

Second-Party Opinion

Green Schuldschein Framework



Evaluation Summary

Sustainalytics is of the opinion that the Green Schuldschein Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds (i) Renewable Energy, (ii) Energy Transmission, Distribution and Smart Grid Projects, (iii) Sustainable Real Estate, and (iv) Clean Transportation Solutions are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



PROJECT EVALUATION / SELECTION. Encevo's Green Schuldschein Committee comprised of representatives from Business, Corporate Social Responsibility (CSR), Legal and Group Finance Teams is responsible for the selection and approval of eligible projects. Encevo has in place environmental and social risk management processes that are applicable to all allocation decisions in the Framework. Sustainalytics views this to be adequate and considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Encevo's Group Finance and Treasury Department has established an internal segregated monitoring system to track the allocation of Green Schuldschein Proceeds. Encevo intends to fully allocate within three years of each issuance and will hold unallocated Schuldschein proceeds in its internal cash pooling, managed according to its prudent liquidity management practices. Sustainalytics considers this approach to be in line with market practice.



REPORTING Encevo intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include a list of eligible projects, amounts allocated to each category, and the share of the net proceeds allocated to financing and refinancing. In addition, Encevo is committed, where feasible, to reporting on relevant impact metrics. Sustainalytics views Encevo's allocation and impact reporting as aligned with market practice.

Evaluation Date October 14, 2021¹

Issuer Location Esch-sur-Alzette, Luxembourg

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For inquiries, contact the Sustainable Finance Solutions project team:

Charles Cassaz (Amsterdam)
Project Manager
charles.cassaz@sustainalytics.com
(+31) 20 205 02 09

Amala Devi (Toronto)
Project Support

Anchal Verma (Toronto)
Project Support

Kibii Sisulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

¹ This document is an update of a Second-Party Opinion, originally published in June 2018. In August 2021, Encevo engaged Sustainalytics to assess the alignment of its Green Schuldschein Framework. No changes were made to the use of proceed categories. Changes consist of assessing the updated Framework's alignment with the 2021 Green Bond Principles as well as confirming that the Framework is aligned to current market practice.

Introduction

Encevo S.A. (“Encevo”, or the “Company”) is the holding company of the Encevo Group, which is comprised of the energy supplier and producer Enovos, the grid operator Creos, and the energy service provider Enovos Services. The Company is the largest energy supplier and grid operator in Luxembourg, and also serves clients in Germany, France, Belgium and Netherlands. The Company provides services along the entire energy value chain from production, storage, supply, transport to trading, distribution and services.

Encevo has developed the Green Schuldschein Framework (the “Framework”) under which it intends to issue multiple green Schuldscheine and use the proceeds to finance and refinance, in whole or in part, existing and future projects that promote a transition towards a low-carbon economy. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
2. Energy Transmission, Distribution and Smart Grid Projects
3. Sustainable Real Estate
4. Clean Transportation Solutions

Encevo engaged Sustainalytics to review the Green Schuldschein Framework, dated October 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Encevo’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Encevo representatives have confirmed (1) they understand it is the sole responsibility of Encevo to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Encevo.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with Schuldschein proceeds but does not measure the actual impact. The

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Green Schuldschein Framework is available on Encevo’s website at: <https://www.encevo.eu/en/financial-figures/?title=green>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the Schuldschein proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Encevo has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Schuldschein Framework

Sustainalytics is of the opinion that the Green Schuldschein Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories (i) Renewable Energy, (ii) Energy Transmission, Distribution and Smart Grid Projects, (iii) Sustainable Real Estate, and (iv) Clean Transportation Solutions are aligned with those recognized by the GBP.
 - Under the “Renewable Energy” category, Encevo may finance added power capacity from wind and solar PV. Sustainalytics views the investments in renewable energy to be aligned with market practice.
 - For the “Energy Transmission, Distribution and Smart Grid” category, the Company intends to invest in (i) electricity networks to increase renewable energy transmission capacity; (ii) existing infrastructure to improve energy efficiencies and reduce network losses; and (iii) the installation of smart grid technologies and smart meters to improve the reliability of energy supply and enhance energy efficiency.
 - Encevo intends to use a pro-rata approach⁵ to calculate the portion of grid investments aimed at enhancing the transmission capacity of renewables in Luxembourg. Sustainalytics views this as aligned with market practice.
 - Encevo defines investments in smart grid technologies as a fiber optical network, rugged routers in the medium voltage stations, and new remotely controlled medium voltage switch gear.
 - Sustainalytics views investments in energy efficiency and optimization of existing and new infrastructure to be aligned with market practice.
 - Under the “Sustainable Real Estate” category, Encevo intends to finance in the design, construction or operation of existing and new commercial buildings that have achieved the minimum requirements of Deutsche Gesellschaft für Nachhaltiges Bauen (DGNB) Gold certification. Sustainalytics views the scheme specified by the Framework to be credible and the level selected to be indicative of positive impact and aligned with market practice. For Sustainalytics' assessment of the certification please refer to Appendix 1.
 - For the “Clean Transportation Solutions” category, the Company intends to invest in infrastructure that supports zero-direct emission or hybrid vehicles such as grid improvements for charging such vehicles and the installation of electric vehicle charging stations. Sustainalytics views this to be in line with market practice.
- Project Evaluation and Selection:
 - Projects financed and/or refinanced through the Green Schuldschein proceeds will be evaluated and selected by the Green Schuldschein Committee (“The Committee”) comprised of senior team members from Encevo, Enovos and Creos together with representatives from Business, Corporate Social Responsibility (CSR), Legal and Group Finance teams.

⁵ This is done by calculating the sum of renewable energy produced in Luxembourg as well as imported from Germany to arrive at the total renewable energy transmitted through the grids in Luxembourg. This is then divided by the total energy transmitted by the grid to arrive at the proportion used for the pro-rata calculation.

- The Committee will evaluate nominated projects and assets in conjunction with potential environmental and social risks. If an investment involves the development, re-development or refurbishment of a property, grid or renewable installation, health, safety, environmental and social risks will be monitored and mitigated in accordance with the Company's CSR policy. Sustainalytics considers these environmental and social risk management processes to be adequate and aligned with market expectation. For additional detail see Section 2.
- Based on the establishment of The Committee, a well-defined project selection process, and the presence of environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The proceeds of the issuance will be tracked and managed through an internal segregated monitoring system by the Group Finance and Treasury Department in close cooperation with the Committee.
 - Encevo intends to allocate all proceeds within 36 months. Unallocated proceeds will be held in Encevo's internal cash pooling and subject to the Company's prudent liquidity management practices.
 - Based on a defined management approach, allocation timeframe and disclosure around the temporary use of proceeds, Sustainalytics considers this approach to be in line with market practice.
- Reporting:
 - Encevo is committed to reporting on the allocation of proceeds annually until full allocation through its website. Allocation reporting may include: (i) a qualitative description of key projects; (ii) the amounts invested in Eligible Projects and Assets; (iii) the proportion of new and existing projects and assets; and (iv) the balance of unallocated cash and/ or cash equivalents.
 - In addition, Encevo is committed to reporting on category-level KPIs, where feasible, such as (i) the number of smart grid components installed; (ii) number of households provided with access to renewable energy; (iii) estimated annual greenhouse gas emissions (GHG) reduction; (iv) estimated annual energy consumption savings; and (v) certificates regarding energy efficiency of the new buildings.
 - Based on the commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Green Schuldschein Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Encevo

Contribution of Framework to Encevo's sustainability strategy

A key component of Encevo's vision is to shape the transition to a sustainable energy system through technology, innovative solutions and partnering with local communities.⁶ The following aspects of Encevo's strategy and performance are particularly relevant to the Framework.

- Encevo is a strong facilitator of Luxembourg's energy transition through its position in the Luxembourg market. Encevo's subsidiary Enovos is among the main energy suppliers in Luxembourg with an active focus on developing renewable energy projects, particularly solar photovoltaic and wind power. As of 2020, Encevo had 184 MW of installed renewable energy capacity in Luxembourg and a total of 358 MW including installations in Germany, Belgium and Netherlands.⁶
- Encevo's Sustainability Management Plan laid out in its 2020 Annual Report identifies "Reliable and Smart Energy Supply" as a key material topic under which the Company focuses on initiatives such as smart metering and electric mobility.⁶ Encevo, through its subsidiary Creos, has installed 600 electric vehicle charging stations as of 2020, with 460 of them available for public use.⁶ The Company aims to build 800 public charging stations and 88 high speed charging stations by 2023.⁶ Further, in 2020, Enovos launched a roaming offer that allows customers to charge their electric vehicles at 180,000 charging stations across Europe.⁶ As of 2020, Creos has also completed the roll out of smart metering across 95% of its customers' facilities.⁶

⁶ Encevo, "2020 Annual Report", at: <https://www.encevo.eu/wp-content/uploads/2021/05/Annual-report-Encevo-2020.pdf>

- Between 2015 and 2020, Encevo was able to achieve 700 gigawatt-hours of energy savings through customer-facing energy efficiency programs.⁶ The Company has also taken steps to improve the energy efficiency of its buildings – for example, Encevo has communicated to Sustainalytics that the new headquarter of Creos in the city of Luxembourg is expected to obtain DGNB Platinum certification and an operation center in Bettembourg is expected to reach DGNB Gold certification.
- Sustainalytics notes that investments in renewable energy, smart grids and other grid infrastructure, clean transportation and green buildings under the Framework can further support the Company's commitments to facilitate low-carbon power generation, electric mobility and energy efficiency improvements in Luxembourg.

In addition to the above, Encevo has committed to fully support the Government of Luxembourg's 2030 climate commitments (See Section 3 for additional details). Sustainalytics is of the opinion that the planned use of proceeds in eligible projects will contribute to Encevo's strategy to support the energy transition in Luxembourg and the Greater Region⁷ and encourages the Company to set forward-looking quantitative targets to further strengthen its commitments.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics is of the opinion that the use of proceeds are impactful, Sustainalytics recognizes that the eligible use of proceeds categories defined in the Encevo Green Schuldschein Framework may still pose social and environmental risks. Relevant risks include occupational health and safety for grid maintenance and construction as well as biodiversity and community relations for infrastructure and renewable energy projects.

- Occupational health and safety risks are highest in the Company's grid operation activities. Creos Luxembourg manages these risks through its Health, Safety and Environment (HSE) department, which deploys risk identification and assessment techniques, regular employee trainings, and unannounced spot inspections to ensure compliance with safety operating guidelines. The HSE Department also offers special trainings to employees of third-party companies who work in high-voltage electrical substations.⁸ In addition, Encevo has been a part of Luxembourg's VISION ZERO initiative⁹ since 2016, and is in the process of preparing for the ISO 45001 Occupational Health and Safety Certification.¹⁰
- The Ministère de l'Environnement, du Climat et du Développement ("Ministry of Environment, Climate, and Development") sets environmental requirements for the renewable energy projects carried out by Encevo, as a prerequisite for project permits. In addition, Creos is required by law to conduct environmental impact assessments (EIA) for all projects above 65KW and for projects in environmentally sensitive areas. Environmental compensation measures may be asked to be implemented as conditions in the environmental permit.
- Encevo ensures coordination between municipalities and installers, and participates in meetings with municipalities and their representatives to ensure that the concerns of local communities are addressed for renewable energy projects. Before the EIA phase, Encevo involves all stakeholders through early public participation. In addition, Encevo is committed to avoiding residential and commercial areas, as well as protecting biodiversity. Regarding biodiversity, Encevo avoids crossing nature protection zones and forests and implement biodiversity protection measures, especially with bird protection.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Encevo has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

⁷ The Greater Region of Luxembourg is a region in Europe constituted by the Saarland, Lorraine, Rhineland-Palatine and Wallonia, in addition to the Grand Duchy of Luxembourg.

⁸ Creos, "Annual Report 2020", at: https://www.creos-net.lu/fileadmin/dokumente/downloads/rapport_annuels/pdf/gb_creos_annual_report_2020.pdf

⁹ VISION ZERO is a national level initiative in Luxembourg that aims to decrease the number and the severity of work and commuting accidents as well as occupational diseases. For more information, see: <https://visionzero.lu/campagne/en/>

¹⁰ Encevo, "2020 Annual Report", at: <https://www.encevo.eu/wp-content/uploads/2021/05/Annual-report-Encevo-2020.pdf>

Importance of renewable energy and energy efficiency in Luxembourg

Luxembourg accounts for nearly 0.34% of EU's total GHG emissions, with emissions totaling 12.6 MtCO₂ in 2019.¹¹ Although this figure represents a 12% reduction in the country's emissions compared to 2005 emission levels, this reduction is below the EU average of 19% below 2005 levels.¹² Luxembourg is heavily dependent on fossil fuels, with 78% of its total primary energy demand met by fossil fuels as of 2018. Although between 2008 and 2018, share of renewable energy in total primary energy more than doubled, it is still relatively low, reaching only 7.5%.¹³ However, renewable energy accounts for a substantial share of the country's electricity mix, contributing to over 70% of the total electricity generated in 2020.¹⁴

In May 2020, Luxembourg adopted its integrated national energy and climate plan (NECP), as part of its obligations under the EU's binding climate and energy legislation for member states. Under its NECP, Luxembourg has committed to reduce its GHG emissions by 55%, increase the share of renewable energy by 25% and energy efficiency by 40-44% from 2005 levels by 2030.¹⁵ In addition, Luxembourg adopted a climate law in December 2020 that made it legally binding for the country to achieve climate neutrality by 2050.¹⁶

Encevo's sustainability strategy is well aligned with Luxembourg's national targets and Sustainalytics is of the opinion that eligible projects in renewable energy and energy efficiency are expected to positively contribute to the country's clean energy transition.

Importance of electric mobility in Luxembourg

As of 2017, the transport sector accounted for 54% of the energy demand and 65% of the non-ETS¹⁷ GHG emissions in Luxembourg.¹⁸ Transportation is among the five priorities for the implementation of the NECP and under the plan, Luxembourg has set a target for 49% of all vehicles registered in Luxembourg to be EVs by 2030.¹⁹ This will be done through measures such as subsidies for electric vehicle purchase, investments in a national EV charging network, particularly fast charging technologies, and by encouraging a shift from private vehicles to electrified public transportation.²⁰

Based on this context, Sustainalytics views Encevo's investments in electric mobility to positively contribute to the achievement of Luxembourg's national targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The issuances under the Green Schuldschein Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency, Distribution and Smart Grids	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater

¹¹ European Parliament, "Climate action in Luxembourg: The Latest State of Play", at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI\(2021\)690664_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI(2021)690664_EN.pdf)

¹² European Parliament, "Climate action in Luxembourg: The Latest State of Play", at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI\(2021\)690664_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI(2021)690664_EN.pdf)

¹³ IEA, "Luxembourg 2020 Energy Policy Review", at: <https://www.iea.org/reports/luxembourg-2020>

¹⁴ Our World in Data, "Luxembourg: Energy Country Profile", at: <https://ourworldindata.org/energy/country/luxembourg#what-sources-does-the-country-get-its-electricity-from>

¹⁵ Government of the Grand Duchy of Luxembourg, "Luxembourg's Integrated National Energy and Climate Plan for 2021-2030", at: https://ec.europa.eu/energy/sites/default/files/documents/lu_final_necp_main_en.pdf

¹⁶ European Parliament, "Climate action in Luxembourg: The Latest State of Play", at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI\(2021\)690664_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI(2021)690664_EN.pdf)

¹⁷ Under the European Union Emissions Trading System (ETS), non-ETS sectors include agriculture, residential, commercial, waste, non-energy intensive industry and transport excluding aviation within the European Economic Area

¹⁸ IEA, "Luxembourg 2020 Energy Policy Review", at: <https://www.iea.org/reports/luxembourg-2020>

¹⁹ Government of the Grand Duchy of Luxembourg, "Luxembourg's Integrated National Energy and Climate Plan for 2021-2030", at: https://ec.europa.eu/energy/sites/default/files/documents/lu_final_necp_main_en.pdf

²⁰ IEA, "Luxembourg 2020 Energy Policy Review", at: <https://www.iea.org/reports/luxembourg-2020>

	9. Industry, Innovation and Infrastructure	adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Real Estate	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Clean Transportation Solutions	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Conclusion

Encevo has developed the Green Schuldschein Framework under which it may issue green Schuldscheine and use the proceeds to finance renewable energy, energy efficiency, green buildings and clean transportation projects. Sustainalytics considers that the projects funded by the proceeds are expected to promote a transition towards a low-carbon economy

The Framework outlines a process by which the proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Encevo has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Encevo S.A. is well-positioned to issue green Schuldscheine and that the Green Schuldschein Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Overview and comparison of the Real Estate Certification Schemes

	LEED ²¹	BREEAM ²²	DGNB ²³
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Bronze Silver Gold Platinum
Areas of Assessment	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	• Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Environment • Economic • Sociocultural and functional aspects • Technology • Processes • Site
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item²⁴ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.	Percentage-based performance index The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the total, process accounts for 10% and the site quality is given a separate grade.

²¹ LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

²² BREEAM, "How BREEAM Certification Works", at: <https://www.breeam.com/discover/how-breeam-certification-works/>

²³ DGNB, "The Certification Process", at: <https://www.dgnb-system.de/en/certification/certification-process/>

²⁴ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Depending on the total performance index, a DGNB award will be given to the project, starting from Silver (at least 50%), then Gold (at least 65%) and finally Platinum (at least 80%). Bronze is awarded for already existing buildings and is conferred as the lowest rank with a total performance index of at least 35%.
Performance display			
Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	DGNB certification is based on current European Union standards and norms and is being recommended by the German Federal Ministry of Transport, Building and Urban Development. DGNB System has partnerships in a number of countries, among which Bulgaria, Denmark, Austria, Thailand and Switzerland.

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Encevo S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Schuldschein Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 14, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds (i) Renewable Energy, (ii) Energy Transmission, Distribution and Smart Grid Projects, (iii) Sustainable Real Estate, and (iv) Clean Transportation Solutions are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☐ Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Encevo's Green Schuldschein Committee comprised of representatives from Business, Corporate Social Responsibility (CSR), Legal and Group Finance Teams is responsible for the selection and approval of eligible projects. Encevo has in place environmental and social risk management processes that are applicable to all allocation decisions in the Framework. Sustainalytics views this to be adequate and considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Encevo's Group Finance and Treasury Department has established an internal segregated monitoring system to track the allocation of Green Schuldschein Proceeds. Encevo intends to fully allocate within three years of each issuance and will hold unallocated Schuldschein proceeds in its internal cash pooling, managed according to its prudent liquidity management practices. Sustainalytics considers this approach to be in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☐ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Encevo intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include a list of eligible projects, amounts allocated to each category, and the share of the net proceeds allocated to financing and refinancing. In addition, Encevo is committed, where feasible, to reporting on relevant impact metrics. Sustainalytics views Encevo's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts ☐ Green Bond financed share of total investment
- ☐ Other (*please specify*): The proportion of new and existing projects and assets, The balance of unallocated cash and/or cash equivalents

Frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings ☒ Energy Savings
- ☐ Decrease in water use ☐ Other ESG indicators (please specify): (i) The number of smart grid components installed (smart meters, smart stations, etc.); (ii) Number of households provided with access to renewable energy; (iii) The certificates regarding energy efficiency of the new buildings

Frequency

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other (please specify): Reporting will be published on Encevo's website
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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