

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and ESG Framework

Enpal B.V.

25 September 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green finance instruments

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- Enpal's ESG Framework (as of Sept. 24, 2024)
- Enpal's eligibility criteria (as of Sept. 24, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Enpal B.V. (“Enpal,” the Issuer” or “the Company”) commissioned ISS-Corporate to assist with its green finance instruments by assessing three core elements to determine the sustainability quality of the instruments:

- Enpal’s ESG Framework (as of Sept. 24, 2024), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
- The eligibility criteria — whether the project category contributes positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
- Consistency of green finance instruments with Enpal’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

ENPAL OVERVIEW

Enpal B.V. (“Enpal”) is an integrated energy and mobility services company founded in 2017 by Mario Kohle and headquartered in Berlin.

Enpal’s core service is a solar-based technology platform that addresses all energy and mobility-related needs of customers as a one-stop shop. Through Enpal’s end-to-end integrated energy solution, homeowners are offered installation and operation of a solar and battery storage system, smart energy management through an IoT-powered mobile app and an e-mobility charging solution. Enpal is a German provider of solar solutions for homeowners in Germany with currently more than 70,000 customers. Almost the entire value chain is executed online, through online lead generation and online sales via video conferencing, to planning and visualization of the rooftop PV systems powered by artificial intelligence and satellite images, to providing and offering a fully digital contract signing. Leveraging its own installation shop, while adding third-party installers to its installation capacity, Enpal provides EPC services from onsite screening, delivery and supply of all technical equipment up to installation and grid connection.

ESG risks associated with the Issuer’s industry

Enpal is classified in the renewable electricity industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies¹ in this industry are promotion of a sustainable energy system, labor standards and working conditions, responsible land use and biodiversity management, protection of human rights, and community outreach.



This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer’s overall sustainability strategy.

STRUCTURE OF THE TRANSACTIONS

The transaction involves the issuance of multiple classes of asset-backed notes by Golden Ray S.A., an unregulated securitization company subject to the Luxembourg Securitization Law, under its Compartment 1. The proceeds from the notes will be used in the context of a securitization backed by residential solar purchase receivables originated by Enpal B.V.

¹ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG’s Corporate Rating methodology.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP</p>	<p>The Issuer has defined a formal concept for its green finance instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the eligibility criteria</p>	<p>The green finance instruments will (re)finance the following eligible asset category:</p> <p>Green category: Renewable Energy</p> <p>The product and/or service-related to the use of proceeds category³ individually contributes to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;"> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> </div> <p>The environmental risks associated with the use of proceeds category are managed.</p>	<p>Positive</p>
<p>Part III:</p> <p>Consistency of green finance instruments with Enpal's sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing green finance instruments are clearly described by the Issuer. The project category considered is in line with the Issuer's sustainability objectives.</p> <p>At the date of publication of the report and leveraging ISS ESG research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

² The evaluation is based on Enpal's ESG Framework (Sept. 24, 2024, version), on the analyzed selection criteria as received on Sept. 24, 2024.

³ Renewable Energy.

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GBP

This section evaluates the alignment of Enpal’s Green Finance Framework (as of Sept. 24, 2024) with the GBP.

GBP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Enpal’s Green Finance Framework is aligned with the GBP.</p> <p>The Issuer’s green category aligns with the list of project categories as proposed by the GBP. Criteria are defined clearly and transparently. Disclosure of distribution of proceeds by project category is provided, and disclosure of an allocation period (12 months) if not allocated immediately has been provided. Environmental benefits are described.</p> <p>The Issuer defines a lookback period of three years, in line with best market practice.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Enpal’s Green Finance Framework is aligned with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project category are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, and involves various stakeholders in this process, in line with best market practice.</p> <p>Enpal also identifies the alignment of its Green Financing Framework and green projects with official or market-wide taxonomies and</p>

		<p>references any green standards or certifications used, in line with best market practice.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Enpal’s Green Finance Framework is aligned with the GBP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses that unallocated proceeds will be held in cash or bank deposits.</p> <p>The Issuer has defined an expected allocation period of 12 months and discloses information regarding the allocation to individual or portfolio disbursements, in line with best market practices.</p> <p>The risk of double counting is addressed by Enpal, and the Issuer is transparent on the nature of the instruments and its impacts.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Enpal’s Green Finance Framework is aligned with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Enpal has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p> <p>The Issuer discloses roles and responsibilities in the monitoring and reporting. Enpal is also transparent on the level of impact reporting and further defines the duration and frequency of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE U.N. SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.



1. Products and services

The assessment of the UoP category for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP category for (re)financing specific products and services is displayed on a three-point scale:



The green finance instruments' use of proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>Investments in and expenditures for the conceptual design, infrastructure, development and construction of renewable energy products:</i></p> <ul style="list-style-type: none"> ▪ Solar panels ▪ Heat pumps 	<p>Contribution</p>	 

⁴ The impact of the UoP category on the SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

Renewable Energy

Investments in and expenditures for the conceptual design, infrastructure, development and construction of renewable energy products:

- Energy management systems/virtual power plant (e.g., Enpal.One)

Contribution



Renewable Energy

Investments in and expenditures for the conceptual design, infrastructure, development and construction of renewable energy products:

- Wall boxes for charging EVs and the appropriate technical infrastructure such as inverters and smart meters

Contribution



B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. All of the assets will be located in in Germany and Italy.

ASSESSMENT AGAINST KPIs

Labor, health and safety

- ✓ The assets are located in Germany and Italy, where high labor, health and safety standards are in place (i.e., ILO core conventions).

Energy efficiency

- ✓ The Issuer states that the assets financed under this Framework will lead to a substantial energy efficiency improvement. Based on its statistical records, Enpal declares to have saved 550,000 metric tons of CO₂ from the 807 GWh of electricity produced with its systems. This corresponds to an emissions avoidance factor of 690 gCO₂/kWh.

Environmental aspects of construction (or production) and operation

- ✓ The Issuer has measures in place to systematically ensure that solar PV financed under its Framework features take back for reuse for functional PV modules and recycling at the end of life if defective. Batteries and inverters are refurbished internally and defective components are recycled by Enpal’s partners.
- ✓ The Issuer has a Supplier Code of Conduct in place, ensuring that all purchased systems meet high environmental standards and requirements in the supply chain.⁵ On top of this, Enpal also engages in regular environmental due diligence in line with its obligations throughout the company and along the value chain with suppliers and business partners, requiring them to possess ISO 14001 certification on environmental management.
- ✓ The Issuer has measures in place systematically ensuring that assets financed under this Framework provide for monitoring technologies ensuring high operational standards. Enpal provides monitoring technologies ensuring high operational standards for its installations via an in-house Internet of Things (IoT) system.

⁵ As outlined in Enpal’s [Human Rights Strategy](#).

On-site safety

The Issuer has measures in place systematically ensuring that assets financed under this Framework have high operational safety standards (e.g., remote monitoring inspections, batteries with implemented fire extinguisher systems in place, inverters with built-in overheating protection). With the provided IoT installation, Enpal will be notified if the monitoring system shows an error.

Responsible treatment of customers with debt repayment problems

The Issuer has implemented measures to ensure clients do not face unfavorable conditions as a result of the sale if loans are sold to investors. Enpal remains the main point of contact and loan conditions will not be impacted.



The Issuer has measures in place systematically ensuring that assets financed under this Framework provide for preemptive actions to prevent client debt repayment problems as all loans are issued with fixed-term interest rates. Only customers with high SCHUFA (German credit bureau) scores are eligible. All customers must be German homeowners and registered as such in the German land registry.



The Issuer has limited measures ensuring that assets financed under this Framework provide sustainable solutions for customers with debt repayment problems. However, Enpal's collection code of conduct provides forbearance measures and guarantees fair and consumer-friendly debt collection. Nevertheless, Enpal does not provide clients with internal nor external debt counseling.

PART III: CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH ENPAL’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer focuses on circular economy and waste reduction, energy consumption, emission reduction, sustainable supply chains, and promoting diversity and inclusion. These sustainability pillars have not been defined yet, as Enpal is in the process of implementing a ESG strategy by Q4 2024. That will include a roadmap for Enpal's net-zero target.</p>
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, the Issuer is working on defining short-, medium- and long-term goals. This will be part of the ESG strategy.</p> <p>Enpal determined its corporate carbon Footprint (CCF) for the first time for 2022 and published it in a factsheet along with the CCF for 2023. The factsheet contains an overview of impact facts, a selection of KPIs that Enpal collects and communicates transparently. The company aims to communicate its ESG strategy and the goals formulated at least annually via its website.</p>
<p>Action plan</p>	<p>There is no information available. However, Enpal is currently working on an action plan to reach its ESG targets.</p>
<p>Climate transition strategy</p>	<p>There is no information regarding the Issuer's climate transition strategy. However, the Issuer is currently working on it and it will be uploaded on Enpal’s website by the end of 2024.</p>
<p>ESG risk and sustainability strategy management</p>	<p>To identify the key ESG topics, Enpal involves a wide range of stakeholders. In addition to regular employees, these include investors, banks and suppliers. The ESG topics are evaluated based on impact, risks and opportunities to identify both potential and actual positive and negative impacts. Additionally, a comprehensive risk management system is implemented to identify ESG topics with a</p>

	<p>focus on supply chain and implement appropriate preventive and corrective measures.</p> <p>In addition to involving various stakeholders in identifying the ESG topics, the C-level is involved in sustainability initiatives. The enforcement of ESG compliance in the supply chain is the responsibility of the chief supply chain officer, while ESG compliance concerning non-financial reporting lies with the chief financial officer. The operational anchoring of ESG topics is coordinated by the senior ESG and compliance manager in consultation with responsible people from the areas of finance, supply chain, accounting and HR.</p>
Top three areas of breaches of international norms and ESG controversies in the industry⁶	Financial market irregularities, accounting/disclosure standards, failure to mitigate climate change impacts and failure to pay fair share of taxes.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG research, no controversy in which the Issuer would be involved has been identified.
Sustainability reporting	Enpal confirmed that it will report on its ESG performance and initiatives according to the European Sustainability Reporting Standards as per Corporate Sustainability Reporting Directive requirements.
Industry associations, collective commitments	-
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

⁶ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the renewable electricity industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry.

Rationale for issuance

This Green Bond Framework forms the basis for future green bond issuances to align Enpal's funding with its sustainability strategy. By issuing green bonds, Enpal wants to open capital markets for residential energy solutions, diversify its investor base and help strengthen the green transformation of the economy. The issuance will particularly enable residential households to transition to renewable energy through embedded financing. Furthermore, it will enable Enpal to further scale its suite of renewable financing solutions.

Opinion: *The project category financed is in line with the Issuer's sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Enpal commissioned ISS-Corporate to compile a green finance instruments SPO. The second-party opinion process includes verifying whether the ESG Framework aligns with the Green Bond Principles and assessing the sustainability credentials of its green finance instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles

ISSUER'S RESPONSIBILITY

Enpal's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risk management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, 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.

This independent second-party opinion of the green finance instruments to be issued by Enpal has been conducted based on proprietary methodology and in line with the Green Bond Principles.

The engagement with Enpal took place from July to September 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so that investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

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