

# Second-Party Opinion

## Encevo Group Green Schuldschein



### Evaluation Summary

Sustainalytics is of the opinion that the Encevo Green Schuldschein Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2017. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - (i) renewable energy projects, (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 these categories to contribute to creating environmentally sustainable benefits.



**PROJECT EVALUATION / SELECTION** Encevo S.A.'s project evaluation and selection process is aligned with market practice, and includes a designated working group for project evaluation and selection, including representatives from its group companies, including Encevo, Enovos Luxembourg, Creos Luxembourg, and the Group Finance department and CSR team.



**MANAGEMENT OF PROCEEDS** Proceeds from the green Schuldschein will be tracked through an internal segregated accounting system. This practice is aligned with market expectations.



**REPORTING** Encevo S.A. intends to report allocation of proceeds on an annual basis. Encevo S.A. will also report impact metrics annually, including estimated greenhouse gas emissions reductions and the number of smart grid components installed, which is aligned with market practice.

<b>Evaluation date</b>	September, 2019 <sup>1</sup>
<b>Issuer Location</b>	Luxembourg City, Luxembourg

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<sup>1</sup> This SPO is a slightly revised version of a previous SPO (dated June 2018). It has been updated to incorporate new information provided by the issuer on the methodology of applying a pro rata approach for eligible projects in the category Energy Transmission, Distribution and Smart Grid projects. The changes increase transparency on the approach chosen and are thus considered to strengthen the framework in Sustainalytics' opinion.

## Introduction

Luxembourg based Encevo S.A. is the holding company for the Encevo Group (Encevo), whose primary constituents are the energy provider Enovos and the grid operator Creos. The company is the largest energy supplier and grid operator in Luxembourg, has significant business-to-business operations in Germany and is growing in France and Belgium.

Encevo S.A. has developed the Encevo Green Schuldschein Framework (the “framework”) under which it is considering 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 toward a sustainable economy. The framework defines eligibility criteria in four areas:

- (i) Renewable Energy Projects;
- (ii) Energy Transmission, Distribution and Smart Grid projects;
- (iii) Sustainable Real Estate; and
- (iv) Clean Transportation Solutions.

A list of eligible projects and projected allocations for the 2017 green bond issuance is provided in Appendix 1.

Encevo S.A. engaged Sustainalytics to review the Encevo Green Schuldschein Framework and provide a second-party opinion on the alignment of the green Schuldschein with the Green Bond Principles 2017 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”)<sup>2</sup>, and the framework’s environmental credentials. This framework has been published in a separate document.<sup>3</sup>

As part of this engagement, Sustainalytics held conversations with various members of Encevo S.A.’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 Encevo S.A.’s green Schuldschein. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Encevo Green Schuldschein and should be read in conjunction with that framework.

<sup>2</sup> ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> <https://www.encevo.eu/en/accueil/financial-information>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Encevo Green Schuldschein Framework

#### Summary

Sustainalytics is of the opinion that the Encevo Green Schuldschein Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles (GBP) 2018. Additionally, Sustainalytics views Encevo S.A.'s green Schuldschein positively. Some of its key strengths are as follows:

#### Use of Proceeds:

- The use of proceeds categories – (i) renewable energy projects, (ii) energy transmission, distribution and smart grid projects, (iii) sustainable real estate and (iv) clean transportation solutions – are recognized as impactful by the GBP. Furthermore, Encevo uses credible third-party standards for sustainable real estate such as the Deutsche Gesellschaft für Nachhaltiges Bauen (DGBN) standard. An in-depth analysis of the standard can be found in [Appendix 2](#). In addition, the financing of hydroelectric power plants is limited to units with a capacity less than 25MW.
- Encevo is using part of the proceeds to finance energy transmission, distribution and smart grid projects, which includes the 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, and 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. Encevo uses a pro rata approach to calculate the portion of the grid investments that are considered eligible for investment based on the portion of renewable energy transmitted through the grid. Sustainalytics considers the approach to be credible and impactful. Sustainalytics also notes that the percentage of renewable energy in the related grid increased over the last years, indicating that while there may be a portion of the grid being used to transmit non-renewable energy, the portion of renewable energy is likely to increase further in the future. (Please see a detailed description in [Appendix 3](#))
- Encevo S.A. will allocate the proceeds of the bond to future investments up to five years from the date of issuance and has informed Sustainalytics that proceeds will refinance projects that have a look-back period no longer than 2 years.

#### Project Evaluation and Selection:

- Encevo S.A. has a designated working group for project evaluation and selection, including representatives from its group companies, including Encevo, Enovos Luxembourg, Creos Luxembourg, the Group Finance department, legal department and the CSR coordinator. This approach is aligned with market practice. Encevo S.A.'s Board of Directors is involved in approval of all projects above a threshold of EUR 25 million.

#### Management of Proceeds:

- The allocation of proceeds will be tracked using an internal segregated accounting system. These practices are aligned with market expectations.

#### Reporting:

- Encevo S.A. intends to issue allocation of proceeds reporting on its Eligible Green Portfolio annually until full allocation. Impact reporting will also be issued annually, either on a standalone basis or as part of the company's CSR reporting. Possible impact metrics may include the number of smart grid components installed, the number of households provided with renewable energy, estimated GHG reductions, energy savings and the certification of green buildings. The company's reporting practices are aligned with market practice.

#### Alignment with Green Bond Principles 2018:

Sustainalytics has determined that the Encevo Green Schuldschein Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to [Appendix 4: Green Bond/Green Bond Programme External Review Form](#).

## Section 2: Sustainability Strategy of Encevo

### Contribution of framework to Encevo's sustainability strategy

Of particular relevance to Encevo S.A.'s Green Schuldschein Framework are the company's commitments to Sustainable Investment and Environmental Impacts Reduction. Encevo is a strong facilitator to Luxembourg's energy transition through its position in the Luxembourg market. The company's investment policy focuses on energy efficient, high performance grids, as well as renewable energy sources, including on-shore wind, small hydropower and photovoltaic systems. Eco-mobility and smart metering are also important elements of the company's sustainable investment commitment.<sup>4</sup> With regards to eco-mobility, Creos, together with three other grid operators, aims to provide infrastructure for 800 public electrical vehicle charging stations in Luxembourg by 2020, whereby Creos is to provide the infrastructure for 750 out of the 800 public electrical vehicle charging stations.<sup>5</sup> Furthermore, Creos is working towards the installation of smart metering for Luxembourg's electricity grid, which requires the deployment of an additional 100,000 smart meters by end of 2018.<sup>6</sup> On the supply side, Enovos has been awarded through a public tender process to supply the public electrical vehicle charging stations with 100% renewable energy.<sup>7</sup>

Sustainalytics is of the opinion that the planned use of proceeds for the company's green Schuldschein will contribute to Encevo S.A.'s strategy to invest in technologies that facilitate the energy transition in Luxembourg and the Greater Region.<sup>8</sup>

### 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 are exposed to social and environmental risks. These risks relate to biodiversity and community relations for infrastructure and renewable energy projects as well as occupational health and safety for grid maintenance and construction.

- Sustainalytics is of the opinion that Encevo S.A. and its operating units are well positioned to mitigate the health and safety risks related to eligible projects. Occupational health and safety risks are highest in the company's grid operating 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. Corrective actions are implemented should deficiencies be identified.
- The Luxemburg Ministry for Sustainable Development and Infrastructures (MDDI) sets environmental requirements for the renewable energy projects carried out by Encevo, as a prerequisite for project permits. Measures can include replanting hedges or trees, digging a pond to offset the risk to local biodiversity, and the like. In addition, Creos, the group's grid operator conducts environmental impact assessments for all projects above 65KW and for projects in green zones. Encevo S.A. also limits financing of hydroelectric projects to production units with a capacity below 25 MW, reducing environmental risks associated with the projects.
- Regarding community engagement, Encevo aims to ensure coordination between municipalities and installers, and participates in meetings with municipalities and their representatives to provide information for all projects Encevo is involved in. For projects which are led by Encevo, the group engages in active dialogue with municipalities. There is no further information on Encevo's efforts to engage and consult communities during the lifecycle of a process.

## Section 3: Impact of Use of Proceeds

<sup>4</sup> Encevo Annual Report 2017

<sup>5</sup> Encevo Annual Report 2017

<sup>6</sup> Encevo Annual Report 2017

<sup>7</sup> Encevo Annual Report 2017

<sup>8</sup> 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.

All four use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has described where the impact is specifically relevant in the local context below, as it relates to use of proceeds categories (i) renewable energy projects, (ii) energy transmission, distribution and smart grid projects, (iii) sustainable real estate, and (v) clean transportation solutions.

### **The importance of renewable energy, energy efficiency and electro mobility to Luxembourg’s “Third Industrial Revolution” strategy**

The Grand Duchy of Luxembourg has initiated a multi-stakeholder policy strategy around the concept of the “Third Industrial Revolution”, aiming to facilitate the country’s transition to a more sustainable and interconnected society.<sup>9</sup> Central to this transition is the deployment of information and communication technologies, renewable energies and new modes of transportation that will enable increasingly efficient use of resources.<sup>10</sup> The strategy is being deployed in the context of existing national goals for Greenhouse Gas (GHG) emissions, energy efficiency and renewable energy generation. As part of the European Union’s 2020 Strategy for smart, sustainable and inclusive growth, Luxembourg is committed to increasing energy efficiency by 20%, increasing the use of renewable energy by 20% by 2020<sup>11</sup> and aims to have deployed 800 public electric vehicle charging stations by 2020.<sup>12</sup> The country is also party to the European Union’s climate target of reducing GHG emissions by 40% by 2030 against 1990 levels.<sup>13</sup>

Sustainalytics believes that Encevo’s efforts to limit network losses and further develop the grid in conjunction with the deployment of smart technologies, such as smart meters, will contribute to optimizing electricity delivery and thus contribute to energy efficiency. Furthermore, Encevo’s investments in electro mobility will support Luxembourg’s goal of providing infrastructure for 800 public electric vehicle charging stations that deliver 100% renewable energy.

Sustainalytics is of the opinion that Encevo S.A.’s intended use of proceeds will contribute to Luxembourg’s GHG emissions targets, increased use of renewable energy, increase efficiency of the national energy infrastructure and thus, support the Government of Luxembourg’s policy strategy aimed at facilitating a “Third Industrial Revolution.”

### **Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This Schuldschein advances the following SDG goals and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy Projects	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Transmission, Distribution and Smart Grid projects	7. Affordable and Clean Energy  9. Industry, Innovation and Infrastructure	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 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

<sup>9</sup> The official portal of the Grand Duchy of Luxembourg, Third industrial revolution in the Grand Duchy, November 2016: <http://www.luxembourg.public.lu/en/actualites/2016/11/15-rifkin/index.html>

<sup>10</sup> National plan for smart, sustainable and inclusive growth Luxembourg 2020: <https://rio.jrc.ec.europa.eu/en/library/national-plan-smart-sustainable-and-inclusive-growth-luxembourg-2020-april-2015>

<sup>11</sup> European Commission, 2020 climate & energy package: [https://ec.europa.eu/clima/policies/strategies/2020\\_en](https://ec.europa.eu/clima/policies/strategies/2020_en)

<sup>12</sup> National plan for smart, sustainable and inclusive growth Luxembourg 2020: <https://rio.jrc.ec.europa.eu/en/library/national-plan-smart-sustainable-and-inclusive-growth-luxembourg-2020-april-2015>

<sup>13</sup> Reuters 2018, EU states call for ambitious truck CO2 emissions targets: <https://www.reuters.com/article/us-eu-trucks-emissions/eu-states-call-for-ambitious-truck-co2-emissions-targets-idUSKBN1I80VS>

		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

Luxembourg based Encevo S.A. developed the Encevo Green Schuldschein Framework under which it intends to finance and refinance, existing (look-back period of two years) and future projects that promote a transition towards a sustainable economy. Projects financed fall into the eligible categories of (i) Renewable Energy Projects, (ii) Energy Transmission, Distribution and Smart Grid projects, (iii) Sustainable Real Estate; and (iv) Clean Transportation Solutions. Encevo S.A. includes recognized third party standard DGBN in its eligibility criteria for sustainable real estate.

Sustainalytics considers Encevo S.A.'s green Schuldschein Framework to be aligned with and contributing to the group's overall sustainability strategy and Luxembourg's sustainability strategy related to GHG emissions reduction, renewable energy and improvements in the efficiency of energy infrastructure. Furthermore, Sustainalytics considers the company's management of risks related to health and safety, community relations and biodiversity related to eligible projects to be adequate.

Encevo S.A.'s processes for project selection, evaluation and management of proceeds and the frequency of allocation reporting are aligned with market practices. Depending on data availability, Encevo S.A. has committed to report on impact metrics such as the number of smart grid components installed, the number of households provided with renewable energy, estimated GHG reductions, energy savings and the certification of green buildings, which is aligned with market practice.

Overall, Sustainalytics is confident that Encevo S.A. is well positioned to issue green Schuldscheine and that the Encevo's Green Schuldschein Framework is transparent, credible, and in alignment with the four core components of ICMA's Green Bond Principles 2018.

## Appendices

### Appendix 1: Examples of projects per category

Category	Project (Examples)
A. Renewable Energy Projects	PV installations in Luxembourg
B. Energy Transmission, Distribution and Smart Grid Projects	Smart Metering
C. Sustainable Real Estate	Building Bové & Building Bettebourg
D. Clean Transportation Solutions	Electro Mobility (infrastructure for electrical vehicle stations)

### Appendix 2: Overview and comparison of the Real Estate Certification Schemes

	LEED	BREEAM	DGNB
<b>Background</b>	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.
<b>Certification levels</b>	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Bronze Silver Gold Platinum
<b>Areas of Assessment: Environmental Project Management</b>	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Technically, any project can be applied anywhere in the world through a tailored process of making appropriate local adaptations on a case-by-case basis.
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>Energy and atmosphere</li> <li>Sustainable Sites</li> <li>Location and Transportation</li> <li>Materials and resources</li> <li>Water efficiency</li> <li>Indoor environmental quality</li> </ul>	<ul style="list-style-type: none"> <li>Energy</li> <li>Land Use and Ecology</li> <li>Pollution</li> <li>Transport</li> <li>Materials</li> <li>Water</li> <li>Waste</li> <li>Health and Wellbeing</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Environment</li> <li>Economic</li> <li>Sociocultural and functional aspects</li> <li>Technology</li> <li>Processes</li> <li>Site</li> </ul>



	<ul style="list-style-type: none"> <li>Innovation in Design</li> <li>Regional Priority</li> </ul>		
<b>Requirements</b>	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>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-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>14</sup> 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.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Percentage-based performance index</p> <p>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.</p> <p>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%.</p>
<b>Performance display</b>			
<b>Accreditation</b>	<p>LEED AP BD+C</p> <p>LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP</p> <p>BREEAM In Use Assessor</p>	<p>DGNB Auditor</p> <p>DGNB Compliance Testing Team</p> <p>DGNB Certification Committee</p>
<b>Qualitative considerations</b>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>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.</p>	<p>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.</p>

<sup>14</sup> 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



### Appendix 3: Pro Rata Approach for Grid Investments

The category “Energy Transmission, Distribution and Smart Grid Projects” is further subdivided into three sub-categories:

- 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.

This category encompasses a multitude of smaller and bigger projects – all aiming at the improvement of the electricity grid by enhancing the transmission capacity of the grid for renewable energy and increasing energy efficiency, i.e. decreasing network losses. All three subcategories intersect, supporting the overall goal of energy transition.

Encevo looks at each single project under the Category, allocates it to one of the three sub-categories and evaluates each project as “Not Eligible”, “Partly Eligible” or “Fully Eligible”.

Projects categorized as “Not eligible” have been excluded, projects categorized as “Fully Eligible” have been multiplied by 1 and projects categorized as “Partly Eligible” have been multiplied by the ratio calculated for the respective year. The total sum of all investments into the electricity grid is multiplied by a ratio, which reflects the portion of renewable energy transmitted via the grid (per below).

Encevo S.A. applied category “Fully Eligible” (a ratio of 1 respectively 100%) for projects dedicated to injecting power from renewable energy plants, i.e. where an improvement, extension or reinforcement of the grid has been done with the primary purpose to integrate renewable energy systems into the grid.

Encevo S.A. applied the derived ratio (32%, 38% and 40%) for each respective year for those projects, as “Partly Eligible” projects. For such projects, Encevo S.A. did not receive an explicit request to integrate a renewable energy system into the grid, but projects or investments have a direct or indirect positive impact on the enhancement and extension of the grid, thereby preparing the grid for the energy transition and supporting the transition in this respect.

- 2016: 32%
- 2017: 38%
- 2018: 40%
- Moving forward (for future estimated investments 2019-2022): same as for 2018

These ratios have been derived/defined as follows:

This ratio shall reflect the renewable energy transmitted via the grid where the investments have been done. Hence, for the electricity grid of Creos Luxembourg, Encevo applies “Home Production” categories which are injected into the grid and consequently transmitted alongside “Imports from Germany.”

The “Home Production” in Luxembourg can be divided into the following categories:

- Cogeneration
- Hydroelectric\*
- Wind\*
- Waste Incineration
- Biogas\*
- Photovoltaic\*

The energy mix of Germany, which has been used to derive the portion of renewable energy imported from Germany to Luxembourg is compounded as follows:

- Natural Gas
- Stone Coal
- Nuclear Energy
- Brown Coal
- Renewable Energy\* (sub-divided into Hydroelectric, Photovoltaic, Biomass, Wind (Offshore & Onshore))

By adding all categories marked with a “\*” and dividing this sum by the total amount of energy produced in Luxembourg and imported from Germany, Encevo obtains the mentioned ratio, reflecting the portion of

renewable energy transmitted via the electricity grid. This exercise is repeated for each year from 2016 until 2018 and going forward to obtain the ratios presented above.

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Encevo S.A.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Encevo Green Schuldschein Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	04 June 2018
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></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 GBPs:

- |  |  |
|--|--|
| <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 <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 Executive 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 use of proceeds categories – (i) renewable energy projects, (ii) energy transmission, distribution and smart grid projects, (iii) sustainable real estate and (iv) clean transportation solutions – are recognized as impactful by the GBP. Furthermore, Encevo S.A. uses credible third-party standards for sustainable real estate using the Deutsche Gesellschaft für Nachhaltiges Bauen (DGBN) standard. Encevo S.A. will allocate the proceeds of the bond to future investments up to five years from the date of issuance and existing projects that have a look-back period of two years.

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

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input 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 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 checked="" 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 GBPs | <input type="checkbox"/> Other <i>(please specify)</i> :   |

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

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Encevo S.A. has a designated working group for project evaluation and selection, including representatives from its group companies, including Encevo, Enovos Luxembourg, Creos Luxembourg, the Group Finance department, legal department and the CSR coordinator. This approach is aligned with market practice. Encevo S.A.'s management board is involved in approval of all projects above a threshold of EUR 25 million.

#### 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*):

The allocation of proceeds will be tracked through the use of an internal segregated accounting system. These practices are aligned with market expectations. Encevo S.A. will hold the balance of unallocated proceeds to Eligible Projects and Assets in its internal cash pooling. The unallocated proceeds will be held according to Encevo S.A.'s prudent liquidity management practices (in-line with existing corporate guidelines and policies).

#### 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 type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input 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):

Encevo S.A. intends to issue allocation of proceeds reporting on its Eligible Green Portfolio on an annual basis until full allocation. Impact reporting will also be issued annually, either on a standalone basis or as part of the company's CSR reporting. Possible impact metrics may include the number of smart grid components installed, the number of households provided with renewable energy, estimated GHG reductions, energy savings and the certification of green buildings. The company's reporting practices are aligned with market practice.

**Use of proceeds reporting:**

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

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts  | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ):<br>Proportion of new and existing assets and projects |   |

**Frequency:**

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

**Impact reporting:**

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

**Frequency:**

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

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

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators (please specify): The number of smart grid components installed (smart meters, smart stations etc.) • Number of households provided with access to renewable energy • The certificates regarding energy efficiency of the new buildings |

**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.)**

<https://www.encevo.eu/en/>

**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 REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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