



# Second-Party Opinion

## GRENKE Green Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the GRENKE Green Bond Framework is credible and impactful and aligns with 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 – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Sustainable Water and Waste Management – 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 6, 7, 9, 11 and 12.



**PROJECT EVALUATION AND SELECTION** GRENKE's Green Bond Committee will be responsible for evaluating and selecting eligible projects. The Committee consists of representatives from the ESG, Treasury Group, Controlling and Sales teams. GRENKE has in place an internal environmental and social risk management process to assess and manage risks associated with eligible assets. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** GRENKE's Green Bond Committee will be responsible for the management of proceeds and will track the proceeds using flagged entries in internal databases. GRENKE intends to achieve a full allocation of net proceeds within 36 months of issuance. GRENKE will temporarily hold unallocated proceeds in cash and cash equivalents. Sustainalytics considers this to be in line with market practice.



**REPORTING** GRENKE intends to report on the allocation of proceeds and corresponding impact through a separate allocation and impact report, which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated and the balance of unallocated proceeds. Sustainalytics views GRENKE's allocation and impact reporting commitments as aligned with market practice.

<b>Evaluation Date</b>	May 16, 2023
<b>Issuer Location</b>	Dublin, Ireland

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## Introduction

GRENKE AG (“GRENKE” or the “Company”) offers leasing, factoring and banking services for small and medium enterprises in 33 countries. The leasing segment is the Company’s core business, generating over 95% of its revenue. Founded in 1978, GRENKE is headquartered in Baden-Baden Germany, employing 2,000 personnel globally as at the end of 2022.<sup>1</sup>

GRENKE has developed the GRENKE Green Bond Framework dated May 2023 (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to support the decarbonization of the small and medium enterprises globally.<sup>2</sup> The Framework defines eligibility criteria in five categories:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Pollution Prevention and Control
5. Sustainable Water and Waste Management

GRENKE engaged Sustainalytics to review the GRENKE Green Bond Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>3</sup> The Framework will be available in a separate document.<sup>4</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> 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 1.13, 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 GRENKE’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. GRENKE representatives have confirmed (1) they understand it is the sole responsibility of GRENKE to ensure that the information provided is complete, accurate and 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 GRENKE.

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

<sup>1</sup> GRENKE AG, “Welcome to GRENKE Group”, at: <https://www.GRENKE.com/>

<sup>2</sup> GRENKE AG intends to issue green bonds through its whole owned subsidiary GRENKE Finance PLC, headquartered in Dublin, Ireland.

<sup>3</sup> 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/>.

<sup>4</sup> The GRENKE Green Bond Framework is available on GRENKE AG’s website at: <https://www.grenke.com/investor-relations/debt-capital/issued-bonds/>

<sup>5</sup> 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.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, GRENKE is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond 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 GRENKE has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the GRENKE Green Bond Framework

Sustainalytics is of the opinion that the GRENKE Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of GRENKE's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Sustainable Water and Waste Management – are aligned with those recognized by the GBP.
  - Sustainalytics notes that refinancing under the Framework will be limited to capital expenditures with a one-year look-back period.
  - Under the Renewable Energy category, GRENKE may finance or refinance solar panels and solar photovoltaic power (PV). GRENKE has communicated to Sustainalytics that solar panels refer to solar heating systems in buildings. Sustainalytics considers investments under this category to be in line with market practice.
  - Under the Energy Efficiency category, GRENKE may finance and refinance technologies and infrastructure that aim to improve energy efficiency and monitoring of energy use, including battery storage units, LED lighting, electric heat pumps, and inverters designed for PV energy.
    - GRENKE has communicated to Sustainalytics that battery storage systems and electrical inverters will be connected to PV systems.
    - Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems and that GRENKE intends to finance heat pumps that use low-GWP refrigerants (lower than 675) under the Framework, which is in line with market practice. Additionally, GRENKE has confirmed to Sustainalytics that the Company, through specialist resellers, promotes robust refrigerant leak control, detection and monitoring while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
    - Sustainalytics considers investments under this category to be in line with market practice.
  - Under the Clean Transportation category, GRENKE may finance or refinance sustainable mobility assets including e-bikes, e-scooters, pedelecs (pedal electric cycles) and e-cargo bikes. GRENKE may also finance or refinance electric charging points and stationary battery systems related to electric vehicles. Sustainalytics considers investments in electric transportation and related infrastructure to be in line with market practice.
  - Under the Pollution Prevention and Control category, GRENKE may finance or refinance waste recycling, reuse and reduction assets, such as baling presses and automated cleaning equipment. GRENKE has confirmed to Sustainalytics that the assets under this category will not support fossil fuel, hard-to-abate, fracking or mining operations. The Company has also confirmed that the assets will not include recycling assets of e-waste or waste from electronic

- equipment. Sustainalytics considers investments under this category to be in line with market practice.
- Under Sustainable Water and Waste Management, GRENKE may finance or refinance assets that improve water quality or water efficiency, such as filtration systems and drinking water dispensers. GRENKE has confirmed to Sustainalytics that the assets under this category will not support fossil fuel, hard-to-abate, fracking or mining operations. Sustainalytics considers investments under this category to be in line with market practice.
  - Project Evaluation and Selection:
    - GRENKE's Green Bond Committee (the "Committee") is responsible for evaluating and selecting eligible assets in line with the eligibility criteria in the Framework. The Committee consists of representatives from the ESG, Treasury Group, Controlling and Sales teams. The Committee will meet at least once a year or when required and GRENKE will review its composition at least on a yearly basis with the aim of ensuring adequate staffing and competencies.
    - GRENKE has established an internal environmental and social management process to identify and mitigate potential environmental and social risks. GRENKE assesses the risks on an asset basis against an internal eligibility criteria and framework. Sustainalytics considers these environmental and social risk management processes to be adequate and aligned with market expectation. For additional details, see Section 2.
    - Based on the cross-functional oversight for project evaluation and selection, and the presence of environmental and social risk management process, Sustainalytics considers this process to be in line with market expectations.
  - Management of Proceeds:
    - The Committee will be responsible for overseeing and managing the allocation of proceeds using flagged entries in internal databases.
    - GRENKE intends to allocate all proceeds to eligible assets within 36 months of issuance. Pending allocation, proceeds will be temporarily held in cash or cash equivalents.
    - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - GRENKE intends to report on the allocation of proceeds and corresponding environmental impact in a standalone report on its website on an annual basis until full allocation.
    - Allocation reporting will include the total amount of proceeds allocated and unallocated, and an overview of the allocated proceeds using different categorizations including asset category, the country in which the leasing contract was conducted, net acquisition value, and the duration of the underlying lease contracts.
    - GRENKE will report on impact metrics on an aggregated portfolio basis subject to availability of data. Impact reporting will include metrics such as number of SMEs provided with access to clean energy services, number of SMEs provided with access to sustainable mobility solutions, number of clean mobility vehicles financed, number of electric vehicles charging points financed, and number of SMEs provided with resource management objects. For a complete list of impact metrics, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.
    - Based on the intention to report on the allocation and impact of projects financed, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the GRENKE Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of GRENKE

### Contribution to GRENKE's sustainability strategy

Sustainalytics is of the opinion that the Framework is aligned with GRENKE's commitment to increase the sustainability of its product portfolio and GHG emission reduction targets outlined in its sustainability strategy.<sup>6</sup>

In 2022, sustainable leasing assets, including renewable energy and storage, sustainable mobility and resource management accounted for 5.2% of GRENKE's total portfolio. To facilitate a second life cycle for its leased assets, the Company has implemented recycling platforms in its core markets in Germany, France and Italy. Additionally, GRENKE, in collaboration with the Karlsruhe Institute of Technology, is developing a sustainability index to assess sustainability criteria of its leasing contracts. The index aims to increase transparency and improve awareness of sustainable investment opportunities.<sup>7</sup> The Company has also tied sustainability performance to the top management's remuneration. In 2022, all members of the board of directors, had sustainability targets attached to their remuneration.<sup>8</sup> The Company started reporting its emissions through Carbon Disclosure Project (CDP) in 2022 and aims to get a rating from CDP for the first time in 2023.<sup>9</sup>

By 2025, GRENKE aims to reach climate neutrality in scope 1 and 2 emissions, while continuing the accounting and mitigation of scope 3 emissions.<sup>10</sup> In 2021, GRENKE's scope 1 emissions amounted to 4,492 tCO<sub>2</sub>e and scope 2 emissions added up to 870 tCO<sub>2</sub>e., covering approximately 70% of all GRENKE sites. In the same period, GRENKE's scope 3 emissions totalled 6,186 tCO<sub>2</sub>e, covering approximately 30% of all GRENKE sites. Another key sustainability objective is to increase the number of sustainable leasing assets, including renewable energy and storage, sustainable mobility and resource management.<sup>11</sup> GRENKE is finalizing its sustainability strategy with group-specific key performance indicators and country-specific objectives and aims to launch the strategy by the end of 2023.

Sustainalytics is of the opinion that the GRENKE Green Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further GRENKE's action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include issues related to occupational health and safety, land use and biodiversity issues associated with infrastructure development, emissions, effluents and waste generated in construction, and business ethics.

Sustainalytics is of the opinion that GRENKE is able to manage or mitigate potential risks through implementation of the following:

- To mitigate risks related to occupational health and safety, GRENKE conducts risk assessments in Germany to identify potential health and safety risks followed by measures to mitigate them.<sup>12</sup> The Company also provides safety-related training in accordance with requirements of statutory occupational health and safety, accident prevention regulations and the Company's internal requirements. Projects financed in the EU are also subject to the EU Directive 89/391/EEC for OSH Framework, which sets out general principles for member states regarding the safety and health of workers and requires employers to run risk assessments periodically.<sup>13</sup> Additionally, GRENKE has

<sup>6</sup> GRENKE AG, "Annual Report 2022", at:

<https://media.GRENKE.com/download/downloadgateway.dll/GetFile?info=9F1543D6E3F44EC22E2D9A5122CB2ED7767DEAFB33F2F31F7F80C903C5A0FCC3CF483B92A048844CBB10F1DD742763D0BAE13E5A325F352E094FF0F37B1D423F984BC35C4ECAE210>

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> GRENKE AG, "Carbon Disclosure Project", (2022), at:

[https://media.GRENKE.com/download/downloadgateway.dll/getfile?p\\_inst\\_id=32279944&p\\_session\\_id=&p\\_obt\\_id=4821029&p\\_spec\\_id=1](https://media.GRENKE.com/download/downloadgateway.dll/getfile?p_inst_id=32279944&p_session_id=&p_obt_id=4821029&p_spec_id=1)

<sup>10</sup> GRENKE AG, "Annual Report 2022", at:

<https://media.GRENKE.com/download/downloadgateway.dll/GetFile?info=9F1543D6E3F44EC22E2D9A5122CB2ED7767DEAFB33F2F31F7F80C903C5A0FCC3CF483B92A048844CBB10F1DD742763D0BAE13E5A325F352E094FF0F37B1D423F984BC35C4ECAE210>

<sup>11</sup> Ibid.

<sup>12</sup> GRENKE AG, "Annual Report (2022)", at:

[https://media.GRENKE.com/download/downloadgateway.dll/getfile?p\\_inst\\_id=32279944&p\\_session\\_id=&p\\_obt\\_id=5132714&p\\_spec\\_id=1](https://media.GRENKE.com/download/downloadgateway.dll/getfile?p_inst_id=32279944&p_session_id=&p_obt_id=5132714&p_spec_id=1)

<sup>13</sup> European Agency for Safety and Health at Work, "Directive 89/391/EEC - The OSH Framework Directive", at:

<https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

communicated to Sustainalytics that it has a Health and Safety Policy in place which outlines requirements for occupational health and safety in compliance with laws and regulations of the German Social Accident Insurance (DGUV).<sup>14</sup> Further, the Policy lays out detailed requirements to conduct regular factory in-site inspections and assessments to identify risks. The policy also addresses the health and safety of the employees by requiring preventive medical check-ups and access to medical support with the help of company-appointed onsite doctors and occupational safety experts at the workplace.<sup>15</sup>

- Regarding risks related to biodiversity loss, waste management, emissions and effluents, GRENKE's Code of Conduct<sup>16</sup> ensures compliance with applicable environmental protection legislation and standards while procuring and processing raw materials and goods and disposing waste materials. The code further outlines compliance with all regulations pertaining to prevention and management of waste generated during operation. Projects financed in the EU are also subject to the Environmental Impact Assessment Directive 2014/52/EU (the "EIA Directive"),<sup>17</sup> which requires projects based in the EU that are likely to have a significant impact on the environment to be adequately assessed before approval. It also requires measures to avoid, prevent, reduce and offset significant negative effects on the environment, especially those on species and habitats.<sup>18</sup>
- To address risks related to business ethics, GRENKE has established a code of conduct in alignment with the applicable national laws and regulations and guiding principles and declarations such as the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the Children' Rights and Business Principles, the United Nations Global Compact, and international labour standards, such as those set in the ILO conventions.<sup>19</sup> GRENKE's code of conduct outlines guiding principles for its key stakeholders, such as employees, customers, suppliers and vendors to protect the environment, prevent child labour, protect human rights, combat bribery and corruption and prevent money laundering.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that GRENKE 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 on two below where the impact is specifically relevant in the local context.

#### **Importance of clean energy in reducing CO<sub>2</sub> emissions in the energy sector**

The energy sector globally reached an all-time high 36.8 Gt of CO<sub>2</sub> emissions in 2022, growing 0.9% from the previous year. The largest increase occurred in electricity and heat generation, whose emissions grew by 1.8% in 2022. This growth mainly stemmed from the 2.1% increase in emissions of coal-fired electricity and heat generation led by Asian countries and from the increased gas-to-coal switch globally.<sup>20</sup> However, a significant increase in the deployment of clean energy technologies, including renewable energy and heat pumps, helped to avoid an expected annual increase in energy-related emissions that would be triple the 2022 actual growth.<sup>21</sup> In particular, the acceleration of solar PV and wind generation helped to prevent approximately 465 Mt of CO<sub>2</sub> emissions. In this context, global investments in energy transition technologies also reached a record high of USD 1.3 trillion in 2022.<sup>22</sup>

Despite the growth of renewables in 2022, the current pace of interventions towards a global energy transition falls short of what is required to limit global warming to 1.5°C.<sup>23</sup> According to the International Renewable Energy Agency, existing renewable energy power targets would support a total capacity of 5.4 TW by 2030,

<sup>14</sup> Deutsche Gesetzliche Unfallversicherung, "The legal basis of occupational safety and health activity in Germany", at: [https://www.dguv.de/en/prevention/rules\\_regulations/index.jsp](https://www.dguv.de/en/prevention/rules_regulations/index.jsp)

<sup>15</sup> This information is based on the review of the draft of Health and Safety Policy shared internally with Sustainalytics.

<sup>16</sup> GRENKE AG, "Code of Conduct" at: <https://media.GRENKE.com/original/gallery/12428/files/original/de82a6b8-5aec-4b6e-8ddb-3e929d05e786.pdf>

<sup>17</sup> European Parliament, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052&from=EN>

<sup>18</sup> Ibid.

<sup>19</sup> GRENKE AG, "Code of Conduct" at: <https://media.GRENKE.com/original/gallery/12428/files/original/de82a6b8-5aec-4b6e-8ddb-3e929d05e786.pdf>

<sup>20</sup> IEA, "CO<sub>2</sub> Emissions in 2022, (2023)", at: <https://www.iea.org/reports/co2-emissions-in-2022>

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> International Renewable Energy Agency, "World energy Transitions Outlook 2023", at: [https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA\\_WETO\\_Preview\\_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8](https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA_WETO_Preview_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8)

accounting for less than half of the 11.2 TW required to align with the 1.5°C pathway.<sup>24</sup> In relation specifically to electricity generation, abiding by the 1.5°C pathway would require 67% of the electricity generation to come from renewable sources by 2030 and 91% by 2050.<sup>25</sup> Solar photovoltaic energy is expected to play a key role in this effort, having to grow from a total of 1,000 TWh in 2021 to approximately 7,400 TWh by 2030 to meet global net zero emissions targets for 2050.<sup>26</sup> This acceleration of renewable energy deployment would require a quadruple increase from the current global investments in the energy transition, averaging USD 5 trillion annually (a cumulative USD 150 trillion) until 2050.<sup>27</sup>

In the EU, the European Commission launched its REPowerEU Plan in May 2022, proposing to increase the share of renewable energy in the EU’s final energy consumption from 40% to 45% by 2030, also installing new solar PV systems with a total capacity of more than 320 GW by 2025 and almost 600 GW by 2030.<sup>28</sup> The plan also includes targets for the EU to have an installed capacity of more than 60 GW of offshore wind by 2030 and 300 GW by 2050,<sup>29</sup> which would lead to a 58-60% emissions reduction below 1990 levels.<sup>30</sup>

In the Americas, Brazil, for example, committed to reduce its GHG emissions by 37% in 2025 and 50% in 2030, compared to 2005, and to reach climate neutrality by 2050 under its Nationally Determined Contribution.<sup>31</sup> To achieve these emissions targets, Brazil aims to expand the use of non-fossil fuel energy sources and increase the share of renewable energy to 50% of its energy mix by 2030.<sup>32</sup>

Additionally, in Asia, energy ministers from ASEAN countries have agreed on a target to have 23% of primary energy accounted for by renewable sources and a 35% share of renewable energy in installed capacity by 2025.<sup>33</sup> IRENA estimates that Asia will need USD 5 trillion in investments over the period to 2050 to expand renewable energy capacity, power grids, infrastructure and technologies required to remain in 1.5°C scenario.<sup>34</sup>

Based on this context, the continued expansion of clean energy technologies is critical to accelerating the global energy transition and reducing CO<sub>2</sub> emissions from the energy sector. Sustainalytics is of the opinion that GRENKE’s financing of renewable energy and energy efficiency technologies and infrastructure is expected to contribute to the decarbonization of the energy sector.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the GRENKE Green Bond Framework are expected to help advance 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	7. Affordable and Clean Energy	7.3 By 2030 double the global rate of improvement in energy efficiency.
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound

<sup>24</sup> IEA, “World energy Outlook 2023”, at: [https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA\\_WETO\\_Preview\\_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8](https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA_WETO_Preview_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8)

<sup>25</sup> Ibid.

<sup>26</sup> IEA, “Solar PV”, (2022), at: <https://www.iea.org/reports/solar-pv>

<sup>27</sup> IEA, “World energy Outlook 2023”, at: [https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA\\_WETO\\_Preview\\_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8](https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Mar/IRENA_WETO_Preview_2023.pdf?rev=c4c2398e169a4243ad37cf67dc441fa8)

<sup>28</sup> European Commission, “REPowerEU: affordable, secure and sustainable energy for Europe”, at: [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en)

<sup>29</sup> European Commission, “Offshore renewable energy”, at: [https://energy.ec.europa.eu/topics/renewable-energy/offshore-renewable-energy\\_en](https://energy.ec.europa.eu/topics/renewable-energy/offshore-renewable-energy_en)

<sup>30</sup> Climate Action Tracker, “EU”, (2022), at: <https://climateactiontracker.org/countries/eu/>

<sup>31</sup> UNFCCC, “Federative Republic of Brazil Paris Agreement Nationally Determined Contribution (NDC)”, (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/Updated%20-%20First%20NDC%20-%20%20FINAL%20-%20PDF.pdf>

<sup>32</sup> Government of Brazil, “Brasil terá 50% da matriz energética limpa até 2030”, (2021), at: [https://www.cif.org/sites/cif\\_enc/files/knowledge-documents/bnef-cif\\_fi\\_project\\_2030\\_roadmap\\_slide\\_deck\\_brazil.pdf](https://www.cif.org/sites/cif_enc/files/knowledge-documents/bnef-cif_fi_project_2030_roadmap_slide_deck_brazil.pdf)

<sup>33</sup> IRENA, “Renewable Energy Outlook for ASEAN”, (2022), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2022/Sep/IRENA\\_Renewable\\_energy\\_outlook\\_ASEAN\\_2022.pdf?rev=ef7557c64c3b4750be08f9590601634c](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2022/Sep/IRENA_Renewable_energy_outlook_ASEAN_2022.pdf?rev=ef7557c64c3b4750be08f9590601634c)

<sup>34</sup> Ibid.

		technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation	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
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

## Conclusion

GRENKE has developed the GRENKE Green Bond Framework under which it may issue green bonds and use the proceeds to finance solar energy, energy efficiency technologies and infrastructure, sustainable mobility, waste recycling, and technologies to improve water quality. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The GRENKE Green Bond Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the GRENKE Green Bond Framework is aligned with GRENKE's overall sustainability strategy and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11 and 12. Additionally, Sustainalytics considers that GRENKE has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that GRENKE is well positioned to issue green bonds and that the GRENKE Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	GRENKE Finance PLC
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	GRENKE Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	May 16, 2023
<b>Publication date of review publication:</b>	
<b>Original publication date [please fill this out for updates]:</b>	

#### 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:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

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 Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Sustainable Water and Waste Management 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 SDG 6, 7, 9, 11 and 12.

#### Use of proceeds categories as per GBP:

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

GRENKE's Green Bond Committee will be responsible for evaluating and selecting eligible projects. The Committee consists of representatives from the ESG, Treasury Group, Controlling and Sales teams. GRENKE has in place an internal environmental and social risk management process to assess and manage risks associated with eligible assets. Sustainalytics considers the project evaluation and selection process to be in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

GRENKE's Green Bond Committee will be responsible for the management of proceeds and will track the proceeds using flagged entries in internal databases. GRENKE intends to achieve a full allocation of net proceeds within 36 months of issuance. GRENKE will temporarily hold unallocated proceeds in cash and cash equivalents. Sustainalytics considers this to be in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

GRENKE intends to report on the allocation of proceeds and corresponding impact through a separate allocation and impact report, which will be published on its website on an annual basis until full allocation. Allocation reporting will include the amount of proceeds allocated and the balance of unallocated proceeds. Sustainalytics views GRENKE's allocation and impact reporting commitments as aligned with market practice.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts  | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ):<br>Unallocated proceeds |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported (expected or ex-post):**

- |  |   |
|--|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ):<br>Number of SMEs provided with access to clean energy services, number of SMEs provided with access to sustainable mobility solutions, number of clean mobility vehicles financed, number of electric-vehicle charging points financed, and number of SMEs provided with resource management objects |

**Frequency**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other (please specify):                        |
| <input type="checkbox"/> 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:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> 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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