

PRE-ISSUANCE CLIMATE BOND CERTIFICATION

Verification Report for Pre-Issuance Certification
for the Green Bond Issued by ELLAKTOR GROUP



SCOPE

ELLAKTOR Group (Ellaktor) 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 2.1)

ISSUER'S RESPONSIBILITY

ELLAKTOR'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 ELLAKTOR based on the Climate Bond Standards 2.1. 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 2.1. 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 2.1.
- 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 ELLAKTOR took place in November 2019.

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 ELLAKTOR and the Climate Bonds Standard Board. The present document may be published by ELLAKTOR, CBI and ISS ESG. CBI and ISS ESG agree to publish the report with the consent of ELLAKTOR.

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 ELLAKTOR's 2019 Green Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.



ROBERT HÄBLER
ISS ESG
Munich, 21 November 2019

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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 Solar Power

Annex 3: Detailed Findings Wind Power (onshore)

Annex 4: Green Bond Framework

ANNEX 1: DETAILED FINDINGS

1. SELECTION OF NOMINATED PROJECTS & ASSETS

	REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
1.1.	Decision-making process to determine eligibility of nominated projects & assets.	<p>The ELLAKTOR Group's key objectives and strategic priorities include the effective management of the environmental impact from its operation, taking all the necessary prevention and corrective measures to protect the environment and natural resources, and seeking to systematically have the lowest possible impact on the environment.</p> <p>As a part of this objective, ELLAKTOR aims to continuously expand their renewable power generation capacity, with a target of c.579MW for their renewable asset portfolio by 2020.</p>	✓
1.2.	Assessment of proposed nominated projects & assets.	ELLAKTOR ensures that all selected eligible assets comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. It is part of ELLAKTOR's ESR transaction approval process to ensure, that all its assets comply with internal environmental and social directives, including those financed with the proceeds of the Green Bonds.	✓
1.3.	Documentation of eligibility of nominated projects & assets.	<p>ELLAKTOR has established a selection process based on detailed eligibility criteria. A list of nominated assets is documented internally.</p> <p>Projects financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria by ELLAKTOR's RES Department and the Treasury Team.</p>	✓
1.4.	No double nomination of projects & assets.	<p>The Green bond proceeds will be managed by a Green Bond Register that ELLAKTOR will establish.</p> <p>The proceeds of each ELLAKTOR Green Bond will be deposited in ELLAKTOR's general funding accounts and earmarked for allocation in the Green Bond Register. The register will contain the list of assets along with the amount of Green Bond proceeds earmarked towards those assets in order to avoid any double counting.</p>	✓

1.5.	Net proceeds in relation to issuer's debt obligation.	ELLAKTOR has already identified a portfolio of more than EUR600 M of eligible onshore wind and solar assets for its expected EUR600 M inaugural Green Bond.	
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2. INTERNAL PROCESSES & CONTROLS

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
2.1.1. Tracking of proceeds	<p>The Green bond proceeds will be managed by ELLAKTOR using a Green Bond register.</p> <p>ELLAKTOR intends to allocate the proceeds from the Green Bonds to an Eligible Green Asset Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process set out in their Green Bond Framework.</p>	
2.1.2. Managing unallocated proceeds	<p>Whilst any Green Bond net proceeds remain unallocated, ELLAKTOR will hold and/or invest, at its own discretion, an amount equal to the balance of such proceeds in cash, cash equivalents and/or government securities, or repay other short-term borrowings.</p>	
2.1.3. Earmarking funds to nominated projects & assets	<p>The proceeds of each ELLAKTOR Green Bond will be deposited in ELLAKTOR's general funding accounts and earmarked for allocation in the Green Bond register.</p> <p>The register will contain the list of assets along with the amount of Green Bond proceeds earmarked towards those assets in order to avoid any double counting. It will also contain information on the breakdown of financing vs refinancing.</p>	

3. REPORTING PRIOR TO ISSUANCE

REQUIREMENT	FACTUAL FINDINGS	ANALYSIS AGAINST REQUIREMENTS
3.1.1. Disclosure on investment areas	ELLAKTOR has confirmed that it will report prior to issuance that all nominated assets fall into one project category as listed in Clause 9.1 of the Climate Bonds Standard.	✓
3.1.2. Disclosure on intended types of temporary investment instruments	Whilst any Green Bond net proceeds remain unallocated, ELLAKTOR will hold and/or invest, at its own discretion, an amount equal to the balance of such proceeds in cash, cash equivalents and/or government securities, or repay other short-term borrowings.	✓
3.1.3. Disclosure regarding pre-issuance verification	ELLAKTOR has confirmed that it will report prior to issuance on its pre-issuance verification procedure on a no-name basis.	✓
3.1.4. Disclosure on periodic assurance engagements	ELLAKTOR will not undertake periodic assurance engagements.	✗

ANNEX 2: DETAILED FINDINGS SOLAR POWER



The Green Bond Asset Pool complies with the Solar Power criteria of the Climate Bonds Initiative.



All onshore solar parks are eligible for the Climate Bonds Initiative

ANNEX 3: 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

ANNEX 4: Green Bond Framework



Ellaktor Green Bond Framework November 2019

Introduction

Established in 1950, Ellaktor Group (“Ellaktor” or “We”) is a diversified infrastructure group with a leading position in attractive sectors including Concessions, Renewables, Environment and Real Estate, underpinned by a presence in Construction. It has strong financial backing from local and international banks, which provide both corporate and non-recourse funding.

Ellaktor’s ‘Renewables’ business operates wind power, solar PV and hydro power generation throughout Greece with a total planned capacity of c.579MW by 2020. Ellaktor has been operating in renewable energy sources since 2000, via its subsidiary EL.TECH. ANEMOS, a company listed in ATHEX and in the process of merger by absorption with the parent company. EL.TECH. ANEMOS is the second largest wind energy producer in Greece with vast experience and knowhow in the development, construction, operation and maintenance of wind parks.

Regulatory support regime entails Power Purchase Agreements (PPAs) with guaranteed off-take by the market operator (DAPEEP). Moreover, the Greek Government has reaffirmed its intention to promote RES up to year 2030, by putting out for public consultation a policy package of specific quantitative supportive measures (National Energy Planning, Ministry of Environment and Energy, November 2018).

Sustainability at Ellaktor

The Group’s environmental policy is focused on two areas:

- Use of environmental management systems to achieve maximum minimisation of the impact of projects on the environment, and taking initiatives on recycling, energy saving and the protection of flora and fauna.
- Group operations in areas promoting environmental sustainability, such as wind and solar projects, as well as waste management, recycling and energy recovery from waste projects

The existence of a Sustainability Department demonstrates the importance the Group is placing on this strategy; meanwhile the creation of the newly-established Regulatory Compliance Committee of ELLAKTOR Group, reflects fully our devotion to self-regulation and commitment above and beyond the legal obligations. Protection and respect of the environment is something that the Group and its subsidiaries have always been pursuing, and it is in this light that the Group adopted the 10 Principles of the UN Global Compact.

To ensure high Quality standards are met, the Quality department has developed a specific methodology for assessing the risk from an activity or product to the health of people, animals, plants and/ or the environment, and all risks have been analyzed and quantified on the basis of their consequences. Such assessment is mostly related to standards ISO45001:2018 (Occupational Health & Safety) and 14001:2015 (Environmental Management). But since the analysis and quantification parameters do not apply for standard ISO9001:2015, the Group’s Quality Management Department performed all necessary reviews in all certified companies (e.g. AKTOR, TOMI, AKTOR FM, AKTOR CONCESSIONS, ATTIKES DIADROMES, MOREAS, etc.).

Green Bond Framework

As part of our continued commitment to sustainability, we have developed a Green Bond Framework (the “Framework”) which is in accordance with the Green Bond Principles 2018¹ (the “GBP”) and under which Ellaktor can issue Green Bond(s).

For each Green Bond issued, we will adopt the following as set out in this Framework:

- 1) Use of Proceeds,
- 2) Project Evaluation and Selection,
- 3) Management of Proceeds, and
- 4) Reporting

1. Use of Proceeds:

The net proceeds from any Ellaktor Green Bond will be applied, in part or in full, to finance or refinance new and existing projects and assets meeting the following eligibility criteria (“Eligible Green Projects”):

ICMA GBP 2018 Project Category	Eligibility Criteria	Alignment with the UN SDG targets ²
Renewable Energy 	<ul style="list-style-type: none"> • Financing or refinancing of onshore wind, and solar PV energy generation projects and assets and associated development / research / construction / production costs 	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

2. Project Selection:

We will select projects and assets in alignment with the eligibility criteria defined above for inclusion into a Green Bond. Projects selected for inclusion will be selected based on compliance with the Climate Bonds Standard Sector Technical Requirements for ‘Wind Energy’ and ‘Solar Energy’. The Renewable Energy Sources (RES) and Treasury Team will be responsible for selecting the projects in alignment with the eligibility criteria defined above.

All the eligible projects will have secured Environmental Permits from pertinent Authorities. These are issued acc. to Greek legislation (law 4014/2011) which is in line with EU Directives, following a comprehensive Environmental Impacts Assessment Study, the consideration of numerous official Opinions from various state agencies incl. Local Government and extensive public consultation (citizens, stakeholders & organizations).

¹ Green Bond Principles 2018 - <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

² UN Sustainable Development Goals - <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

The Finance Department will be responsible of allocating the proceeds of the Green Bond to the selected portfolio of Eligible Green Projects.

3. Management of Proceeds:

We will oversee the allocation and tracking of expenditures on Eligible Green Projects up to an amount equal to the net proceeds of Green Bond(s) issued.

To manage this oversight, we will establish a Green Bond Register. Pending allocation, the net proceeds of the Green Bond will be deposited in our general funding accounts and earmarked for allocation in the Green Bond Register. Pending allocation of the net proceeds, we may temporarily invest an amount equal to the balance of such proceeds in cash, cash equivalents and/or government securities, or repay other short-term borrowings. Payment of principal and interest on the Green Bond will be made from our general funds and will not be directly linked to the performance of any Eligible Green Project.

The Green Bond Register will be reviewed biannually by the Treasury Team.

Proceeds are expected to be fully allocated within 24 months of issuance to new projects and / or refinancing of existing projects identified under the use of proceeds section above. Any net proceeds will not be invested in fossil fuel related projects.

4. Reporting:

We will publish a report within one year from the issue date and thereafter on an annual basis, including:

- Allocation reporting:
 - Breakdown of allocation of proceeds by nominated projects and assets, and;
 - Breakdown of allocation by geography;
 - Breakdown of allocation between refinancing and financing; and
 - Any unallocated proceeds
- Impact reporting: Where possible, we will aim to provide the following impact metrics as a part of our annual reporting:
 - Renewable energy production (MWh) per year; and
 - CO2 emissions reduction/avoidance (tonnes of CO2 eq.)

The report will be published as a part of our Sustainability Report on the company website <https://ellaktor.com/en/sustainability-reports/>.

5. External Review:

We will appoint an external party to provide verification of the Green Bond as an independent and approved verifier under the Climate Bond Standard. We intend to appoint an external party to review our reporting as set forth above on an annual basis. Our references to any external criteria or standards are only in respect of such criteria or standards as in effect on the Issue Date.