

PRE-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Pre-Issuance Certification
for the Green Bond Issued by ENCAVIS AG

ENCAVIS

SCOPE

ENCAVIS AG (“ENCAVIS” or “the issuer”) commissioned ISS ESG to compile a Verifier’s Report for Pre-Issuance Certification of its Green Bond by the Climate Bonds Initiative (CBI). The Climate Bonds Certification process includes verifying whether the provisions of the Climate Bonds Standards issued by the CBI are met and obtaining evidence to support the verification.

CRITERIA

Relevant CBI Standards for this Climate Bonds Certification:

- Climate Bonds Standard (Version 3)
- Wind Sector Eligibility Criteria (Version 1.2)

ISSUER’S RESPONSIBILITY

The issuer’s responsibility was to provide information and documentation on:

- Selection of nominated projects & assets
- Technical aspects of projects & assets
- Internal processes & controls
- Proposed reporting

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has been conducted this independent Pre-Issuance Verification Process of the green bond issued by the issuer based on the Climate Bond Standards V.3. and in line with the limited assurance procedure defined by the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

ISS ESG's approach to assess whether the issuer's Green Bond meets the criteria of the Climate Bond Standards V.3. is as follows:

- The issuer provided an overview over the assets to be included in the Green Bond asset pool and the relevant processes and documentation regarding the proceeds (e.g. use of proceeds, management of proceeds) to ISS ESG.
- The issuer filled in a questionnaire that covers all criteria of the Climate Bonds Standard V.3.
- The issuer provided background documents that elaborate further on the information mentioned in the questionnaire.
- Using the questionnaire and background documents, ISS ESG carried out an assessment of the CBI criteria. In case any answers were unclear, ISS ESG contacted the issuer for more details and clarification.

The engagement with the issuer took place in March 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

RESTRICTION ON DISTRIBUTION AND USE OF REPORT

This Verification Report for Climate Bonds Certification including all documentation provided alongside is intended for the use of the issuer and the Climate Bonds Standard Board. The present document may be published by the issuer, CBI and ISS ESG. CBI and ISS ESG agree to publish the report with the consent of the issuer.

OPINION

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2021 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



ROBERT HÄBLER
ISS ESG
Munich, 15 March 2021

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About ISS ESG

Since March 2018, ISS-oekom has been a member of the ISS family, sitting within the ISS ESG business unit, which also includes ISS-ethix and ISS-Climate. ISS ESG provides high quality solutions for sustainable and responsible investment and corporate governance. The External Review team, covering Second Party Opinions (SPOs) and Climate Bond Certifications is made up of colleagues across ISS ESG, from ISS-oekom and ISS-Climate.

Originally founded in 1993 and formerly known as oekom research, ISS ESG is one of the world’s leading ESG research and rating agencies for sustainable investments with an unsurpassed rating methodology and quality recognition. ISS ESG analyzes businesses and countries with respect to their environmental social and governance performance. As an experienced partner of institutional investors and financial service providers, we analyse the level of responsibility exercised by equity and bond issuers towards society and the environment. Under the new ownership, ISS ESG completes the ESG research and RI services offerings of ISS, making it a worldwide pure-player in the area of RI Research & Solutions. ISS ESG is headed by Robert Haßler, former CEO and co-founder of oekom research. More information: www.oekom-research.com and www.issgovernance.com.

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ANNEX

Annex 1: Detailed Findings

Annex 2: Detailed Findings Wind Power (onshore)

ANNEX 1: DETAILED FINDINGS

1. USE OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1.1.	Documentation of nominated projects & assets assessed as eligible. Establishment of a list of Nominated Projects & Assets kept up to date during the term of the bond.	The proceeds of the bond will be fully allocated to the acquisition a single identified onshore wind park project located in Finland.	✓
1.2.	Expected Net Proceeds of the Bond are no greater than the Issuer’s total investment exposure to the proposed Nominated Projects & Assets.	The acquisition cost of the wind park project is higher than the proceeds collected through this bond. Thus, the Expected Net Proceeds of the Bond are no greater than the total investment exposure of the issuer to identified asset.	✓
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.	The identified project has not been nominated to other debt instruments certified by the Climate Bond Initiative.	✓

2. PROCESS FOR EVALUATION AND SELECTION OF PROJECTS AND ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
2.1.	Decision-making process to determine eligibility of nominated projects & assets, including:	ENCAVIS has defined a decision-making process to nominate eligible projects and assets associated with this Bond based on environmental objectives and criteria, and compliant with relevant sector eligibility criteria of the Climate Bond Standards (listed page 1 of this report).	✓
2.1.1.	Statement on the climate-related objectives of the Bond.	The issuer states in its framework that the bond aims to reduce CO ₂ emissions and shall only finance wind farm and as such, actively	✓

		contribute to climate protection and fight climate change.	
2.1.2.	Positioning of climate-related objectives of the Bond in the context of the Issuer’s overarching environmental objectives, strategy, policy and/or processes.	<p>ENCAVIS focuses on fighting climate change through CO₂ reduction and a sustainable increase in the efficiency of existing solar and wind parks. By generating and marketing green electricity, ENCAVIS makes a significant contribution to this objective.</p> <p>ENCAVIS has set itself the goal of analyzing and implementing further options for reducing CO₂ in its own business and also along the supply chain. In addition to saving CO₂ emissions, it is central for ENCAVIS to continuously optimize the solar and wind parks in the portfolio and thus achieve a sustainable increase in the efficiency of existing solar and wind parks.</p> <p>The bond’s specific climate objectives are in line with ENCAVIS’ sustainability objective.</p>	✓
2.1.3.	Issuer’s rationale for issuing the Bond.	ENCAVIS is an independent power producer with 100% renewable energy sources, solely consisting of onshore wind parks and solar parks. Investments in wind and solar parks require significant amounts of funds.	✓
2.1.4.	Process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the CBI.	ENCAVIS follows a clearly structured investment process, beginning with the selection from the deal flow, pre-due diligence, extensive due diligence on all relevant aspects (e.g. environmental, ecological, technical, commercial, legal) and finally the voting of management board and approval by supervisory board.	✓
2.2	Issuer should include under Clause 2.1 further aspects of the decision-making process, including:	ENCAVIS had described further aspects of the decision-making process under Clause 2.1. (see below assessment 2.2.1, 2.2.2. and 2.2.3.)	✓
2.2.1	Related eligibility criteria to identify and manage potentially material environmental, social or governance risks associated with the	When identifying renewable energy farms, ENCAVIS pays attention to ensuring that they do not have a negative sustainability impact. Wind and solar farms are only acquired if they have received a positive environmental compatibility report.	✓

	Nominated Projects & Assets.		
2.2.2	Green standards or certifications referenced in the selection of Nominated Projects & Assets.	ENCAVIS had referenced the ICMA Green Bond Principles, CBI criteria and European standards for wind and solar power parks in the selection of identified projects.	✓
2.2.3	The issuer shall assess 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.	ENCAVIS has assessed that the proposed identified project 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, as ENCAVIS has put in place a diligent project evaluation and selection process. (See 2.2.1).	✓

3. MANAGEMENT OF PROCEEDS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
3.1	Systems, policies and processes to be used for management of the Net Proceeds are documented by the Issuer and disclosed to the Verifier, and include arrangements for the following activities:	The net proceeds are appropriately tracked by the issuer and documented (see points 3.1.1., 3.1.2., and 3.1.3.).	✓
3.1.1.	Process around management of the net proceeds	The net proceeds are appropriately tracked by ENCAVIS and documented.	✓
3.1.2.	The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.	Not applicable. There will be no unallocated net proceeds as the proceeds will be directly invested in the partial financing of the purchase price of the identified asset.	–
3.1.3.	Earmarking process used to manage and account for funding to the Nominated Projects &	ENCAVIS has an earmarking and tracking of proceeds process in place. All proceeds under this bond	✓

Assets and enable estimation of the share of the Net Proceeds being used for financing and refinancing.	will go to the partial financing of the purchase price of the identified asset.	
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4. REPORTING PRIOR TO ISSUANCE

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
4.1	Issuer’s framework should include without limitations:	ENCAVIS has defined a Green Bond Framework which has not been made public.	✓
4.1.1	Confirmation statement that bonds issued under the framework are aligned with the Climate Bonds Standard and other applicable standards.	ENCAVIS’ Green Bond Framework is in line with the requirements of the ICMA Green Bond Principles and with the Climate Bonds Standards.	✓
4.1.2	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.	<p>The Proceeds will be completely applied to finance investments in renewable energy projects. Eligible green projects will comprise of the following:</p> <ul style="list-style-type: none"> • acquisition, development, construction and operation of generation facilities where 100% of electricity is derived from wind energy resources; • acquisition, development, construction and operation of generation facilities where 100% of electricity is derived from solar energy resources; • wholly dedicated transmission infrastructure for eligible solar and wind generation facilities; <p>The expected use of proceeds contribute to achieve the Paris Climate Agreement.</p>	✓
4.1.3	Description of the decision-making process.	ENCAVIS’s Green Financing Framework includes a descriptive decision-making process to ensure a diligent project evaluation and selection process as stated in 2.1.	✓

4.1.4	Description of the relevant Sector Eligibility Criteria and any additional impact metrics.	ENCAVIS's Green Financing Framework includes a description of the relevant eligibility criteria for all categories eligible under the framework.	✓
4.1.5	Summary on the approach used to manage unallocated net proceeds.	Not applicable. There will be no unallocated net proceeds as the proceeds will be directly invested in the partial financing of the purchase price of the identified asset.	-
4.1.6	Intended approach to provide Update Reports to reaffirm conformance with the Climate Bond Standards while the Bond remains outstanding.	ENCAVIS will provide to investors of the Green bond with the following information: <ul style="list-style-type: none"> • Project type, capacity and location • Annual confirmation that the Use of Proceeds are in alignment with ENCAVIS's Green Bond Framework and Climate Bond Standards • Annual confirmation that ENCAVIS owns the asset 	✓
4.1.7	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.	The proceeds of the bond will be fully allocated to the acquisition of a single identified onshore wind park project located in Finland.	✓
4.1.8	A proportion of financing, potentially including the expected look-back period for refinanced Nominated Projects & Assets.	All proceeds will be directly invested in the partial financing of the purchase price of the identified asset.	✓
4.2	Disclosure Documentation shall include:	ENCAVIS's Bond Documentation meets the criteria defined by the CBI Standards.	✓
4.2.1	Investment areas, as provided in Clause 9.1. into which the Nominated Projects & Assets fall	ENCAVIS undertakes to use the total nominal amount exclusively for partial or full financing of investments in suitable green projects. Suitable green projects mean investments in renewable energies, for which the Climate Bonds Initiative issues a certificate with regard to the	✓

		criteria of sustainability of these investments.	
4.2.2	Intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.	Not applicable. There will be no unallocated net proceeds as the proceeds will be directly invested in the partial financing of the purchase price of the identified asset.	-
4.2.3	Verifier’s engaged by the Issuer for the mandatory verification engagements.	ENCAVIS states in the bond documentation that a CBI Certification is required for this issuance, as well as a Second-Party Opinion conducted by ISS ESG.	✓
4.2.4	Intended approach providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.	It is in the discretion of ENCAVIS whether they fulfil these information undertakings by publishing the relevant documents on ENCAVIS’ website or by bilateral communication with the investors. ENCAVIS will provide to investors of the Green bond with the following information: <ul style="list-style-type: none"> • Project type, capacity and location • Annual confirmation that the Use of Proceeds are in alignment with ENCAVIS’s Green Bond Framework and Climate Bond Standards • Annual confirmation that ENCAVIS owns the asset 	✓
4.2.5	CBI Disclaimer provided in the Certification Agreement	ENCAVIS confirmed that the bond documentation will include the CBI disclaimer provided in the Certification Agreement.	✓

ANNEX 2: DETAILED FINDINGS WIND POWER (ONSHORE)

	The Green Bond Asset Pool complies with the Wind Power criteria of the Climate Bonds Initiative.
	All onshore wind farms are eligible for the Climate Bonds Initiative.