

Encevo S.A.

Type of Engagement: Annual Review

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Introduction

In December 2021, Encevo S.A. ("Encevo" or the "Issuer") issued Green Schuldschein to finance or refinance projects aimed at promoting the transition towards a low-carbon economy. In May 2023, Encevo engaged Sustainalytics to review the projects financed with proceeds from those issuances (the "Nominated Projects") and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Encevo Green Schuldschein Framework 2021 (the "Framework")¹. Sustainalytics provided a second-party opinion on the Framework in October 2021² and a previous annual review on the use of proceeds in January 2021,³ based on Encevo's Green Schuldschein Framework 2020.⁴

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the Green Schuldschein based on whether the projects:

1. Met the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	KPIs
Renewable Energy	Development, construction, installation and maintenance of renewable energy production units, from sources of wind power and solar PV installations. Investments in these projects can occur either in form of debt or in form of equity.	- Number of households provided with access to renewable energy - Estimated annual greenhouse gas emission reductions (CO₂, SF₆)
Energy Transmission, Distribution and Smart Grid Projects	- Development, construction and reconstruction of electricity networks that enhance the transmission capacity for renewable energy. - Investments in new and existing infrastructure to increase capacity in order to inject more renewable energies into the system. - Increase energy efficiency and decrease network losses as well as investments in new infrastructure that improve reliability of energy supply and energy efficiency through	- The number of smart grid components installed (smart meters, smart stations etc.) - The estimated annual energy consumption savings

¹ Encevo, "Green Schuldschein Framework", (2021), at: https://www.encevo.eu/wp-content/uploads/2021/11/20211028_ENC_GreenSchuldschein_Framework_A4_oct2021_FINAL-VERSION.pdf

² Encevo, "Second-Party Opinion", (2021), at: https://www.encevo.eu/wp-content/uploads/2021/11/20211014_Encevo-S.A.-Green-Schuldschein-Framework-Second-Party-Opinion_FINAL.pdf

³ Encevo, "Annual Review 2021", (2021), at: <https://www.encevo.eu/wp-content/uploads/2021/02/Encevo-Green-Schuldschein-Annual-Review.pdf>

⁴ Encevo, "Encevo Green Schuldschein Framework", (2020), at: https://www.encevo.eu/wp-content/uploads/2020/04/ENC_GREENSCHULDSCHIEINFRAMEWORK_A4-.pdf

	the use of smart grid technologies and the installation of smart meters.	
Sustainable Real Estate	Investments in existing and new commercial buildings (new headquarter Creos and new dispatching center Creos), which meet at least the minimum requirements of DGNB Gold.	The certificates regarding energy efficiency of the new buildings
Clean Transportation Solutions	Based on non-fossil fuel or hybrid technologies and supporting infrastructure, including improvements of the grid in order to prepare it for the connection and installation of electric vehicle charging stations.	Number of charging stations deployed

Issuer's Responsibility

Encevo is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Encevo's Green Schuldschein. The work undertaken as part of this engagement included collection of documentation from Encevo and review of said documentation to assess conformance with the Encevo Green Schuldschein Framework.

Sustainalytics relied on the information and the facts presented by Encevo. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Encevo.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Encevo Green Schuldschein Framework. Encevo has disclosed to Sustainalytics that the proceeds from the Green Schuldschein were fully allocated as of December 31, 2022.

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the Green Schuldschein to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the Green Schuldschein to determine if impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Reported Allocation Reporting by Eligibility Criteria⁶

On 16 December 2021, Encevo's Green Schuldschein raised EUR 200 million of which EUR 96.4 million was used to finance new projects, while EUR 103.6 million was used towards refinancing existing projects.

The table below provides details on the allocation of proceeds per category.

Use of Proceeds Category	Project Description ⁷	Amount allocated (EUR million)
Renewable Energy	- Solar PV installations in Luxembourg, Germany and Netherlands - Wind power installation in Belgium	19
Energy Transmission, Distribution and Smart Grid Projects	- Installation of smart meters in Luxembourg - Smart Grid Projects in Luxembourg	117
Sustainable Real Estate	- Development of new Creos headquarters at Luxembourg (Merl) - New dispatching center Creos in Bettembourg	61
Clean Transportation Solutions	- Installation of AC charging stations for electric cars and hybrid plug-in vehicles in Luxembourg	3
Total		200

⁶ Reported allocation data includes investments from 2020 until 2021 and investments done in 2022 for the finalization of Creos headquarters (Merl building).

⁷ For detailed project descriptions, please refer to the Green Schuldschein report 2021 available on Encevo's website at: <https://www.encevo.eu/en/financial-figures/?title=green>

Appendix 2: Impact Reporting based on Eligibility Criteria

Use of Proceeds Category	Impact Reported by Eligibility Criteria ^{8,9}
Renewable Energy	- CO₂ avoided in 2020 (in tCO₂/ year): 5,534 - CO₂ avoided in 2021 (in tCO₂/ year): 11,961
Energy Transmission, Distribution and Smart Grid Projects	- Number of smart meters installed in 2020: 14,472 - Number of smart meters installed in 2021: 14,217
Sustainable Real Estate	- New Creos headquarters in Luxembourg is planned to obtain the DGNB certification "Platinum" and have received a pre-certificate. - New Dispatching Center Creos in Bettembourg obtained the DGNB certification "Gold"
Clean Transportation Solutions	- Number of charging stations deployed in 2020: 57 - Number of charging stations deployed in 2021: 132

⁸ Reported impact data is as of 31 December 2022 for Sustainable Real Estate category and 31 December 2021 for all the other categories.

⁹ Calculation methodology of CO₂ emissions avoided or reduced is available in the impact report section of the Green Schuldschein report 2021 (p.10) available on Encevo's website at: <https://www.encevo.eu/en/financial-figures/?title=green>

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