

SBM 2019-2029 Green Bond

2021 ALLOCATION AND IMPACT REPORT

Introduction

Sociedade Bioelétrica do Mondego, S.A. ("SBM") and Banco BPI, S.A. ("BPI") launched the first green bond issuance admitted to trading in Portugal in the unregulated market Euronext Access Lisbon, in February 2019.

Sociedade Bioelétrica do Mondego, S.A. is a Portuguese company, 100% owned by Greenvolt – Energias Renováveis, S.A. ("GreenVolt"), dedicated to construction, operation and maintenance of a 34.5 MW capacity biomass power plant, located in Figueira da Foz.

To finance its investments, SBM developed a SBM Green Bond Framework, which served as the basis for the issuance of its SBM 2019-2029 Green Bond, by private placement, in the amount of Euro 50,000,000 (fifty-million Euro), with a coupon rate of 1.90%.

The use of proceeds was allocated exclusively to the financing of the 34.5 MW biomass power plant, located in Celbi's manufacturing perimeter, although in the initial phase of the project there were advances of own funds made by SBM's parent company.

The SBM Green Bond Framework is in line with the conditions established by the Green Bond Principles published by the International Capital Market Association, having obtained a positive Second-Party Opinion ("SPO") from the ESG ratings and specialised independent research company Sustainalytics.

This document presents, as defined in the SBM Green Bond Framework, the annual report to investors regarding the investment allocation, including relevant information on the application of funds and on the resulting environmental benefits. The information included here is available on GreenVolt's website, at <https://greenvolt.pt/en/investors/green-funding>.

Project description

The operation was intended to finance the investments of Sociedade Bioelétrica do Mondego, S.A., in the construction of a new biomass power plant of GreenVolt, located in Figueira da Foz, contributing to the pursuit of a structuring policy in the energy field, which allows to reduce the external dependency and the greenhouse effect resulting from the use of fossil fuels. The use of forest biomass, on the other hand, in addition to contribute to job creation and forest management, allows to reduce fire risks, promoting a clean and renewable energy environment, thus reinforcing the sustainability commitment of GreenVolt.

This investment by SBM contributed to the diversification of the energy sources of GreenVolt and is part of the strategy defined for the national energy policy, through the construction of a central for production of electricity from non-conventional sources (namely, the energy recovery of forest biomass).

The Biomass Plant started operating in July 2019, having produced a total of 291,402 MWh in 2021.

Summary of the SBM Green Bond Framework:

 <p>Use of proceeds</p>	<p>The main goal is the utilisation of the proceeds for Green Projects, which should provide clear environmental benefits. The eligibility criteria defined in the SBM Green Bond Framework are:</p> <ol style="list-style-type: none"> 1. Renewable and Clean Energy 2. Integrated Pollution Prevention and Control
 <p>Positive impacts</p>	<ul style="list-style-type: none"> • Energy Efficiency. • National Energy Bill Decrease. • Job Creation and Economic Growth. • Reduction of Forest Fire Risk / Sustainable Forest Management ("SFM") Practices. • Enhance Circular Economy.
 <p>Project evaluation / selection</p>	<ul style="list-style-type: none"> • SBM's projects are proposed to the Investment Working Group, which is formed by SBM directors. This group manages and reviews all proposed projects. • Eligible Green projects are selected among the various eligible sectors and result from the application of the eligibility criteria, under the responsibility of the Green Bond Committee. • Only those projects approved by both Investment Working Group and Green Bond Committee will be considered for Green Bond financing. • Eligible Green Projects are monitored and reported on an annual basis.
 <p>Management of proceeds</p>	<ul style="list-style-type: none"> • The net proceeds of the green bonds issued will be managed on a single project / single company basis. • The Finance Department ensures the allocation of net proceeds according to an internal management system that aims to define the destination of cash flows, set reserved accounts for not invested funds and adjust periodically the net proceeds. • Proceeds not immediately disbursed will be held and not invested in non-green projects, GHG intensive activities, nor controversial activities: proceeds not disbursed shall be invested according to SBM's liquidity and/or liability management activities, following the market best practices.
 <p>Reporting</p>	<ul style="list-style-type: none"> • SBM will provide an annual update on the use of proceeds related to its Green Bonds issuance. • The report is expected to disclose a breakdown of the Green Bond proceeds outstanding and the amount of allocated and unallocated proceeds. • Information should include Performance Indicators to allow access the environmental impact of its Eligible Green Projects. • Examples of products and impact indicators considered <ol style="list-style-type: none"> 1. <u>Renewable and Clean Energy</u>: <ul style="list-style-type: none"> - Installed renewable energy capacity (MW) - Expected annual renewable energy generation (MWh) - Estimated annual GHG emission avoided or reduced (tCO₂e) 2. <u>Integrated Pollution Prevention and Control</u>: <ul style="list-style-type: none"> - Reduction of biomass waste in the forest - Estimated annual GHG emission avoided or reduced (tCO₂e)

Green Bond Allocation Report

The proceeds' allocation was made in full in 2019 (this information can be seen in more detail in the 2019 Green Bonds Report, which was reviewed by both Sustainalytics and Deloitte).

Eligible Green Project (1)	Signed amount (€) (2)	Proceeds allocation project (3)	Allocated amount (€) (4)	Weight in assets total value (%) (5)	Percentage of proceeds allocated (%) (6)
1. Renewable and Clean Energy 2. Integrated Pollution Prevention and Control	50,000,000	Biomass Power Plant	50,000,000	60.28%	100%
Total	50,000,000		50,000,000		

- (1) Categories of eligible projects
- (2) Total Green Bond amount
- (3) Project to which proceeds were allocated
- (4) Amount allocated to the project
- (5) Weight of Green Bond proceeds in the total value of the project
- (6) Percentage of use of Green Bond proceeds

Green Bond Impact Report (data from January to December 2021)

Eligible Green Project (1)	Signed amount (€) (2)	Weight in total Green Bond (%) (3)	Eligible value (%) (4)	Installed capacity (MW) (5)	Renewable energy annual generation (MWh) (6)	CO ₂ emissions avoided (tonCO ₂ e) (7)	Reduction of biomass waste in the forest (ton) (8)
Biomass Power Plant	50,000,000	100%	100%	34.5	291,402	39,048	420,914
Total	50,000,000				291,402	39,048	420,914

- (1) Identification of projects falling under the eligible categories: 1. Renewable and Clean Energy and 2. Integrated Pollution Prevention and Control
- (2) Total Green Bond amount
- (3) Weight of the project in total Green Bond proceeds
- (4) Eligible value
- (5) Installed renewable energy capacity
- (6) Renewable energy generation by project in the reference period, between January and December 2021
- (7) Avoided emissions. Avoided emissions are those corresponding to the emissions that would occur if the electricity produced resulted from the national system, using as a reference the emission factor of the national grid: <https://www.apren.pt/en/renewable-energies/others/>
- (8) Biomass used by the Biomass Power Plant

Sociedade Bioelétrica do Mondego, S.A.

Type of Engagement: Annual Review

Date: February 25, 2022

Engagement Team:

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Introduction

In February 2019, Sociedade Bioelétrica do Mondego (“SBM”)¹ issued green bonds aimed at financing a 34.5 MW biomass power plant, located in the manufacturing area of Figueira da Foz in central Portugal. The Green Bonds have financed projects² from all categories listed in the Framework, namely – Renewable and Clean Energy, and Integrated Pollution Prevention and Control. In February 2019, Sustainalytics provided a Second-Party Opinion³ on the Sociedade Bioelétrica do Mondego Green Bond Framework (the “SBM Green Bond Framework” or the “Framework”).⁴ In February 2022, SBM engaged Sustainalytics to review the projects funded through the issued 2019 green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2019 green bond based on whether the projects:

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

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

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable and Clean Energy	Funds to finance the construction of a new biomass power plant located in Figueira da Foz <ul style="list-style-type: none"> • Endogenous renewable energy source (biomass), thereby avoiding greenhouse gas emissions; • Energy production from biomass from Altri Group’s own operations and external sources to supply to the national grid. 	<ul style="list-style-type: none"> • Installed renewable energy capacity (MW) • Expected annual renewable energy generation (MWh) • Estimated annual GHG emission avoided or reduced (tCO₂e)
Integrated Pollution Prevention and Control	Funds to finance the implementation of the Best Available Techniques released by the EU for the energy production sector ⁵ to reduce air emission and greenhouse gas from the biomass power plant <ul style="list-style-type: none"> • Reduction of air emissions and greenhouse gas. • Contribution to decreased GHG emissions. 	<ul style="list-style-type: none"> • Reduction of biomass waste in the forest • Estimated annual GHG emission avoided or reduced (tCO₂e) • Emissions of dust, nitrogen oxides (NO_x), sulphur dioxide (SO₂) and hydrochloric acid and hydrofluoric acid (HCL and HF)

¹ Sociedade Bioelétrica do Mondego, S.A. is a Portuguese company, wholly-owned by Greenvolt – Energias Renováveis, S.A., a subsidiary of the Altri Group.

² The proceeds’ allocation was made in full in 2019.

³ Sustainalytics’ Second-Party Opinion on the Framework is available at: https://www.greenvolt.pt/fileManager/comunicados/pdf_pt_73.pdf

⁴ The Sociedade Bioelétrica do Mondego Green Bond Framework is available at: https://www.greenvolt.pt/fileManager/comunicados/pdf_pt_74.pdf

⁵ EU, “Best Available Techniques (BAT) for Large Combustion Plants”, (2010), at: <https://op.europa.eu/en/publication-detail/-/publication/c31e5e11-db60-11e7-a506-01aa75ed71a1/language-en>

	<ul style="list-style-type: none"> • Design and operation of biomass power plant according to the Best Available Techniques reference document (BREF) published by the European Union for the energy production sector. 	
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Issuing Entity's Responsibility

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

Independence and Quality Control

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

Sustainalytics has relied on the information and the facts presented by SBM with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by SBM.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of SBM's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the SBM Green Bond Framework. SBM has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December, 2019.

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

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

Appendix

Appendix 1: Allocation and Impact Reporting by Eligibility Criteria

Green Bond Allocation Report

The proceeds' allocation was made in full in 2019 (this information can be seen in more detail in the [2019 Green Bonds Report](#), which was reviewed by both Sustainalytics and Deloitte).

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Green Bond Impact Report (data from January to December 2021, inclusive)

Eligible Green Project (1)	Signed amount (€) (2)	Weight in total Green Bond (%) (3)	Eligible value (%) (4)	Installed capacity (MW) (5)	Renewable energy annual generation (MWh) (6)	CO ₂ emissions avoided (tonCO ₂ e) (7)	Reduction of biomass waste in the forest (ton) (8)
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- (1) Identification of projects falling under the eligible categories: 1. Renewable and Clean Energy and 2. Integrated Pollution Prevention and Control
- (2) Total Green Bond amount
- (3) Weight of the project in total Green Bond proceeds
- (4) Eligible value
- (5) Installed renewable energy capacity
- (6) Renewable energy generation by project in the reference period, between January and December 2021
- (7) Avoided emissions. Avoided emissions are those corresponding to the emissions that would occur if the electricity produced resulted from the national system, using as a reference the emission factor of the national network <https://www.apren.pt/contents/publicationsreportcarditems/boletim-energias-renovaveis-dezembro-2019-vf.pdf>
- (8) Biomass used by the Biomass Power Plant

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INDEPENDENT LIMITED ASSURANCE REPORT

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

**To the Board of Directors of
Sociedade Bioelétrica do Mondego, S.A.**

Introduction

We have performed a limited assurance engagement in order to report on the Green Bonds Allocation and Impact Report SBM ("SBM Green Bonds Report") of Sociedade Bioelétrica do Mondego, S.A. ("Company" or "SBM"), included in Annex III (B) of the 2021 Sustainability Report of Greenvolt Group, which was prepared by the Company's Board of Directors in accordance with SBM Green Bond Framework ("SBM Framework").

Responsibilities

The Board of Directors is responsible for the preparation and content of the SBM Green Bond Report, included in Annex III (B) of the 2021 Sustainability Report of Greenvolt Group in accordance with the SBM Framework, as for designing and maintaining an appropriate internal control system to enable the preparation of the information.

Our responsibility is to issue an independent and professional limited assurance report based on the procedures performed and specified in the "Scope" section.

Scope

Our work was performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Those standards require that we plan and perform the review to obtain limited assurance about whether the information included in the Green Bonds Report is free from material misstatement.

The procedures performed are dependent on our professional judgment, considering our understanding of the Company, the use of the proceeds of the Green Bonds and other circumstances relevant to our work. Our work included:

- i) interviewing Greenvolt's employees involved in the preparation of the SBM Green Bonds Report so to understand the projects financed or refinanced, the management internal procedures and systems in place, as well as the associated control environment;
- ii) analyzing the procedures used for obtaining the information and data presented on the SBM Green Bonds Report;

- iii) validating that the information disclosed is in accordance with the reporting requirements established on the SBM Framework; and
- iv) verifying, on a sample basis, the information related with indicators included on the SBM Green Bonds Report, as well as verifying that they were appropriately compiled from the data provided by the Company's information sources.

The procedures performed on a limited assurance engagement are substantially less in scope than a reasonable assurance engagement and, consequently, a lower level of assurance than in a reasonable assurance engagement, is obtained. Accordingly, we do not express an opinion on the SBM Green Bonds Report. We consider that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We conducted our work in compliance with the ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professional behaviour.

We applied the International Standards on Quality Control 1. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the information included on SBM Green Bonds Allocation and Impact Report, included in Annex III (B) of the 2021 Sustainability Report of Greenvolt Group, has not been prepared, in all material respects, in accordance with reporting criteria disclosed in the Green Bonds Report and in the Framework.

Restriction of use

This report is intend solely for the purposes of reporting on the performance and activities related with the issuance and use of Green Bonds proceeds as requested by the Board of Directors of the Company. We will not assume any responsibility for our work and our conclusion to third parties other than the Company. Our report should not be used for any other purpose and should not be published in other document besides 2021 Sustainability Reports of Greenvolt Group and Altri Group.

Lisbon, March 30 2022

Deloitte & Associados, SROC S.A.
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