

Encevo S.A.

Type of Engagement: Annual Review

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Engagement Team:

Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 205 0082

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

Introduction

In 2018, Encevo S.A. (“Encevo”) issued a green Schuldschein aimed at financing and refinancing, in whole or in part, projects that promote a transition toward a sustainable economy. In November 2020, Encevo engaged Sustainalytics to review the projects funded through the issued Green Schuldschein 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.¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Encevo Green Schuldschein Framework; and
2. Reported on at least one of the Key Performance Indicators (“KPIs”) for each Use of Proceeds criteria outlined in the Encevo Green Schuldschein Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Development, construction, installation and maintenance of renewable energy production units, from sources including, but not limited to wind power, solar PV installations and hydroelectric power (the financing of hydroelectric power plants is limited to units with a capacity less than 25MW).	<ul style="list-style-type: none"> • Number of households provided with access to renewable energy • Estimated annual greenhouse gas emission reductions (CO₂, SF₆)
Energy Transmission, Distribution and Smart Grid Projects	<ul style="list-style-type: none"> • Development, construction and reconstruction of electricity networks that enhance the transmission capacity for renewable energy. • Investments in existing infrastructure to increase energy efficiency and decrease network losses. • Investments in new infrastructure that improve reliability of energy supply and energy efficiency through the use of smart grid technologies and the installation of smart meters. 	<ul style="list-style-type: none"> • The number of smart grid components installed (smart meters, smart stations etc.) • The estimated annual energy consumption savings
Sustainable Real Estate	<ul style="list-style-type: none"> • Sustainable real estate or green building is a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts on our climate and natural environment. Green buildings preserve precious natural resources and improve our quality of life. • The proceeds of the Schuldschein will be used for investments in existing and new buildings, which meet at least the minimum requirements of DGNB Gold. 	<ul style="list-style-type: none"> • The certificates regarding energy efficiency of the new buildings

¹ Encevo, “Encevo Green Schuldschein Framework”, (2020) at: https://www.encevo.eu/wp-content/uploads/2020/04/ENC_GREENSCHULDSCHEINFRAMEWORK_A4-.pdf

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.	<ul style="list-style-type: none"> • Number of charging stations developed
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Issuing Entity’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Encevo’s Green Schuldschein Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Encevo employees and review of documentation to confirm the conformance with the Encevo Green Schuldschein Framework.

Sustainalytics has relied on the information and the facts presented by Encevo with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 Schuldscheins Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed Schuldschein projects, funded through proceeds of Encevo’s Green Schuldschein, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Encevo Green Schuldschein Framework. Encevo has disclosed to Sustainalytics that the proceeds of the Green Schuldschein were fully allocated as of December 2019.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green Schuldschein in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Encevo Green Schuldschein Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green Schuldschein in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Encevo Green Schuldschein Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Use of Proceeds	Allocation in 2019 (in m EUR)	Reported Impact in 2019
Renewable Energy	<ul style="list-style-type: none"> Installation of PV panels 	6	2,597 tons of CO ₂ avoided
Energy Transmission, Distribution and Smart Grid Projects	<ul style="list-style-type: none"> Costs of transmission lines based on a pro rata approach of renewable energy transmitted by the network Invest/Re-invest to enhance the transmission capacity for renewable energy <ul style="list-style-type: none"> Invest lines LV, MV and HV³ "Mise en souterrain" lines LV, MV and HV Invest in stations MV/HV and MV/LV Re-invest in transformers with higher power Switch from 65kV to 110 kV Invest/Re-invest in existing infrastructure to increase energy efficiency and decrease network losses: <ul style="list-style-type: none"> Re-invest in stations HV/MV and MV/LV Re-invest/replacement Lines LV, MV and HV Re-invest in transformers Invest/Re-invest in new infrastructure that improve reliability and efficiency through smart grid technologies and smart meter installations: <ul style="list-style-type: none"> Roll-out smart meters Smart Grid in 20/0.4 KV Stations Digitalization grid electricity Smart Switchgear 20kV Remote Control 	59	77,684 smart meters installed
Sustainable Real Estate	<ul style="list-style-type: none"> Building Bettembourg: Commercial building planned to obtain "Gold" DGNB certification Building Bové: Commercial building planned to obtain "Platin" DGNB certification 	16	The planned certifications are on track, both have received pre-certificates.
Clean Transportation Solutions	<ul style="list-style-type: none"> Smart charging stations for electric cars throughout Luxembourg 	1	90 charging stations

³ HV = High Voltage; MV = Medium Voltage; LV = Low Voltage

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