



REPORT REVIEW

Green Lucca S.p.A Green Bond Report

Green Bond Impact and Allocation Report Green Lucca S.p.A

12 September 2024

VERIFICATION PARAMETERS

Type(s) of reporting

- Green Bond Impact and Allocation Report

Relevant standard(s)

- Harmonised Framework for Impact Reporting (HFIR), updated June 2023, as administered by International Capital Market Association (ICMA)
- Green Lucca's Green Bond Impact and Allocation Report (as of Aug. 13, 2024)

Scope of verification

- Green Lucca Green Bond Framework (as of Nov. 30, 2021)
- Bond(s) identification: ISIN IT0005473308 / bond maturity Dec. 12, 2031 (bond issuance amount EUR 72,300,000)

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Green Bond Impact and Allocation Report as of Aug. 13, 2024

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SCOPE OF WORK

Green Lucca S.p.A (“the Issuer” or “Green Lucca”) commissioned ISS-Corporate to provide a Report Review¹ on its Green Bond Impact and Allocation Report by assessing:

1. The alignment of Green Lucca’s Green Bond Impact and Allocation Report with the commitments set forth in Green Lucca’s Green Bond Framework (as of November 2021).²
2. Green Lucca’s Green Bond Impact and Allocation Report, benchmarked against Harmonised Framework for Impact Reporting (HFIR), updated June 2023, as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators — whether the impact metrics align with best market practices and are relevant to the green bond issued.

¹ A limited or reasonable assurance is not provided on the information presented in Green Lucca’s Green Bond Impact and Allocation Report. A review of the use of proceeds allocation and impact reporting is solely conducted against the core principles and recommendations of ICMA’s standards (Green Bond Principles) where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. Green Lucca is responsible for the preparation of the report, including the application of methods and internal control procedures designed to ensure that the subject matter is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles (as of Nov. 30, 2021).

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
Part I Alignment with the Issuer's commitments set forth in the Framework	<p>Green Lucca's Green Bond Impact and Allocation Report meets the Issuer's commitments set forth in the Green Bond Framework.³ The proceeds have been used to (re)finance Renewable Energy in accordance with the eligibility criteria defined in the Framework.</p>	Aligned
Part II Alignment with the Harmonised Framework for Impact Reporting	<p>The Green Bond Impact and Allocation Report is in line with the HFIR. The Issuer follows core principles and, where applicable, key recommendations.</p> <p>The Issuer provides transparency on the calculation methodology, in line with best practices.</p>	Aligned
Part III Disclosure of proceeds allocation and soundness of reporting indicators	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework.⁴</p> <p>Green Lucca's Green Bond Impact and Allocation Report adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices.</p>	Positive

³ Green Lucca issued its green bond in December 2021, with its first report released in September 2023. The delay in publishing a 2022 report was due to the late acquisition of investments, which affected the timely collection of impact data. These investments were included in the 2023 report, and since then, Green Lucca has maintained annual reporting, fulfilling its framework commitments.

⁴ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN BOND FRAMEWORK⁵

The following table evaluates the Green Bond Impact and Allocation Report against the commitments set forth in Green Lucca's Framework, which are based on the core requirements of the Green Bond Principles and best market practices.

ICMA GBP	OPINION	ALIGNMENT WITH COMMITMENT
<p>1. Use of Proceeds</p>	<p>Green Lucca confirms to follow the Use of Proceeds description provided by its Green Bond Framework. The report is in line with the initial commitments set in the Framework.</p> <p>The Issuer's green categories align with the project categories and are in accordance with the eligibility criteria set in its Green Bond Framework.</p> <p>Environmental benefits at project level are described and quantified, and the Issuer defines the percentage of assets that are refinanced or financed, in line with best market practice.</p> <p>On Dec. 9, 2021, Green Lucca issued a EUR 72.3 million senior secured, bearer form bond, the proceeds of which were used to refinance financial debt arising from existing photovoltaic projects and finance the acquisition of additional photovoltaic plants. The Issuer has provided a quantitative analysis of the environmental benefits of the project category such as emissions avoided attributable to the bonds (kg CO₂).</p> <p>Out of EUR 72.3 million, 79.5% (EUR 57.5 million) was allocated for refinancing and 20.5% (EUR 14.8 million) for new green investments.</p> <p>As of Aug. 26, 2023, 100% of the proceeds allocated to new green investments have been disbursed.</p>	<p style="text-align: center;">✓</p>

⁵ Green Lucca's Green Bond Framework was assessed as aligned with the GBP (as of June 2021) as of Dec. 3, 2021.

<p>2. Process for Project Evaluation and Selection</p>	<p>Green Lucca confirms to follow the Process for Project Evaluation and Selection description provided by its Green Bond Framework. The report is in line with the initial commitments set in the Framework.</p> <p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the eligibility criteria. ESG risks associated with the project categories are identified and managed appropriately.</p> <p>The screening process for eligible green projects involves various stakeholders, in line with best market practice. It is executed and coordinated by Green Lucca’s board of directors, with the support of senior management of Green Utility’s investment management department, including the financial director, the general managers of the property management division and the system integration division. Due Diligence analysis and mechanisms to ensure the assets meet local environmental legal requirements, including an environmental impact assessment, are not currently assigned to another green financing instrument issued by Green Lucca or its subsidiaries or affiliates.</p>	<p style="text-align: center;">✓</p>
<p>3. Management of Proceeds</p>	<p>Green Lucca confirms to follow the Process for Management of Proceeds description provided by its Green Bond Framework. The report is in line with the initial commitments set in the Framework.</p> <p>Out of EUR 72.3 million, 79.5% (EUR 57.5 million) was allocated for refinancing and 20.5% (EUR 14.8 million) for new green investments.</p> <p>As of Aug. 26, 2024, 100% has been disbursed. In 2024, the remaining EUR 5.6 million have been disbursed to acquire the Deca project. The proceeds are tracked appropriately and attested in a formal internal process. Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>	<p style="text-align: center;">✓</p>

<p>4. Reporting</p>	<p>Green Lucca’s Green Bond Impact and Allocation Report is aligned⁶with the Reporting description provided by its Green Bond Framework. Although the green bond was issued in December 2021, the first report on allocation and impact was only released in September 2023. The 2024 report represents the second such report published by Green Lucca.</p> <p>The Allocation Reporting and Impact Reporting sections of the Green Bond Impact and Allocation Report comply with the pre-issuance commitment expressed in the Framework. The Issuer defines the impact metrics for the eligible categories:</p> <ul style="list-style-type: none"> ▪ Annual renewable energy generation in MWh (electricity) ▪ Capacity of renewable energy plant(s) constructed or restored in MWp ▪ Annual CO₂ emissions reduced/avoided <p>The report is intended to be publicly available.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p style="text-align: center;">✓</p>
<p>5. Verification</p>	<p>ISS-Corporate provided a second-party opinion on Green Lucca’s Green Bond Framework.</p>	

⁶ Green Lucca issued its green bond in December 2021, with its first report released in September 2023. The delay in publishing a 2022 report was due to the late acquisition of key investments, which affected the timely collection of impact data. These investments were included in the 2023 report, and since then, Green Lucca has maintained annual reporting, fulfilling its framework commitments.

PART II: ASSESSMENT AGAINST THE HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the Green Bond Principles and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of annual reporting. Green bond issuers are required to report on both the use of green bond proceeds and the environmental impacts at least annually until full allocation or maturity of the bond. The Harmonised Framework for Impact Reporting, updated June 2023, has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Green Lucca’s Green Bond Impact and Allocation Report against the HFIR.

CORE PRINCIPLES		
ICMA HFIR	Green Bond Impact and Allocation report	ASSESSMENT
Reporting on an annual basis	<p>This is the second Green Bond Impact and Allocation Report published by Green Lucca. While no report was issued in 2022, since 2023 they have reported annually.</p> <p>The delay in publishing a 2022 report was due to the late acquisition of investments, which affected the timely collection of impact data. These investments were included in the 2023 report, and since then, Green Lucca has maintained annual reporting, fulfilling its framework commitments.</p> <p>As of August 2024, the full EUR 72.3 million has been allocated and disbursed. Of this, 79.5% (EUR 57.5 million) was used for refinancing, while 20.5% (EUR 14.8 million) was allocated to new green investments.</p> <p>In 2024, the remaining EUR 5.6 million were disbursed to acquire the Deca project.</p>	✓
Illustrating the environmental impacts or outcomes	<p>The assessment and measurement of the impacts generated by Green Lucca’s green bond covered the following areas:</p> <ul style="list-style-type: none"> Annual GHG emissions reduced/avoided in kgCO₂e 	✓

	<ul style="list-style-type: none"> Additional capacity of renewable energy plant(s) acquired in MWp Annual renewable energy generation in kWh 	
ESG risk management	The Issuer periodically publishes data on its website regarding disputes or potential ESG risks identified. Eligible green assets must meet local environmental legal requirements and will undergo an evaluation to ensure that development, construction and operation have been and are being performed in accordance with the company's corporate governance and regulatory policies, social policies and corporate sustainability guidelines and strategies, and compliance policies.	✓
Allocation of proceeds — transparency on the currency	The Issuer reports the cash flow related to the green bond and allocated proceeds in a single currency, euros.	✓

RECOMMENDATIONS

ICMA HFIR	Green Bond Impact and Allocation report	ASSESSMENT
Define and disclose period and process for project evaluation and selection	<p>The entirety of the proceeds has been allocated to eligible green assets, two projects acquired during 2022, one during 2023 and another one in 2024.</p> <p>The Issuer followed a transparent process for the selection and evaluation of eligible green projects. Projects financed and/or refinanced through the green bond issued under the Framework were evaluated and selected based on compliance with the eligibility criteria laid out in the Framework.</p>	✓
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 72.3 million has been raised through the Issuer's green bond. 79.5% (EUR 57.5 million) was allocated for refinancing and 20.5% (EUR 14.8 million) for new green investments. 100% of the proceeds have been allocated.	✓

<p>Formal internal process for the allocation of proceeds and to report on the allocation of proceeds</p>	<p>The Issuer followed a transparent process for the allocation of proceeds. The selection process used by the Issuer has six stages: acquisition and analysis of the dossier (preliminary analysis of the technical documentation received and economic evaluation of the opportunity), drafting of an information memorandum (drafting of a description document of the investment project and summary of the preliminary technical and economic analysis), board of directors verification, due diligence analysis, definition of final transfer agreements (binding offer, share transfer agreement, business unit transfer appraisals and accessory investment agreements), and final board of directors verification.</p>	<p>✓</p>
<p>Report at project or portfolio level</p>	<p>The Issuer provides the total amount of proceeds allocated at the project level.</p>	<p>✓</p>
<p>Describe the approach to impact reporting</p>	<p>The Issuer identifies the specific eligible projects and clearly defines, for each project, the total project's allocated proceeds.</p>	<p>✓</p>
<p>Report the estimated lifetime results and/or project economic life (in years)</p>	<p>The Issuer does not report on the average portfolio lifetime results or economic life (in years) for both the eligible project category and the subcategories.</p>	<p>-</p>
<p>Ex-post verification of specific projects</p>	<p>The Issuer does not perform an ex-post verification of specific projects and the results are compared to ex-ante assumptions.</p>	<p>-</p>
<p>Report on at least a limited number of sector specific core indicators</p>	<p>Green Lucca reports on the solar energy produced in MWh, the annual GHG emissions reduced/avoided in kgCO₂e, and the additional capacity of renewable energy plant(s) acquired in MWp that are core indicators for the renewable energy sector.</p>	<p>✓</p>
<p>If there is no single commonly used standard, Issuers may follow and disclose their</p>	<p>To calculate the avoided CO₂ emissions, Green Lucca calculates the amount of energy produced by PV systems acquired through the green bond fund. This was calculated by considering the average output of PV systems over the past five years. Then, the outputs are</p>	<p>✓</p>

own calculation methodologies	multiplied by the amount of emissions that each kWh produced by the PV systems avoided. This final value is identified by the Association of Issuing Bodies report and is equal to 0.531 kg of CO ₂ for each kWh produced.	
Disclosure on the conversion approach (if applicable)	The Issuer does not convert units for its reporting.	-
Projects with partial eligibility	The Issuer does not include projects with partial eligibility.	-
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	The impact of Green Lucca's projects is reported on an aggregated basis and at the project level.	✓

OPINION

Green Lucca follows the Harmonised Framework for Impact Reporting's core principles and some key recommendations. The Issuer illustrated the environmental impacts and provided transparency on the currency used. Additionally, the Issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best practices.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of proceeds allocation

Use of proceeds allocation reporting is key to putting the impacts into perspective with the number of investments allocated to the respective use of proceeds category.

The use of proceeds allocation reporting occurred annually since the issuance, and the proceeds are fully allocated.

This is the second year of allocation reporting and the 100% of allocation in 2024 compares with 92.16% allocation in 2023. The use of proceeds allocation reporting occurred within the regular annual cycle from the issuance.

Proceeds allocated to eligible projects/assets

The proceeds allocation is broken down by project and at the project category level. The Issuer has provided details about the type of projects included in the portfolio. Green Lucca has financed and refinanced photovoltaic projects.

The Allocation Reporting section of Green Lucca's Green Bond Impact and Allocation Report aligns with best market practices by providing information on:

- The number of projects financed and refinanced
- The name of projects financed and refinanced
- The total amount of proceeds allocated per year
- The total amount of proceeds in millions of euros allocated to green projects
- The share of funding and refinancing
- The type of photovoltaic
- The annual production in MWh
- CO₂ avoided annually in kg
- The generating capacity in MWh attributable to the bond
- The CO₂ avoided in kg attributable to the bond

Impact reporting indicators


The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
Relevance	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <ul style="list-style-type: none"> a) Annual GHG emissions reduced/avoided in kg of CO₂ b) Additional capacity of renewable energy plant(s) acquired in MWp c) Annual renewable energy generation in MWh <p>These indicators are quantitative and material to the use of proceeds categories financed through this bond and in line with the suggested impact reporting metrics for renewable energy projects in the HFIR. This aligns with best market practices</p>
Data sourcing and methodologies of quantitative assessment	<p>To calculate the avoided CO₂ emissions, Green Lucca calculates the amount of energy produced by PV systems acquired through the green bond fund. This was calculated by considering the average output of PV systems over the past five years. Finally, the outputs are multiplied by the amount of emissions that each kWh produced by the PV systems avoided. This final value is identified by the Association of Issuing Bodies report and is equal to 0.531 kg of CO₂ for each kWh produced.</p>
Baseline selection	<p>The annual average productions of the last five years are multiplied by the value suggested by the minister of the environment (0.531) to determine how many kilograms of CO₂ are avoided annually as compared to the electricity production from the acquired facilities.</p>
Scale and granularity	<p>The impact data is presented at the use of proceeds category level and at the project level for the indicators.</p>

High-level mapping of the impact indicators with the U.N. Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Green Bond Impact and Allocation Report, the impact indicator(s) adopted by Green Lucca for its green bond can be mapped to the following SDGs, according to ISS ESG SDG

Solutions (SDGA), a proprietary methodology designed to assess the impact of an Issuer’s product or services on the U.N. SDGs.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<ul style="list-style-type: none"> a) Annual GHG emissions reduced/avoided in kg of CO₂ b) Additional capacity of renewable energy plant(s) acquired in MWp c) Annual renewable energy generation in MWh 	

OPINION

The allocation of the bond’s proceeds has been disclosed, with a detailed breakdown across different eligible projects as proposed in the Framework. The Green Bond Impact and Allocation Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices. In addition, the impact indicators used align with best market practices using ICMA’s recommended metrics in the HFIR.

DISCLAIMER

1. Validity of the External Review (“External Review”): Valid as long as the cited Framework remains unchanged and as long as no changes are undertaken by the Issuer to its Green Bond Impact and Allocation Report as of Sept. 12, 2024.
2. ISS Corporate Solutions, Inc. (“ISS-Corporate”), a wholly owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells, prepares, and issues External Reviews, 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

Review of the post-issuance reports

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

High-level mapping to the SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using proprietary methodology based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent the Issuer's reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

The Issuer's responsibility was to provide information and documentation on:

- Green Bond Impact and Allocation Report
- Green Bond Framework
- Proceeds allocation
- Reporting impact indicators
- Methodologies and assumptions for data gathering and calculation
- ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is 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 Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Green Lucca took place from August 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 Report Review

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 the alignment of the Issuer's report with external principles (e.g., the Green/Social Bond Principles), analyzes the alignment of the Issuer's report against the commitments in the respective framework, and analyzes the disclosure of proceeds allocation, data source and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well-informed as possible about the proceeds allocation and the impact of the sustainability finance instrument(s).

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>.

For information on Report Review services, contact: SPOsales@iss-corporate.com.

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