and the shares were transferred that same day, bringing a close to a period of very hard work. We used the time that followed to give shape to the relationship with our new shareholders: exchanging expertise and experience on a large scale to continue and reinforce our sustainability plans and expand them in the international arena.

## Inquiry proceedings

As soon as the transaction had been completed, the inquiry proceedings (including the investigation ordered by the Enterprise Court in those proceedings) were terminated at the request of all the parties involved.

## Relationship with our new shareholders

With the privatisation process being completed, this also meant the beginning of our relationship with the new shareholders: one that brings its understanding of the market, its technology and all its business partners to support Eneco's ambitions for further European expansion. In terms of both moving forward with the updated strategy and realising the plans, the relationship between the Management Board, and Supervisory Board and the shareholders is excellent, and they are in regular communication to identify opportunities in concrete projects and partnerships. We see numerous possibilities to complement our respective strengths, some which have already produced concrete results. In an exciting and natural combination of expertise and international expansion, our shareholder Mitsubishi Corporation wishes to use Eneco as its European hub for all its sustainable energy operations.

## Key themes

Besides helping to finalise the privatisation and start off the relationship with our new shareholders, the Supervisory Board also discussed various investment proposals during its meetings, including the offshore wind project Hollandse Kust (Noord) and the gas-free heat project Groenoord. Another important recurring topic of discussion was the matter of the 2021-2025 business plan and strategy, and the related investment schedule.

## Board composition

The Supervisory Board's composition underwent significant change in 2020. Besides Frederieke Leeflang's resignation from the board effective 1 January 2020, to take on a new role elsewhere, the members of the Supervisory Board who were in office when the privatisation transaction was finalised also stepped down. In addition, with the inquiry proceedings being ended at the same time, the Enterprise Court was asked, and agreed, to reverse its decision ordering Charlotte Insinger's appointment as the Supervisory Board's Chair.

During the summer, the members of the Supervisory Board were very sorry to hear of Atzo Nicolaï's death shortly after he had left Eneco.

## Composition of the Supervisory Board following the finalised privatisation process

On 20 March 2020, the General Meeting of Shareholders appointed the following individuals to the Supervisory Board, effective 24 March 2020: Mel Kroon, Katsuya Nakanishi, Yutaka Kashiwagi, Haruhiko Sato, Takanori Shiozawa, Michael Enthoven and Marco Keim. Michael Enthoven and Marco Keim were nominated under the Central Works Council's reinforced right of recommendation. The Supervisory Board and the Central Works Council asked Marco Keim whether he would agree to be reappointed temporarily until a second Supervisory Board member could be nominated under that reinforced right of recommendation and appointed by the General Meeting of Shareholders. On 1 October 2020, Annemieke Roobeek was appointed as that new member, and Marco Keim stepped down. The Supervisory Board is very grateful to Marco Keim for agreeing to his temporary reappointment, and for everything that he contributed to Eneco during his time with us.

## How the Supervisory Board operates

Another unusual aspect of 2020 was that the Covid-19 restrictions forced the Supervisory Board to have most of its meetings online. The Supervisory Board had twelve plenary meetings (some of which in writing), and discussed the 2019 annual report and financial statements with Deloitte Accountants B.V. The two independent members appointed under the Central Works Council's reinforced right of recommendation devoted specific attention to topics resulting from the additional arrangements made between the shareholders and Eneco during the privatisation. The Supervisory Board also held regular meetings for its own members, without the Management Board being present, while the Chairs of the Supervisory Board and the Management Board consulted with a high frequency. Whenever the need arose, the Supervisory Board or individual members communicated with the Management Board or individual members, and with the shareholders or their representatives.

## Committees

The Supervisory Board has set up various committees, allowing it to share the responsibility of advising the plenary sessions and making preparations for resolutions on key issues without compromising on due care.

## Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment (RSA) Committee met six times in 2020. Topics of discussion included the composition of Eneco Group's Supervisory Board; the performance dialogue with the Management Board; a review of target realisation in connection with the variable remuneration of the Management Board's members; the preparations for new remuneration policies for both Boards; and the Management Board's composition, which changed in 2020. As soon as the privatisation process was completed, the Supervisory Board appointed Hans Peters as CCO and Hiroshi Sakuma as CCIO; however, the role of CEO was vacant at that time, and the process of appointing a successor began. This resulted in As Tempelman's appointment as CEO of Eneco Group effective 1 July 2020. On 3 September, it was announced that CFO Guido Dubbeld will leave Eneco on 1 April 2021. The search for a new CFO to succeed him began, and on 11 January 2021 it was announced that Jeanine Tijhaar would be appointed CFO effective 1 February 2021.

## Audit Committee

The Supervisory Board's Audit Committee oversees the Management Board's policies, and in particular as they relate to flows of financial information, including exchanges of information with the external auditor, and the functioning of the risk management systems. The Audit Committee had six meetings in 2020, and spoke at length with the CFO, the external auditor, the internal auditor and various representatives from the Finance organisation about the annual report, the financial statements, the management letter and the external and internal audit plans. The Audit Committee also discussed risk management and the various controls that are in place. The risk limits are recorded at the Group level in various concrete policy statements, codes and guidelines for matters such as safety, trading mandates, authorisational powers and conduct. Besides finalising the privatisation, other issues that demanded particular attention during 2020 included the impact of the Covid-19 pandemic on the company and J-SOx regulations.

## Self-evaluation

The Supervisory Board's composition changed significantly in 2020. Given the various restrictions on travel and movement, this year the Supervisory Board, in its entirely new composition, was restricted to online meetings only. For 2021, we foresee that the Supervisory Board's functioning will be given our attention.

## Attendance overview

Except for once, all the Supervisory Board's meetings involved all its members. A number of special meetings were scheduled in addition to the regular meetings.

## Interactions with the Central Works Council

Both the Supervisory Board's Chair and its members who are appointed under the Central Works Council's reinforced right of recommendation were in regular communication with the Central Works Council. The Chair attended one of the Central Works Council's meetings, for example. Other communications related to various matters such as the CEO's and CFO's appointments, the remuneration policy for the Management Board and Annemieke Roobeek's appointment.

## Final remarks

The Supervisory Board wishes to reiterate its special gratitude to Eneco's entire workforce, management, shareholders, Central Works Council, customers and other partners. This year marks a special moment in Eneco's history, with the completion of the privatisation process and the new relationship with our new shareholders. Thanks to their input and their teamwork, management, the Central Works Council, the shareholders and our employees all contributed to a successful process with the necessary care, allowing us to build further towards a future in which we make everyone's sustainable energy possible. Eneco wishes to work with and for our customers to accelerate the energy transition. We only have one planet Earth, and we need to take good care of it: for ourselves, but also and in particular for our children and grandchildren.

Our recommendation to the shareholder Diamond Chubu Europe B.V. is to adopt the Financial Statements 2020.

On behalf of the Supervisory Board of Eneco Groep N.V.,

Mel Kroon

Rotterdam, 12 March 2021

# Assurance report

## Assurance report of the independent auditor related to the sustainability information presented in the annual report

To the shareholder and Supervisory Board of Eneco Groep N.V.

**Our conclusion**

We have reviewed the sustainability information as stated on pages 7-77 and 196-200 of the accompanying annual report for the year 2020 (the "**sustainability information**") of Eneco Groep N.V. ("**Eneco**" or the "**Company**") based in Rotterdam.

The sustainability information consists of the performance information regarding the strategic KPIs (the "**sKPIs**"):

- $CO_2$ reduction (One Planet) on page 58;
- Customer Satisfaction on page 7;
- Recordable Incident Frequency (RIF) on page 75;
- Number of customer contracts on page 7;
- Sustainable own capacity on pages 7 and 43; and
- Proportion of sustainable electricity production in the total electricity supply on page 58.

A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to sustainability.
- The thereto related events and achievements for the year 2020, in accordance with the reporting criteria as included in the section 'Reporting Policy' on pages 196-200 of the annual report.

**Basis for our conclusion**

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports). Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' section of our report.

We are independent of Eneco Groep N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of ethics for professional accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch code of ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**Reporting criteria**

The sustainability information needs to be read and understood together with the reporting criteria. Eneco is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the sustainability Reporting Standards of the Global Reporting Initiative ("GRI") and the applied supplemental reporting criteria as disclosed in the chapter 'Reporting Policy' in the annual report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

**Limitations to the scope of our review**

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

**Responsibilities of the Management Board and the Supervisory Board for the sustainability information**

The Management Board is responsible for the preparation of reliable and adequate sustainability information in accordance with reporting criteria as included in the section 'Reporting policy, including the identification of stakeholders and the definition of material matters. The choices made by the Management Board regarding the scope of the sustainability information and the reporting policy are summarised in in the chapter 'Reporting policy' of the annual report.

The Management Board is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of Eneco.

**Our responsibilities for the review of the sustainability information**

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

We apply the 'Nadere voorschriften kwaliteitssystemen)' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the Company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Management Board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or error. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - interviewing management (and/or relevant staff) at corporate and business unit level responsible for the sustainability strategy, policy and results;
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - determining the nature and extent of the review procedures for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit. The visits to components are aimed at, on a local level, validating source data and evaluating the design and implementation of internal controls;
  - obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - performing an analytical review of the data and trends.
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report which is not included in the scope of our review.
- Evaluating the presentation, structure and content of the sustainability information.
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Rotterdam, March 12, 2021

Deloitte Accountants B.V.

Was signed,

N.H.M. van Groenendael

# Eneco Groep N.V. Financial Statements 2020

# Consolidated financial statements 2020

## Consolidated income statement

### For the year ended 31 December 2020

| x €1 million | Note | 2020 | 2019 |
|---|---|---|---|
| Revenues from energy sales and energy-related activities | 3 | 4,090 | 4,271 |
| Purchases of energy and energy-related activities[1] | | 3,054 | 3,261 |
| **Gross margin** | | **1,036** | **1,010** |
| Other revenues | 4 | 58 | 61 |
| **Gross margin and other operating revenues** | | **1,094** | **1,071** |
| Employee benefit expenses | 5 | 239 | 260 |
| Cost of contracted work and other external costs[1] | | 346 | 357 |
| Depreciation and impairment of property, plant and equipment | 12 | 227 | 220 |
| Amortisation and impairment of intangible assets | 14 | 94 | 76 |
| Other operating expenses | | 25 | 26 |
| **Operating expenses** | | **931** | **939** |
| Operating profit | | 163 | 132 |
| Share of profit of associates and joint ventures | 7 | 14 | - |
| Financial income | 8 | 9 | 9 |
| Financial expenses | 9 | -21 | -24 |
| **Profit before income tax** | | **165** | **117** |
| Income tax | 10 | -47 | -37 |
| **Profit after income tax** | | **118** | **80** |
| | | | |
| **Profit distribution** | | | |
| Profit after income tax attributable to non-controlling interests | | 1 | 1 |
| Profit after income tax attributable to shareholder(s) of Eneco Groep N.V. | | 117 | 79 |
| **Profit after income tax** | | **118** | **80** |

1 2019 amounts restated for comparative purposes following a change in presenting the amortisation of contract acquisition costs in the income statement for an amount of €25 million.

# Consolidated statement of comprehensive income

## For the year ended 31 December 2020

| x €1 million | Note | 2020 | 2019 |
|---|---|---|---|
| **Profit after income tax** | | **118** | **80** |
| | | | |
| **Unrealised gains and losses that will not be reclassified to profit or loss** | | | |
| Remeasurement of defined-benefit pension plans | | - | 1 |
| | | | |
| **Unrealised gains and losses that may be reclassified to profit or loss** | | | |
| Exchange rate differences | 31 | -18 | 13 |
| Unrealised gains and losses on cash flow hedges and hedge of net investment in foreign operations | 31 | -24 | -29 |
| Deferred tax liabilities on cash flow hedges and hedge of net investment in foreign operations | 17, 31 | 6 | 8 |
| Share of unrealised profit of associates and joint ventures after tax | 16, 31 | -4 | -7 |
| | | | |
| **Total other comprehensive income** | | **-40** | **-14** |
| **Total comprehensive income** | | **78** | **66** |

| | | |
|---|---|---|
| **Profit distribution** | | |
| Non-controlling interests | 1 | 1 |
| Shareholder(s) of Eneco Groep N.V. | 77 | 65 |
| **Total comprehensive income** | **78** | **66** |

# Consolidated balance sheet

| x €1 million | Note | At 31 December 2020 | At 31 December 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | | |
| - Owned assets[1] | 12 | 2,769 | 2,626 |
| - Right-of-use assets[1] | 13 | 235 | 247 |
| Intangible assets | 14 | 1,155 | 1,045 |
| Associates and joint ventures | 16 | 109 | 111 |
| Deferred income tax assets | 17 | 20 | 30 |
| Financial assets | | | |
| - Derivative financial instruments[2] | 18 | 85 | 65 |
| - Other financial assets | 19 | 97 | 114 |
| **Total non-current assets** | | **4,470** | **4,238** |
| **Current assets** | | | |
| Assets held for sale | 20 | 13 | 1 |
| Intangible assets and inventories | 14 | 153 | 158 |
| Trade receivables | 21 | 658 | 655 |
| Current income tax assets | | 19 | 6 |
| Other receivables | 22 | 155 | 162 |
| Derivative financial instruments[2] | 18 | 256 | 286 |
| Cash and cash equivalents | 23 | 557 | 537 |
| **Total current assets** | | **1,811** | **1,805** |
| **TOTAL ASSETS** | | **6,281** | **6,043** |
| **Equity** | | | |
| Equity attributable to Eneco Groep N.V. shareholder(s) | 24 | 2,942 | 2,932 |
| Non-controlling interests | 24 | 6 | 5 |
| **Total equity** | | **2,948** | **2,937** |
| **Non-current liabilities** | | | |
| Provisions for employee benefits | 25 | 7 | 8 |
| Other provisions | 26 | 140 | 140 |
| Deferred income tax liabilities | 17 | 248 | 251 |
| Derivative financial instruments[2] | 18 | 146 | 85 |
| Lease liabilities[3] | 13 | 203 | 215 |
| Interest-bearing debt[3] | 27 | 567 | 457 |
| Other liabilities | 28 | 167 | 148 |
| **Total non-current liabilities** | | **1,478** | **1,304** |
| **Current liabilities** | | | |
| Liabilities held for sale | 20 | 2 | 1 |
| Provisions for employee benefits | 25 | 5 | 7 |
| Other provisions | 26 | 2 | 2 |
| Derivative financial instruments[2] | 18 | 284 | 276 |
| Lease liabilities[3] | 13 | 26 | 26 |
| Interest-bearing debt[3] | 27 | 32 | 69 |
| Current income tax liabilities | | 16 | 4 |
| Trade creditors and other payables | 28 | 1,488 | 1,417 |
| **Total current liabilities** | | **1,855** | **1,802** |
| **TOTAL EQUITY AND LIABILITIES** | | **6,281** | **6,043** |

1 2019 amounts restated for comparative purposes following a reclassification of a financial lease for an amount of €35 million.
2 2019 amounts restated for comparative purposes following an enhancement in offsetting these financial assets and liabilities for a total amount of €75 million (non-current and current).
3 2019 amounts restated for comparative purposes following a reclassification of a financial lease for a total amount of €25 million (non-current and current).

# Consolidated cash flow statement

## For the year ended 31 December 2020

| x €1 million | Note | 2020 | 2019 |
|---|---|---|---|
| **Profit after income tax** | | **118** | **80** |
| Adjusted for: | | | |
| - Financial income and expense recognised in profit or loss | 8, 9 | 12 | 15 |
| - Income tax recognised in profit or loss | 10 | 47 | 37 |
| - Share of profit of associates and joint ventures | 7 | -14 | - |
| - Depreciation, amortisation and impairment | 12, 13, 14 | 320 | 296 |
| - Result from sale of tangible and intangible assets | | 1 | 5 |
| - Movement in working capital | 34 | 79 | 55 |
| - Movements in provisions, derivative financial instruments and other | | 13 | 33 |
| **Cash flow from business operations** | | **576** | **521** |
| Dividend received from associates and joint ventures | | 12 | 1 |
| Interest paid | | -21 | -20 |
| Interest received | | 21 | 8 |
| Income tax paid / received | | -37 | -56 |
| **Cash flow from operating activities** | | **551** | **454** |
| | | | |
| Issued loans granted | | -3 | -3 |
| Repayment of loans granted | 19 | 41 | - |
| Acquisition of subsidiaries (net, exclusively purchased cash) | 15 | -155 | -22 |
| Disposal of subsidiaries (net, exclusively sold cash) | | 1 | 7 |
| Acquisition of joint operations, joint ventures and associates | | -9 | -7 |
| Disposal of joint operations, joint ventures and associates | | - | - |
| Investments in property, plant and equipment | 12 | -352 | -325 |
| Disposal of property, plant and equipment | | 5 | 5 |
| Investments in intangible assets | 14 | -33 | -18 |
| Disposal of assets held for sale | | - | -2 |
| **Cash flow from investing activities** | | **-505** | **-365** |
| | | | |
| Dividend payments | | -68 | -68 |
| Payment of current lease liabilities | | -27 | -25 |
| Repayment of non-current interest-bearing debt | 27 | -64 | -47 |
| Non-current interest-bearing debt issued | 27 | 134 | 82 |
| Purchase/sale of non-controlling interests | | - | 1 |
| **Cash flow from financing activities** | | **-25** | **-57** |
| | | | |
| **Movement in cash and cash equivalents** | | **21** | **32** |
| Balance of cash and cash equivalents at 1 January | | 537 | 504 |
| Translation gains and losses on cash and cash equivalents of subsidiaries | | -1 | 1 |
| Balance of cash and cash equivalents of disposed consolidated entities | | - | - |
| **Balance of cash and cash equivalents at 31 December** | | **557** | **537** |

# Consolidated statement of changes in equity

| x €1 million | Equity attributable to shareholder(s) of Eneco Groep N.V.[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Paid-up and called up share capital | Share premium | Translation reserve | Cash flow hedge reserve | Retained earnings | Un-distributed profit | Total | Non-controlling interests | Total equity |
| **At 1 January 2019** | **-** | **2,781** | **-7** | **-3** | **29** | **136** | **2,936** | **3** | **2,939** |
| Profit after income tax 2019 | - | - | - | - | - | 79 | 79 | 1 | 80 |
| Total other comprehensive income | - | - | 3 | -18 | 1 | - | -14 | - | -14 |
| **Total comprehensive income** | **-** | **-** | **3** | **-18** | **1** | **79** | **65** | **1** | **66** |
| Profit appropriation 2018 | - | - | - | - | 68 | -68 | - | - | - |
| Dividend to shareholder(s) of Eneco Groep N.V. | - | - | - | - | - | -68 | -68 | - | -68 |
| Changes in non-controlling interest in subsidiaries | - | - | - | - | -1 | - | -1 | 1 | - |
| **Total transactions with owners of the company** | **-** | **-** | **-** | **-** | **67** | **-136** | **-69** | **1** | **-68** |
| **At 31 December 2019** | **-** | **2,781** | **-4** | **-21** | **97** | **79** | **2,932** | **5** | **2,937** |
| Profit after income tax 2020 | - | - | - | - | - | 117 | 117 | 1 | 118 |
| Total other comprehensive income | - | - | -9 | -31 | - | - | -40 | - | -40 |
| **Total comprehensive income** | **-** | **-** | **-9** | **-31** | **-** | **117** | **77** | **1** | **78** |
| Profit appropriation 2019 | - | - | - | - | 11 | -11 | - | - | - |
| Dividend to shareholder(s) of Eneco Groep N.V. | - | - | - | - | - | -68 | -68 | - | -68 |
| Changes in non-controlling interest in subsidiaries | - | - | - | - | 1 | - | 1 | - | 1 |
| **Total transactions with owners of the company** | **-** | **-** | **-** | **-** | **12** | **-79** | **-67** | **-** | **-67** |
| **At 31 December 2020** | **-** | **2,781** | **-13** | **-52** | **109** | **117** | **2,942** | **6** | **2,948** |

1 See note 24 'Equity' for further information on equity.

# Notes to the consolidated financial statements

All amounts in millions of euros unless stated otherwise.

## 1. Accounting principles for financial reporting

### 1.1 General information

Eneco Groep N.V. ('the company') is a company incorporated under Dutch law, with its registered office in Rotterdam. It is the holding company of subsidiaries, interests in joint operations and joint ventures and associates (referred to jointly as 'Eneco' or the 'Group'). The company is registered at the Chamber of Commerce under number 67470041. On 24 March 2020, the shareholders (44 Dutch municipalities) sold the entire share capital of Eneco Groep N.V. to Diamond Chubu Europe B.V., a joint investment of Mitsubishi Corporation (Tokyo, Japan; 80% of the shares) and Chubu Electric Power Co., Inc. (Nagoya, Japan; 20% of the shares). Mitsubishi Corporation is the ultimate parent company (Tokyo, Japan).

In line with its mission of 'everyone's sustainable energy', the Group is investing in making the supply chain more sustainable with the aim of keeping energy clean, available and affordable for customers into the future. The Group focuses on innovative energy services and products that allow customers to save energy or generate sustainable energy jointly or alone and feed it into the energy network. New services are being developed for this, that form and shape the energy transition. These include innovative flexible services and services focusing on saving energy. In addition to the Netherlands, the Group operates in Belgium, Germany, Switzerland and the United Kingdom.

The Group's main strategic alliances are its investments and participating interests in onshore and offshore wind farms, solar farms, start-ups and memberships of co-operatives. These are the joint investments with Mitsubishi Corporation in the Luchterduinen offshore wind farm and the Norther wind farm in the North Sea and investments with a number of others (Partners Group, Shell, Mitsubishi Corporation and Van Oord) in the Blauwwind (Borssele III & IV) offshore wind farm which became operational during the second half of 2020. Since 2018, Eneco has also participated in the SeaMade wind farm being developed off the Belgian coast which has been operational since the fourth quarter of 2020. In mid-2020, the CrossWind consortium (Hollandse Kust Noord), a joint investment between Shell and Eneco, was awarded the tender to build this wind farm without subsidies. The Group is also a member of the Enecogen V.O.F. power station partnership and has interests in Greenchoice B.V. and Next Kraftwerke GmbH, a German virtual power plant operator.

The consolidated financial statements have been prepared by the company's Management Board. The 2020 financial statements were signed by the Management Board during its meeting on 12 March 2021 and will be submitted for adoption by the General Meeting of Shareholders on 1 April 2021.

The company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in force at 31 December 2020, as adopted by the European Commission, and with the provisions of Part 9, Book 2 of the Dutch Civil Code. Where necessary, the accounting policies of joint operations, joint ventures and associates are brought into line with those of Eneco Groep N.V. The consolidated financial statements have been prepared on a going-concern basis using the accrual basis of accounting.

The company income statement is presented in a condensed form pursuant to the provisions of Section 402, Part 9, Book 2 of the Dutch Civil Code.

## 1.2 Amended IFRS standards

A number of changes to existing IFRS standards adopted by the European Commission have been in force since 1 January 2020 and, where relevant, have been applied by Eneco since that date.

**Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'**

- The amendments are designed to make the definition of 'material' in IAS 1 more easily understood while not altering the underlying concept of 'materiality' in IFRS standards.

- The concept of 'obscuring' material information by immaterial information is included as part of the new definition.

- The threshold for materiality that influences users has been changed from 'could influence' to 'could reasonably be expected to influence'.

- The definition has now been changed to "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

**Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' in respect of the 'Interest Rate Benchmark Reform' project (phase 1)**
The Group applies cash flow hedge accounting to hedge Euribor-based interest rate risks. Euribor will be replaced in the next few years by new interest rate benchmarks currently under development. The new benchmarks are not yet available for the Group's hedging relationships.

Application of hedge accounting requires an economic relationship between the hedged risk and the hedging instrument (interest rate swap contracts based on Euribor) and the highly probable fluctuations in the cash flows as the hedged risk (interest payments based on Euribor). Given the economic relationship and high level of probability of cash flows changing as a result of the replacement of Euribor, it may no longer always be possible to meet the requirements for hedge accounting under IFRS 9. Where appropriate IFRS permits transitional arrangements (temporary exemption) under which hedge accounting can continue during the transition to new interest rate benchmarks. Although the calculation methodology of Euribor changed during 2019, it is still compliant with the 'Benchmark Regulation' (BMR-compliant). This allows market participants, including Eneco and its counterparties in these transactions, to continue to use Euribor for both new and existing contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.

**Amendments to IFRS 3 'Business Combinations'**

- The amendments mean that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an 'input' and a 'substantive process' that together significantly contribute to the ability to create outputs.

- An acquired process (or group of processes) is considered 'substantive' if it:
  - is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or

  - significantly contributes to the ability to continue producing outputs and is considered unique or scarce; or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

- The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs has been removed.

- In addition the definitions of a 'business' and of 'outputs' have been narrowed by focusing on goods and services provided to customers.
- The reference to an ability to reduce costs has been removed.
- The IASB has introduced an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business - it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.
- These amendments to IFRS 3 are applied *prospectively* to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Other new IFRS standards, amendments to existing standards and/or new interpretations that will apply in later reporting periods and/or that have not yet been adopted by the European Commission and/or that are not relevant to the Group, are not addressed further in these financial statements.

## 1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Eneco Groep N.V., its subsidiaries and the relevant proportion of the joint operations, non-consolidated joint ventures, associates and other capital interests.

**Subsidiaries**
A subsidiary is an entity where the company exercises control. This means that the company controls, directly or indirectly, that entity's financial and business operations with the purpose of gaining economic benefits from the activities of that entity. Control is based on whether the investor (1) exercises control over the entity, (2) is exposed, or has rights, to variable returns from the investment in the entity and (3) has the ability to affect those returns through its control. In general, the company holds more than half the shares in its subsidiaries.

The financial statements of a subsidiary are recognised in the consolidated financial statements according to the full consolidation method from the date on which control is obtained until the date on which that control no longer exists. Potential voting rights which can be exercised immediately are also taken into account when determining whether control exists. Pursuant to the full consolidation method, 100% of the assets, liabilities, income and expenses from subsidiaries are recognised in the consolidated financial statements. Intercompany balance sheet positions, transactions and results on such transactions between subsidiaries are eliminated.

Non-controlling interests consist of the capital interests of minority shareholders in the fair value of the identifiable assets and liabilities when a subsidiary is acquired and the non-controlling interest in subsequent changes to the equity. Non-controlling interests in the equity and results of subsidiaries are disclosed separately.

**Joint operations/Joint ventures**
Joint operations and joint ventures are entities for alliances in respect of which there are contractual undertakings with one or more parties under which they have joint decisive control over that entity. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Only the Group's share of assets, liabilities, income and expenses of joint operations are consolidated, in accordance with the accounting policies of the Group. Joint ventures are recognised using the equity method in accordance with the accounting policies of the Group.

Interests in joint operations and joint ventures are recognised from the date on which joint control is obtained until that joint control no longer exists.

**Associates**
An associate is an entity where there is significant influence over the financial and operating strategy, but not control. In general, 20% to 50% of the voting rights are held in an associate. The share in associates is recognised in the consolidated financial statements using the equity method, in which initial recognition is at the cost of acquisition of the interest in the associate. The carrying amount is then adjusted by the share in the result less dividends received. The cost of acquisition of an associate is the amount at which an associate was acquired by Eneco. If this is higher than the value of the net identifiable assets acquired, it may include goodwill. Associates are recognised from the date on which significant influence has been obtained until the date on which that influence no longer exists. Results on transactions with associates are eliminated in proportion to the interest in the associate. Impairment losses on associates are not eliminated.

Losses on associates are recognised up to the amount of the net investment in the associate, including both the carrying amount and any loans granted to the associate. A provision is only formed for the share in further losses if the Group has assumed liability for those losses.

**Other capital interests**
Other capital interests are investments in entities in which the Group has an interest but where neither control nor significant influence can be exercised. These interests are carried at fair value with movements recognised through profit or loss. If its fair value cannot be reliably measured, a capital interest is carried at the cost of acquisition. Dividends are recognised through the income statement when they fall due.

## 1.4 Effects of the Covid-19 coronavirus pandemic

The consequences of the Covid-19 pandemic impacted some aspects of Eneco's business operations and earnings in 2020. In addition to volume and price effects on energy purchase and supply, they also affected the provision for expected credit losses on trade receivables. These effects are mainly reflected in lower revenues, adverse sourcing results from having to sell back energy volumes at lower market prices and increased other operating expenses. The impact of the Covid-19 pandemic on fair value measurement, hedge accounting, leases, financing, provisions and deferred tax assets has also been assessed, and this did not indicate a material impact for Eneco.

# 2. Accounting policies

## 2.1 General

The principal accounting policies used when preparing the 2020 financial statements are summarised below.

The accounting policies used in these financial statements are consistent with those set out in the 2019 financial statements except for the effect of amended standards as set out in 1.2 'Amended IFRS standards'.

**Judgements, estimates and assumptions**
In preparing the financial statements, management applied judgements, estimates and assumptions which affect the reported amounts and rights and obligations not disclosed in the balance sheet. The judgements, estimates and assumptions that have been applied are based on market information, knowledge, historical experience and other factors that can be deemed reasonable in the circumstances. Actual results could, however, differ from the estimates.

Judgements, estimates and assumptions are reviewed on an on-going basis. This applies particularly to the possible effects of the current Covid-19 pandemic.

**Judgements**
The following notes disclose information used when forming judgements when applying the accounting principles for financial reporting that have a significant effect on the amounts recognised in the consolidated financial statements:

- note 2.2 'Revenues' whether revenues under the items Energy supply and Energy-related activities are recognised 'over time or at a point in time';
- note 3 'Revenues from energy sales and energy-related activities': whether the Group acts as agent or principal (regarding the energy contracts and related grid fees); and
- the 'List of principal subsidiaries, joint operations, joint ventures and associates': the degree of control the Group has over such an investment.

**Estimates and assumptions**
Changes in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the change is made prospectively in the relevant periods. Notes that disclose information on the principal estimates and assumptions involving a considerable risk of a material change to the carrying amount of assets and liabilities or impact on the results include:

- note 3 'Revenues from energy sales and energy-related activities': estimated consumption relating to energy deliveries as set out in 2.2 (accounting policies for revenues);
- note 12 'Property, plant and equipment – owned assets': the useful lives of property, plant and equipment;
- note 13 'Property, plant and equipment – right-of-use assets and lease liabilities': the useful lives of lease assets if different from the lease term and the potential exercise of renewal options in leases;
- note 14 'Intangible assets': the useful lives of intangible assets and impairment and significant assumptions underlying realisable amounts when performing a goodwill impairment test;
- note 17 'Deferred taxes': recognition of deferred tax assets and availability of future taxable profits against which transferrable tax losses can be used;
- note 18.4 'Fair value hierarchy': the main assumptions for determining the fair value measurement of level 3 financial instruments on the basis of unobservable inputs;
- note 21 'Trade receivables': the main assumptions for determining the provision for doubtful debts and impairment of contract assets using the expected credit losses method; and
- notes 25 'Provisions for employee benefits' and 26 'Other provisions' (of which the decommissioning provisions are the greatest part): the main actuarial and other parameters and estimates of future cash outflows regarding these provisions.

**Impairment of assets**
There is evidence of an impairment when the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of the sale price less costs to sell and the value in use. An asset's value in use is based on the present value of estimated future cash flows calculated using a pre-tax discount rate which reflects the time value of money and the specific risks of the asset. The recoverable amount of an asset which does not

independently generate a cash flow and is dependent on the cash flows of other assets or groups of assets is determined for the cash-generating unit of which the asset is part.

A cash-generating unit is the smallest identifiable group of assets separately generating cash flows that are significantly independent of the cash flows from other assets or groups of assets. Cash-generating units are distinguished on the basis of the economic interrelationship between assets and the generation of external cash flows and not on the basis of separate legal entities.

Goodwill is allocated on initial recognition to one or more cash-generating units in line with the way in which the goodwill is assessed internally by the management. An impairment test on goodwill is performed each year to determine the recoverable amount. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 14 'Intangible assets'.

The recoverable amount of the asset or cash-generating unit concerned is determined if an impairment trigger analysis provides evidence of impairment. If the carrying amount of assets allocated to a cash-generating unit is higher than the recoverable amount, the carrying amount is reduced to the recoverable amount. This impairment is recognised through the income statement. Impairment of a cash-generating unit is first deducted from the goodwill attributed to that unit (or group of units) and then deducted proportionately from the carrying amount of the other assets of that unit (or group of units).

Impairment may be reversed through the income statement if the reasons for it no longer exist or have changed. Impairment is only reversed up to the original carrying amount less regular depreciation. Impairment losses on goodwill are not reversed.

**Foreign currencies**
The euro (€) is the Group's functional currency and the currency in which the financial statements are presented. Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into euros at the exchange rate prevailing on the reporting date. Foreign currency exchange differences that arise on translation are recognised through the income statement.

If the functional currency of a foreign subsidiary, joint operation, joint venture or associate is not the euro, foreign currency exchange differences arising from translation are recognised as translation differences in equity. The accumulated translation difference is recognised through the income statement when a foreign subsidiary, joint operation, joint venture or associate is sold or liquidated.

Translation differences on monetary items that are or were part of the net investment in such foreign operations are also accumulated in the translation reserve and released to profit or loss on sale of the foreign operation.

**Offsetting**
Receivables and payables with a counterparty are offset if there is a contractual right and the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In the absence of an intention or actual netted settlement, the existence of an asset or liability is determined for each contract.

## 2.2 Revenues

**Performance obligations**
Revenues are recognised on the basis of the expected consideration when the performance obligation for a good or service has been met. The consideration may consist of a fixed price with a variable price supplement for some types of product. Eneco only recognises the variable price when it is highly probable that the cumulative amount of the consideration will not be reversed in the future once uncertainty associated with the variable price is known. Contracts and any

separate performance obligations within them are identified to determine the revenues. There is a separate performance obligation if a good or service has a stand-alone value for the end user and delivery is not to a large extent dependent on other components of the contract. Once established, the transaction price is allocated to performance obligations by reference to the price at which the good or service is sold to customers.

Amounts invoiced and collected for the company's own risk (if Eneco acts as principal) are recognised as revenue. Amounts invoiced and collected for third parties (where Eneco is agent) are not recognised as revenue. The Group's payment terms are generally 15-30 days, depending on the type of customer.

It is established whether each performance obligation is met over time or at a point in time. Eneco is applying the practical solution in IFRS 15 of ignoring possible financing components in advances and periodic fees from customers if these are not significant according to assessments at portfolio level.

Performance obligations that have been or are still to be performed and settled in the preceding or subsequent period create contract assets or contract liabilities respectively. A contract asset from revenues is a conditional right to compensation for the Group in exchange for goods or services to the customer. Once the goods or services have been transferred to the customer and the Group has no further risk in the transaction, this asset is presented as a receivable (debtor or 'amount to be billed'). These receivables do not form part of the contract assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has or will receive compensation. Amounts to be settled under advances paid for energy are part of other liabilities and do not form part of the contract liabilities.

**Energy supply**
Revenues from the sale of energy to end-users are recognised over the period in which energy is supplied to a customer. If the Group pays sums to the customer during or at the end of the term of the contract, they are deducted from revenue during the term of the contract.

Sales to large-volume consumers are billed monthly based on meter readings. Billing for sales to retail consumers is also based on actual meter readings or readings taken throughout the year. Part of the amount of energy supplied to retail consumers during the reporting period and the resulting revenues is, therefore, estimated from historical consumption figures, standard customer profiles, weather conditions and applicable energy tariffs. Historical information on meter readings shows that the data used is sufficiently reliable to estimate usage at the reporting date.

A difference between the instalments billed and the actual amount of energy delivered to retail consumers is recognised as amounts still to be billed or amounts to be settled at the end of the reporting period. Contributions by heating customers for connection charges are recognised as contract liabilities and are recognised through profit or loss on a straight-line basis over the estimated useful life.

Revenues for energy delivered under ongoing energy contracts correspond directly with the amount consumed by the customer. Eneco is applying the practical solution in IFRS 15 of not disclosing the price of future performance obligations and only recognises delivery obligations in line with 'Contingent assets and liabilities' (see note 29).

**Energy-related activities**
Revenues from the construction, maintenance and leasing of energy installations and equipment, the sale of solar panels and rental of smart thermostats are recognised as revenues from energy-related activities. Revenue from installing equipment and sales of solar panels and smart thermostats is recognised when control of the good passes to the customer. Revenue from other energy-related activities is recognised over the period of supply.

**Government grants**
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants related to income as a contribution to costs are recognised as revenues in the period in which those costs are incurred.

## 2.3 Purchase cost of energy

Purchases of energy comprise directly attributable costs for the sale of energy to end-users. The purchase cost of energy and commodities contracts entered into with the intention of actually acquiring energy ('own use') is recognised in the same period as that in which the sales revenue is realised.

Additional costs incurred to win contracts are capitalised as prepaid expenses and amortised over the term of the contract provided that they will be recovered. The amortisation charge is presented under 'Purchases of energy' in the income statement. Acquisition costs for contracts with a term of one year or less are charged directly to the result.

## 2.4 Financial income and expenses

Financial income and expenses comprise interest income from outstanding investments, dividend revenues from other capital interests, interest charges on borrowings, interest charges arising from the periodic addition of interest to provisions and lease liabilities, foreign exchange rate gains and losses and gains and losses on financial hedging instruments recognised through the income statement. Interest income and expenses are recognised using the effective interest method. Dividend revenues from other capital interests are recognised when they fall due.

## 2.5 Income taxes

Income taxes comprise current taxes and movements in deferred taxes. These amounts are recognised through the income statement unless they concern items that are recognised directly through equity.

Current tax is the likely amount of income taxes payable or recoverable in respect of the taxable profit or loss for the year under review and is calculated on the basis of applicable tax legislation and rates.

Income taxes comprise all taxes based on taxable profits and losses, including taxes which subsidiaries, associates or joint ventures must pay on distributions to the Group.

Additional income taxes on the result before dividend distributions are recognised at the same time as the obligation to distribute that dividend is recognised.

## 2.6 Property, plant and equipment - owned assets

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the initial acquisition price plus all directly attributable costs. Cost of assets constructed by the company comprises the cost of materials and services, direct labour and other directly attributable costs. Contributions towards cost from third parties and government grants are deducted from the cost, provided they are not contributions from customers. Cost includes an estimate of the present value of the cost of dismantling, demolishing and removing the item when it ceases to be used and of restoring the site on which it is located, if there is a legal or constructive obligation to do so.

Financing costs (interest) directly attributable to the purchase, construction or production of an eligible asset are recognised in cost. If an asset comprises multiple significant components with differing useful lives, these components are recognised separately.

**Government grants**
Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been or will be met and that the grants have been or will be forthcoming. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

**Expenditure incurred subsequent to initial recognition**
Expenses incurred at a later date are only added to the carrying amount of an asset if and to the extent that the condition of the asset is improved compared to the originally formulated performance standards. Repair and maintenance are recognised through the income statement in the period in which the costs are incurred.

**Depreciation**
The depreciation charge for each period is recognised through the income statement using the straight-line method based on estimated useful life, taking into account the estimated residual value. Useful lives and residual values are reassessed annually and any changes are recognised prospectively. Land, sites and assets under construction are not depreciated.

The following useful lives are applied:

| Category | Useful life in years |
|---|---|
| Buildings | 25 - 50 |
| Machinery and equipment | 10 - 50 |
| Other operating assets | 3 - 25 |

## 2.7 Property, plant and equipment - right-of-use assets and lease liabilities

**General**
From 1 January 2019, leases are recognised in the balance sheet as a right-of-use asset with a corresponding lease liability on the date on which the lease asset becomes available for use at Eneco. The assessment of whether a contract is or contains a lease is carried out at the start of that contract. If payments include non-lease components (such as maintenance or service charges), these are not recognised in the balance sheet but are charged to the result over the period to which the performance relates.

Low-value leases for assets with a value of less than $5,000 (€5,000 is used for practical reasons) or with a lease term of less than 12 months are exempt from capitalisation under IFRS 16 'Leases' and the Group has made use of this exemption.

**Measurement of lease liabilities**
Liabilities arising from a lease are initially recognised using the present value of the following types of lease payment:

- fixed payments (including payments that appear to be variable but which by their nature are fixed) less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;

- the exercise price of a purchase option if it is reasonably certain that the option will be exercised;

- the lease payments resulting from a renewal option if it is reasonably certain that the option will be exercised; and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

A lease liability is initially discounted using the rate of interest implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate of the relevant class of asset is used. This is the rate of interest that Eneco would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment and on similar terms.

The lease liability is decreased by lease payments and increased by the addition of interest (interest implicit in the lease or the incremental borrowing rate). The interest charge from adding interest to the lease liabilities is recognised through the income statement in 'Financial expenses'. These financing charges are charged to the result over the lease period in a way that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Eneco reassesses a lease and remeasures the lease liability and associated right-of-use asset if:

- the lease term is changed or there is a change in the assessment of exercising a purchase option;

- there is a change in future fixed or variable lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the amount expected to be payable under the residual value guarantee; and

- a lease is modified and the modification of the lease is not accounted for as a separate lease.

**Measurement of right-of-use assets**
Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs; and

- restoration (dismantling) costs if required by the contract.

The right-of-use asset is subsequently depreciated and charged to the result on a straight-line basis over the shorter of the useful life and the lease period of the asset.

The following useful lives are applied:

| Category | Useful life in years |
|---|---|
| Land and buildings | 5 - 37 |
| Machinery and equipment | 6 - 18 |
| Other operating assets | 1 - 5 |

Under IFRS 16, the right-of-use assets are assessed for impairment in accordance with IAS 36 'Impairment of Assets'. Consequently, the requirement in the previous standard, IAS 17, to form a provision for an onerous contract lapses.

**Amounts not included in the measurement of lease liabilities**
These are the following amounts:

- payments related to short-term leases and low-value leases. Short-term leases are those with a lease term of 12 months or less and low-value lease assets are mainly ICT equipment and small items of office furniture; and
- variable lease payments that do not depend on an index or a rate.

These payments are recognised in the period in which an event or condition occurs and are charged to the income statement in line item 'Cost of contracted work and other external costs'.

## 2.8 Leases – leasing property, plant and equipment

A lease where Eneco, as lessor, has in fact all the benefits and risks of ownership is designated as an operating lease; otherwise, such agreements are recognised as finance leases. This accounting policy has not changed because of the implementation of IFRS 16 from 1 January 2019.

Property, plant and equipment made available to third parties by means of an operating lease is recognised in accordance with the accounting policies for property, plant and equipment. Lease income is recognised in the income statement on a straight-line basis over the lease term unless a different allocation is more in line with the pattern of the revenues obtained from the leased asset. Any charges, for example for service and repairs, included in the lease instalments are recognised in accordance with the criteria for providing services.

Property, plant and equipment made available to third parties by means of a finance lease is recognised as a receivable for the net investment in the assets. Lease instalments are then broken down into interest and repayment components based on a constant periodic rate of interest. The interest component is recognised through the income statement in the relevant period. The repayment component is deducted from the lease receivable.

## 2.9 Goodwill

The acquisition price of a subsidiary, joint operation, joint venture or associate is equal to the amount paid to purchase the interest. If the acquisition price is higher than the share in the fair value at the date of acquisition of the identifiable assets, liabilities and contingent liabilities, the excess is recognised as goodwill. Any shortfall is recognised as a gain (bargain purchase) through the income statement.

Goodwill is measured at cost less impairment. Goodwill is allocated to one or more cash-generating units. Goodwill is tested for impairment annually.

Goodwill purchased on acquisition of subsidiaries and joint operations is recognised in the balance sheet in intangible assets. Goodwill paid to acquire an interest in a joint venture or associate is included in the cost of acquisition.

## 2.10 Other intangible assets

Other intangible assets comprise customer databases acquired with acquisitions, software and licences, concessions, permits, other rights, trade names and development costs. The related costs are capitalised if it is probable that these assets will have an economic benefit and their costs can be reliably measured. Other intangible assets are recognised at cost less accumulated amortisation and impairment.

### Customer databases
A customer database obtained from an acquiree in a business combination or asset acquisition is initially recognised at fair value, including purchased capitalised contract acquisition costs. This value is determined on the date of acquisition on the basis of the most recent comparable transactions if the economic conditions are comparable or, if they are not, the fair value is determined from the present value of the estimated future net cash flow from this asset.

### Software and licenses
Software is capitalised at cost. Cost of standard and customised software comprises the one-time costs of licences plus the costs of making the software ready for use. All costs attributable to software which qualifies as an intangible asset are recognised at cost. Costs of software maintenance are recognised as an expense in the period in which they are incurred.

### Concessions, permits and other rights
Concessions, permits and other rights (obtained or purchased as part of a business combination) relate mainly to the use of property, plant and equipment (for example, wind and solar farms) and the related rights and obligations, such as subsidy and other formal decisions by the government. These are initially recognised at cost or at fair value in the case of a business combination.

### Trade names
If, for commercial reasons, the Group decides to retain the trade name of a party acquired as part of a business combination, it is recognised initially at fair value, determined using the 'relief from royalty method' on the acquisition date.

### Development costs
Development costs are the costs of applying knowledge acquired through research by the company or a third party for a plan or design for the manufacture or application of improved materials, products, processes, systems or services, prior to the commencement of commercial manufacture or use. Development costs are only capitalised if they can be regarded as intangible assets. If this is not the case, they are recognised as an expense in the period in which they are incurred. Research costs are the costs of research aimed at the acquisition of new scientific or technical knowledge and understanding and are recognised through the income statement in the period in which they are incurred.

### Amortisation
Amortisation is recognised as an expense on the basis of the estimated useful life from the time that the relevant asset is taken into use. Other intangible assets are amortised using the straight-line method. The residual value of these assets is nil.

The following useful lives are applied:

| Category | Useful life in years |
|---|---|
| Customer databases | 6 - 20 |
| Software and licenses | 3 - 30 |
| Concessions, permits and other rights | 3 - 30 |
| Trade names | 20 |
| Development costs | 5 - 15 |

## 2.11 Emission rights

Emission rights are categorised on initial recognition either as rights intended for the company's own use or as rights destined to be traded.

Emission rights held for periodic redeeming to the government for actual $CO_2$ emissions (company's own use) are recognised as current intangible assets and measured at cost. A provision, also carried at cost, is formed for this redemption obligation. If a shortfall in the quantity required for redeeming is expected, an addition, charged through the income statement, is made to this provision for the lower of the market value of that shortfall or the penalty expected to be due for that shortfall.

Emission rights held for trading purposes are recognised as derivative financial instruments. The profit or loss arising from revaluing these rights to fair value is recognised directly through the income statement as Other revenues.

## 2.12 Deferred taxes

Deferred taxes are calculated using the balance sheet method for the relevant differences between the carrying amount and taxable value of assets and liabilities. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and tax legislation. Deferred taxes are recognised at face value.

Deferred tax assets are recognised for temporary differences available for relief, tax losses carried forward and the settlement of unused tax credits. This is only permitted if and to the extent it is probable that future taxable profit will become available, so enabling an offset of unrelieved tax losses and unused taxed credits.

Deferred tax assets for all temporary differences available for relief relating to investments in subsidiaries, joint operations and interests in associates and joint ventures are only recognised if it is probable that the temporary difference will be settled in the near future and that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, joint operations and interests in associates and joint ventures, unless the Group can determine the time at which the temporary difference will be settled and it is probable that the temporary difference will not be settled in the near future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off tax assets against tax liabilities and where the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same fiscal unity.

## 2.13 Derivative financial instruments

There is exposure to risks in operational and financing activities arising from developments in market prices of energy commodities (electricity, gas, oil, etc.), foreign currencies, interest rates and emission rights. Derivative financial instruments such as foreign exchange contracts and swap contracts are used to manage these risks. In the case of commodity contracts, the instruments are categorised as for own use or hedging when the transaction is entered into.

**Measurement and recognition**
Derivative financial instruments are measured at fair value. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price, that instrument will be accounted for as follows:

- at fair value if this is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price shall be recognised as a gain or loss in the income statement;

- in all other cases (i.e. level 2 and level 3 inputs), also measured at fair value, the difference between the fair value at initial recognition and the transaction price is deferred. After initial recognition, that deferred difference shall be recognised as a gain or loss in the income statement on an appropriate basis over the contract period of the instrument.

Movements in the fair value of derivative financial instruments are recognised directly through the income statement, unless the derivative financial instruments are for own use or hedge accounting is applied.

Fair value measurement of derivative and other financial instruments depends on their level in the fair value hierarchy:

Level 1
The fair value of financial instruments in level 1 is based on using unadjusted quoted prices in active markets for identical instruments.

Level 2
The fair value of financial instruments in level 2 is based on market prices or pricing statements and other available information. Where possible, the measurement method uses observable market prices. Level 2 energy commodity contracts are measured using market prices or pricing statements for periods in which an active market exists for the underlying commodities such as electricity, gas (title transfer facility), oil-related prices and emission rights. Other contracts are measured by agreement with the counterparty, using observable interest rate and foreign currency forward curves.

Level 3
The fair value of financial instruments in level 3 is based on calculations involving significant inputs that are not based on observable market data.

**Presentation in the balance sheet**
Derivative financial instruments with a positive value are recognised as current (settlement within one year) or non-current (settlement after one year) assets. Instruments with a negative value are recognised as current or non-current liabilities. Assets and liabilities with each counterparty and with the same maturity date are offset on a monthly basis if there is a contractual right and the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Own use**
Contracts are classified for own use if they are settled by physical delivery or receipt of energy commodities or emission rights in line with the company's needs. Transactions based upon these contracts are recognised through the income statement in the period in which delivery or receipt takes place (accrual accounting).

**Cash flow hedge accounting**
Contracts are classified as hedging instruments if the risk of fluctuations in current or future cash flows which could affect the result is hedged. If the hedge can be attributed to a particular risk or to the full movement in the transaction (energy contracts) associated with an asset, liability or highly probable forecast transaction, the attributed derivative financial instruments are recognised as hedging instruments.

If the conditions for hedge accounting are met, the effective portion of the changes to the fair value of the derivative financial instruments concerned are recognised directly in the equity through the cash flow hedge reserve. The ineffective portion is recognised through the income statement.

Amounts recognised through equity are recognised through the income statement when the hedged asset or liability is settled. When a hedging instrument expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met, although the underlying future transaction has yet to take place, the accumulated result remains in equity (in the cash flow hedge reserve) until the forecast future transaction has taken place. If the forecast future transaction is no longer likely to take place, the cumulative result is transferred directly from equity to the result.

**Hedges of net investment in a foreign operation**
Net investment hedge accounting is applied to mitigate translation differences on foreign non-euro operations. Application of this type of hedge accounting means that foreign currency exchange differences arising from translation of foreign operations and those on financial instruments (such as loans or currency foreign exchange contracts) allocated to them are recognised through the translation reserve (taking into account deferred tax) until the end of the hedging relationship or earlier termination.

## 2.14 Other financial assets

Other financial assets are mainly long-term items with a term of more than one year, such as loans, receivables and prepayments due from associates, joint ventures or third parties. Long-term receivables, loans and prepayments are recognised at fair value and subsequently measured at amortised cost using the effective interest method. To the extent necessary, other receivables and loans are impaired using the expected credit losses method in IFRS 9. See note 2.17 'Trade and other receivables' for more information on this method.

## 2.15 Assets and liabilities held for sale

Assets (and liabilities of an asset group) held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the asset group or operations are available for immediate sale in their present condition and the sale is expected to be completed within one year. If activities to be disposed are classified as discontinued operations (e.g. significant business units), their results and the comparative figures in the income statement are presented on the discontinued operations line. Where necessary, eliminations for consolidation are made.

Assets and asset groups held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

## 2.16 Inventories

Inventories are recognised at the lower of weighted average cost and net recoverable amount. Cost of inventories is the purchase price including directly attributable costs incurred to bring the inventories to their current location and state. Net recoverable amount is the estimated sales price in the ordinary course of business less forecast costs of sale. Impairment of inventories is recognised through the income statement if the carrying amount exceeds the net recoverable amount.

## 2.17 Trade and other receivables

Trade and other receivables are receivables with a term of less than one year. Performance delivered by Eneco at the reporting date but not yet billed to the customer, including amounts that have still to be invoiced on the reporting date in addition to the advances already invoiced are recognised as ‘Amounts to be invoiced’. Receivables are recognised at fair value and subsequently measured at amortised cost less impairment losses using the expected credit losses method in IFRS 9.

Impairment of trade receivables is determined over the full lifetime of the asset (‘lifetime expected credit losses method’ in IFRS 9). This is done for trade receivables using a provision matrix based on historical figures for losses on each category/type of debtor, adjusted for non-recurring past effects, that reflects relevant information on current circumstances and offers a reasonably reliable forecast and the implications for the expected losses. This measurement is made for other receivables (current and non-current) using the 12-month expected credit losses method.

Trade receivables are written off when there is no reasonable expectation of receiving full or partial payment of the receivable or amount still to be invoiced.

Impairment of trade receivables is presented as ‘Other operating expenses’ in the operating profit. Later reversals of amounts written off are credited to the same line in the income statement.

Receivables with a term of less than one year are not measured at present value on initial recognition. In view of their short-term nature, the carrying amount of trade and other receivables at the reporting date is equal to their fair value.

## 2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with a maturity of approximately three months or that can be called within approximately three months.

## 2.19 Provisions for employee benefits

**Defined-contribution pensions**
Pension liabilities of almost all Dutch business units have been placed with the industry-wide pension funds: Stichting Pensioenfonds ABP (ABP) and the Stichting Pensioenfonds Metaal en Techniek (PMT). There is a state pension plan for employees in Germany; contributions are collected with the social security charges on the employee’s salary. A limited number of employees have individual plans insured with various insurance companies.

In the event of future shortfalls, the pension funds may only adjust future contributions and only within a limited range. Under IFRS, the ABP and PMT plans are classified as multi-employer defined-contribution plans. A defined-contribution plan is a plan in which a fixed contribution is paid for the benefit of an employee without any further claim by or liability to that employee. Liabilities in respect of contributions to pension and related plans on the basis of available contributions are recognised as an expense in the income statement in the period to which they relate.

The amount of the pension in the Netherlands depends on age, salary and years of service. Employees may opt to retire earlier or (with the Group’s agreement) later than the state retirement age, in which case their pension is adjusted accordingly. At ABP this is between 60 and the state retirement age plus 5 years and at PMT between 5 years before and 5 years after the state retirement age.

**Defined-benefit plans**
Defined-benefit plans are obligations to pay out future pension entitlements. The defined-benefit entitlements depend on age, years of service and salary. The liabilities under defined-benefit plans are calculated actuarially for each plan separately. This applies mainly for the pensions plans in Belgium, which are classified as defined-benefit plans since the employer has issued a certain guarantee on returns.

Liabilities for defined-benefit plans are based on the actuarial present value of the liability determined using the projected unit credit method that is based on a straight-line accrual of rights using projected salaries and takes into account aspects such as future salary increases and inflation. The net liabilities are determined as the net amount of the actuarial present value of the liabilities and the fair value of the fund assets according to actuarial reports. Service charges and net interest are included in employee benefits. Gains and losses on settlement of a defined-benefit plan are taken and recognised in the result at the time of settlement. Actuarial gains and losses on the revaluation of a net pension liability are recognised in the statement of comprehensive income.

**Other provisions for employee benefits**
A provision is recognised for the obligation to pay out amounts related to long-service benefits and on the retirement of employees. A provision is also recognised for the obligation to contribute towards the health insurance premiums of retired employees, salary payments in the event of illness and the employer's risk under the Unemployment Act. Where appropriate, these liabilities are calculated actuarially at the reporting date using the projected unit credit method, using a pre-tax discount rate which reflects the current market assessment of the time value of money.

## 2.20 Other provisions

A provision is recognised when, due to a past event, there is a present legal or constructive obligation that is of an uncertain size or that will occur at an uncertain future date, and where its settlement will probably lead to outgoings of an economic nature.

Provisions that will be settled within one year of the reporting date, or that are of limited material significance, are recognised at face value. Other provisions are recognised at the present value of the expected expenditure. The specific risks inherent to the relevant obligation are taken into account when determining this expenditure. The present value is calculated using a pre-tax discount rate which reflects the current market valuation of the time value of money. The determination of the expected expenditure is based on detailed plans in order to limit the uncertainty regarding the amount.

**Decommissioning**
A provision is recognised that equals the present value of the expected costs where there is an obligation to dismantle, demolish or remove an item of property, plant or equipment when it ceases to be used. No decommissioning provision is formed if there is only a remote likelihood of an outflow of resources under the obligation. The initial recognition of the decommissioning provision for an asset is included in the cost of that asset. If a subsequent assessment shows that the present value of the estimated decommissioning and restoration costs differs considerably from the provision, the difference is settled as an addition or release against the cost of the asset concerned. The adjusted cost is then depreciated over the remaining useful life of that asset. Interest is added regularly to the decommissioning provision.

**Onerous contracts**
A provision for onerous contracts is recognised when it is probable that the unavoidable costs of meeting the contractual obligations exceed the economic benefits to be derived from the contract.

**Restructuring**
A restructuring provision is recognised if a formal plan for the restructuring has been approved and its main features have been announced to those affected by it and there is a valid expectation that the restructuring will be carried out. A restructuring provision only includes the expenditures necessarily entailed by the restructuring and not those relating to continuing activities.

## 2.21 Interest-bearing debt

On initial recognition, interest-bearing debt is carried at fair value of the consideration received less the directly attributable transaction costs (including any premium/discount). Subsequent to initial recognition, interest-bearing debt is recognised at amortised cost using the effective interest method.

## 2.22 Trade creditors and other payables

Trade creditors and other payables are recognised at fair value and subsequently at amortised cost. Payables with a term of less than one year are not discounted on initial recognition. In view of their short-term nature, the carrying amount of trade and other payables at the reporting date is equal to their fair value.

Contributions received from district heating customers for connection costs are part of the contract liabilities.

# Notes to the consolidated income statement

All amounts in millions of euros unless stated otherwise.

## 3. Revenues from energy sales and energy-related activities

The tables below show revenues from energy sales and energy-related activities broken down by type of product and geographical market.

| | 2020 | 2019 |
|---|---|---|
| Electricity | 2,548 | 2,457 |
| Gas | 1,165 | 1,430 |
| District heat | 279 | 298 |
| Energy-related activities | 98 | 86 |
| **Total** | **4,090** | **4,271** |

Electricity revenue in 2020 included €125 million (2019: €115 million) of government grants. See note 11 'Government grants' for more information.

Each year, the Group settles prior year revenues with its customers. In 2020, revenue of €10 million that related to earlier years of supply was recognised (2019: €26 million).

| | 2020 | 2019 |
|---|---|---|
| Netherlands | 2,555 | 2,893 |
| Belgium | 551 | 627 |
| Germany | 932 | 669 |
| United Kingdom | 51 | 82 |
| Other | 1 | - |
| **Total** | **4,090** | **4,271** |

Revenue for 2020 included transmission charges of some €266 million (2019: €205 million) invoiced on behalf of grid operators and some €373 million (2019: €261 million) of environmental and other levies and taxes, both from operations in Germany as, under local regulations, Eneco is acting as principal for these items.

## 4. Other revenues

Other revenues include the recharge of costs, sales of $CO_2$ rights, settlement of claims and the release of contributions to connection charges.

# 5. Employee benefits

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 176 | 199 |
| Social security contributions | 25 | 23 |
| Pension contributions | 19 | 18 |
| Other employee benefits | 19 | 20 |
| **Total** | **239** | **260** |

Total employee benefits were €263 million (2019: €281 million). €16 million (2019: €13 million) of employee benefits have been capitalised. As their nature is directly related to revenue, employee benefits of €8 million (2019: €8 million) have been recognised as part of Purchases of energy and energy-related activities.

### Headcount

The table below shows average headcount during the year expressed in full-time equivalents (FTE):

| | 2020 | 2019 |
|---|---|---|
| **Average** | | |
| FTEs employed | 2,819 | 2,775 |
| of whom, working outside the Netherlands | 769 | 766 |
| | | |
| **At 31 December** | | |
| FTEs employed | 2,835 | 2,802 |

# 6. Remuneration of the Management Board and Supervisory Board

### Remuneration of the Management Board

*The following arrangements were in place between 1 January and the date of the share transfer on 24 March 2020:*

The remuneration policy in force in 2019 was applied unchanged in this period in 2020. The remuneration of the members of the Management Board[1] other than Mr Sondag consisted of a fixed salary and short-term variable remuneration. Mr Sondag received only a fixed salary. If certain targets were achieved ('on-target'), the variable salary amounted to 20% of the salary including the holiday allowance. As in 2019, the variable remuneration of the members of the Management Board in the period to 24 March 2020 was dependent on performance criteria. The main criteria for the variable remuneration were largely in line with Eneco's strategic themes.

Mr Sondag stepped down as chairman of the Management Board with effect from 25 March 2020. Mr Sondag had a fixed-term contract of employment that was entered into for four years (with a period of notice of six months for the company N.V. Eneco Beheer) and it was terminated on 1 October 2020.

*The following arrangements have been in place since the share transfer:*

The remuneration policy for the Management Board as proposed by the Supervisory Board was approved at the General Meeting of Shareholders of Eneco Groep N.V. on 29 May 2020 and has been applied by the Group since 24 March 2020. The remuneration of the Management Board is

1 Members of the Management Board and Supervisory Board are regarded as key management personnel pursuant to IAS 24 'Related Party Disclosures'.

determined by the Supervisory Board on the recommendation of the Remuneration, Selection and Appointments Committee.

In addition to a fixed salary, the policy provides for variable remuneration consisting of a short-term incentive (STI) and a long-term incentive (LTI).[1] The short-term variable remuneration (twelve months from 1 April 2020) is granted on the basis of targets set each year by the Supervisory Board for the financial result (EBITDA, with a weight of 60%) and for customer satisfaction and employee engagement (each with a weight of 20%). On-target short-term variable remuneration is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%.

The grant of long-term variable remuneration is fully dependent on the improvement of the financial result (EBITDA) over a period of three years starting on 1 April 2020. On-target long-term variable remuneration is 30% of the fixed annual salary including the holiday allowance and above-target is capped at 40%. The level of achievement is assessed at the end of the relevant three-year period.

The pension entitlements of the members of the Management Board have been placed with Eneco's standard pension plan. Since 1 January 2015, tax facilities for accrual of pension entitlements have been limited to an indexed maximum gross annual salary of €110,111 (2020). As a result, the contribution to pensions for the part of the gross salary in excess of €110,111 (2020) is presented in the Other pension compensation column in the Remuneration of the Management Board table below.

The current employment contracts with the members of the Management Board are for an unlimited time with a period of notice of four months for the company (N.V. Eneco Beheer) and two months for the members of the Management Board. The members of the Management Board have been appointed for a period of four years. The members of the Management Board are entitled to a payment of 12 months salary including the holiday allowance if the employment agreement is terminated by or at the initiative of the company.

Mr Dubbeld (CFO) stepped down as CFO with effect from 1 February 2021.

1 Short and long-term variable remuneration applies to the period 1 April to 31 March, in line with the financial year of the new shareholder.

Total remuneration was as follows:

| Remuneration of the Management Board[1] x €1,000 | Gross salary | Variable remuneration to 24 March 2020 | Variable remuneration (STI) from 24 March 2020[2] | Variable remuneration (LTI) from 24 March 2020[3] | Pension contributions | Other pension compensation | Other[4,5] | Total 2020 |
|---|---|---|---|---|---|---|---|---|
| L.M. Sondag[6] | 129 | - | - | - | 10 | 14 | 343 | 496 |
| A.C. Tempelman[7] | 303 | - | 90 | 30 | 18 | 36 | - | 477 |
| C.J. Rameau | 434 | 24 | 98 | 33 | 35 | 46 | - | 670 |
| G.A.J. Dubbeld | 434 | 24 | 98 | 33 | 35 | 46 | 460 | 1,130 |
| F.C.W. van de Noort | 410 | 20 | 98 | 33 | 31 | 43 | - | 635 |
| J.A.F.M. Peters[8] | 343 | - | 98 | 33 | 21 | 36 | - | 531 |
| H. Sakuma[9] | 346 | - | 98 | 33 | 24 | 36 | - | 537 |
| **Total** | **2,399** | **68** | **580** | **195** | **174** | **257** | **803** | **4,476** |

1 'Gross salary', 'variable remuneration' and 'variable remuneration (STI)' meet the definition of short-term employee benefits in IAS 19 'Employee Benefits' and IAS 24 'Related Party Disclosures'. 'Variable remuneration (LTI)' is covered by the definition of other long-term employee benefits in both IFRS standards. 'Pension contributions' and 'other pension compensation' are in line with the definition of post-employment benefits. The remuneration in the 'Other' column is in line with the definition of termination benefits in IAS 19 and IAS 24.
2 This amount has been calculated assuming on-target achievement of the financial and non-financial targets after the one-year period. The amount of short-term variable remuneration for 2020 is an estimate based on nine months (1 April - 31 December).
3 This amount has been calculated assuming on-target achievement of the financial targets after the three-year period. The amount of long-term variable remuneration for 2020 is an estimate based on nine months (1 April - 31 December).
4 Mr Sondag: continued payment of salary for the period 25 March – 1 October 2020 (the notice period of six months for the company under the contract of employment) during which Mr Sondag was not required to work.
5 Mr Dubbeld: this is the compensation at the end of employment (1 April 2021) as contractually agreed.
6 Salary to 24 March 2020.
7 Mr Tempelman was appointed with effect from 1 July 2020.
8 Mr Peters was appointed with effect from 24 March 2020.
9 Mr Sakuma was appointed with effect from 24 March 2020.

| x €1,000 | Gross salary | Variable remuneration | Pension contributions | Other | Total 2019 |
|---|---|---|---|---|---|
| L.M. Sondag | 558 | N/A | 32 | 60 | 650 |
| C.J. Rameau | 395 | 85 | 28 | 40 | 548 |
| G.A.J. Dubbeld | 395 | 100 | 28 | 40 | 563 |
| F.C.W. van de Noort | 332 | 78 | 25 | 30 | 465 |
| **Total** | **1,680** | **263** | **113** | **170** | **2,226** |

### Remuneration of the Supervisory Board

*The following arrangements were in place between 1 January and the date of the share transfer on 24 March 2020:*
Until 24 March 2020, the remuneration of the chairman of the Supervisory Board was €36,500 per year. On 26 July 2018, the Enterprise Chamber of the Amsterdam Court of Appeal appointed Ms C.M. (Charlotte) Insinger as temporary Chair of the Supervisory Board of Eneco. Further to this, it was agreed that she would bill per hour up to a maximum sum of one-and-a-half times the remuneration for the chairman of the Supervisory Board set out above (amount excluding VAT but including the fixed expense allowance and remuneration for membership of committees). Her appointment by the Enterprise Chamber of the Amsterdam Court of Appeal was terminated on 24 March 2020.

The other members of the Supervisory Board each received an annual remuneration of €28,700. The members of the Audit Committee and the Remuneration, Selection and Appointments Committee received additional annual fees of €5,200 and €3,150 respectively. Each member of the Supervisory Board received a fixed expense allowance of €1,150 per year.

*The following arrangements have been in place since the share transfer:*
The General Meeting of Shareholders adopted a new remuneration policy for the Supervisory Board with effect from 24 March 2020.

The remuneration of the chair of the Supervisory Board is €80,000 per year. The other members of the Supervisory Board each receive an annual fee of €60,000. The chairman and members of the Audit Committee receive additional annual fees of €10,000 and €7,500 respectively. The chairman and members of the Remuneration, Selection and Appointments Committee receive additional annual fees of €8,500 and €6,500 respectively. Each member of the Supervisory Board receives a fixed expense allowance of €1,150 per year.

Total remuneration was as follows:

| **To 24 March 2020** | | **Committees** | | | |
|---|---|---|---|---|---|
| x €1 | Remuneration | Audit committee | Remuneration / selection and appointments committee | Expenses | **Total to 24 March 2020** |
| C.M. Insinger, chairman | 13,688 | - | - | - | 13,688 |
| M.B.A. Keim | 6,617 | 1,199 | - | 265 | 8,081 |
| R. Zandbergen | 6,617 | 1,199 | - | 265 | 8,081 |
| A. Nicolaï | 6,617 | - | 726 | 265 | 7,608 |
| M. Enthoven | 6,617 | 1,199 | - | 265 | 8,081 |
| E.Ph. Goudswaard | 6,617 | - | 726 | 265 | 7,608 |
| **Total** | **46,773** | **3,597** | **1,452** | **1,325** | **53,147** |

| **From 24 March 2020** | | **Committees** | | | |
|---|---|---|---|---|---|
| x €1 | Remuneration | Audit committee | Remuneration / selection and appointments committee | Expenses | Total from 24 March 2020 |
| J.M. Kroon, chairman | 61,556 | 5,771 | 5,001 | 885 | 73,213 |
| M. Enthoven | 46,167 | 7,694 | 6,540 | 885 | 61,286 |
| M.B.A. Keim[1] | 31,167 | - | 3,376 | 597 | 35,140 |
| K. Nakanishi[2] | - | - | - | - | - |
| Y. Kashiwagi[2] | - | - | - | - | - |
| H. Sato[2] | - | - | - | - | - |
| T. Shiozawa[2] | - | - | - | - | - |
| J.M. Roobeek[3] | 15,000 | - | 1,625 | 288 | 16,913 |
| **Total** | **153,890** | **13,465** | **16,542** | **2,655** | **186,552** |

1 Mr Keim stepped down as a supervisory director by agreement on 1 October.
2 Mr Nakanishi, Mr Kashiwagi, Mr Sato and Mr Shiozawa have voluntarily waived their remuneration entitlements.
3 Ms. Roobeek was appointed as a supervisory director on 1 October.

| **2019** | | **Committees** | | | |
|---|---|---|---|---|---|
| x €1 | Remuneration | Audit committee | Remuneration / selection and appointments committee | Expenses | Total 2019 |
| C.M. Insinger, chairman | 54,750 | - | - | - | 54,750 |
| F.J. Leeflang | 28,700 | - | 3,150 | 1,150 | 33,000 |
| M.B.A. Keim | 28,700 | 5,200 | - | 1,150 | 35,050 |
| R. Zandbergen | 28,700 | 5,200 | - | 1,150 | 35,050 |
| A. Nicolaï | 28,700 | - | 3,150 | 1,150 | 33,000 |
| M. Enthoven | 28,700 | 5,200 | - | 1,150 | 35,050 |
| E.Ph. Goudswaard | 28,700 | - | 3,150 | 1,150 | 33,000 |
| **Total** | **226,950** | **15,600** | **9,450** | **6,900** | **258,900** |

## 7. Share of profit of associates and joint ventures

The associates and joint ventures are included in the 'List of principal subsidiaries, joint operations, joint ventures and associates' in these financial statements.

| | 2020 | 2019 |
|---|---|---|
| Share in net profit | 13 | 9 |
| (Reversal) Impairment | 1 | -9 |
| **Total** | **14** | **-** |

## 8. Financial income

Financial income mainly concerned interest income on a loan to a joint venture relating to the financing of an off-shore wind farm which was repaid in June and September 2020.

## 9. Financial expenses

| | 2020 | 2019 |
|---|---|---|
| Interest expenses[1] | 11 | 12 |
| Interest added to provisions and lease liabilities[1] | 5 | 6 |
| Other | 5 | 6 |
| **Total** | **21** | **24** |

1 2019 amounts restated for comparative purposes.

See note 27 'Interest-bearing debt' for the average interest rate on the debt.

## 10. Income tax on the result

The table below shows the tax on the result:

| | 2020 | 2019 |
|---|---|---|
| Current tax expense | 37 | 52 |
| Movements in deferred taxes | 10 | -15 |
| **Income tax** | **47** | **37** |

Eneco Groep N.V. is an autonomous taxpayer for corporate income tax purposes. In addition, the sole subsidiary, N.V. Eneco Beheer, heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries.

On 15 December 2020 the Dutch Senate approved the 2021 Tax Plan, which reverses the reduction in corporate income tax rate previously decided (from 25% to 21.7% as from 2021). Eneco has incorporated the effect of this reversal in the measurement of its deferred tax assets and liabilities to the extent that they relate to entities subject to Dutch corporate income tax (in accordance with the provisions of IAS 12 'Income Taxes'). The decision not to reduce the income tax rate in the Netherlands as from 2021 has led to a net increase of €22 million in deferred tax assets and liabilities. This has been recognised in the result for 2020 (deferred tax charge) and shown as 'Movements in deferred taxes (effect rate change)' in the table above and as part of 'Income tax' in the income statement.

An income tax reduction (from 19% to 17%) previously decided in the United Kingdom has been reversed in 2020. This has led to a net increase of €1 million in deferred tax assets and liabilities. This amount has also been recognised in the result for 2020 (deferred tax charge).

The corporate income tax rates for Belgium and Germany were not adjusted in 2020 and are 25% respectively 32.28%.

Including prior year adjustments of €0 million (2019: €4 million), current income tax charges were €37 million (2019: €52 million). The deferred tax expenses of €10 million in the table above (2019: deferred tax benefit of €15 million) includes a release of €3 million from the Energy Investment Allowance to be amortised (2019: €3 million) and a net deferred tax loss of €3 million (2019: gain of €6 million) for adjustments to deferred taxes in respect of prior years.

The table below shows the effective income tax burden expressed as a percentage of the profit before income tax and the equivalent amount of income tax:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **Profit before income tax** | | **165** | | **117** |
| Nominal tax rate (in the Netherlands) | 25.0% | 41 | 25.0% | 29 |
| Effect of: | | | | |
| - Participation exemption | -2.9% | -5 | 4.6% | 5 |
| - Non tax-deductible expenses | 2.2% | 4 | 2.6% | 3 |
| - Tax incentives | -2.0% | -3 | -2.7% | -3 |
| - Movement in deferred taxes (effect rate change) | 14.1% | 23 | 6.7% | 8 |
| - Movement in deferred taxes (other) | -2.5% | -4 | -2.0% | -2 |
| - Adjustment of prior years results (current and deferred taxes) | 1.8% | 3 | -1.8% | -2 |
| - Investment allowances and foreign loss relief | -3.2% | -5 | 0.0% | 0 |
| - Tax effect of different foreign tax rates | -1.2% | -2 | -1.1% | -1 |
| - Tax-exempt income and other | -2.7% | -5 | 0.3% | 0 |
| **Effective tax rate** | **28.6%** | **47** | **31.6%** | **37** |

# 11. Government grants

Government grants recognised in the result were as follows:

| | 2020 | 2019 |
|---|---|---|
| Energy Investment Allowance (EIA scheme) | 3 | 3 |
| Stimulation Sustainable Energy Production (SDE scheme) | 125 | 115 |
| **Total** | **128** | **118** |

# Notes to the consolidated balance sheet

All amounts in millions of euros unless stated otherwise.

## 12. Property, plant and equipment – owned assets

| | Land and buildings | Machinery and equipment | Other operating assets | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2019** | **79** | **3,882** | **45** | **227** | **4,233** |
| Investments | - | 53 | 2 | 292 | 347 |
| Acquisitions | - | 6 | - | - | 6 |
| Disposals | - | -9 | -2 | -9 | -20 |
| Reclassification from / to assets held for sale | - | -2 | - | | -2 |
| Change in interest rate percentage for decommissioning provision | - | 16 | - | - | 16 |
| Reclassification other | - | 134 | - | -183 | -49 |
| Translation differences | - | 19 | - | 1 | 20 |
| **At 31 December 2019** | **79** | **4,099** | **45** | **328** | **4,551** |
| Investments | - | 20 | 1 | 347 | 368 |
| Acquisitions | - | 15 | - | - | 15 |
| Disposals | - | -47 | -1 | -26 | -74 |
| Reclassification from / to assets held for sale | -1 | 3 | - | - | 2 |
| Change in interest rate percentage for decommissioning provision | - | -9 | - | - | -9 |
| Reclassification other | 4 | 433 | - | -430 | 7 |
| Translation differences | - | -20 | - | -1 | -21 |
| **At 31 December 2020** | **82** | **4,494** | **45** | **218** | **4,839** |
| **Accumulated depreciation and impairment** | | | | | |
| **At 1 January 2019** | **21** | **1,656** | **33** | **28** | **1,738** |
| Annual depreciation and impairment | 3 | 191 | 4 | - | 198 |
| Acquisitions | - | 3 | - | - | 3 |
| Disposals | - | -2 | -2 | - | -4 |
| Reclassification from / to assets held for sale | - | -2 | - | - | -2 |
| Reclassification other | - | -13 | - | - | -13 |
| Translation differences | - | 4 | - | 1 | 5 |
| **At 31 December 2019** | **24** | **1,837** | **35** | **29** | **1,925** |
| Annual depreciation and impairment | 3 | 193 | 4 | - | 200 |
| Acquisitions | - | 13 | - | - | 13 |
| Disposals | - | -42 | -1 | -22 | -65 |
| Reclassification from / to assets held for sale | - | 4 | - | - | 4 |
| Reclassification other | - | -1 | - | - | -1 |
| Translation differences | - | -5 | - | -1 | -6 |
| **At 31 December 2020** | **27** | **1,999** | **38** | **6** | **2,070** |
| **Carrying amount** | | | | | |
| At 1 January 2019 | 58 | 2,226 | 12 | 199 | 2,495 |
| At 31 December 2019 | 55 | 2,262 | 10 | 299 | 2,626 |
| **At 31 December 2020** | **55** | **2,495** | **7** | **212** | **2,769** |

**Capitalised interest**
During the reporting period, attributable interest capitalised for property, plant and equipment was €6 million (2019: €3 million). The capitalisation rate of interest was 1.0% in 2020 (2019: 1.4%).

**Assets under construction**
Assets under construction consist mainly of solar farms, onshore and offshore wind farms and investments in district heating networks.

**Leases – property, plant and equipment leased by Eneco ('lessor')**
Equipment and energy installations (such as domestic water heaters and solar panels) leased to customers remain the property of the Group. The lease terms cover both making the equipment available to users and the maintenance costs. Lease revenues of €21 million (2019: €21 million) have been recognised through the income statement.

# 13. Property, plant and equipment – right-of-use assets and lease liabilities

The classification and movements in the rights-of-use for the lease assets were as follows:

| | Land and buildings | Machinery and equipment | Other operating assets | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **At 1 January 2019** | **212** | **-** | **8** | **220** |
| Additions | 7 | - | 1 | 8 |
| Revaluation | 2 | - | 4 | 6 |
| Reclassification other | - | 57 | - | 57 |
| Translation differences | - | - | - | - |
| **At 31 December 2019** | **221** | **57** | **13** | **291** |
| Additions | 8 | - | - | 8 |
| Revaluation | 6 | - | 3 | 9 |
| Translation differences | -2 | - | - | -2 |
| **At 31 December 2020** | **233** | **57** | **16** | **306** |
| **Accumulated depreciation and impairment** | | | | |
| **At 1 January 2019** | **-** | **-** | **-** | **-** |
| Annual depreciation and impairment | 19 | - | 3 | 22 |
| Reclassification other | - | 22 | - | 22 |
| Translation differences | - | - | - | - |
| **At 31 December 2019** | **19** | **22** | **3** | **44** |
| Annual depreciation and impairment | 20 | 3 | 4 | 27 |
| Translation differences | - | - | - | - |
| **At 31 December 2020** | **39** | **25** | **7** | **71** |
| **Carrying amount** | | | | |
| At 1 January 2019 | 212 | - | 8 | 220 |
| At 31 December 2019 | 202 | 35 | 10 | 247 |
| **At 31 December 2020** | **194** | **32** | **9** | **235** |

Movements in lease liabilities were as follows:

| | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **241** | **225** |
| New leases | 8 | 10 |
| Lease payments | -31 | -29 |
| Interest added to lease liabilities (financial expenses) | 4 | 4 |
| Changes of contract period, indexation | 9 | 6 |
| Translation differences | -3 | - |
| Reclassifications | -2 | 25 |
| **At 31 December** | **229** | **241** |
| **Classification at 31 December** | | |
| Current | 26 | 26 |
| Non-current | 203 | 215 |
| **At 31 December** | **229** | **241** |

### Eneco’s leasing activities as lessee

The Group rents or leases assets such as land for wind and solar farms, roofs of commercial buildings for solar panels, solar panel equipment, offices, warehouses, ICT and other equipment and company cars. Leases are usually entered into for fixed periods ranging from 1 to 37 years but may include extension and termination options. Rental periods are negotiated individually and contain a wide range of terms and conditions. No leases impose covenants but lease assets may not be used as collateral for financing purposes.

### Amounts for leases recognised in the income statement

| | 2020 | 2019 |
|---|---|---|
| Depreciation charge for right-of-use assets | 27 | 22 |
| Interest added to lease liabilities | 4 | 4 |
| Other lease costs[1] | 2 | 2 |

1 This concerns the costs for ‘short-term leases’, costs of ‘low value leases’ not included in ‘short-term leases’ and costs relating to variable lease payments that are not included in the lease liabilities.

### Amounts for leases recognised in the cash flow statement

Total lease payments in 2020 were €33 million (lease repayments of €27 million, interest of €4 million and other lease costs of €2 million), 2019 €31 million (lease repayments of €25 million, interest of €4 million and other lease costs of €2 million). See also the 'Notes to the consolidated cash flow statement'.

### Variable lease payments

Eneco has a number of leases containing arrangements on variable lease payments (that do not depend on an index or a rate). These relate in particular to leases for land for the wind farm activities in the United Kingdom. These variable components depend in particular on the amount of electricity generated.

### Other possible lease payments and liabilities

Any possible future lease payments resulting from renewal or termination options in leases, residual value guarantees and/or leases which have been entered into but are not yet in force, are not material in the context of these financial statements or are not applicable to Eneco. Leases do not otherwise include any special arrangements involving restrictions or covenants that could lead to a restriction on the use of the lease assets. No ‘sale-and-lease-back’ transactions have been entered into.

# 14. Intangible assets

| | Goodwill | Customer databases | Licences and software | Concessions, permits, trade names and other rights | Development costs | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At 1 January 2019** | **525** | **588** | **121** | **177** | **9** | **1,420** |
| Investments | - | 2 | 15 | - | 1 | 18 |
| Acquisitions | 10 | 4 | 3 | 1 | 7 | 25 |
| Disposals | - | - | -2 | - | - | -2 |
| Translation differences | - | - | - | 1 | - | 1 |
| Reclassification other | 2 | - | 1 | - | - | 3 |
| **At 31 December 2019** | **537** | **594** | **138** | **179** | **17** | **1,465** |
| Investments | - | 2 | 29 | - | 2 | 33 |
| Acquisitions | - | 175 | - | - | - | 175 |
| Disposals | - | -2 | -6 | -4 | - | -12 |
| Translation differences | - | - | - | - | - | - |
| Reclassification other | - | 4 | -1 | - | -2 | 1 |
| **At 31 December 2020** | **537** | **773** | **160** | **175** | **17** | **1,662** |
| **Accumulated amortisation and impairment** | | | | | | |
| **At 1 January 2019** | **-** | **231** | **74** | **38** | **3** | **346** |
| Annual amortisation and impairment | - | 49 | 18 | 7 | 2 | 76 |
| Disposals | - | - | -2 | - | - | -2 |
| **At 31 December 2019** | **-** | **280** | **90** | **45** | **5** | **420** |
| Annual amortisation and impairment | - | 60 | 24 | 8 | 2 | 94 |
| Disposals | - | -1 | -6 | - | - | -7 |
| **At 31 December 2020** | **-** | **339** | **108** | **53** | **7** | **507** |
| **Carrying amount** | | | | | | |
| At 1 January 2019 | 525 | 357 | 47 | 139 | 6 | 1,074 |
| At 31 December 2019 | 537 | 314 | 48 | 134 | 12 | 1,045 |
| **At 31 December 2020** | **537** | **434** | **52** | **122** | **10** | **1,155** |

## Goodwill

Goodwill was €537 million at 31 December 2020 (31 December 2019: €537 million) and consisted mainly of €148 million of goodwill relating to the group of cash-generating units in the Netherlands, €213 million relating to the group of cash-generating units in Belgium and €159 million relating to the group of cash-generating units in Germany.

An impairment analysis was performed on this goodwill which showed that the recoverable amount of each group of cash-generating units (determined by the value in use) was higher than their carrying amount.

The following assumptions were used to establish the value in use:

- the value in use of the cash-generating units was based on expected future cash flows for five years as in the Group's long-term plans (based in part on historical figures) and thereafter extrapolated on the expected life of the assets of these cash-generating units, which is generally longer than the five-year period;

- long-term growth of 1.0% was taken into account;

- these expected future cash flows are based on the Financial Strategic Plan 2021–2025, which, where applicable, incorporates revised budgets, forecasts and other assumptions from an earlier impairment testing date that were used to determine the recoverable amount of the cash-generating units; and

- the pre-tax discount rates, which reflect the risks of the activities of the relevant cash-generating units, were 4.5% - 6.5% (in 2019: 3.3% - 5.4% for all cash-generating units). These discount rates are based on the weighted average cost of capital (WACC) calculated using parameters derived from data from a peer group and market information.

The calculation of the value in use of these assets is sensitive to the following assumptions: the discount rate, the growth figure applied for extrapolating cash flows beyond the five-year plan and the average useful life of the assets. Of these factors, the discount rate is the most sensitive and an increase of 0.5 percentage points would reduce the value in use of the total cash-generating units by some €0.3 billion but would not lead to impairment for any of the cash-generating units.

**Customer databases**
Customer databases relate to REMU (acquired in 2003), Dong Energy Sales (acquired in 2014), LichtBlick and Eni (acquired in 2017) and E.ON Benelux Levering (acquired in 2018). The customer databases of Robin Energie and the customer databases and charging points of several companies with electric vehicle activities were acquired in 2019. In 2020 Eneco acquired customer contracts from E.ON Energie in Germany (see note 15 ‘Business combinations and other changes in the consolidation structure’).

**Concessions, permits, trade names and other rights**
Concessions, permits, trade names and other rights consist mainly of the capitalised trade name of LichtBlick and permits granted for existing wind farms in Belgium and the United Kingdom.

**Current intangible assets and inventories**
‘Intangible assets and inventories’ were €153 million at 31 December 2020 (2019: €158 million), €129 million of which (2019: €130 million) related to green certificates and emission rights and the remainder to other inventories.

# 15. Business combinations and other changes in the consolidation structure

On 28 April 2020 LichtBlick SE acquired 100% of the issued share capital of two legal entities E.ON Heizstrom Nord GmbH and E.ON Heizstrom Süd GmbH from E.ON Energie Deutschland GmbH. These companies’ activities include the retail supply of energy, in particular electricity for heating purposes and related household use, the purchase and sale of electrical energy for their own account and/or for the account of others and the provision of all related services, in particular in the area of customer service for electricity customers. 260,000 electric heating customers with a total of 355,000 electricity supply contracts were transferred to LichtBlick. The transaction is a requirement of the European Commission in connection with E.ON's acquisition of the German energy company Innogy.

The acquisition has been accounted for as an ‘asset acquisition’ and is not considered a ‘business combination’ under IFRS 3 ‘Business Combinations’ because the acquired entities/customer contracts do not meet the IFRS definition of a ‘business’. The rounded total purchase price was €0.2 billion and related mainly to the acquired customer contracts recognised as intangible assets. As a consequence no new goodwill has been recognised in the balance sheet at 31 December 2020.

On 1 October 2020 Eneco acquired the remaining 50% shares in the EnspireME joint venture which owns a large battery for energy storage. Eneco has developed this Battery Energy Storage

System (BESS) in co-operation with Mitsubishi Corporation (MC). The system, which is located in Germany, helps keep the power grid in balance by supplying spare capacity. The related trading activities have also been taken over from MC through the Enspire Management B.V. joint venture. This transaction qualifies as a related party transaction under IAS 24 'Related party disclosures'. The purchase price is not material to disclose in these financial statements.

# 16. Associates and joint ventures

The Group participates with one or more parties in businesses in the form of associates or joint ventures to perform shared operations.

The carrying amount of the associates and joint ventures was:

| | | At 31 December 2020 | At 31 December 2019 |
|---|---|---|---|
| Interest in Greenchoice (30%) | Associate | 58 | 60 |
| Interest in Norther wind farm (25%) | Joint venture | 15 | 15 |
| Other associates | | 25 | 33 |
| Other joint ventures | | 11 | 3 |
| **Total** | | **109** | **111** |

Eneco's investment in Thermondo GmbH (included in 'Other associates') was reclassified as 'Assets held for sale' at 31 December 2020.

The table below summarises the financial data of the interests in Greenchoice and the Norther wind farm, which are material to the Group. The figures were drawn from their most recent published financial information (Greenchoice) or available internal information (Norther). Where necessary, they have been restated for differences between their accounting policies and IFRS. The table also shows a reconciliation between the summary financial information for each investment and the carrying amount of Eneco's interest in it.

### Greenchoice

| Balance sheet information (based on most recent available information) | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Non-current assets | 162 | 141 |
| Current assets | 241 | 234 |
| Non-current liabilities | 80 | 61 |
| Current liabilities | 204 | 189 |
| **Net assets (100%)** | **119** | **125** |
| Eneco's share of net assets | 36 | 38 |
| **Carrying amount of interest in Greenchoice (incl. acquired goodwill)** | **58** | **60** |

| Profit or loss information (based on most recent available information) | 2019 | 2018 |
|---|---|---|
| Revenues (100%) | 569 | 437 |
| Profit after income tax (100%) | 7 | 3 |
| Total other comprehensive income (100%) | - | - |
| Total comprehensive income (100%) | 7 | 3 |
| **Group's share of comprehensive income (30%)** | **2** | **1** |

### Northern

| Balance sheet information | At 31 December 2020[1] | At 31 December 2019 |
|---|---|---|
| Non-current assets | 1,000 | 993 |
| Current assets | 168 | 152 |
| - of which cash and cash equivalents | 127 | 111 |
| Non-current liabilities | 990 | 959 |
| - of which non-current financial liabilities (excluding trade creditors, other obligations and provisions | 945 | 908 |
| Current liabilities | 120 | 125 |
| - of which current financial liabilities (excl. trade creditors, other liabilities and provisions) | 60 | 105 |
| **Net assets (100%)** | **58** | **61** |
| Eneco's share of net assets | 15 | 15 |
| **Carrying amount of interest in Norther** | **15** | **15** |

1 By applying IFRS 10.B93, the November figures are included (one month delay).

| Profit or loss information | 2020 | 2019 |
|---|---|---|
| Revenues (100%) | 178 | 105 |
| Depreciation, amortisation and impairment (100%) | 47 | 27 |
| Financial income (100%) | - | - |
| Financial expenses (100%) | 30 | 20 |
| Tax charge or gain (100%) | 20 | 24 |
| Profit after income tax (100%) | 55 | 51 |
| Total other comprehensive income (100%) | -17 | -27 |
| Total comprehensive income (100%) | 38 | 25 |
| **Group's share of profit after income tax and total comprehensive income (25%)** | **9** | **6** |

Total comprehensive income (the Group's share) for the other associates was €2 million negative (2019: €4 million negative) and for the other interests in joint ventures €2 million positive (2019: €10 million negative including impairment of €8 million).

# 17. Deferred taxes

The table below shows the deferred tax assets and liabilities:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | At 31 December 2020 | At 31 December 2019 | At 31 December 2020 | At 31 December 2019 |
| Property, plant and equipment | - | - | 156 | 148 |
| Intangible fixed assets | 17 | 21 | 108 | 115 |
| Cash flow hedges | 16 | 12 | 5 | 6 |
| Loss carry forwards | 16 | 23 | - | - |
| Losses at non-resident participating interests | - | - | 12 | 11 |
| Provisions | 7 | 8 | - | - |
| Effect of previously adopted IFRS standards[1] | 3 | - | 6 | 5 |
| **Tax liabilities (assets) before set-off** | **59** | **64** | **287** | **285** |
| Set-off of tax | -39 | -34 | -39 | -34 |
| **Total** | **20** | **30** | **248** | **251** |

1 This concerns deferred taxes on trade receivables and other receivables (IFRS 9), revenue recognition - contract acquisition costs (IFRS 15) and rights of use of leased assets and lease obligations (IFRS 16).

Deferred tax assets and liabilities related to cash flow hedges have been recognised through equity. The losses at non-resident permanent establishments are a result of losses offset in the Netherlands before 2012 from a non-resident permanent establishment which would be included in the taxable result in the Netherlands (claw-back) if and to the extent that the permanent establishment makes profits.

Movements in deferred taxes during 2020 were as follows:

| | Net balance at 1 January 2020 | Recognised in profit or loss[1] | Recognised in other comprehensive income | Other (including business combinations) | Net balance at 31 December 2020 | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | -148 | -13 | - | 5 | -156 | - | -156 |
| Intangible fixed assets | -94 | 7 | - | -4 | -91 | 17 | -108 |
| Cash flow hedges | 6 | - | 5 | - | 11 | 16 | -5 |
| Loss carry forwards | 23 | -7 | - | - | 16 | 16 | - |
| Losses at non-resident participating interests | -11 | - | - | -1 | -12 | - | -12 |
| Provisions | 8 | -1 | - | - | 7 | 7 | - |
| Effect of previously adopted IFRS standards | -5 | 1 | - | 1 | -3 | 3 | -6 |
| **Tax liabilities (assets) before set-off** | **-221** | **-13** | **5** | **1** | **-228** | **59** | **-287** |
| Set-off of tax | | | | | | -39 | 39 |
| **Total** | **-221** | | | | | **20** | **-248** |

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

Movements in deferred taxes during 2019 were as follows:

| | Net balance at 1 January 2019 | Recognised in profit or loss[1] | Recognised in other comprehensive income | Other (including business combinations) | Net balance at 31 December 2019 | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | -144 | -3 | - | -1 | -148 | - | -148 |
| Intangible fixed assets | -102 | 12 | - | -4 | -94 | 21 | -115 |
| Cash flow hedges | -1 | - | 8 | -1 | 6 | 12 | -6 |
| Loss carry forwards | 22 | - | - | 1 | 23 | 23 | - |
| Losses at non-resident participating interests | -12 | - | - | 1 | -11 | - | -11 |
| Provisions | 5 | 3 | - | - | 8 | 8 | - |
| Effect of previously adopted IFRS standards | -5 | - | - | - | -5 | - | -5 |
| **Tax liabilities (assets) before set-off** | **-237** | **12** | **8** | **-4** | **-221** | **64** | **-285** |
| Set-off of tax | | | | | | -34 | 34 |
| **Total** | | | | | | **30** | **-251** |

1 This amount is included in the 'Movements in deferred taxes' as part of 'Income tax on the result'. See note 10 'Income tax on the result'.

The table below shows the expiry periods for temporary differences available for relief at 31 December 2020:

| Expiry periods for differences available for relief | In years |
|---|---|
| Property, plant and equipment | 1 - 45 |
| Intangible fixed assets | 1 - 20 |
| Cash flow hedges | 1 - 20 |
| Losses available for relief | 1 - 10 |
| Provisions | 1 - 10 |
| Right-of-use assets and lease liabilities (IFRS 16) | 1 - 20 |

No deferred tax asset has been recognised on pre-consolidation and other losses (including tax facilities not yet used) of €12 million (31 December 2019: €14 million) since it is not certain whether sufficient taxable profits will be available in the future at the companies and permanent establishment which are not members of the fiscal unity. The tax regulations in the relevant jurisdiction state that €4 million (2019: €8 million) of these losses can be carried forward indefinitely and €8 million (2019: €6 million) for between one and seven years.

# 18. Derivative financial instruments

## 18.1 Financial instruments of the Group

The table below shows the fair value of the derivative financial instruments:

| Financial assets | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Currency swap contracts | 2 | 2 |
| Energy commodity contracts | 330 | 334 |
| $CO_2$ emission rights | 9 | 15 |
| **Total** | **341** | **351** |
| | | |
| **Classification** | | |
| Current | 256 | 286 |
| Non-current | 85 | 65 |
| **Total** | **341** | **351** |

| Financial liabilities | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Interest rate swap contracts | 38 | 30 |
| Currency swap contracts | 4 | 4 |
| Energy commodity contracts | 385 | 326 |
| $CO_2$ emission rights | 3 | 1 |
| **Total** | **430** | **361** |
| | | |
| **Classification** | | |
| Current | 284 | 276 |
| Non-current | 146 | 85 |
| **Total** | **430** | **361** |

## 18.2 Financial instruments recognised through the income statement

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised through the income statement:

| Financial assets | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Currency swap contracts | 2 | 1 |
| Energy commodity contracts | 310 | 299 |
| $CO_2$ emission rights | 9 | 15 |
| **Total** | **321** | **315** |
| | | |
| **Classification** | | |
| Current | 254 | 272 |
| Non-current | 67 | 43 |
| **Total** | **321** | **315** |

| Financial liabilities | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Currency swap contracts | 4 | – |
| Energy commodity contracts | 327 | 314 |
| $CO_2$ emission rights | 3 | 1 |
| **Total** | **334** | **315** |
| | | |
| **Classification** | | |
| Current | 280 | 267 |
| Non-current | 54 | 48 |
| **Total** | **334** | **315** |

## 18.3 Financial instruments recognised in equity

The table below shows the fair value of derivative financial instruments for which movements in fair value have been recognised in equity through the cash flow hedge reserve:

| Financial assets | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Interest rate swap contracts | – | – |
| Currency swap contracts | – | 1 |
| Energy commodity contracts | 20 | 35 |
| $CO_2$ emission rights | – | – |
| **Total** | **20** | **36** |
| | | |
| **Classification** | | |
| Current | 2 | 14 |
| Non-current | 18 | 22 |
| **Total** | **20** | **36** |

| Financial liabilities | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Interest rate swap contracts | 38 | 30 |
| Currency swap contracts | – | 4 |
| Energy commodity contracts | 58 | 12 |
| $CO_2$ emission rights | – | – |
| **Total** | **96** | **46** |
| | | |
| **Classification** | | |
| Current | 4 | 9 |
| Non-current | 92 | 37 |
| **Total** | **96** | **46** |

These instruments are used in cash flow hedge transactions to hedge interest rate, currency and energy price risks and the currency risks in a net investment in a foreign operation.

## 18.4 Fair value hierarchy

The hierarchy of derivative financial instruments measured at fair value was as follows:

| At 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Energy commodity contracts and $CO_2$ emission rights | 7 | 323 | 9 | 339 |
| Interest rate and currency swap contracts | - | 2 | - | 2 |
| | **7** | **325** | **9** | **341** |
| | | | | |
| **Liabilities** | | | | |
| Energy commodity contracts and $CO_2$ emission rights | 70 | 274 | 44 | 388 |
| Interest rate and currency swap contracts | - | 42 | - | 42 |
| | **70** | **316** | **44** | **430** |

| At 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Energy commodity contracts and $CO_2$ emission rights | 75 | 255 | 19 | 349 |
| Interest rate and currency swap contracts | - | 2 | - | 2 |
| | **75** | **257** | **19** | **351** |
| | | | | |
| **Liabilities** | | | | |
| Energy commodity contracts and $CO_2$ emission rights | 2 | 325 | - | 327 |
| Interest rate and currency swap contracts | - | 34 | - | 34 |
| | **2** | **359** | **-** | **361** |

The level 3 category of derivative financial instruments is mainly a contract for hedging the market price risk arising from an unsubsidised wind farm under construction. As Eneco has hedged the variable market price against the fixed contract price in this derivative contract, the measurement of the derivative contract has no impact on Eneco's future cash flows or income.

The fair value of the derivative contract is determined using Eneco's internal valuation models for forecasting energy prices. These models use statistical methods such as linear mathematical programming and include observable information such as quoted market prices (observable for a maximum of 5 years ahead) and market prices from external sources commonly used in the power industry. The models also use significant unobservable inputs such as historical data on wind and solar generation, relationships with historical commodity prices, the electrification of demand and the development of renewable and conventional power assets in Western Europe in relation to climate goals set by governments.

The models present long-term scenarios for power and other prices which differ primarily in their assumptions around the realisation of government climate goals and the way the market responds to this. The fair value of the contract is measured using the expected trends in the power price included in these scenarios taking into account the effect of (1) seasonality (power generated by wind farms depends on weather conditions and is not linear over the year), (2) covariance (the price in periods when wind farms generate more power, e.g. autumn, may be lower because wind conditions are favourable) and (3) the impact of periods with negative prices (negative prices occur when hourly renewable generation exceeds hourly power demand).

The main unobservable input is the Dutch power price for the period 2024 – 2035. The average power price for this period is almost €47 per MWh. A 5% increase or decrease of the Dutch power price (over the whole period) would raise or lower the fair value by approximately €16 million.

Eneco updates the scenarios periodically in line with current market circumstances and/or changes in government policy. The scenarios and their inputs are independently reviewed and approved by Eneco's Commodity Risk Team.

## 18.5 Cash flow hedges

Movements in the cash flow hedge reserve are presented in note 31.2 'Market risk'.

The cash flow hedging instruments are derivative financial instruments that are subject to net settlement between parties. The table below shows the periods in which the cash outflows from the cash flow hedges are expected to be realised:

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| **Expected cash flow** | | |
| Within 1 year | -5 | 22 |
| From 1 to 5 years | -8 | -5 |
| After 5 years | -29 | 29 |
| **Total** | **-42** | **46** |

The total cash flow hedges recognised through the income statement in the future are recognised in the Cash flow hedge reserve after deduction of taxes. The table below shows the periods in which the cash flows from the cash flow hedges are expected to be realised:

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| **Expected recognition in result after tax** | | |
| Within 1 year | -2 | 2 |
| From 1 to 5 years | -19 | -11 |
| After 5 years | -18 | 1 |
| **Total** | **-39** | **-8** |

# 19. Other financial assets

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Loans | 4 | 57 |
| Other capital interests | 3 | - |
| Other assets and prepayments | 62 | 35 |
| Contract acquisition costs | 28 | 22 |
| **Total** | **97** | **114** |

See note 22 'Other receivables' for the movements in contract acquisition costs.

# 20. Assets/liabilities held for sale

The assets classified as held for sale consist mainly of Eneco's 8% share in Thermondo GmbH (€10 million). During the last quarter of 2020 it was decided to sell this associate and to redeem a related loan. This transaction will be finalised during the first half of 2021. As the sale price is higher than the carrying value, no impairment was recognised in 2020.

# 21. Trade receivables

The table below shows the trade receivables:

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Energy receivables | 571 | 557 |
| Amounts to be invoiced | 97 | 121 |
| Other trade receivables | 59 | 50 |
| Less: Provision for expected credit losses | -69 | -73 |
| **Total** | **658** | **655** |

The table below shows the aged analysis of the outstanding receivables:

| | At 31 December 2020 | | | At 31 December 2019 | | |
|---|---|---|---|---|---|---|
| | Percentage for expected credit losses | Nominal receivables | Provision for expected credit losses | Percentage for expected credit losses | Nominal receivables | Provision for expected credit losses |
| Prior to due date | 0% | 483 | 2 | 0% | 498 | - |
| After due date | | | | | | |
| - under 3 months | 9% | 134 | 12 | 8% | 110 | 9 |
| - 3 to 6 months | 28% | 18 | 5 | 27% | 22 | 6 |
| - 6 to 12 months | 32% | 31 | 10 | 32% | 28 | 9 |
| - over 12 months | 66% | 61 | 40 | 70% | 70 | 49 |
| **Nominal value** | | **727** | **69** | | **728** | **73** |
| Less: Provision for expected credit losses | | -69 | | | -73 | |
| **Total** | | **658** | | | **655** | |

The table below shows the aged analysis of the impaired receivables:

| | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **73** | **78** |
| Additions for acquisitions | - | - |
| Additions through profit or loss | 23 | 19 |
| Withdrawals | -20 | -25 |
| Other movements | -7 | 1 |
| **At 31 December** | **69** | **73** |

# 22. Other receivables

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Contract acquisition costs | 28 | 26 |
| Prepayments and accrued income | 112 | 120 |
| Margin calls | - | 9 |
| Other receivables | 15 | 7 |
| **Total** | **155** | **162** |

The movements in contract acquisition costs were as follows:

| | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **48** | **49** |
| Reclassification | - | -4 |
| Acquisitions | 4 | - |
| Capitalisation | 41 | 43 |
| Amortisation[1] | -37 | -40 |
| **At 31 December** | **56** | **48** |
| | | |
| **Classification at 31 December** | | |
| Current | 28 | 26 |
| Non-current (see note 19) | 28 | 22 |
| **Total** | **56** | **48** |

1 including €13 million impairment of capitalised contract acquisition costs in 2019.

Amortisation of contract acquisition costs has been recognised in the result for €37 million in 'Purchases of energy and energy related activities' (2019: €40 million).

# 23. Cash and cash equivalents

Cash and cash equivalents comprised bank balances, cash and deposits of €557 million at 31 December 2020 (31 December 2019: €537 million). Term deposits and blocked accounts, which are not at the free disposal of the Group, were €61 million at 31 December 2020 (31 December 2019: €58 million).

# 24. Equity

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Share capital | - | - |
| Share premium | 2,781 | 2,781 |
| Translation reserve | -13 | -4 |
| Cash flow hedge reserve | -52 | -21 |
| Retained earnings | 109 | 97 |
| Undistributed result for the financial year | 117 | 79 |
| **Equity attributable to Eneco Groep N.V. shareholder(s)** | **2,942** | **2,932** |
| Non-controlling interests | 6 | 5 |
| **Total equity** | **2,948** | **2,937** |

### Share capital
Eneco Groep N.V.'s authorised share capital is €0.2 million divided into 20 million shares with a nominal value of €0.01 each. At 31 December 2020, 4,970,978 shares had been issued and fully paid. There were no changes in 2020. Eneco Groep N.V. has only issued ordinary shares.

### Share premium
As part of the unbundling of Eneco into an energy company and a network company, there was an informal capital contribution on 30 January 2017 in which the then Eneco Holding N.V. (now Stedin Holding N.V.) contributed the entire issued share capital of N.V. Eneco Beheer to Eneco Groep N.V., which had been incorporated on 12 December 2016, with a total sum of

€2,819 million. This amount was equal to the carrying amount of N.V. Eneco Beheer's equity attributable to the then shareholder at 30 January 2017. This resulted in the payment of share premium of €2,781 million.

**Translation reserve**
Assets and liabilities of foreign group companies denominated in foreign currency and foreign currency funding of those subsidiaries relating to long-term loans denominated in foreign currency, after tax, are translated into euros at the reporting date at the exchange rate prevailing on the reporting date. Foreign currency exchange differences arising on this are recognised in the translation reserve in equity. The results of foreign group companies are translated into euros at the average rate. The difference between the profit after income tax at the average rate and based on the exchange rate prevailing on the reporting date is recognised through equity in the translation reserve. If an investment in a foreign operation is ended or reduced, the related accumulated translation differences are recognised through the income statement. The translation reserve is not freely at the disposal of the shareholders.

The Group applies net investment hedge accounting to limit the translation gains and losses on its UK operations in the translation reserve and the income statement. The foreign currency exchange differences on the sterling loan has an opposite effect to the foreign currency exchange differences on the UK operations. Both the foreign currency exchange differences on the UK operations and the sterling loan are recognised through the translation reserve.

**Cash flow hedge reserve**
The cash flow hedge reserve recognises gains and losses in the fair value of the effective portion of derivative financial instruments designated as cash flow hedges for which the hedge transaction has not yet been settled. Consequently, the Group meets the conditions for cash flow hedge accounting. The cash flow hedging instruments are mainly energy, forward and swap contracts agreed with other market parties in order to cover the market price risks of purchasing and selling energy commodities. This reserve also recognises the effective portion of hedging with interest rate and currency swap contracts. The cash flow hedge reserve is not freely at the disposal of the shareholders. Section 31.2 'Market risk' in note 31 'Financial risk management' provides further information on cash flow hedging, including a statement of the movements in this reserve.

**Non-controlling interests**
These are third-party shares in the equity of subsidiaries of which the Group is not the sole shareholder.

# 25. Provisions for employee benefits

| | Long-service benefits | Other | Total |
|---|---|---|---|
| **Classification at 1 January 2019** | | | |
| Current | 1 | 6 | 7 |
| Non-current | 8 | 1 | 9 |
| **At 1 January 2019** | **9** | **7** | **16** |
| Addition | - | 4 | 4 |
| Withdrawals | -2 | -3 | -5 |
| Reclassification | - | 2 | 2 |
| Release | - | -2 | -2 |
| Other | - | - | - |
| **At 31 December 2019** | **7** | **8** | **15** |
| **Classification at 31 December 2019** | | | |
| Current | 1 | 6 | 7 |
| Non-current | 6 | 2 | 8 |
| **At 1 January 2020** | **7** | **8** | **15** |
| Addition | 1 | 3 | 4 |
| Withdrawals | -1 | -3 | -4 |
| Reclassification | - | 1 | 1 |
| Release | - | -3 | -3 |
| Other | -1 | - | -1 |
| **At 31 December 2020** | **6** | **6** | **12** |
| **Classification at 31 December 2020** | | | |
| Current | - | 5 | 5 |
| Non-current | 6 | 1 | 7 |
| **At 31 December 2020** | **6** | **6** | **12** |

**Long-service benefits and pension liabilities**
This provision covers the obligation to pay amounts to employees achieving a certain number of years of employment and on retirement.

There are some defined-benefit pension plans but as the net liability (liabilities for pension commitments less the plan assets) is not material, at some €4 million (31 December 2019: €4 million), no disclosures for defined-benefit plans pursuant to IAS 19 ‘Employee Benefits’ have been presented.

The following actuarial assumptions were used for the provisions:

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| **Long-service benefits (NL)** | | |
| Discount rate at reporting date | 0.3% | 0.73% |
| Future salary increases | 0.90%-1.50% | 1.25%-3.50% |
| Mortality table | GBM & GBV 2014-2019 | GBM & GBV 2013-2018 |
| | | |
| **Pension liabilities (BE)** | | |
| Discount rate at reporting date | 0.35% | 0.45%-0.75% |
| Future salary increases | 1.5%/scale +1%<br>1.5%/scale +2% | 1.5%/scale +1%<br>1.51%/scale +0% |
| Mortality table | MR-5/FR-5 | MR-5/FR-5 |

Expenditures from the provisions for employee benefits are made over the long term. The provisions are remeasured annually using current employee information and properly reflect the expected cash flows.

**Other employee benefits**
The other provisions for employee benefits include the obligations for salary payments in the event of illness and unemployment benefits since the Group bears this risk under the Unemployment Act. In view of their predominantly short-term nature, these provisions are measured at nominal value.

## 26. Other provisions

| | Decommissioning | Onerous contracts | Restructuring | Other | Total |
|---|---|---|---|---|---|
| **Classification at 1 January 2019** | | | | | |
| Current | - | 4 | 9 | - | 13 |
| Non-current | 87 | - | 6 | 14 | 107 |
| **At 1 January 2019** | **87** | **4** | **15** | **14** | **120** |
| Addition | 22 | - | 1 | 2 | 25 |
| Withdrawals | - | - | -7 | -3 | -10 |
| Release | - | -4 | -3 | - | -7 |
| Adjustment for change in discount rate | 16 | - | - | - | 16 |
| Other | - | - | -3 | 1 | -2 |
| **At 31 December 2019** | **125** | **-** | **3** | **14** | **142** |
| **Classification at 31 December 2019** | | | | | |
| Current | - | - | 1 | 1 | 2 |
| Non-current | 125 | - | 2 | 13 | 140 |
| **At 31 December 2019** | **125** | **-** | **3** | **14** | **142** |
| Addition | 19 | - | 3 | 1 | 23 |
| Withdrawals | - | - | -2 | -2 | -4 |
| Release | -5 | - | -2 | -4 | -11 |
| Adjustment for change in discount rate | -9 | - | - | - | -9 |
| Other | 2 | - | - | -1 | 1 |
| **At 31 December 2020** | **132** | **0** | **2** | **8** | **142** |
| **Classification at 31 December 2020** | | | | | |
| Current | - | - | 1 | 1 | 2 |
| Non-current | 132 | 0 | 1 | 7 | 140 |
| **At 31 December 2020** | **132** | **0** | **2** | **8** | **142** |

**Decommissioning**
The decommissioning provision is of a long-term nature. The cash flows will generally occur after ten but within twenty years. The amounts recognised are the best estimate at the reporting date of the expected expenditure for the machinery, transport, materials and labour that will be required. These amounts are reviewed annually for expected future movements in the cost of removing assets, allowing for inflation of 0.2% (2019: 1.3%). The amounts estimated for decommissioning are inherently uncertain since it is not expected that an asset will be dismantled until a date well into the future and only limited historical data is available. Interest in a range of 0.1% to 0.8% was added to the provisions in 2020 (2019: 0.1% to 1.4%).

# 27. Interest-bearing debt

At 31 December 2020, the Group's interest-bearing debt related largely to financing wind farms and general financing.

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Non-recourse (mainly financing wind farms and solar projects) | 438 | 322 |
| Other loans and liabilities | 161 | 204 |
| **Total** | **599** | **526** |

See note 31 'Financial risk management' for details of the periods over which the repayments will be made.

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| **Classification** | | |
| Current | 32 | 69 |
| Non-current | 567 | 457 |
| **Total** | **599** | **526** |

The main movements in the non-current interest-bearing debt in 2020 (and 2019) related mainly to drawing funding from the financing of new wind farm projects such as Blauwwind and SeaMade (some €0.1 billion in both financial years) and regular repayment of existing loans.

Collateral has been provided for the interest-bearing debt for financing wind and solar farms in the form of mortgages, pledges of shares in the legal entities, pledges of energy purchase contracts or grant contracts. The outstanding principal on these loans at 31 December 2020 was €438 million (31 December 2019: €322 million). No collateral has been provided for the other interest-bearing debt.

The liability for loans of a fixed-rate nature (fair value risk) at 31 December 2020 was €81 million (31 December 2019: €86 million). Other loans are at market-linked variable rates. Repayment obligations for the first year after the reporting date are recognised under current liabilities.

The average interest rate in 2020 was 1.8% (2019: 2.2%). This was calculated as the weighted average monthly interest expense directly related to the interest-bearing debt, excluding other financial expenses.

The fair value of the loans at 31 December 2020 was €584 million (31 December 2019: €516 million) and was calculated using the income approach, based on relevant market interest rates for comparable debt. Consequently, the information for establishing value is covered by level 2 of the fair value hierarchy.

# 28. Trade creditors and other payables

| | At 31 December 2020 | At 31 December 2019 |
|---|---|---|
| Trade and energy creditors | 783 | 759 |
| Contributions received for connections | 123 | 108 |
| Accruals and deferred income | 310 | 352 |
| Pension contributions | 2 | 2 |
| Other payables | 437 | 344 |
| **Total** | **1,655** | **1,565** |
| | | |
| **Classification** | | |
| Current | 1,488 | 1,417 |
| Non-current | 167 | 148 |
| **Total** | **1,655** | **1,565** |

Contributions received for connections are considered contract liabilities for amounts paid by customers towards connections to district heating networks. In addition, the figure of €437 million (2019: €344 million) in the above table includes €22 million (2019: €17 million) for other long-term contractual liabilities. Trade and energy creditors include advances already invoiced if they are higher than the actual or estimated energy consumption during the reporting period.

The table below shows the movements in contributions received for connections:

| | 2020 | 2019 |
|---|---|---|
| **At 1 January** | 108 | 101 |
| Addition to contributions for connections | 19 | 9 |
| Release of contributions for connections as other revenues | -3 | -2 |
| Other | -1 | - |
| **At 31 December** | **123** | **108** |
| | | |
| **Classification at 31 December** | | |
| Current | 4 | 3 |
| Non-current | 119 | 105 |
| **Total** | **123** | **108** |

In view of their nature, the carrying amount of trade creditors and other payables is their fair value.

# 29. Contingent assets and liabilities

Contingent assets and liabilities other than guarantees and lease liabilities are measured at present value, calculated using a discount rate that reflects current market assessments of the time value of money.

**Rights under operating leases (Eneco as lessor)**
Equipment and energy installations are leased for periods of 5 to 20 years while the assets concerned remain the property of the Group.

The minimum receivables (nominal amounts) from non-terminable lease agreements fall due as follows:

| | 2020 | 2019 |
|---|---|---|
| Within 1 year | 18 | 19 |
| From 1 to 2 years | 16 | 18 |
| From 2 to 3 years | 14 | 16 |
| From 3 to 4 years | 12 | 14 |
| From 4 to 5 years | 11 | 12 |
| After 5 years | 50 | 41 |
| **Total** | **121** | **120** |

**Energy purchase and sale commitments**
The Group has energy purchase commitments of €10.8 billion (31 December 2019: €10.6 billion) under contracts relating to 2021 and later years. €1.9 billion falls due within 1 year (31 December 2019: €2.0 billion), €4.1 billion between 1 and 5 years (31 December 2019: €4.1 billion) and €4.8 billion after 5 years (31 December 2019: €4.5 billion). The purchase commitments comprise energy contracts for the company's own use (pursuant to IFRS 9) with various energy generators. There are sales commitments relating largely to the business market of €5.3 billion (31 December 2019: €5.5 billion) for 2021 and later years. €2.4 billion falls due within 1 year (31 December 2019: €2.1 billion), €2.6 billion between 1 and 5 years (31 December 2019: €2.9 billion) and €0.3 billion after 5 years (31 December 2019: €0.5 billion).

The Group has commitments of €0.6 billion (31 December 2019: €0.6 billion) for the purchase of heat until 2044. The expected perpetual annual commitments for the sale of heat are €0.3 billion per year (31 December 2019: €0.3 billion).

**Investment obligations**
At 31 December 2020, the Group had entered into investment obligations with a total amount of €0.5 billion (31 December 2019: €0.3 billion).

**Commitments under leases not recognised in the balance sheet**
The minimum commitments for short-term leases, low-value leases and variable lease payments not recognised as lease liabilities in the balance sheet are €14 million (31 December 2019: €12 million), of which €2 million falls due within 1 year (31 December 2019: €2 million), €5 million between 1 and 5 years (31 December 2019: €3 million) and €7 million after 5 years (31 December 2019: €7 million).

**Other contingent obligations**
At 31 December 2020, there were other contractual obligations of €0.6 billion (31 December 2019: €0.5 billion), mainly under maintenance contracts.

**Guarantees**
The Group has issued group and bank guarantees of €0.4 billion (31 December 2019: €0.5 billion) to third parties. At 31 December 2020, N.V. Eneco Beheer had issued guarantees of €0.2 billion (31 December 2019: €0.4 billion). The remaining group guarantees have been issued by subsidiaries. N.V. Eneco Beheer has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for most of these subsidiaries.

**Fiscal unity**
Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes. In addition, the sole subsidiary, N.V. Eneco Beheer, heads a fiscal unity for corporate income tax purposes which includes almost all of its Dutch subsidiaries and N.V Eneco Beheer is a member of a fiscal unity for VAT purposes covering most of the Group. All companies in a fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

**Cash pools**
As a result of its participation in the Group cash pools, N.V. Eneco Beheer is jointly and severally liable, with the other participants, for deficits in the pools as a whole.

**Legal proceedings**
The Group is involved either as plaintiff or defendant in various legal and regulatory claims and proceedings related to its operations. Management ensures proper representation in these matters. The amounts claimed in some of these proceedings may be significant to the financial statements.

Liabilities and contingencies in connection with these claims and proceedings are assessed periodically based on the latest information available, usually with the assistance of lawyers and other specialists. A liability is only recognised if an adverse outcome is probable and the amount of the loss can be reasonably estimated. The actual outcome of proceedings or a claim may differ from the estimated liability and, consequently, could have a material adverse effect on the financial performance and position of the Group. Eneco has, for example, been ordered to pay a material amount but it denies all liability and disputes every alleged obligation for payment.

**Unbundling Protocol between the Network Group and the Energy Company**[1]
For a period of six years from 31 January 2017, N.V. Eneco Beheer will indemnify Eneco Holding N.V. (renamed Stedin Holding N.V. from the unbundling date of 31 January 2017) and its associated companies for:

- all liability, claims and costs suffered or to be suffered by Stedin Holding N.V. and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of N.V. Eneco Beheer and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against Stedin Holding N.V. or an associated company relating to liabilities as referred to in the preceding paragraph; and
- tax claims relating to N.V. Eneco Beheer and related companies.

Furthermore, for a period of six years from 31 January 2017, Stedin Holding N.V. will indemnify N.V. Eneco Beheer and its associated companies for:

- all liability, claims and costs suffered or to be suffered by N.V. Eneco Beheer and its associated companies, if and to the extent that such liability, claims and costs relate to the activities of or companies in the group of Stedin Holding N.V. and its associated companies, irrespective of whether the legal relationship for such claim arises from a relationship that relates to a period before or after the unbundling;
- the right of recourse of third parties against N.V. Eneco Beheer or an associated company relating to liabilities as referred to in the preceding paragraph, excluding any liability, claims, costs or right of recourse in respect of tax matters; and
- tax claims relating to Stedin Holding N.V. and related companies.

# 30. Related party transactions

The Group's related companies (the shareholder and its subsidiaries which are not part of the Group), associates, joint ventures and board members are considered as related parties.

1 The Energy Company comprises: Eneco Groep N.V. (the new ultimate holding company of the Energy Company since 31 January 2017) and all its subsidiaries and other investments.

Sales to and purchases from related parties are on terms of business normally prevailing with third parties. Receivables and liabilities are not covered by collateral and are paid by bank transactions. Eneco has issued bank and group guarantees to it's associates and joint ventures of some €10 million (2019: €20 million).

The table below shows the trading transactions with the principal related parties:

| | Sales | | Purchases | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Associates | 1 | 9 | 2 | 1 |
| Joint ventures | 5 | 2 | 36 | 17 |

| | Receivables | | Liabilities | |
|---|---|---|---|---|
| | At 31 December 2020 | At 31 December 2019 | At 31 December 2020 | At 31 December 2019 |
| Associates | 5 | 4 | - | 1 |
| Joint ventures | 1 | 55 | 3 | 1 |

See note 6 'Remuneration of the Management Board and Supervisory Board' for the remuneration of Management Board and Supervisory Board. Four members of the Supervisory Board have voluntarily waived in 2020 their remuneration entitlements which deviates from an at arm's length remuneration.

If board members are energy customers of the Group, there is no other relationship than that of customer and supplier.

The Group applied the exemption from disclosures on related party transactions with government-related entities until 24 March 2020. The Municipality of Rotterdam had indirect significant influence. There is no relationship other than the shareholder relationship, except that of customer and supplier.

# 31. Financial risk management

Normal business activities involve exposure to credit, commodity market, foreign currency, interest rate and liquidity risk. The Group's policy is designed to minimise the adverse consequences of unforeseen circumstances on its financial results.

The Management Board is responsible for risk management and procedures and guidelines have been drawn up that are evaluated at least once a year and, if required, adjusted. In this context, it sets out procedures and guidelines and ensures they are complied with. Authority to enter into commitments on behalf of the Group is specified in the Eneco Authority Structure. Mandates have also been drawn up for all business units and management, including the Group's trading department, the business units with energy and heating production and the sales channels, to manage the above risks such as commodity (electricity, gas, heating, emission rights and fuels) risks. All of Eneco's business units are subject to the Group's corporate credit mandate, which states the terms and conditions under which transactions may be entered into with external parties in order to manage credit risk.

The Management Board and senior business unit management regularly review the results, key figures such as changes in KPIs and the trading position, the principal risks (and any concentration of certain risks) and the measures to manage them. Stress tests are developed for the principal identified risks and incorporated in the long-term financial plan. This clarifies the impact of risks on business operations. Senior business unit management reports to the Management Board by means of an In Control Statement every year.

The internal Audit & Risk Committee, a Commodity Risk Team and an Investment Risk Team are in charge of the formulation and application of the company's risk policy and advise the Management Board accordingly.

## 31.1 Credit risk

Credit risk is the risk of a loss if a counterparty or its guarantor cannot or will not meet its obligations. For the purposes of managing this risk, a distinction is drawn between debtor risk (on trade and other receivables) and counterparty risk. The maximum credit risk is the carrying amount of the financial assets including the derivative financial instruments.

### Debtor risk

Debtor risk is the risk that a debtor fails to pay a receivable. Most receivables are of limited size and there are a great number of debtors. There is, therefore, no concentration of risk.

Policy is designed not to provide customers with any credit going beyond normal supplier credit as set out in the applicable conditions of supply. Policy is also formulated at a decentralised level within the organisation. The effectiveness of that policy is monitored at the corporate level and adjustments are made as required.

Measures in place to limit debtor risk are:

- an active debt collection policy;
- credit limits, bank guarantees and/or margining (cash collateral) for business customers; and
- recourse to debt collection agencies and different collection methods for current and former customers.

**Trade receivables**
The Group applies the IFRS 9 simplified approach for determining expected credit losses on trade receivables using the lifetime expected credit losses method. This method is based on the inherent risk that a debtor will not pay or fully pay the receivable over its life. Consequently, this risk has to be recognised from the initial recognition of the receivable and a provision is formed for part of the amount of trade receivables that have not reached their due date and amounts to be billed as a result of the application of IFRS 9 from 1 January 2018. A provision matrix is used to ascertain the expected credit losses on receivables from retail and SME customers. This groups trade receivables by shared credit risk characteristics and the number of days that the receivables are outstanding.

The provision matrix incorporates different percentages for the various phases of collection of receivables, such as first reminder, dispute, debt collector or bankruptcy, related to the risk profile for ascertaining the expected losses. The percentages have been established from historical figures adjusted for non-recurring past effects. The percentages have been set taking account of current and forward-looking information on macro-economic factors for each country that could affect customers' ability to pay the receivables. The provision matrix is also segmented into the different customer classifications, such as different customer propositions, and countries.

This procedure also applies to large business customers but is in that case supplemented by an individual assessment involving credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers.

The expected credit losses on trade receivables at 31 December 2020 were ascertained in this way. See note 21 'Trade receivables' for the figures.

**Other receivables**
The expected credit losses on other current and non-current receivables measured at amortised cost are calculated using the 12-month expected credit losses method unless a significant/ considerable increase in credit risk has arisen for these receivables since initial recognition. In that case, any impairment is established using the lifetime expected credit losses method according to IFRS 9. To this end, there is an individual assessment of each receivable, incorporating credit ratings (if available), financial statements, press releases and specific contractual agreements with those customers and other parties.

## Counterparty risk

Counterparty risk is the risk that a trading partner cannot or will not meet its delivery or payment obligations. This risk is primarily encountered in trading in energy commodities (including emission rights, green certificates and fuel (or 'feedstock') for our biomass power stations) and interest rate and foreign currency hedge transactions. The basis for the management of this risk is set out in the Trading Mandate and the Treasury Statute drawn up by the Management Board.

The size of the counterparty risk is primarily determined by the replacement value of the future deliveries and the commodity delivered which has not yet been paid for. The replacement value is calculated each day for each counterparty based on current market prices for future deliveries. The risk position is measured against the risk tolerance. That tolerance is drawn up for each contract party on the basis of an assessment of the creditworthiness of that counterparty derived from a public or internal rating and/or alternative assessment methods.

Counterparty risk is limited by:

- setting financial limits based on the financial strength of the trading partner;
- setting trading restrictions for each counterparty (position management);
- use of standard agreements, in particular based on EFET and ISDA terms;
- use of third-party margining and clearing;
- use of bilateral margining agreements with counterparties;
- executing risk-reducing transactions with counterparties leading to partly-offsetting positions;
- requiring additional guarantees from counterparties, e.g. bank guarantees; and
- credit insurance taken if necessary to cover exposures exceeding the limits.

Third-party margining and clearing is in place for futures. This transfers the counterparty risk of a forward contract to a clearing bank. This bank is linked to a clearing house that facilitates settlement of futures transactions through exchanges such as ICE ENDEX (InterContinental Exchange European Energy Derivatives Exchange N.V.), EEX (European Energy Exchange A.G.) and the ECX (European Climate Exchange). Every day, the clearing house settles interim changes in market value with its clearing banks which in turn settle with the market parties concerned (margin calls). This neutralises counterparty risk for each party to the contract. Bilateral margining also implies periodic (daily, weekly, etc.) settlement, but directly with the counterparty to the transaction. The contract with the counterparty sets individual minimum limits (thresholds) based on the creditworthiness of both parties. Bilateral margining is only applied if the thresholds are exceeded.

The margining system creates liquidity risk and so risk policy is designed to monitor and match counterparty risk by forward trading and liquidity risk by margining. There is a system for monitoring internal limits using regular reports, to manage both risks.

### Financing instruments and counterparty risk when lending money

Management of financing instruments is set out in the Treasury Statute drawn up by the Management Board. Counterparty risk on borrowing money is very limited. The risk tolerance formulated in the Treasury Statute is taken into account when lending money. The risk position of a counterparty is measured against the risk tolerance. Risk tolerance is set for each contracting party using an assessment of the counterparty's creditworthiness according to a public credit rating. Counterparty risk is further reduced by dispersion across a number of parties, predetermined limits for each counterparty and maximum lending terms.

The counterparty risk for financial instruments (swap contracts) is limited by:

- the use of framework agreements on ISDA terms; and
- procedures for regular assessment of counterparty risk.

The margining system based on credit support agreements creates liquidity risk. The risk policy is designed to monitor this through regular reporting.

## 31.2 Market risk

Market risk is the exposure to changes in value in current or future cash flows and financial instruments arising from changes in market prices, market interest rates and exchange rates.

### Price risk

Price risks inherent in the energy generation, purchasing and supply portfolios are managed using a structure of mandates and limits adopted by the Management Board using position limits, MtM limits and Value at Risk (VaR)[1] measures. Appropriate limits are determined for each business activity. The risk managers and energy traders are notified each day of the VaR, the MtM and positions in relation to the limit. Limit infringements are reported in line with escalation procedures.

The market price risk inherent in the commodity portfolios for purchasing and delivering to customers is initially limited by back-to-back transactions for purchase and sales obligations. Structured hedging strategies are used where back-to-back hedging is not possible, or only with excessively high bid-ask costs. In these cases, positions are hedged temporarily in other commodities, delivery periods and/or countries which have an historically strong correlation with the price risks to be hedged. Gas storage and other facilities under the company's own and contracted positions are also used to respond to short-term fluctuations in demand and supply, for example, as a result of changes in the weather.

The market price risk inherent in the company's own 'must run' generation and long-term structured commodity purchase contracts is also limited through back-to-back transactions and structured hedging strategies as described above. The expected rewards are weighed up against the costs and downward risk for controllable generation in the portfolio. It should be noted that there is no liquid energy trading market for exposures that lie further away in the future and they are difficult or impossible to hedge.

1 VaR represents the potential loss on a portfolio in the event of an adverse scenario over a given period, with a 95% confidence interval. VaR calculations are based on price history and include data such as correlations between products, markets and time periods. Retrospective testing is conducted to check the calculated VaR values and the model used is checked.

The positions from the above activities that can be hedged in the markets are combined so that the Group's current net exposure is clear. Management and strategic decisions on these positions take account of prevailing market conditions, along with the expected short and medium-term demand for and supply of energy by the Group. These are created exclusively by the trading department for the entire Group and the other business units must at all times immediately hedge their exposure with the trading department. There is a residual risk in the above activities given the inherent existing imperfections between the positions to be hedged and available hedging instruments, limited market liquidity and movements between commodity prices (for example, between different commodities, delivery periods and/or countries).

The VaR (annual) in the price risk on total commodity positions (purchases, customer deliveries and generation portfolio positions) for the delivery year 2021 was -€28.7 million at 31 December 2020 (31 December 2019 - for the delivery year 2020: -€26.5 million). This VaR was on average -€20.6 million in 2020 (2019: -€19.4 million). The VaR (10 day) for portfolio positions that can be hedged in the short term via the market was -€3.8 million at 31 December 2020 (31 December 2019: -€2.4 million). This VaR was on average -€2.7 million in 2020 (2019: -€2.3 million).

The Group applies cash flow hedge accounting to its energy generation, purchasing and delivery portfolios and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and forward contracts (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2020 and 2019 were:

| Cash flow hedges (GWh) | 12 months or less | More than 12 months | Total | Average rate per MWh (€) |
|---|---|---|---|---|
| **Nominal size of contracts** | | | | |
| 2020 | - | -12,959 | -12,959 | 41.09 |
| 2019 | -450 | -701 | -1,151 | 53.68 |

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet.

The hedging instruments for hedged commodity risks in cash flow hedges at 31 December 2020 and 2019 were:

| Cash flow hedges for price risks in energy generation, purchasing and delivery portfolios | 2020 | 2019 |
|---|---|---|
| **At 31 December** | | |
| Gross contract value of the derivative financial instruments (often settled net compared with market price) | -532 | -62 |
| Carrying amount of derivative financial instruments[1] | -38 | 23 |
| | | |
| **Movements in elements for assessing hedging relationships** | | |
| Movement in fair value of hedged risks to determine possible ineffectiveness | -32 | 6 |
| Movement in fair value of derivative financial instruments to determine possible ineffectiveness | 32 | -11 |
| Changes in fair value of the derivative financial instruments in unrealised gains and losses | -28 | 10 |
| Hedge ineffectiveness included in income statement | -4 | -2 |
| Amount recycled from the cash flow hedge reserve to the income statement | -1 | 9 |

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in electricity and gas consumption and generation of electricity may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Purchases of energy and energy-related activities' in the income statement.

## Foreign currency risk

Foreign currency risk is the exposure to changes in value of financial instruments arising from changes in exchange rates. The Treasury department is responsible for managing the Group's other foreign currency risk. Companies included in the consolidation are not permitted to maintain open positions in foreign currencies (excluding commodity-related financial instruments) in excess of €250,000 without the Treasury department's approval. Based upon the aggregate foreign currency position and the associated limit set for open positions, the Treasury department determines whether hedging is desirable and the strategy to be followed. Eneco also uses derivatives and foreign currency loans to mitigate foreign exchange risk. The derivatives and loans used have counteracting risk profiles and the same underlying currency, principal and timing as the risk arising from commercial operations, leading to an effective hedge on which hedge accounting is applied. This approach hardly ever leads to ineffectiveness in currency hedges. Foreign currency risk attaching to commodity-related financial instruments is managed in accordance with the price risk.

The sensitivity of the Translation reserve in equity to a 1% movement in the sterling/euro exchange rate in 2020 was €0.7 million (after application of net investment hedge accounting).

Eneco has entered into hedging instruments for future cash inflows from its foreign operations (cash flow hedging) and the value of the business operations in the UK (hedge of net investment in a foreign operation). The Group applies cash flow hedge accounting and a hedge of net investment in a foreign operation to its foreign currency risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and forward contracts or foreign currency loans.

The sizes and rates of the hedged risks in the cash flow hedges at 31 December 2020 and 2019 were:

| x £1 million | 12 months or less | More than 12 months | Total | Average currency rate (£/€) |
|---|---|---|---|---|
| **Cash flow hedges** | | | | |
| Nominal value of derivative financial instruments | | | | |
| 2020 | 8 | 35 | 43 | 0.95 |
| 2019 | 26 | 35 | 61 | 0.88 |

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet.

The cash flow hedging instruments for currency risk at 31 December 2020 and 2019 were:

| Cash flow hedges for currency risk x €1 million | 2020 | 2019 |
|---|---|---|
| **At 31 December** | | |
| Nominal value of derivative financial instruments (£ 1 million) | **43** | **61** |
| Carrying amount of derivative financial instruments[1] | - | 1 |
| | | |
| **Movements in elements for assessing hedging relationships** | | |
| Movement in fair value of derivative financial instruments to determine possible ineffectiveness | -1 | -6 |
| Movement in fair value of hedged risks to determine possible ineffectiveness | 1 | 6 |
| Changes in fair value of the derivative financial instruments in unrealised gains and losses | -1 | -6 |
| Hedge ineffectiveness included in income statement | - | - |
| Amount recycled from the cash flow hedge reserve to the income statement | -1 | - |

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

The sizes and rates of the hedged risks for a net investment in a foreign operation were as follows at 31 December 2020 and 2019:

| x €1 million | 12 months or less | More than 12 months | Total | Average currency rate (£/€) |
|---|---|---|---|---|
| **Hedge of net investment in a foreign operation** | | | | |
| Nominal size of (derivative) financial instruments | | | | |
| 2020 | 122 | 100 | 222 | 0.90 |
| 2019 | 116 | 100 | 216 | 0.85 |

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet. If interest-bearing debt is used as a hedging instrument, it is recognised in this item in the balance sheet.

The hedging instruments for a net investment in a foreign operation with foreign currency risk were as follows at 31 December 2020 and 2019:

| Hedge of net investment in a foreign operation x €1 million | 2020 | 2019 |
|---|---|---|
| | | |
| **At 31 December** | | |
| Nominal value of derivative financial instruments (£1 million) | **222** | **216** |
| Carrying amount of derivative financial instruments[1] | -111 | -121 |
| | | |
| **Movements in elements for assessing hedging relationships** | | |
| Movement in fair value of derivative financial instruments to determine possible ineffectiveness | -6 | -13 |
| Movement in fair value of hedged risks to determine possible ineffectiveness | 6 | 13 |
| Changes in fair value of the derivative financial instruments in unrealised gains and losses | -6 | -13 |
| Hedge ineffectiveness included in income statement | - | - |
| Amount recycled from the cash flow hedge reserve to the income statement | - | - |

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 'Financial instruments recognised in equity'.

Changes in receipts of cash flows in foreign currency may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for commodity risks are recognised as 'Financial income' or 'Financial expenses' in the income statement. See the 'Unrealised gains and losses on cash flow hedges' line in the statement of comprehensive income for the unrealised gains and losses on currency risks.

## Interest rate risk

Interest rate risk is the exposure to changes in value in financial instruments arising from changes in market interest rates. The Treasury department manages interest rate risk. The interest rate risk policy is aimed at managing the net financing liabilities through fluctuations in market interest rates. A specified range for the proportions of loans at fixed and variable interest rates serves as the base tool. The Group may use derivative financial instruments such as interest rate swap contracts to achieve the desired risk profile. The Group holds interest rate swaps for risk-management purposes which are designated as cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to a benchmark rate (Euribor or Libor). The method for calculating Euribor was changed during 2019, allowing market participants (including the Group and its counterparties in these transactions) to continue to use Euribor for both existing and new contracts. The Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future. If all other variables remain constant, it is estimated that a general increase of 1 percentage point in Euribor (for a period of twelve months) would lead to a decrease in profit before tax of €0.3 million (after application of cash flow hedge accounting using interest rate swaps).

The Group applies cash flow hedging to its interest rate risks and recognises temporary movements through equity for the effective portion of the hedging relationship. The Group aims for a one-on-one hedge accounting relationship between the volumes of the hedged risks and contracted derivative financial instruments (hedging instruments). The sizes and rates of the hedged risks in the cash flow hedge accounting relationships at 31 December 2020 and 2019 were:

| Cash flow hedges in €1 million | 12 months or less | More than 12 months | Total | Average interest rate |
|---|---|---|---|---|
| **Nominal value of derivative financial instruments** | | | | |
| 2020 | 17 | 489 | 506 | 0.96% |
| 2019 | 21 | 220 | 241 | 1.11% |

Derivative financial instruments are recognised as 'Derivative financial instruments' in non-current and current assets and non-current and current liabilities in the balance sheet.

The cash flow hedging instruments for interest rate risk at 31 December 2020 and 2019 were:

| Cash flow hedges for interest rate risk | 2020 | 2019 |
|---|---|---|
| **At 31 December** | | |
| Nominal value of derivative financial instruments | 506 | 241 |
| Carrying amount of derivative financial instruments[1] | -38 | -30 |
| | | |
| **Movements in elements for assessing hedging relationships** | | |
| Movement in fair value of derivative financial instruments to determine possible ineffectiveness | 14 | -29 |
| Movement in fair value of hedged risks to determine possible ineffectiveness | 12 | 29 |
| Changes in fair value of the derivative financial instruments in unrealised gains and losses | -12 | -26 |
| Hedge ineffectiveness recognised in income statement | -2 | - |
| Amount recycled from the cash flow hedge reserve to the income statement | -4 | 3 |

1 Individual debit and credit amounts for these derivative financial instruments are presented in note 18.3 ‘Financial instruments recognised in equity'.

Changes in the scheduling of construction of wind farms may lead to ineffectiveness in the hedging relationship. The reclassified amounts and ineffectiveness from cash flow hedges for interest rate risks are recognised as ‘Financial income’ or ‘Financial expenses’ in the income statement.

### Cash flow hedge reserve

The movements in the cash flow hedge reserve for 2020 and 2019 were:

| | Energy commodities | Interest rate swap contracts | Currency swap contracts | total |
|---|---|---|---|---|
| **At 1 January 2019** | **5** | **-6** | **-2** | **-3** |
| Effective portion of cash flow hedges | 3 | -29 | - | -26 |
| Reclassification of cash flow hedge reserve to the consolidated income statement | 9 | 3 | - | 12 |
| Deferred tax liabilities | -2 | 7 | - | 5 |
| Ineffective portion of cash flow hedges recognised in income statement | -2 | - | - | -2 |
| **Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income** | **8** | **-19** | **-** | **-11** |
| Share of movements in cash flow hedges of associates and joint ventures, after tax | - | -7 | - | -7 |
| **At 31 December 2019** | **13** | **-32** | **-2** | **-21** |
| Effective portion of cash flow hedges | -24 | -14 | - | -38 |
| Reclassification of cash flow hedge reserve to the consolidated income statement | -1 | 3 | 1 | 3 |
| Deferred tax liabilities | 7 | 2 | - | 9 |
| Ineffective portion of cash flow hedges recognised in income statement | -3 | 2 | - | -1 |
| **Unrealised gains and losses on cash flow hedges in Consolidated statement of comprehensive income** | **-21** | **-7** | **1** | **-27** |
| Share of movements in cash flow hedges of associates and joint ventures, after tax | - | -4 | - | -4 |
| **At 31 December 2020** | **-8** | **-43** | **-1** | **-52** |

### Translation reserve

The foreign exchange risk in hedging a net investment in a foreign operation affects the translation reserve. The table below shows the effect of the foreign exchange hedges on this reserve:

| | 2020 | 2019 |
|---|---|---|
| **At 1 January** | **-4** | **-7** |
| Translation gains and losses during the reporting period | -18 | 13 |
| Movement in hedge of net investment in a foreign operation | 12 | -13 |
| **Movement in translation reserve before tax effects** | **-10** | **-7** |
| Tax effects in the movement in translation reserve | -3 | 3 |
| **At 31 December** | **-13** | **-4** |

## 31.3 Liquidity risk

The Group is a capital-intensive business. Its financing policy is aimed at growing into an optimum financing structure taking into account its current asset base and investment programme while maintaining and further developing them. The criteria are access to the capital market and flexibility with acceptable financing costs and conditions.

Most financing for sustainable assets is drawn locally, to the extent this contributes to achieving the project and local financing can be obtained at acceptable financing costs and conditions.
In addition to its own generation, the Group also buys energy on standardised physical supply contracts and long-term structured purchasing contracts with third parties to source its energy supplies. Arrangements are made with counterparties on mutual guarantees and collateral. Their level depends in part on the creditworthiness of parties and the Marked-to-Market exposures resulting from price movements in the energy markets. A downgrading in the Group's credit rating may, without further mitigation, lead to a significant increase in the capital requirement for providing collateral.

A specific liquidity risk arises from margining energy contracts through clearing houses and contracts with bilateral margin obligations. There are limits in the mandate for the Group's purchasing and trading department ('Commodity Trading Mandate') to cover both the outstanding balance and price change sensitivity. This risk is the subject of regular reports to business unit management and the Commodity Risk Team. The sensitivity of the margin call to a 1% change in prices at 31 December 2020 was €2.3 million. In 2020, the Group generated a net amount of €13 million (2019: €6 million received) from margining.

Great importance is attached to managing all the above risks to avoid the Group finding itself in a position in which it could not meet its financial obligations and the necessary management reports, applications and back-up facilities have been set up for this. In addition, liquidity needs are planned on the basis of cash flow forecasts with a medium-term horizon. The cash flow forecasts incorporate operating and investing cash flows, dividends, interest payable and debt redemption. The Group specifically takes the periodicity of its cash flow into account, also allowing for sensitivity to weather influences. The Treasury department sets this capital requirement against available funds. A report is submitted to the Management Board every month.

### Uncommitted credit and guarantee facilities

Uncommitted credit and guarantee facilities totalling €539 million (2019: €564 million) have been agreed with a number of banks and €90 million of this had been drawn at 31 December 2020 (31 December 2019: €111 million). Eneco also has a €750 million Euro Commercial Paper programme which had not been drawn at the year end.

### Committed credit facilities

In July 2017, Eneco entered into a committed Revolving Credit Facility ('RCF') of €600 million with a term of 5 years. In June 2020, N.V. Eneco Beheer entered into a revolving and committed short term credit facility of €200 million with a term of 1 year.

**Cash outflows on financial instruments**

The table below shows forecast nominal cash outflows and any interest arising from financial instruments over the coming years. The cash flows from derivatives are based on the prices and volumes in the contracts.

| At 31 December 2020 | Within 1 year | From 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Derivative financial instruments | 122 | 229 | 31 | 382 |
| Lease obligations | 30 | 101 | 132 | 263 |
| Interest-bearing debt | 38 | 348 | 249 | 635 |
| Trade and other payables | 1,167 | - | - | 1,167 |
| **Total** | **1,357** | **678** | **412** | **2,447** |

| At 31 December 2019 | Within 1 year | From 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| Derivative financial instruments | -176 | 14 | -18 | -180 |
| Lease obligations | 29 | 109 | 163 | 301 |
| Interest-bearing debt | 71 | 333 | 131 | 535 |
| Trade and other payables[1] | 1,055 | - | - | 1,055 |
| **Total** | **979** | **456** | **276** | **1,711** |

1 2019 amounts restated for comparative purposes.

## 31.4 Netting financial assets and financial liabilities

Where the Group meets the IFRS criteria for netting, financial assets and financial liabilities are netted and recognised net in the balance sheet. Transactions in derivative financial instruments use standardised terms and conditions and contract types such as the master netting agreements based on ISDA and EFET terms. Most of the Group's contracts for derivative financial instruments meet the netting criteria since there is a legally enforceable right to set off the recognised amounts and also because all amounts relating to netted financial assets and financial liabilities are settled as a single sum.

The table below sets out only the financial assets and financial liabilities in the balance sheet netted in accordance with the criteria in IAS 32. As the table does not include all the financial assets and liabilities in the balance sheet, it is not possible to reconcile these figures with the net amounts presented in the balance sheet.

| At 31 December 2020 | Gross amounts of recognised financial assets | Gross amounts of recognised financial assets/liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|---|---|---|---|
| **Assets** | | | |
| Derivative financial instruments | 1,411 | 1,070 | 341 |
| Other financial instruments | 652 | 496 | 156 |
| **Total** | **2,063** | **1,566** | **497** |

| At 31 December 2020 | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets/liabilities offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position |
|---|---|---|---|
| **Liabilities** | | | |
| Derivative financial instruments | 1,500 | 1,070 | 430 |
| Other financial instruments | 926 | 496 | 430 |
| **Total** | **2,426** | **1,566** | **860** |

| At 31 December 2019 | Gross amounts of recognised financial assets | Gross amounts of recognised financial assets/liabilities offset in the statement of financial position | Net amounts of financial assets presented in the statement of financial position |
|---|---|---|---|
| **Assets** | | | |
| Derivative financial instruments | 1,311 | 960 | 351 |
| Other financial instruments | 659 | 526 | 133 |
| **Total** | **1,970** | **1,486** | **484** |

| At 31 December 2019 | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets/liabilities offset in the statement of financial position | Net amounts of financial liabilities presented in the statement of financial position |
|---|---|---|---|
| **Liabilities** | | | |
| Derivative financial instruments | 1,321 | 960 | 361 |
| Other financial instruments | 943 | 526 | 417 |
| **Total** | **2,264** | **1,486** | **778** |

# 32. Capital management

The primary aim of the Group's capital management is to maintain good creditworthiness and healthy solvency to support operations and minimise the cost of debt. The Group regards both capital and net debt as relevant elements of its financing and so of its capital management. The Group can influence its capital structure by altering the proportions of equity and debt. Net interest-bearing debt (excluding discontinued operations) is defined as long-term and current interest-bearing debt less cash and cash equivalents.

The Group monitors its capital using the Financial Management Framework. This includes the equity/total assets ratio which is regularly monitored by the Management Board. At 31 December 2020 it was 46.9% (31 December 2019: 48.6%[1]).

# 33. Events after the reporting date

No material events or transactions including the estimate of the effect of the Covid-19 pandemic have been identified after the balance sheet date, which should be disclosed in this paragraph.

1 2019 ratio restated for comparative purposes.

# Notes to the consolidated cash flow statement

All amounts in millions of euros unless stated otherwise.

The cash flow statement has been prepared using the indirect method. To reconcile the movement in cash and cash equivalents, the result after tax is adjusted for items in the income statement and movements in balance sheet that did not affect receipts and payments during 2020.

The cash flow statement distinguishes between cash flows from operating, investing and financing activities. The cash flow from operating activities includes interest and income tax payments and interest and dividend receipts.

Development costs, investments in and disposals of non-current assets (including financial interests) are included in cash flow from investing activities. Dividends paid out are recognised as outgoing cash flow from financing activities.

## 34. Movements in working capital

Working capital consists of inventories and current receivables less short-term non-interest-bearing debt.

The table below shows movements in working capital recognised in the cash flow from operating activities:

| x €1 million | 2020 | 2019 |
|---|---|---|
| Movements in intangible current assets | 2 | 14 |
| Movements in inventories | 3 | 6 |
| Movements in trade debtors | 69 | 68 |
| Movements in other receivables | 9 | 71 |
| Movements in non-interest bearing debt | -4 | -104 |
| **Total** | **79** | **55** |

# List of principal subsidiaries, joint operations, joint ventures and associates

This is a list of the principal subsidiaries, joint operations, joint ventures and associates. See 1.1 'General information' for further details of the Group’s activities and composition.

## Subsidiaries

| Name | Seat | Share |
|---|---|---|
| AgroPower B.V.* | Delft | 100% |
| BioEnergieCentrale Delfzijl B.V. | Rotterdam | 100% |
| CEN B.V.* | Hilversum | 100% |
| Eneco B.V.* | Rotterdam | 100% |
| Eneco België B.V.* | Rotterdam | 100% |
| Eneco Belgium N.V. | Mechelen (B) | 100% |
| Eneco Bio Golden Raand C.V. | Rotterdam | 100% |
| Eneco Consumenten B.V.* | Rotterdam | 100% |
| Eneco Consumenten Nederland B.V.* | Rotterdam | 100% |
| Eneco eMobility B.V. | Rotterdam | 100% |
| Eneco Energy Trade B.V.* | Rotterdam | 100% |
| Eneco Gasspeicher B.V.* | Rotterdam | 100% |
| Eneco Heat Production & Industrials B.V.* (previously: Eneco Solar, Bio & Hydro B.V.) | Rotterdam | 100% |
| Eneco HKN B.V. | Rotterdam | 100% |
| Eneco Installatiebedrijven B.V.* | Rotterdam | 100% |
| Eneco Installatiebedrijven Groep B.V.* | Rotterdam | 100% |
| Eneco Installatiebedrijven TI B.V.* | Rotterdam | 100% |
| Eneco Leiding over Noord B.V. | Rotterdam | 100% |
| Eneco Mistral B.V.* | Rotterdam | 100% |
| Eneco Services B.V.* | Rotterdam | 100% |
| Eneco Smart Energy B.V. | Rotterdam | 100% |
| Eneco Solar B.V. | Rotterdam | 100% |
| Eneco UK Limited | Leeds (UK) | 100% |
| Eneco Verda B.V.* | Rotterdam | 100% |
| Eneco Warmte & Koude B.V.* | Rotterdam | 100% |
| Eneco Warmte & Koude Leveringsbedrijf B.V.* | Rotterdam | 100% |
| Eneco Warmtenetten B.V.* | Rotterdam | 100% |
| Eneco Warmteproductie Utrecht B.V. | Rotterdam | 100% |
| Eneco Wind B.V.* | Rotterdam | 100% |
| Eneco Wind Belgium Holding N.V. | Brussels (B) | 100% |
| Eneco Windenergie Delfzijl B.V. | Rotterdam | 100% |
| Eneco Windmolens Offshore B.V.* | Rotterdam | 100% |
| Eneco Zakelijk B.V.* | Rotterdam | 100% |
| Eneco Zakelijk Nederland B.V. | Rotterdam | 100% |
| LichtBlick Holding GmbH | Hamburg (G) | 100% |
| LichtBlick SE | Hamburg (G) | 100% |
| N.V. Eneco Beheer | Rotterdam | 100% |
| Oxxio Nederland B.V.* | Rotterdam | 100% |
| Quby B.V.* | Amsterdam | 100% |
| Quby Products B.V.* | Amsterdam | 100% |
| Spontanae B.V. | Rotterdam | 100% |
| Windpark Nieuwe Waterweg B.V. | Hilversum | 100% |

*A 403 statement was issued by N.V. Eneco Beheer for this subsidiary.

## Joint operations

| Name | Seat | Share |
|---|---|---|
| Blauwwind Management II B.V. | Rotterdam | 10% |
| CrossWind Beheer B.V. | The Hague | 20.1% |
| Enecogen v.o.f. | Rotterdam | 50% |
| Q10 Offshore Wind B.V. | Rotterdam | 50% |
| Seamade N.V. | Oostende (B) | 12.5% |
| Zonnepark Ameland B.V. | Ballum | 33.3% |

## Joint ventures

| Name | Seat | Share |
|---|---|---|
| Norther SA | Gembloers (B) | 25% |
| Rotterdam Shore Power B.V. | Rotterdam | 80% |

## Associates

| Name | Seat | Share |
|---|---|---|
| Greenchoice B.V. | Rotterdam | 30% |
| Greenflux Assets B.V. | Amsterdam | 25.2% |
| Next Kraftwerke GmbH | Cologne (G) | 35.1% |
| Thermondo GmbH | Berlin (G) | 8.2% |

A full list of companies has been filed with the trade registry in Rotterdam pursuant to Section 379 of the Dutch Civil Code.

# Company financial statements

## Company income statement

| x €1 million | 2020 | 2019 |
|---|---|---|
| Share of profit of subsidiaries | 117 | 79 |
| Other results after income tax | - | - |
| **Profit after income tax** | **117** | **79** |

# Company balance sheet

*Before profit appropriation*

| x €1 million | Note | At 31 December 2020 | At 31 December 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Financial assets | 3 | 2,942 | 2,932 |
| **Total non-current assets** | | **2,942** | **2,932** |
| **Current assets** | | | |
| **Total current assets** | | **-** | **-** |
| **TOTAL ASSETS** | | **2,942** | **2,932** |
| | | | |
| **Equity** | | | |
| Share capital | | - | - |
| Share premium | | 2,781 | 2,781 |
| Translation reserve | | -13 | -4 |
| Cash flow hedge reserve | | -52 | -21 |
| Reserve undistributed profit of participating interests[1] | | 59 | 58 |
| Development expenses reserve | | 7 | 9 |
| Retained earnings | | 43 | 30 |
| Undistributed profit | | 117 | 79 |
| **Total equity** | 4 | **2,942** | **2,932** |
| **Non-current liabilities** | | - | - |
| **Total non-current liabilities** | | **-** | **-** |
| **Current liabilities** | | - | - |
| **Total current liabilities** | | **-** | **-** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **2,942** | **2,932** |

1 Based on Part 9, Book 2 of the Dutch Civil Code and relates to subsidiaries, joint ventures and associates.

# Notes to the company financial statements

All amounts in millions of euros unless stated otherwise.

## 1. Accounting policies

The company financial statements have been prepared in accordance with the provisions of Part 9, Book 2 of the Dutch Civil Code, and the same accounting policies have been applied as in the consolidated financial statements as permitted by Section 362(8), Part 9, Book 2 of the Dutch Civil Code, except that subsidiaries are carried at net asset value determined on the basis of the IFRS accounting policies used in the consolidated financial statements. The descriptions of the activities and structure of the enterprise as stated in the 'Notes to the consolidated financial statements' also apply to the company financial statements.

## 2. Remuneration of the Management Board and Supervisory Board

See note 6 'Remuneration of the Management Board and Supervisory Board' to the consolidated financial statements for the remuneration of Management Board and Supervisory Board pursuant to Section 383, Part 9, Book 2 of the Dutch Civil Code.

## 3. Financial assets

| | Subsidiaries |
|---|---|
| **At 1 January 2019** | **2,936** |
| Share of profit of subsidiaries | 79 |
| Dividend received | -68 |
| Movement in cash flow hedges | -18 |
| Other equity movements | 1 |
| Translation differences | 2 |
| **At 31 December 2019** | **2,932** |
| Share of profit of subsidiaries | 117 |
| Dividend received | -68 |
| Movement in cash flow hedges | -31 |
| Other equity movements | 1 |
| Translation differences | -9 |
| **At 31 December 2020** | **2,942** |

# 4. Equity

Movements in the equity of Eneco Groep N.V. were as follows:

| | Paid-up and called-up share capital | Share premium | Translation reserve | Cash flow hedge reserve | Reserve undistributed profit of participating interests | Development expenses reserve | Retained earnings | Undistributed profit | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **-** | **2,771** | **-7** | **-3** | **34** | **5** | **-** | **136** | **2,936** |
| **Total (other) comprehensive income** | **-** | **-** | **3** | **-18** | **-** | **-** | **1** | **79** | **65** |
| Profit appropriation 2018 | - | - | - | - | - | - | 68 | -68 | - |
| Cash dividend to shareholder(s) Eneco Groep N.V. | - | - | - | - | - | - | - | -68 | -68 |
| Movements in the financial year | - | 10 | - | - | 24 | 4 | -39 | - | -1 |
| **At 31 December 2019** | **-** | **2,781** | **-4** | **-21** | **58** | **9** | **30** | **79** | **2,932** |
| **Total (other) comprehensive income** | **-** | **-** | **-9** | **-31** | **-** | **-** | | **117** | **77** |
| Profit appropriation 2019 | - | - | - | - | - | - | 11 | -11 | - |
| Cash dividend to shareholder(s) Eneco Groep N.V. | - | - | - | - | - | - | - | -68 | -68 |
| Movements in the financial year | - | - | - | - | 1 | -2 | 2 | - | 1 |
| **At 31 December 2020** | **-** | **2,781** | **-13** | **-52** | **59** | **7** | **43** | **117** | **2,942** |

See note 24 'Equity' to the consolidated financial statements for details of individual components of equity.

Statutory reserves are recognised pursuant to Part 9, Book 2 of the Dutch Civil Code. Eneco Groep N.V.'s statutory reserves are a translation reserve, cash flow hedge reserve, reserve for undistributed profit of participating interests and a reserve for development costs. On the contribution of N.V. Eneco Beheer, Eneco Groep N.V. took over all the statutory reserves of N.V Eneco Beheer and its subsidiaries.

The total amount of the undistributed profit of participating interests and development costs reserves of €66 million (31 December 2019: €67 million) was deducted in full from Retained earnings.

**Distributable results**
Eneco Groep N.V. distributed a dividend of €68 million in 2020 (2019: €68 million).

The non-distributable capital attributable to Eneco Groep N.V.'s shareholder(s) at 31 December 2020 was €105 million (31 December 2019: €112 million). The individual method was used for the cash flow hedge reserve.

# 5. Contingent assets and liabilities

**Liability**
N.V. Eneco Beheer, as subsidiary of Eneco Groep N.V., has issued a declaration of joint and several liability pursuant to Section 403(1)(f), Part 9, Book 2 of the Dutch Civil Code for the principal subsidiaries marked with an * in the list of subsidiaries, joint operations, joint ventures and associates.

**Fiscal unity**
Eneco Groep N.V. is an autonomous taxpayer for corporate income tax and VAT purposes.

# 6. Auditor's fees

The fees below relate to the fee for services provided by Eneco's external auditor, Deloitte Accountants B.V., as defined in Section 1.1 of the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties* - Wta), and includes those charged by entities associated with the auditor in the Deloitte network.

| x €1.000 | Deloitte Accountants B.V. | Affiliated Deloitte entities | Total 2020 |
|---|---|---|---|
| Audit of the financial statements | 1,939 | - | 1,939 |
| Other audit engagements | 191 | 1,003 | 1,194 |
| Tax consultancy | - | - | - |
| Other non-audit services | 115 | - | 115 |
| **Total** | **2,245** | **1,003** | **3,248** |

The fee for the audit of Eneco Groep N.V.'s financial statements included audit work on its consolidated and company financial statements. The above fees relating to the audit of the 2020 financial statements include work not performed during the reporting period.

Other audit engagements are the audit of the statutory financial statements of subsidiaries and related engagements. Other non-audit services are those permitted by law and regulations.

# 7. Proposed appropriation of the 2020 profit

The Management Board, with the approval of the Supervisory Board, will propose that the General Meeting of Shareholders on 1 April 2021 declares a dividend to the shareholder of €58.5 million from the profit after tax attributable to the shareholder. This represents a distribution of €11.80 per share for 2020. The dividend will be paid no later than in April 2021. A proposal will also be made to add the remaining €58.5 million of the profit to Retained earnings.

Rotterdam, 12 March 2021

Eneco Groep N.V.

Management Board

A.C. (As) Tempelman, chairman
C.J. (Kees-Jan) Rameau
J.M.J. (Jeanine) Tijhaar
F.C.W. (Frans) van de Noort
J.A.F.M. (Hans) Peters
H. (Hiroshi) Sakuma

Supervisory Board

J.M. (Mel) Kroon, chairman
K. (Katsuya) Nakanishi
M. (Michael) Enthoven
Y. (Yutaka) Kashiwagi
H. (Haruhiko) Sato
T. (Takanori) Shiozawa
J.M. (Annemieke) Roobeek

# Other information

# Profit appropriation pursuant to the articles of association

Pursuant to the company's articles of association, the profit is at the disposal of the General Meeting of Shareholders. Distributions from the profit may only be made if the financial statements show that this is permitted. The articles of association also state that the General Meeting of Shareholders may resolve to make interim distributions. The provisions of the articles of association and the law apply to the amount and formalities for this.

# Independent auditor's report

To the shareholder and the Supervisory Board of Eneco Groep N.V.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

**Our opinion**

We have audited the accompanying financial statements 2020 of Eneco Groep N.V. ("**Eneco**" or the "**Company**"), based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Eneco Groep N.V. as at December 31, 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Eneco Groep N.V. as at December 31, 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated balance sheet as at December 31, 2020.

2. The following statements for 2020: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2020.

2. The company income statement for 2020.

3. The notes comprising a summary of the accounting policies and other explanatory information.

**Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Eneco Groep N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of the:

- Report of the Management Board;
- Governance paragraphs;
- Supervisory Board Report;
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code; and the
- Other information included in the annexes.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

**Responsibilities of the Management Board and the Supervisory Board for the financial statements**

The Management Board ("management") is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rotterdam, March 12, 2021

Deloitte Accountants B.V.

Was signed,

N.H.M. van Groenendael

# Annexes

# Shareholders

Until 24 March 2020, the shares of Eneco Groep N.V. were held by 44 different municipalities.

Municipalities that until 24 March 2020 held more than 2% of the shares:
Rotterdam 31.69%, The Hague 16.55%, Dordrecht 9.05%, Leidschendam-Voorburg 3.44%, Lansingerland 3.38%, Delft 2.44%, Zoetermeer 2.34%, Nissewaard 2.14% and Pijnacker-Nootdorp 2.10%.

Municipalities that until 24 March 2020 held less than 2% of the shares:
Aalsmeer, Achtkarspelen, Alblasserdam, Albrandswaard, Ameland, Amstelveen, Barendrecht, Bloemendaal, Brielle, Capelle aan den IJssel, Castricum, GoereeOverflakkee, Gorinchem, Haarlemmermeer, Hardinxveld-Giessendam, Heemstede, Hellevoetsluis, Hendrik-Ido-Ambacht, Hoeksche Waard, Krimpen aan den IJssel, Krimpenerwaard, Molenlanden, NoardeastFryslân, Papendrecht, Ridderkerk, Rijswijk, Schiedam, Schiermonnikoog, Sliedrecht, Uithoorn, Vijfheerenlanden, West Betuwe, Westvoorne, Zandvoort and Zwijndrecht.

Effective 24 March 2020, the shareholder of Eneco Groep N.V. is Diamond Chubu Europe B.V. This entity is a joint venture between Diamond Artemis Holdco B.V. (which has 80% of the shares) and Chubu Electric Power Company Netherlands B.V. (which has 20% of the shares). Diamond Artemis Holdco B.V. is ultimately owned by Mitsubishi Corporation and Chubu Electric Power Company Netherlands B.V. is ultimately owned by Chubu Electric Power Co., Inc.

# Workforce

| Annual Report 2020 | 2020 | 2019 |
|---|---|---|
| **Number of own employees** | | |
| Total average workforce in FTE | 2,819 | 2,775 |
| Total workforce in FTE at year end | 2,835 | 2,802 |
| | | |
| **Men - women ratio** | | |
| *percentage of men and women of the total number of employees in FTE at year end* | | |
| Men | 63% | 67% |
| Women | 37% | 33% |
| | | |
| **Age distribution** | | |
| *percentage per age group of the total number of employees in FTE at year end* | | |
| age 15 - 24 | 2% | 2% |
| age 25 - 34 | 28% | 28% |
| age 35 - 44 | 32% | 33% |
| age 45 - 54 | 21% | 21% |
| age 55 and over | 17% | 16% |
| | | |
| **Diversity** | | |
| *in percentages at year end* | | |
| Women in managerial positions | 25% | 24% |
| | | |
| **Employment contract** | | |
| *in percentages at year end* | | |
| Employees with a Collective Labour Agreement (CLA) contract | 73% | 70% |
| | | |
| Employment contract for an indefinite period | 2,406 | 2,403 |
| Men | 68% | 67% |
| Women | 32% | 33% |
| NL | 72% | 71% |
| BE | 13% | 9% |
| GE | 15% | 16% |
| Other | 0% | 4% |
| | | |
| Employment contract with a fixed term | 429 | 399 |
| Men | 66% | 69% |
| Women | 34% | 31% |
| NL | 90% | 57% |
| BE | 0% | 0% |
| GE | 10% | 27% |
| Other | 0% | 16% |
| | | |
| Employees with a full-time contract | 2,302 | 2,217 |
| Men | 92% | 92% |
| Women | 59% | 48% |
| Employees with a part-time contract | 532 | 585 |

| | Annual Report 2020 | |
|---|---|---|
| Men | 8% | 8% |
| Women | 41% | 52% |
| | | |
| **Absenteeism** | | |
| *in percentages* | 4.8% | 4.8% |

Eneco records most of the workforce data in SAP. Other management systems are used for a number of business units both in the Netherlands and abroad.

# Safety performance

## Occupational health and safety

| | |
|---|---|
| **a. For all employees:** | |
| i. The number and rate of fatalities as a result of **work-related injury**; | 0 |
| ii. The number and rate of **high-consequence work-related injuries** excluding fatalities); | 0 |
| iii. The number and rate of **recordable work-related injuries**; | 6 (RIF = 0,23) |
| iv. The main types of work-related injury; | Tripping and falling |
| v. The number of hours worked. ` | 5,124,506.33 hours |
| **b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation:** | |
| i. The number and rate of fatalities as a result of work-related injury; | 0 |
| ii. The number and rate of high-consequence work-related injuries (excluding fatalities); | 0 |
| iii. The number and rate of recordable work-related injuries; | 11 |
| iv. The main types of work-related injury; | Tripping, falling and entrapment |
| v. The number of hours worked. | Not available |
| **c. The work-related hazards that pose a risk of high-consequence injury, including:** | |
| i. how these hazards have been determined; | Analysis of the reports in the Alerta incident registration system |
| ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period; | See above |
| iii. actions taken or underway to eliminate these hazards and minimize risks using the **hierarchy of controls**. | See management approach |
| d. Any actions taken or underway to eliminate other work-related hazards | Lessons learned are shared in safety alerts and incorporated by means of updates to the RIEs. |
| e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked. | RIF calculation is based on 200,000 |
| f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. | Does not apply |
| g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used. | As per calculation of the strategic KPI RIF. |

# Reporting policy

In this integrated annual report over the financial year 2020, Eneco Group reports on the realisation of its strategy, the policy that it has pursued and the financial and non- financial performance related thereto. This report has been prepared in accordance with the GRI Standards: Core option. Eneco's financial year runs from 1 January up to and including 31 December 2020. The previous annual report was published on 21 February 2020.

## Integrated reporting

Eneco Group's annual report has been prepared as an integrated report on its financial and non-financial performance. With the <IR> Framework of the International Integrated Reporting Council (IIRC), we are able to better clarify the interrelationship between the core elements of our policy in our report. This is also reflected in the value creation model. The content elements required by the <IR> Framework are present in this report. (Profile of the organisation, Governance, Business Model, Risks and Opportunities, Strategy, Performance and Outlook.) The <IR> Framework is based on principles that have a considerable overlap with the sustainable reporting guidelines of the Global Reporting Initiative, the GRI Standards. We link the narrative quality of IIRC to the quantitative method of the GRI Standards.

Below, we will further elaborate two of the most important GRI principles: stakeholder engagement and materiality. We refer to the paragraph Strategy, and specifically to the section on Market Trends in that paragraph, to assess our performance within the broader perspective of sustainable development.

With this, we satisfy the GRI principle Sustainability Context. With these three principles together, we also satisfy the principle Comprehensiveness

## Stakeholder engagement

Persons and/or groups of persons, organisations and/or companies who have a direct or indirect interest in Eneco and vice versa are regarded as belonging to our circle of direct stakeholders. These stakeholders are necessary in one way or another for the realisation of our objectives: from the perspective of the sector, as a whole, as division or as project. In order to arrive at a clearly defined selection of stakeholders, we have made an analysis based on a model (Mendelow). With this model, we have made a classification based on the influence and importance of stakeholders with regard to the functioning of Eneco Group. In this manner, the concept of materiality can be applied better in the context of stakeholders. The group of stakeholders whose opinions about Eneco and the material themes must be taken into account includes:

**Customers** (Including consumers, SME, and large-volume business customers): necessary for the continuity of Eneco Group.

**Employees**: in all countries, necessary for the implementation of the business plan and other activities.

**Shareholders**: effective 24 March 2020, 80% of the shares are held by Mitsubishi Corporation, and 20% by ChubuElectric Power (see Annex: Shareholders).

**Non-governmental organisations:** Our One Planet strategy is an important part of our business strategy, in which sustainability is an important driver. This also has a large impact on high-volume business customers (client to asset deals, green electricity). NGOs with an environmental focus such as WWF, Greenpeace, Natuur & Milieu and Urgenda are the most important external assessors of Eneco Group in the One Planet field, with political and media influence.

**Regulators**: The regulatory framework is of crucial importance for Eneco with regard to both the playing field and revenues (subsidy, heating tariffs) as permit granters for the construction of assets onshore and offshore. Therefore, the opinions of government policymakers are also of material importance.

In connection with the recently completed privatisation process, we also added banks, capital providers and credit rating agencies to the category of stakeholders who have to be very well informed.

For further details about what stakeholders regard as important and how we communicate with them, see the annex 'Stakeholders and materiality'.

## This financial year's materiality survey

The transaction in which Eneco was sold to Mitsubishi Corporation and Chubu Electric Power was finalised on 24 March 2020. Thanks to our shareholders' full support for Eneco's sustainability strategy, we can continue to grow, both in the Netherlands and abroad. For the remainder of the year, we prioritised the process of further streamlining our strategy. The strategic objectives determine the material themes that we use for organising and managing the value creation process.

We involved our internal stakeholders in that process during the financial year. Using a mix of perspectives from the business and the Management Board, we first focused on strategic dilemmas and allocating capex, after which we brought in the One Planet team and the Central Works Council for their input as we examined the financial aspects and the business plan as a whole. This resulted in a strategic document that was discussed with the Supervisory Board. Following this, we discussed the strategy with the Top 40.

Our conclusion is that the material themes that we presented last financial year remain virtually unchanged. One change since 2019 is that the theme 'Support for our activities' is no longer presented separately in 2020: we can only realise sustainable energy projects in good harmony with the local community. We work hard to create and retain support for new projects, for instance, by respecting the biodiversity on land and at sea. Together with partners, we take measures to protect nature on land and at sea.

Once this annual report has been published, we intend to invite representatives from our most principal stakeholders for an external consultation on our strategy and material themes.

## Sustainability standards

The report is compliant with the standards of the Global Reporting Initiative (GRI). We use the framework of the International Integrated Reporting Council (IIRC) to clarify the interrelationship between the core elements of our policy. We also report on the Sustainable Development Goals (SDGs) that are relevant to our situation: 7, 11, 12, 13, 14 and 15. We have joined the UN Global Compact and, in our report, we report on our progress with regard to the 10 principles and each of the 4 focus areas: human rights, labour conditions, the environment and anti-corruption. See annex Communication on Progress.

## Connectivity

We have also improved the logical connection between the customer themes and overarching material themes, so that they better reflect our strategic ambitions. Each material theme is linked to a strategic KPI.

| Material themes | SKPI | GRI Standard |
|---|---|---|
| **Customers** | | |
| **Relevant for the customer**<br><br>Eneco wishes to remain relevant for its customers by offering a sustainable product range with which customers can live more sustainably, and by providing high quality services. Our service levels are in order where proactive advice, switching and information are concerned. We offer customers convenience and insight into their data via further digitalisation. With data insights and a smooth digital customer journey, we realise a good personal experience for the customer. Our complaints management is at a high level. | Number of contracts | Economic performance 201-1 |
| | Customer satisfaction after customer contact[1] | Own disclosure |
| **Competitive pricing - retaining customers**<br><br>Studies show that customers still consider the price of energy to be very important, in addition to the origin of energy. In order to retain customers, we offer them sustainable energy at a competitive price. | Number of contracts | Economic performance 201-1 |
| | Customer satisfaction after customer contact | Own disclosure |
| **Expanding innovative services**<br><br>Innovation is essential in the energy transition. We develop innovative services in and around the home, for electric transport and energy management of businesses. We aim for a leading position in these three segments and participate in start-ups. | Number of service contracts (subset of the total number of contracts) | Economic performance 201-1 |
| **Heating** | | |
| **Growth in heating solutions (gas transition)**<br><br>Facilitating the heat transition and retaining the value of heating customers. Eneco aims to develop and offer attractive propositions for the relevant market segments in order to maintain its market position and retain the value of its customers. On the one hand, through densification and expansion of the existing network and, on the other hand, through a strong position in individual heat pumps (hardware, operation and field services) in the Netherlands and Belgium. | Increase in the number of new heat units (EDUs) | Energy 302-1 |
| | Sustainable heat generation | Energy 302-1 |
| **Integration** | | |
| **Contributing to the energy transition - balance between green supply and green assets**<br><br>Eneco contributes to the energy transition by focusing on reducing the share of electricity that is generated with fossil fuels and increasing the share of sustainably produced energy. Calculated as the ratio of electricity generated from Wind, Solar, Hydro and Biomass (both by our own assets as well as from assets where we have long term off-take agreements) and our gross total electricity volume delivered to our customers. | % electricity generated from sustainable sources relative to the total electricity delivered | Energy 302-1 |
| **Assets** | | |
| **Investments in renewable sources**<br><br>To double our available sustainable capacity from 1100 MW to 2200 MW in five years' time. This concerns all our own sustainable electricity production capacity (MW) and sustainable production capacity for heating (MWth) (Sum of operational production capacity (in MW) of our Wind, Solar, Hydro and Biomass generating assets, attributed to Eneco based on ownership share). | Own sustainable electricity production (MWe) | Economic performance 201-1<br><br>Energy 302-1 |

| | | |
|---|---|---|
| | Own sustainable heat production (MWth) | Economic performance 201-1<br><br>Energy 302-1 |
| **Overarching** | | |
| **Economic: Returns from a financially healthy company, International growth**<br><br>Eneco Group is a financially healthy company with a clear growth ambition in the Netherlands, Belgium and Germany. We aim to generate a healthy return for our (future) shareholders. We express this in ROCE that shows the return that we can achieve with our current investments (invested capital). | ROCE & EBITDA | Economic performance 201-1 |
| **Economic: Partnership with new shareholders** | ROCE and EBITDA | Economic performance 201-1 |
| **Social: Promoting the health and well-being of employees**<br><br>We consider the safety, health and well-being of our employees to be very important. Safety, including at subcontractors, is given top priority. We aim for zero accidents and attention for vitality resulting in low absenteeism. The moving average number of incidents resulting in absenteeism, alternative work or medical treatment per 200,000 hours worked. | RIF | Occupational health&safety 403-8 |
| **Social: Contributing to the Paris climate agreements, in part through energy savings** | One Planet | Emissions 305-5 |
| Our chain emissions related to the emissions of our suppliers, our own business operations and our customers must decrease annually compared to 2015 to keep global warming below 2ºC. Eneco's main contribution lies in increasing the sustainability of the energy supply, stimulating e-mobility and increasing the sustainability of its own mobility, with which Eneco also contributes to clean air.<br><br>Determining the $CO_2$ emissions of our chain (suppliers, customers, and our own operations) in accordance with the Greenhouse Gas (GHG) Corporate Value Chain Standard and ISO 14064-1 standard. We report on $CO_2$ equivalents, i.e. $CO_2$, CH4, NOx. | | |

1 Measured as the weighted average % of customers of Eneco B2C, Oxxio, SME, Heat, WoonEnergie, Home Services and Belgium who assess the brand of which they are customer as either 'excellent', 'very good' or 'good'. This metric is calculated based on the average of four (quarterly) measurements per year.

In the chapters Result: Customers, Result: Sustainable production, Result: Integration and Result: One Planet we discuss in detail the concrete objectives that we have formulated for the relevant topics via targets for the specified KPIs. We also discuss what we have already done and what we plan to do to realise our objectives. In addition, in the GRI content index we have included a more comprehensive overview of the GRI indicators that are linked to the most material themes.

## Reporting process

Point of departure in the preparation of the annual report was the strategy including strategic themes and key performance indicators (KPIs) as determined by the Management Board. The contents of the annual report is also determined based on the materiality analysis described above. We have made agreements with regard to the reporting process. The responsibility, definition, scope, calculations, necessary resources and systems, quality assurance and the process are determined for each strategic KPI that is linked to a strategic theme. The development of each strategic KPI is reported periodically and discussed with the boards of the Eneco entities involved. The Internal Audit Department ensures the correctness and completeness. Where necessary remedial action is taken.

**Information gathering and accountability**
We have a process description for the preparation of the annual report. The general rule is that the Management Board is responsible for the integrated annual report.

The Management Board has delegated the preparation of the annual report to a process manager who leads a multidisciplinary team. The responsibility for the contents of the report is divided between the departments Strategy, Communication and Finance. The financial and non-financial strategic KPIs are an integral part of the planning and control cycle. The results are discussed in the regular business reviews. A responsible officer is appointed for each topic based on an accountability index. The Management Board reviews the final version before it is submitted to the Supervisory Board.

## Sustainable Development Goals (SDGs)

We report on the Sustainable Development Goals (SDGs) of the United Nations that are relevant for us. These goals were drawn up in order to make the world 'a better place' by 2030. Eneco Group contributes to the realisation of these goals to the best of its abilities. In the chapter Result: One Planet we provide insight into the chosen SDGs, the targets and the alignment with our control framework.

## UN Global Compact

As a member of the UN Global Compact, our report includes our progress with the 10 principles in each of the 4 focus areas: human rights, labour conditions, the environment and anti-corruption. This 'Communication on Progress' (CoP) is an integral part of our integrated annual report. See the annex on the UN Global Compact principles for references to the various CoP themes in the annual report.

## Assurance non-financial information

In order to assess the reliability of our reporting, we asked Deloitte Accountants to assess the strategic KPIs and the application of the Core option of the GRI Standards (limited assurance) in addition to the financial statements. See the assurance report.

We have consciously opted for the Core option. This option is in line with our wish and that of our stakeholders to report concisely on our financial and non-financial performance. The Core option means that for each relevant aspect (topic), identified in the materiality analysis, we report on at least one GRI Standard and indicator that corresponds best with our control framework. The control framework with the set of strategic KPIs is leading in the choice of topics (see Topic-specific disclosures and management approach in the annex on the GRI content index. In addition, topics are included that our stakeholders have designated as important (see What is Material). In areas where we conclude that GRI Standards do not correspond sufficiently, we have used the definitions of the relevant strategic KPI.

# Eneco Supplier Code of Conduct

**Everyone's sustainable energy**
Since 2007, Eneco's strategy is aimed at increasing sustainability. This is embedded in our mission, 'everyone's sustainable energy'. Our ambition is to bring our own and our customers' energy consumption within the limits of a habitable planet for the sake of our own generation and generations to come. To this end, we seek to collaborate with our customers, government bodies, suppliers and other partners that share this ambition.

**Supplier Code of Conduct**
The Supplier Code of Conduct is based on the ISO 26000 guideline for corporate social responsibility. Social responsibility and responsibility with respect to sustainability within the supply chain is something we also expect from our suppliers. Furthermore, we expect our suppliers to select their own suppliers in accordance with the guidelines of our Supplier Code of Conduct.

**Corporate governance**
We never conduct business with untrustworthy business partners. We never conduct business with (suspected) criminals or become involved in transactions in which the proceeds of criminal offenses play a role. Our suppliers adhere to national and international legislation and regulations, ensure that they have all the necessary permits and observe the principles of good corporate governance with a focus on continuity and integrity. Suppliers are expected to implement our Supplier Code of Conduct in their organisation and to monitor employee and supplier compliance.

**Human rights and working conditions**
Our suppliers:

- recognise the Universal Declaration of Human Rights and act accordingly;
- ensure that there is no child labour, forced labour or discrimination and that no conflict resources are being used in their supply chains;
- recognise and respect the right of employees to organise and to join a trade union;
- do not pay their employees less than the statutory minimum wage;
- adhere to acceptable working hours and social security provisions in accordance with local standards and national and international legislation and regulations;
- provide adequate working conditions to safeguard health and safety
- ensure that regular assessment interviews are conducted with their employees and offer training opportunities for employees.

**Fair trading**
Our suppliers:

- engage in fair trade practices and make just decisions to avoid corruption, abuse of power and conflicts of interest;
- in no way tolerate that the proceeds of criminal activities are disguised by their legitimate business transactions;

- in no way tolerate the use of legitimate financial resources for criminal activities, including terrorism;

- respect intellectual and other property rights and take appropriate measures to protect the personal details of customers, employees and other business contacts.

**Consumer issues**
Our suppliers:

- take measures to protect the health and safety of consumers that include providing reliable, environment-friendly and safe products that enable sustainable consumption;

- apply fair business standards with respect to marketing, sales and transparent and fair competition;

**Environment**
Manners in which suppliers of Eneco demonstrate commitment, a proactive approach and continuous improvement with respect to protection of the environment include:

- energy saving and reduction of emissions of carbon dioxide and other harmful greenhouse gases;

- promoting waste sorting, processing and recycling;

- limiting water consumption and improving water quality;

- preventing local pollution in the form of airborne particles, noise and light;

- stimulating biodiversity;

- preventing the use of resources the extraction of which harms the environment;

- limiting the harmful impact of a product on the environment during the product's useful life;

- having an environmental management system in place that is in accordance with or similar to ISO14001 or being committed to having such a system in place within an agreed period of time.

**Involvement with and development of the community**
Our suppliers:

- are involved with the community in which they operate;

- create local jobs and develop the skills of their (local) employees;

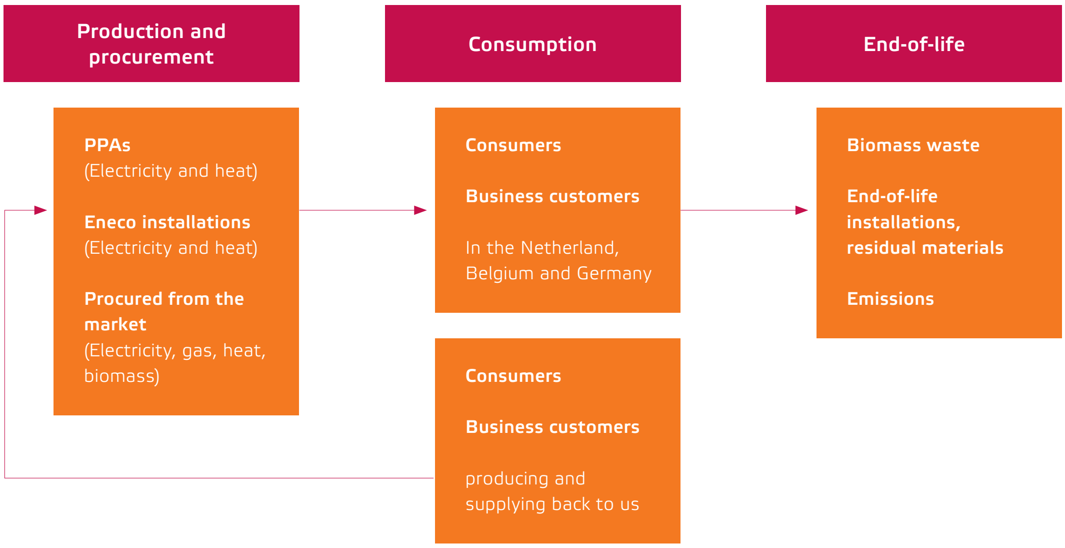
- take into account and take responsibility for the effects of their activities on the community as a whole and on the health of the people and animals in that community.

**Audit**
Eneco has the right to ensure, by means of an audit, that suppliers comply with this Code of Conduct. Evidence of not consistently operating in accordance with this Supplier Code of Conduct may have consequences for the continuation of the relationship between the supplier and Eneco.

**Signing**
All suppliers of Eneco are required to sign the Supplier Code of Conduct. By signing, suppliers commit to comply with the content of the Eneco Suppliers Code of Conduct.

# Our electricity, gas and heat supply chain

Eneco supplies electricity, gas, steam and heat (including from sustainable sources) to consumers and businesses in the Netherlands, Belgium, Germany and the United Kingdom. Although more and more customers are generating their own energy, for example using solar panels, the overwhelming majority of the electricity and heat that is consumed is still generated centrally. Gas is purchased via GasTerra. Eneco procures energy on the market, under power purchase agreements (PPAs) with wind farms, or generates it at its own wind and solar farms and two biomass power plants. We will see a shift in production during the years ahead, as electricity and heat take the place of natural gas. With sustainable energy production and consumption making up a greater portion of our portfolio, emissions will drop.



# GRI content index

## General Disclosures

| GRI Standards 2016 | Description | Reference |
|---|---|---|
| **Profile** | | |
| 102-1 | Name of the organisation | Profile (see page 6) |
| 102-2 | Main activities, brands and products and services | Profile (see page 6) |
| 102-3 | Location of the head office | Financial Statements Note 1.1 (see page 110) |
| 102-4 | Location of operations | Profile (see page 6) |
| 102-5 | Ownership and legal form | Corporate Governance (see page 80) |
| 102-6 | Important markets (geographical division, sectors and type of customers) | Profile (see page 6) |
| 102-7 | Scale of the organisation | Overview of the main results (see page 7),<br><br>Sustainable production (see page 42)<br><br>Financial result (see page 78)<br><br>Workforce (see page 193) |
| 102-8 | Information about the total workforce | Workforce (see page 193) |
| 102-9 | The organisation's value chain and supply chain | Our supply chain (see page 203) |
| 102-10 | Significant changes during the reporting period | Governance, shareholders (see page 81) |
| 102-11 | Note about the application of the precautionary principle | Risk management (see page 82) |
| 102-12 | External economic, environment-related and social charters or principles to which the organisation subscribes | One Planet (see page 64): Sustainability scores, Reporting policy (see page 196) |
| 102-13 | Membership of associations | Document View our memberships |
| **Strategy** | | |
| 102-14 | Statement of the senior decision-maker of the organisation on the relevance of sustainable development for Eneco Group and its strategy to aim for sustainable development | Foreword Management Board (see page 2) |
| **Ethics & Integrity** | | |
| 102-16 | Values, principles, standards, and norms of behaviour of the organisation | Integrity and compliance (see page 92) |
| **Governance** | | |
| 102-18 | Governance structure | Corporate Governance (see page 80) |
| **Stakeholder engagement** | | |
| 102-40 | List of stakeholder groups | Reporting policy (see page 196) |
| 102-41 | Percentage of employees falling under a collective labour agreement | Workforce (see page 196) |
| 102-42 | Basis for identifying and selecting stakeholders | Reporting policy (see page 196) |

| GRI Standards 2016 | Description | Reference |
|---|---|---|
| 102-43 | Approach to stakeholder engagement | Stakeholders and materiality (see page 207) |
| 102-44 | Result stakeholder management | Reporting policy (see page 196) |
| **Reporting** | | |
| 102-45 | Operational structure of participating interests | Participating interests in Financial Statements (see page 146) |
| 102-46 | Process for the determination of the content of the report and application of GRI principles | Reporting policy (see page 196) |
| 102-47 | List of material themes | Reporting policy (see page 196) |
| 102-48 | The effect of any restatements of information given in previous reports | Safety: see note with regard to RIF |
| 102-49 | Changes in reporting compared to previous reporting periods | n/a |
| 102-50 | Reporting period | Reporting policy (see page 196) |
| 102-51 | Date of most recent report | Reporting policy (see page 196) |
| 102-52 | Reporting cycle | Reporting policy (see page 196) |
| 102-53 | Point of contact for questions about the report or the contents of the report | Box: Publication, inside of cover |
| 102-54 | In accordance option that the organisation has chosen | Reporting policy (see page 196) |
| 102-55 | GRI content index | GRI content index (see page 204) |
| 102-56 | External assurance policy | Reporting policy (see page 196) |

## Topic-specific disclosures and management approach

| | Material themes linked to strategic KPIs and GRI disclosures and management approach | Strategic KPI | GRI Standard | GRI 2016 103.1 Scope[1,2] | GRI 2016 103.2 Strategy and policy | GRI 2016 103.3 Objectives/control framework |
|---|---|---|---|---|---|---|
| | **Customers** | | | | | |
| 1 | Relevant for the customer | Customer satisfaction #contracts | own | NL, D, B | Strategy: Section Customers | Result: Customers>Growing our customer numbers (see page 32)<br><br>Overview of main results (see page 7) |
| 2 | Competitive pricing - (retaining customers) | Customer satisfaction #contracts | GRI 2016 201-1 | NL D, B | Strategy: Section Customers | Result: Customers>Growing our customer numbers (see page 32)<br><br>Overview of main results (see page 7) |
| 3 | Expanding innovative services | # service contracts | own | NL, D, B | Strategy: Section Customers | Result: Customers (see page 32) |
| | **Heating** | | | | | |
| 4 | Growth in heating solutions (gas transition) | # new EDUs | GRI 2016 302-1 | NL | Strategy:Section Customers | Growing in sustainable heating (see page 46) |
| | **Integration** | | | | | |
| 5 | Contributing to the energy transition | % sustainable energy relative to delivery portfolio | GRI 2016 302-1 | NL, D, B | Strategy: Section Integration | Growing in sustainable solar and wind energy (see page 42) |
| | **Assets** | | | | | |
| 6 | Investing in renewable sources | own sustainable generation of electricity and heat | GRI 2016 201-1 | NL, B | Strategy: Section Sustainable production | Result: sustainable production (see page 42) |
| | **Overarching** | | | | | |
| 7 | Returns from a financially healthy company, growth in NL, D and B | ROCE, EBITDA | 201-1 | NL, D, B | Strategy | Financial result,(see page 78) Financial Statements (see page 109) |
| 8 | Safety, health and well-being | RIF | GRI 2018 403-9 | NL, D, B | Safety paragraph | Safety (see page 74); Safety performance (see page 195) |
| 9 | Partnership with shareholders | ROCE, EBITDA | own | NL, D, B | Governance: paragraph shareholders | Foreword (see page 2) |
| 10 | Contributing to Paris climate agreements - reducing $CO_2$ and other emissions in the supply chain, Contributing to customers saving energy | One Planet KPI | GRI 2016 305-5[3] | NL D, B | One Planet: Mission and positioning | Result: One Planet (see page 56) |

1 Omission at 201-1: competitive sensitivity ('payments to government by country') - Eneco is not required to report financial details by country and will not do so in view of the competitive sensitivity of this information.
2 See connectivity table in Reporting policy (page 188-191) for explanations why these topics are material.
3 Omission – The internal consumption figures as requested under 301-a and c are not material in relation to Eneco's sustainability ambitions. However, these data have been included in the calculation of the emissions relating to the One Planet KPI (GRI Standard 305-5)

# Stakeholders and materiality

| Stakeholder | contact moments | topics |
|---|---|---|
| **Customers** | customer surveys | service level |
| | website | complaints handling |
| | customer magazine | proactive advice |
| | social media | easy to switch |
| | customer service | digital and self-service |
| | account management | data privacy |
| | | sufficient sustainable energy |
| | | supporting contribution to the energy transition |
| | | learning from innovative company such as Eneco |
| | | linking energy requirement to Eneco wind and solar farms |
| | | competitive pricing |
| | | heat solutions |
| **Shareholders** | AGMs, regular contacts | regular performance |
| | annual report | return on investments in renewable sources |
| | | risks and opportunities in national and international activities |
| | | sustainable energy projects |
| **Employees** | Central Works Council | safety |
| | town hall meetings | fair remuneration |
| | annual report | health and well-being |
| | alignment survey | employment |
| | internal media | composition of the top of the company |
| | work consultations | privatisation |
| **Nature and the environment** | regular consultations | how sustainable is Eneco |
| | annual report | contributing to climate change |
| | benchmarks | contributing to the energy transition |
| | | care for biodiversity |
| | | origin E+G+H |
| **Financial stakeholders** | regular consultations | sustainability of business model |
| | annual report | strategy and risk management |
| | annual audits | investing in renewable sources abroad |
| | | compliance |
| | | anti-corruption |
| **Local residents - housing corporations** | various contact moments | safety |
| | | air quality |
| | | biodiversity |
| | | heat solutions |

# UN Global Compact principles

## Progress report

Eneco subscribes to the ten Global Compact principles and reports here on the progress

| Categories and principles | Location |
|---|---|
| **Human rights**<br><br>1. Eneco supports and respects the internationally proclaimed human rights. | Integrity & Compliance (see page 92)<br><br>Socially Responsible Procurement (see page 201)<br><br>Circularity (see page 63), (see page 92)<br><br>Code of Conduct (see page 81) (text code of conduct)<br><br>Suppliers Code of Conduct |
| 2 . Eneco continually makes sure that it is not complicit in human right abuses. | Socially Responsible Procurement (see page 63)<br><br>Suppliers Code of Conduct (see page 201) |
| **Working conditions**<br><br>3 . Eneco upholds the freedom of association and the effective recognition of the right to collective bargaining | Employee participation in decision making (see page 68)<br><br>Workforce (see page 193) |
| 4 . Eneco strives to eliminate all forms of forced and compulsory labour | Suppliers Code of Conduct (see page 201) |
| 5 . Eneco strives for the effective abolition of child labour. | Suppliers Code of Conduct (see page 201) |
| 6 . Eneco strives for the elimination of discrimination in respect of employment and occupation. | Integrity (see page 92)<br><br>Code of Conduct |
| **Environment**<br><br>7 . Eneco supports a precautionary approach to environmental challenges. | One Planet (see page 56)<br><br>Code of Conduct (see page 81) |
| 8 . Eneco undertakes initiatives to promote greater environmental responsibility. | Strategy (see page 24)<br><br>One Planet (see page 56) |
| 9 . Eneco encourages the development and diffusion of environmentally friendly technologies. | Mission and Strategy (see page 24) |
| **Anti-corruption**<br><br>10 . Eneco works against corruption in all its forms, including extortion and bribery. | Integrity (see page 92)<br><br>Code of Conduct (see page 81) |

P.O. Box 8208, 3009 AE Rotterdam

Mr. H.E. António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Rotterdam, 6 April 2021

**Eneco statement expressing continued support of the UN Global Compact Principles**

Dear Mr. Secretary-General,

I am pleased to confirm that Eneco continues to support the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. With this communication, we express our intent to implement these principles. We are committed to making the UN Global Compact and its principles part of our company's strategy, culture and day-to-day operations, and to engaging in collaborative projects that advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. Eneco will make a clear statement of this commitment to its stakeholders and the general public.

We recognise that a key requirement for participation in the UN Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the Ten Principles. We are pleased to present our integrated annual report: https://yearreport2020.eneco.com/, in which we report on our progress on the most relevant SDGs and the Ten Principles. For the sake of readability, a UNGC index has also been added to our integrated annual report.

Yours sincerely,

Mr. A.C. (As) Tempelman
CEO

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Chamber of Commerce Rotterdam 24433142 – NL65ABNA0640001025 – NL.8192.41.222.B01

# Declaration of compliance with Suppliers Code of Conduct,

regarding data from low-volume meters that can be read remotely.

**Name of legal entities:** Eneco Consumenten B.V. and Eneco Zakelijk B.V., hereafter jointly referred to as Eneco, and Oxxio Nederland B.V. and CEN B.V., hereafter jointly referred to as Oxxio.

**Registered offices:** Rotterdam

**Period:** 1 January 2020 up to and including 31 December 2020

Eneco and Oxxio make use of meter data obtained from low-volume meters that can be read remotely in order to carry out their services properly. As a supplement to the Personal Data Protection Act (now the General Data Protection Regulation), suppliers and meter reading companies acting under their responsibility in the Dutch energy sector have drafted a code of conduct regarding the use, recording, exchange and storing of data obtained from low-volume meters that can be read remotely.

Eneco B.V. hereby states, duly represented in this matter by its director F.C.W. (Frans) van de Noort, in its capacity as director of Eneco Consumenten Nederland B.V., who in turn is the director of Eneco Consumenten B.V., Oxxio Nederland B.V. and CEN B.V., as well as in its capacity as director of Eneco Zakelijk Nederland B.V., who in turn is the director of Eneco Zakelijk B.V., that Eneco and Oxxio have complied with the rules and obligations laid down in the Suppliers of Smart Meters Code of Conduct 2012 during the above-mentioned period.

Article 3.1.2 of the code of conduct states that personal meter data must be processed in accordance with the law. With regard to this specific issue, it should be noted that the General Data Protection Regulation (GDPR) came into effect on 25 May 2018. Eneco is compliant with the GDPR. In addition, Eneco drew up a proposal for a new code of conduct, together with Energie Nederland, containing the obligations that follow from the GDPR. This proposal was discussed with the Dutch Data Protection Authority and will come into force after formal approval by the Dutch Data Protection Authority.

Rotterdam, **12 March 2021**

F.C.W. (Frans) van de Noort,

Member of the Management Board of Eneco Groep N.V.

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**Design**
CF Report

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Future results could also be influenced by factors including, but not limited to, financial risks, such as foreign currency and interest risks and liquidity and credit risks. Eneco does not accept any liability or obligation related to the adjustment or revision of the current forecasts on the basis of new information or future events or for any other reason.



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