

Assessment Report

Post-Issuance Reasonable Assessment Engagement

First Climate Bond of E1 SUBHOLDING 2 S.A in 2022

*Climate Bond Standard version 3.0 and CBI Solar Energy
Criteria (Version 2.1)*

About SITAWI

SITAWI Finance for Good is a Brazil-based organization whose mission is to mobilize capital for positive environmental and social impact. We develop financial solutions for social impact and advise the financial sector on how to incorporate environmental and social issues into strategy, risk management and investment analysis. We are one of the 5 best ESG research houses for investors according to Extel Independent Research in Responsible Investment - IRRRI 2019 – and a pioneer in the green bond market in Brazil.

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I. Engagement Summary

This report aims to provide a Post-Issuance Verification for the Second tranche of the First Issuance of Non-convertible Debenture (“Bond”) issued by *E1 Subholding 2 S.A.*, a sub-holding of E1 Energias Renováveis S.A (“E1 Energia”), as a Certified Climate Bond. The issuance took place on November 08th, 2021.

Only the proceeds from the second tranche of the issuance (BRL 69,700,000.00) are being used to finance the eligible green projects. Therefore, only such tranche was labelled as climate bond according to Climate Bond Standards. The assessment was conducted by SITAWI Finance for Good (“Verifier”), as an independent third-party provider accredited by the Climate Bonds Standards Board.

The proceeds obtained from the tranche are being allocated to finance costs related to the development of 10 distributed solar energy generation projects (“Nominated Projects & Assets”), developed by the Special Purpose Vehicles (SPVs) UFV SKY LTDA (“Sky”), UFV IPIRANGA LTDA (“Ipiranga”) and UFV MRS LTDA (“MRS”), which constitute, in the scope of the issuance, as “Greenfield SPVs”. The proceeds will be used in future expenses, estimated to occur by the end of 2022.

SITAWI’s assessment method follows the Climate Bonds Standards, Version 3.0¹. The assessment followed Climate Bond Initiative (CBI)’s general requirements (applicable to all bonds) and the Solar Sector Eligibility Criteria of the Climate Bonds Standard Version 2.1 under the Climate Bonds Standard (Version September 2020).

The assessment process consisted of:

- Planning the assessment;
- Risk Assessment;
- Performing the assessment, including client preparation, obtaining evidence, and practitioner assessment;
- Forming the assessment conclusion;
- Preparing the assessment report;
- Submission for CBI certification.

The assessment relied on confidential and public information and documents provided by E1 Energia, desk research, and remote interviews conducted with the sustainability and finance areas. This process was carried out from November 2021 to March 2022.

The assessment was performed by relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assessment Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), International Standard in Quality Control (ISQC 1, 2009) and Code of Ethics for Professional Accountants of International Ethics Standards Board for Accountants (IESBA, 2019).

The professionals that performed this assessment have previous knowledge and experience in applying Climate Bonds Standard version 3.0 and Climate Bond Sector Criteria and are familiar with the sector’s ESG main risks and opportunities.

SITAWI had access to all documents and professionals requested, thus being able to provide an opinion with a reasonable² level of assurance regarding completeness,

¹ <https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf>

² “In a reasonable assurance engagement, the practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the practitioner’s conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than

accuracy, and reliability. The Issuer displayed a high level of transparency during the execution of this process.

SITAWI is not an E1 Energias Renováveis S.A.'s nor E1 Subholding 2 S.A.'s, shareholder, subsidiary, supplier, or client. In 2021, E1 Energias Renováveis S.A. obtained a Second-Party Opinion (SPO) regarding a green bond issued by E1 Subholding S.A – another subsidiary. The assets related to this Bond differ from the E1 Subholding 2 S.A.'s bond assets. SITAWI declares to have no conflict of interest and can provide an independent opinion regarding E1 Subholding 2 S.A.'s issuance.

The assessment contained in this report is based on both public and confidential documents provided by the issuer. SITAWI cannot attest or be held responsible for the completeness, preciseness, or reliability of these sources. Therefore, SITAWI will not be held responsible for any decisions based on this report's information.

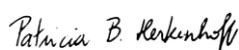
SITAWI is responsible to provide an external and independent assessment on the conformance of the Bond with the Climate Bonds Standard version 3.0 requirements and associated sector-specific technical criteria. We reinforce that the analysis and opinion in this report shall not be taken as an investment recommendation or a proxy for liquidity or returns.

in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures" (ISAE 3000, 2013).

II. Assessment Statement

The proceeds from the Bond are being allocated to financing of expenditures, expenses, or debts related to the implementation of 10 distributed solar energy generation projects. The use of proceeds is set in the Bond's indenture. None of the proceeds is being used to finance/refinance solar facilities with >15% fossil fuel back up.

Based on the reasonable assessment procedures conducted and evidence obtained, in our opinion, the *E1 Subholding 2 S.A's* Second tranche of the First Issuance of Non-convertible Debenture ("Bond"), issued on November 08th, 2021, is in conformance, in all material respects, with both Solar Sector Eligibility Criteria of the Climate Bonds Initiative Version 2.1 and applicable sector-specific technical criteria for solar, and with Climate Bonds Standard Version 3.0. The Issuer is committed to reviewing the bond for up to 24 months to confirm compliance with the Climate Bonds Standard.



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Rio de Janeiro, March 10th, 2022

III. Summary of Findings

Upon guidance from the Climate Bond Standards, Version 3.0, SITAWI has assessed the Bond's issuance and the Nominated Projects & Assets, with the following subdivisions:

- a. Pre-Issuance Certification Checklist³
- b. Post-Issuance Certification Checklist Assessment⁴
- c. Climate Bonds Initiative Solar Criteria (Version 2.1)⁴ Assessment

A. Pre-Issuance Certification Checklist Assessment

The following assessment is based on Part A of the Climate Bonds Standards Version 3.0, namely the Pre-Issuance Requirements. It is organized according to the items listed in the Pre-Issuance Certification Checklist⁵ provided by CBI. Climate Bonds Standard Requirements are listed, followed by each requirement's factual findings. Each of the four sections (1. Use of Proceeds; 2. Process for Evaluation and Selection of Projects and Assets; 3. Management of Proceeds; 4. Reporting) is concluded with SITAWI's assessment conclusion.

1. Use of Proceeds

1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.

According to the bond's indenture, and the Issuer's Climate Bond Framework, the Nominated Projects & Assets are 10 distributed solar energy generation projects. Three of them have not started the construction phase yet, and the rest of them are under construction or planning. The operations are due to occur after October 2022. The projects in implementation have adequate environmental licenses. More details are presented below.

Table 1 – Projects' names, installed capacity, and location

Projects	Municipality/State	Size of the project area (ha)	Installed capacity (MW)
SKY – SP (ELEKTRO) – USINA 1 - CARDOSO	CARDOSO/SP	15	4.33
SKY – SP (ELEKTRO) – USINA 2 - ANDRADINA	ANDRADINA/SP	20	4.22
IPIRANGA – PR (COPEL) - LOANDA	LOANDA/PR	15	2.59
IPIRANGA – RJ (LIGHT) – SEROPÉDICA	SEROPÉDICA/RJ	10	2.56
IPIRANGA – RS (CEEE) – GUAÍBA	GUAÍBA/RS	14	1.28

³ <https://www.climatebonds.net/files/files/pre-issuance-certification-checklist-CBS-v3.docx>

⁴ https://www.climatebonds.net/files/files/standards/Solar/Sector%20Criteria%20-%20Solar%20v2_1.pdf

⁵ <https://www.climatebonds.net/files/files/pre-issuance-certification-checklist-CBS-v3.docx>

IPIRANGA – SP (CPFL PAULISTA) – USINA 1 - PIACATU	PIACATU/SP	15	2.59
IPIRANGA – SP (CPFL PAULISTA) – USINA 2 – DUARTINA	DUARTINA/SP	7	1.32
MRS – MG (CEMIG)	MG	Land in prospection	0.88
MRS – RJ (LIGHT)	RJ	Land in prospection	0.42
MRS – SP (EDP)	SP	Land in prospection	0.34

1.2. The expected Net Proceeds of the Bond shall be no greater than the Issuer’s total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the Total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.

Only the proceeds of the second tranche of the issuance (BRL 69,700,000.00) are being allocated to finance the eligible green projects. Therefore, only such tranche was labelled as climate bond according to Climate Bond Standards. The Bond’s issuance took place on November 8th, 2021. The proceeds are being used in future expenses, estimated to occur by the end of 2022.

According to the Issuer’s Framework, the estimated total costs for the implementation of the 10 projects is BRL 87.27 million. The climate bond represents 80% of that. The second tranche represents 54% of the total issuance (BRL 130,000,000.00).

1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:

1.3.1 Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bond, green loans or other labelled instruments or;

1.3.2 The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.

The Bond was previously labelled as a green bond and received a Second Party Opinion by SITAWI. The Bond, under the same condition, is now applying for a Climate Bond Certification. The Nominated Projects & Assets have never been nominated for any other green/climate or analogous certification. Therefore, there is no risk of contamination of proceeds.

In our opinion, the Bond is in conformance, in all material respects, with the ‘Use of Proceeds’ portion of the Pre-Issuance Certification Checklist.

2. Process for Evaluation and Selection of Projects and Assets

2.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:

2.1.1. A statement on the climate-related objectives of the Bond.

The Issuer’s Climate Bond Framework states that the climate-related objectives of the bond are the reduction of greenhouse gas (GHG) emissions, through the increase of renewable energy generation. The environmental benefits generated by the project are as indicated in Table 2.

Table 2 – Environmental Benefits expected of all 10 Nominated Projects & Assets

Environmental Benefit	Projects
Renewable Energy Generation Estimate (MWh/year)	38,625.63
Avoided Greenhouse Gas Emissions (thousand tCO2e per year) ⁶	2.38

Regarding eligibility of the Nominated Projects & Assets, the three projects with no defined location will necessarily be distributed solar energy generation projects and will undergo adequate environmental licensing and urban planning licensing.

2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability.

E1 Energia is exclusively dedicated to the development of activities in the sectors of renewable energy, with the structuring and implementation of renewable energy projects. Thus, the climate-related objectives of the Bond are aligned with its core business and strategy.

Also, the Bond’s issuance is aligned with the company’s Environmental and Social Policy, which reinforces the existence of a business strategy that considers the minimization of the socio-environmental impacts of its operations, thus contributing to a more sustainable economy.

2.1.3 Issuer’s rationale for issuing the Bond.

Proceeds obtained through the climate bond will generate an estimate of 38,625.63 MWh per year of renewable energy, and avoid the emission of 2,383.201 tCO2eq per year.

The projects have/will have the approval of local energy distributors, analysis of technical criteria of solar radiation, analysis of impacts on the local community, environmental licensing, and urban planning licensing.

The projects also must be compliant with the Climate Bonds Standard & Certification Scheme Sector Criteria for Solar Energy.

2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C (Clauses 9 and 10) of the Climate Bonds Standard.

9. Climate Bonds Taxonomy: The Nominated Projects & Assets fall into the “Solar” under “Energy” investment area as included in the Climate Bonds Taxonomy.

10. Sector Eligibility Criteria: The Nominated Projects & Assets meet the specific eligibility requirements provided in the Solar Sector Eligibility Criteria document (see

⁶ The avoided GHG emissions was estimated by multiplying the GHG emission factor of the Brazilian power grid (0.075 tCO2/MWh) by the gross annual power generation. The GHG emission factor was provided by the Ministry of Science, Technology, Innovations and Communications (2019).

section C).

As indicated in the bond's indenture and the Issuer's Climate Bond Framework, the Nominated Projects & Assets fall under CBI's clauses 9 and 10, as detailed above.

2.2 Issuer should include under Clause 2.1 further aspects of the decision-making process, including:

2.2.1 Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.

The Issuer's Climate Bond Framework limits the eligible projects to solar energy distributed generation projects, in compliance with the Climate Bonds Standard & Certification Scheme Sector Criteria for Solar.

The process also requires, in parallel, compliance with environmental licensing and urban planning licensing. For environmental licensing, the competent licensing body is identified, and the company provides a Project Characterization Report, in addition to other documents to be required depending on the competent licensing body in question and the characteristics of the project. Also depending on the agency involved and the characteristics of the project, it may be exempted from licensing.

E1 Energia also analyses the technical criteria of solar radiation. To this end, the company has a multidisciplinary team, which also carries out analysis of civil and environmental criteria, making studies such as the impact on the vicinities, waste management plan, and others that are required by the environmental agency.

After installation, the company monitors the operation of the projects, including power generation and solar irradiation measurement. The company takes responsibility for technical problems during operation and has a specific team for maintenance and repair for emergencies. To receive this type of complaint from customers, there are several service channels, such as e-mail and telephone. Furthermore, the company is responsible for the adequate final disposal of the solar panels at the end of their useful life.

2.2.2 Green standards or certifications referenced in the selection of Nominated Projects & Assets.

According to the Issuer, the Nominated Projects & Assets do not hold green certifications.

2.2.3 The issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.

The Issuer's framework includes a statement on the climate-related objectives of the Bond and indicates that the projects must be compliant with the Climate Bonds Standard & Certification Scheme Sector Criteria for Solar Energy. The Nominated Projects & Assets fall in the 'Solar' classification under the 'Energy' head of the Climate Bonds Taxonomy.

SITAWI assessed the Nominated Projects & Assets under the Solar Energy Criteria of the Climate Bonds Standard, presented in section C. In our opinion, the bond is in conformance, in all material respects, with the Solar Energy Sectoral Criteria under the Climate Bonds Standard (Version 2.1).

In our opinion, the Issuance is in conformance, in all material respects, with the 'Process for Evaluation and Selection of Projects and Assets' portion of the Pre-Issuance Certification Checklist.

3. Management of Proceeds

3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:

3.1.1 The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.

According to the bond's indenture provided by the Issuer, the second tranche proceeds are being directed to three Special Purpose Vehicles (SPVs) associated with the green projects, namely Sky, Ipiranga, and MRS. The proceeds will be allocated by the end of October 2022.

3.1.2 The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.

The Issuer's Climate Bond Framework includes a statement on unallocated Net Proceeds. According to that, the proceeds can be temporarily invested in low-risk daily liquidity financial instruments. The following are allowed as investments: (i) Treasury bills issued by the National Treasury; (ii) bank deposit certificates with daily liquidity issued by financial institutions; (iii) other fixed income instruments with daily liquidity and not linked to intensive activities in the emission of greenhouse gases. Proceeds will not be allocated to temporary investment instruments that include/invest/promote greenhouse gas-intensive projects.

3.1.3 The earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.

As stated at the bond's indenture and in the Issuer's Climate Bond Framework, the funds raised through the Bond are being allocated directly to the projects' SPVs until its total expenditure, in order to guarantee its destination to the eligible projects and assets. The Bond's indenture has early maturity clauses in the event of allocation of the net proceeds other than the Nominated Projects & Assets.

In our opinion, the Bond is in conformance, in all material respects, with the 'Management of Proceeds' portion of the Pre-Issuance Certification Checklist.

4. Reporting Prior To Issuance

4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:

4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.

4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.

4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.

4.1.4 on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.

4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1.

4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.

4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, provided in Clause 9.1, and the Issuer shall provide an explanation of why details on Nominated Projects & Assets is limited.

4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

The Issuer's Climate Bond Framework declares alignment with Climate Bond Standard version 3.0, by the International Capital Markets Association (ICMA); a summary of the expected use of proceeds and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement; a description of the use of proceeds decision-making process; the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements with the Solar Energy Criteria under the Climate Bond Standards; a summary of the approach to the management of unallocated Net Proceeds; the intended approach to providing update reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding; the list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, into which the Nominated Projects & Assets fall.

According to the Bond's indenture and the Issuer's Climate Bond Framework, the proceeds derived from the second tranche will be fully allocated to future expenses, which will be allocated up to 24 months after the Bond's issuance. The project will be operational after October 2022.

4.2 The Issuer shall include in the Disclosure Documentation:

Since the present assessment is being conducted after the Bond's issuance, which occurred on November 8th, 2021, none of the information listed on item 4.2 was included in the bond's indenture. They were, however, included in the Issuer's Climate Bond Framework, and are detailed below.

4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.

The Issuer's Climate Bond Framework indicates that the Nominated Projects & Assets fall into the 'Solar' classification under the 'Energy' head of the Climate Bonds Taxonomy.

4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.

The Issuer's Climate Bond Framework indicates the intended types of temporary investment instruments for the management of unallocated Net Proceeds.

4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements.

The Issuer's Framework mentions 'SITAWI Finanças do Bem' as the Verifier engaged by the Issuer for the mandatory verification engagements. Also, in the bond's indenture (Clause 2.5.3) is mentioned that 'SITAWI Finanças do Bem' will be responsible for a Post issuance verification to be completed within two years after the Bond's issuance.

4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.

According to Clause 2.5.2 of the bond's indenture, the Issuer is committed to monitoring and reporting annually financial and environmental information related to the projects. The Green Bond's pre-issuance Second-Party Opinion (SPO) will be shared with investors and will be available to the public.

According to the Issuer's Climate Bond Framework, they will disclose annually, on their website, the proceeds allocation on related projects and the environmental benefits' main indicators of the projects, namely the installed generation capacity and the amount of renewable energy generated and avoided GHG emissions. The Company will also report on environmental licensing status and project location.

4.2.5 The CBI Disclaimer provided in the Certification Agreement.

The Issuer's Framework includes the CBI Disclaimer provided in the Certification Agreement.

In our opinion, the Bond is in conformance, in all material respects, with the 'Reporting Prior to Issuance' portion of the Post-Issuance Certification Checklist.

B. Post-Issuance Certification Checklist Assessment

The following assessment is based on Part B of the Climate Bonds Standards Version 3.0, namely the Post-Issuance Requirements. It is organized according to the items listed in the Post-Issuance Certification Checklist⁷ provided by CBI. Climate Bonds Standard Requirements are listed, followed by each requirement's factual findings. Each of the four sections (5. Use of Proceeds; 6. Process for Evaluation and Selection of Projects and Assets; 7. Management of Proceeds; 8. Reporting) is concluded with SITAWI's assessment conclusion.

5. Use of Proceeds

5.1 The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets

Only the second tranche of the issuance are being used to finance CAPEX expenditures for solar energy generation projects, totalling BRL 69,700,000.00 (sixty-nine million, seven hundred thousand reais) - compared to BRL 130,000,000.00 (one hundred and thirty million reais) that was issued on November 8th, 2022. Therefore, the assessment only covers the analysis of the second tranche, labelled as green/climate.

The Bond's issuance indenture limits the allocation to distributed solar energy generation projects.

⁷ https://www.climatebonds.net/files/files/2021-04-13_Checklist_Post-issuance_Requirements_Standard-v_-3_0.docx

5.2 All Nominated Projects & Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard

The Issuer's framework includes a statement on the climate-related objectives of the Bond, as defined in Clause 6.1.1. the Nominated Projects & Assets fall in the 'Solar' classification under the 'Energy' head of the Climate Bonds Taxonomy. SITAWI assessed the Nominated Projects & Assets under the Solar Energy Criteria of the Climate Bonds Standard, presented in section C. In our opinion, the bond is in conformance, in all material respects, with the Solar Energy Sectoral Criteria under the Climate Bonds Standard (Version 2.1).

5.3 The Issuer shall allocate the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects & Assets. Net proceeds may be reallocated to other Nominated Projects & Assets at any time while the Bond remains outstanding.

The Issuer estimates to allocate all proceeds by the end of 2022.

5.4 Nominated Projects & Assets shall not be Nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:

5.4.1. distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or

5.4.2. the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.

The second tranche of the Bond was previously labelled as a green bond and received a Second Party Opinion by SITAWI. The same tranche of the bond is now applying for a Climate Bond Certification. The Nominated Projects & Assets have never been nominated for any other green/climate or analogous certification. Therefore, there is no risk of contamination of proceeds.

5.5. Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects & Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.

According to financial statements provided by the Issuer, 100% of the Bond is being/will be used for future expenses to finance the green projects, estimated to occur by the end of 2022.

5.6 The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.

The Issuer will track the Net Proceeds of the bond through their allocation in the Special Purpose Vehicles (SPVs) associated with each one of the projects.

5.7. The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects & Assets, or the relevant proportion of the total Market Value of the Nominated Projects & Assets which are owned or financed by the Issuer.

The Bond was issued for 10 distributed solar energy generation projects for BRL 69.70 million. According to the Issuer's Framework, this value represents 80% of the project's total estimated costs (BRL 87.27 million).

5.8. Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond’s objective as set out in Clause 6.1.1.

5.8.1. Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier’s Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.

Of the 10 distributed solar energy generation projects, three are already in the prospection land phase, as presented below. The rest of them are in the construction or planning stage.

Table 4 – Projects’ names, installed capacity and location

Project	Installed capacity (MWp)	Location
SKY – SP (ELEKTRO) – USINA 1 - CARDOSO	4.33	Cardoso, São Paulo
SKY – SP (ELEKTRO) – USINA 2 - ANDRADINA	4.22	Andradina, São Paulo
IPIRANGA – PR (COPEL) - LOANDA	2.59	Loanda, Paraná
IPIRANGA – RJ (LIGHT) – SEROPÉDICA	2.56	Seropédica, Rio de Janeiro
IPIRANGA – RS (CEEE) – GUAÍBA	1.28	Guaíba, Rio Grande do Sul
IPIRANGA – SP (CPFL PAULISTA) – USINA 1 - PIACATU	2.59	Piacatu, São Paulo
IPIRANGA – SP (CPFL PAULISTA) – USINA 2 – DUARTINA	1.32	Duartina, São Paulo
MRS – MG (CEMIG)	0.88	Land in prospection
MRS – RJ (LIGHT)	0.42	Land in prospection
MRS – SP (EDP)	0.34	Land in prospection

The 3 remaining projects that do not have a defined location yet, will be necessarily a distributed solar energy generation project, falling under the same Sector Eligibility Criteria.

In our opinion, the Bond is in conformance, in all material respects, with the ‘Use of Proceeds’ portion of the Post-Issuance Certification Checklist.

6. Process for Evaluation and Selection of Projects and Assets

6.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:

6.1.1 A statement on the climate-related objectives of the Bond.

The environmental benefits generated by the project and the portion of these benefits attributed to the proceeds raised through the Bond’s issuance of climate debentures are as indicated in Table 5.

Table 5 – Environmental Benefits expected of all 10 Nominated Projects & Assets

Environmental Benefit	Projects	Bond portion
Renewable Energy Generation Estimate (GWh/year)	38.625	30.9 (80%)

Avoided Greenhouse Gas Emissions (thousand tCO2e per year) ⁸	2.38	1.906 (80%)
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Regarding eligibility of the Nominated Projects & Assets, the 3 projects with no defined location will necessarily undergo adequate environmental licensing and urban planning licensing.

6.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability.

E1 Energia is dedicated exclusively to the development of activities in the sectors of renewable energy, with the structuring and implementation of renewable energy projects. Thus, the climate-related objectives of the Bond are aligned with its core business and strategy.

6.1.3 Issuer’s rationale for issuing the Bond.

The Issuer’s rationale for issuing the Bond is to finance the development of 10 distributed solar energy generation projects that will generate renewable energy, reducing carbon emissions.

6.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C (Clauses 9 and 10) of the Climate Bonds Standard.

9. Climate Bonds Taxonomy: The Nominated Projects & Assets fall into the “Solar” under “Energy” investment area as included in the Climate Bonds Taxonomy.

10. Sector Eligibility Criteria: The Nominated Projects & Assets meet the specific eligibility requirements provided in the Solar Sector Eligibility Criteria document (see section C).

As indicated in the bond indenture, the Nominated Projects & Assets fall under CBI’s clauses 9 and 10, above detailed.

6.1.5 Other information provided by the Issuer as described in Clause 2.2

The process of selecting projects begins with the clients manifesting interest in the production and compensation of electric energy, and also includes approval by the local distribution concessionaire. The process is detailed below:

Table 6 – Process for project selection, planning and implementation

Stages of the project planning and implementation process
✓ Client expresses interest
✓ The company presents a commercial proposal stipulating the amount of electricity that the solar plant will have to generate to be compensated for the energy consumed by the consumption units
✓ The signing of the contract containing the amount referring to rent, which will represent the totality of the consideration necessary to remunerate the company for making the investments necessary for the construction and installation of the solar plant in full technical operating and functioning conditions, as well as the occupation of the location where it will be installed
✓ The parties additionally enter into an operation and maintenance services agreement (O&M Agreement) to establish the terms and conditions under which the company shall operate and maintain the solar plant
✓ Study and choice of land where the distributed generation system (DGS) will be built and submission to the client of a sketch and a descriptive memorial of the respective property
✓ The client approves the land
✓ The company submits title deeds or ownership of the chosen site to the client and the client approves

⁸ The avoided GHG emissions was estimated by multiplying the GHG emission factor of the Brazilian power grid (0.075 tCO2/MWh) by the gross annual power generation. The GHG emission factor was provided by the Ministry of Science, Technology, Innovations and Communications (2019).

✓	The company prepares and submits to the client's approval the descriptive memorial, the project and the schedule for the construction of the DGS
✓	The client approves the descriptive memorial, the project and the implementation schedule presented
✓	Access to the local energy distributor is requested
✓	Issuing of an access permit by the local distributor
✓	Adequacy of the land, engineering services, labour and acquisition of materials and equipment
✓	Conclusion of the work
✓	Inspection carried out by the distributor and approval (or not) of the plant
✓	Connection and start-up
✓	Start of the compensation system

The process also requires, in parallel, compliance with environmental licensing and urban planning licensing. For environmental licensing, the competent licensing body is identified, and the company provides a Project Characterization Report, in addition to other documents to be required depending on the competent licensing body in question and the characteristics of the project. Also depending on the agency involved and the characteristics of the project, it may be exempted from licensing.

E1 Energia also analyses the technical criteria of solar radiation. To this end, the company has a multidisciplinary team, which also carries out analysis of civil and environmental criteria, making studies such as the impact on the vicinities, waste management plan and others that are required by the environmental agency.

After installation, the company monitors the operation of the projects, including power generation and solar irradiation measurement. The company takes responsibility for technical problems during operation and has a specific team for maintenance and repair for emergency situations. To receive this type of complaint from customers, there are several service channels, such as e-mail and telephone. Furthermore, the company is responsible for the adequate final disposal of the solar panels at the end of their useful life.

In our opinion, the Issuance is in conformance, in all material respects, with the 'Process for Evaluation and Selection of Projects and Assets' portion of the Post-Issuance Certification Checklist.

7. Management of Proceeds

7.1 **The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.**

The proceeds raised through the climate bond's issuance are being used for future expenses. It is being directed to the SPVs associated with the specific projects.

7.2 **The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets as described in Clause 3.1.3**

As stated at the Bond's indenture, the funds raised through the second tranche of the bond will be allocated directly to the projects' SPVs until its total expenditure, to guarantee its exclusive direction for the project.

7.3 **While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets. Pending such allocations to Nominated Projects & Assets, the balance of unallocated Net Proceeds shall be:**

- 7.3.1 **Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or**
- 7.3.2 **Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or**
- 7.3.3 **Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.**

The unallocated net proceeds will be invested in low-risk daily liquidity financial instruments. The following are allowed as investments: (i) Treasury bills issued by the National Treasury; (ii) bank deposit certificates with daily liquidity issued by financial institutions; (iii) other fixed income instruments with daily liquidity and not linked to intensive activities in the emission of greenhouse gases. Proceeds will not be allocated to temporary investment instruments that include/invest/promote greenhouse gas-intensive projects.

In our opinion, the Bond is in conformance, in all material respects, with the 'Management of Proceeds' portion of the Post-Issuance Certification Checklist.

8. Reporting

8.1 The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.

- 8.1.1 **The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.**
- 8.1.2 **The Update Report shall be made available to the public.**
- 8.1.3 **The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.**

The Issuer commits to monitor and report financial and environmental information related to the projects annually.

The Green Bond's pre-issuance Second Party Opinion (SPO) was shared with investors and the public.

E1 Energia will disclose annually, on its website or in a specific report, the allocation of proceeds on the related projects and the impact indicators of the projects, namely the amount of renewable energy generated and avoided GHG emissions. The Issuer will also report on environmental licensing status and project location. The Bond's issuance commitments will be verified by SITAWI within 24 months.

Note: from the Climate Bond Certification Standard version 3.0, page 16: Issuers seeking Certification of bonds, loans or other debt instruments which have already been issued or closed, and were not Certified at the pre-issuance stage, need to prepare a Green Bond Framework (see Clause 4.1) and meet all of the Post-Issuance Requirements to receive Certification under the Climate Bonds Standard.

The Issuer developed a Climate Bond Framework, and the document was analysed by SITAWI. The conclusions are presented above, on item [4.1.](#), and in our opinion, Framework is in conformance, in all material respects, with the Climate Bond Standard 3.0 requirements.

In our opinion, the Bond is in conformance, in all material respects, with the 'Reporting' portion of the Post-Issuance Certification Checklist.

C. Climate Bonds Initiative taxonomy and Solar Energy Criteria of the Climate Bonds Standard (Version 2.1) Assessment

The following assessment is based on the Part C of the Climate Bonds Standards Version 3.0, namely the Eligibility of Projects & Assets. It is organized according to the items listed in the Solar Energy under the Climate Bonds Standard provided by CBI. The Sectoral Criteria Requirements are listed, followed by each requirement's factual findings. The section is concluded with SITAWI's assessment conclusion.

Criteria 1 - Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operating in one or more of the following activities

- 1) Onshore solar electricity generation facilities
- 2) Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.
- 3) Onshore solar thermal facilities such as solar hot water systems.

As indicated in the Issuer's Framework and the bond's indenture, the eligible projects fall under activity 1 mentioned above. None of the facilities has/will have >15% fossil fuel back up.

In our opinion, the bond is in conformance, in all material respects, with the Solar Energy Sectoral Criteria under the Climate Bonds Standard (Version December 2019).

III. Supporting Documents

- Bond indenture
- Interviews with the Issuer
- Issuer's Climate Bond Framework
- Issuer's financial statements