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## Independent Limited Assurance Report

To the Board of Directors of  
**Secil – Companhia Geral de Cal e Cimento, S.A.**

### Introduction

We were engaged by **Secil – Companhia Geral de Cal e Cimento, S.A.** (hereafter “Secil” or “Company”) to perform a limited assurance engagement regarding the Secil’s Green Bond Framework, January 2023 (hereafter the “Green Bond Framework” or “Framework”) alignment with the four core components of the Green Bond Principles issued by the International Capital Market Association (“ICMA”) in June 2021 (with June 2022 Appendix 1) (“GBP”). The Framework will support the finance and/or refinance of part of the Clean Cement Line (“CCL”) Project through two Green Bond Issues in the total amount of 75,000,000 euros (issues designated as “Obrigações Verdes Secil 2030 – Taxa Fixa” in the amount of 37,500,000 euros and “Obrigações Verdes Secil 2030 – Taxa Variável” in the amount of 37,500,000 euros).

### Responsibilities of the Board of Directors

The Board of Directors is responsible for the:

- Preparation and presentation of the Green Bond Framework and its stated policies and procedures in accordance with the four core requirements of the GBP on the use of proceeds, process for project evaluation and selection, management of proceeds and reporting;
- Design, implementation and maintenance of an appropriate information and internal control system to enable the assertion about conformance of the Green Bond Framework to the GBP that is free from material misstatement, whether due to fraud or error;
- Prevention and detection of fraud and errors and for the identification and ensuring that the Company complies with laws and regulations applicable to its activities; and,
- Process to ensure that the Board of Directors and staff involved with the preparation and presentation of the Green Bond Framework have the appropriate skills.

### Responsibilities of the Auditor

Our responsibility is to examine Green Bond Framework prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained.



Our engagement was performed in accordance with International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information – ISAE 3000 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and comply with further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (OROC) (the Portuguese Institute of Statutory Auditors), which require that we plan and perform our engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Company’s Green Bond Framework regarding its compliance with the four core components of the GBP has not been, in all material respects, adequately prepared.

A limited assurance engagement regarding the Green Bond Framework consists of inquiries, primarily to those responsible for the preparation of the information presented in the Green Bond Framework and performing procedures to obtain evidence as appropriate. To reach our conclusion we:

- Conducted interviews with management and key staff responsible for Green Bond Framework to obtain an understanding of the processes, systems and controls in place in respect of the use of proceeds, project evaluation and selection, management of proceeds and reporting;
- Reviewed Green Bond Framework and compared its four core components and its project’s eligibility criteria with the requirements of GBP; and,
- Inspected documentation which supports Management’s assertion about conformance to the four core components of GBP requirements for use of proceeds, project evaluation and selection, management of proceeds and reporting.

The procedures selected, its nature and extent depend on our judgement, including the understanding assessment of risk associated with the Green Bond Framework and of the information that supported its preparation not being in compliance with the established in the GBP, due to fraud or error.

The procedures performed in a limited assurance engagement are different in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

A summary of our assurance procedures (Appendix I) and our key findings and observations regarding each core component of GBP (Appendix II) may be found as appendices of this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### **Quality and Independence**

The firm applies International Standard on Quality Control Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



We comply with the independence and other ethical requirements of the Ordem dos Revisores Oficiais de Contas' code of ethics and of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

### **Inherent Limitations**

Our work does not include any assessment over the design, implementation or operating effectiveness of controls employed by Secil to ensure the ongoing compliance with Green Bond Framework and, accordingly, we do not express a conclusion thereon.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Green Bond Framework is not prepared, in all material respects, in accordance with the four core components of the Green Bond Principles issued by the International Capital Market Association in June 2021 (with June 2022 Appendix 1).

### **Restriction of Use**

Our limited assurance report is issued exclusively for the information and use of the Board of Directors of Secil for the purpose expressed in the "Introduction" paragraph above, and is not intended to be used for any other purpose. Our report, together with the Green Bond Framework, may be shared by Secil to third parties, on its website or otherwise, but we accept or assume no responsibility and deny any liability to any party other than Secil for our work, for this independent assurance report, or for the conclusions we have reached.

25 January 2023

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**KPMG & Associados**

**Sociedade de Revisores Oficiais de Contas, S.A.**  
**(nr. 189 and registered at CMVM with the nr. 20161489)**

Represented by

Pedro Jorge Quental e Cruz

(ROC nr. 1765 and registered at CMVM with the nr. 20161607)



## **Appendices**

### **Findings and observations related to particular aspects of the engagement**

We provide a summary of our assurance procedures under the external review form recommended by ICMA (Appendix I) and findings and observations in alignment with ICMA's pre-issuance checklist to the GBP (Appendix II) for the core components, to provide the reader with further understanding on how the Green Bond Framework meets the Criteria. These observations are not intended to detract from our conclusion provided above.



## Appendix I – External Review Form

### Section 1. Basic Information

Issuer name:	Secil – Companhia Geral de Cal e Cimento S.A.
Framework name:	Green Bond Framework
Independent External Review provider’s name:	KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Completion date of this form:	25 January 2023
Publication date of review publication:	16 January 2023

### Section 2. Review overview

#### SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |   |   |
|---|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification         | <input type="checkbox"/> Scoring/Rating |

Other: **Independent Limited Assurance Report**, in accordance with International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information – ISAE 3000 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

- Financial Information – ISAE 3000 (Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

#### EXECUTIVE SUMMARY OF REVIEW AND/OR LINK TO FULL REVIEW

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Green Bond Framework is not prepared, in all material respects, in accordance with the four core components of the Green Bond Principles issued by the International Capital Market Association in June 2021 (with June 2022 Appendix 1).

**Section 3. Detailed review**

**1. USE OF PROCEEDS**

**Overall comment on section:**  
See appendix II of the Independent Limited Assurance Report.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

**Overall comment on section**  
See Appendix II of the Independent Limited Assurance Report.

**Evaluation and selection**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s or borrower’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds    | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available          | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

**Information on Responsibilities and Accountability**

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |   |

### 3. MANAGEMENT OF PROCEEDS

**Overall comment on section**

See Appendix II of the Independent Limited Assurance Report.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer and/or borrower in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

**Additional disclosure:**

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

### 4. REPORTING

**Overall comment on section**

See Appendix II of the Independent Limited Assurance Report.

**Use of proceeds reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):

**Information reported:**

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*):

**Frequency:**

- Annual
- Semi-annual
- Other (*please specify*):

**Impact reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (*please specify*):



**Frequency:**

- Annual
- Other (*please specify*):
- Semi-annual

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Decrease in water use

- Energy Savings

Other ESG indicators (*please specify*):

The Company intends to align the Allocation and Impact Report's environmental impact metrics per Eligible Green Project with the approach described in "Handbook – Harmonised Framework for Impact Reporting December 2021", including its suggested core and other sustainability indicators, adapted to the Company's industrial processes where appropriate as follows:

- Annual renewable energy generation
  - Annual renewable thermal energy generation
  - Alternative fuels rate
  - Thermal energy substitution rate
  - Incorporation of aluminate-silicate materials rate
  - Electricity production
  - Specific heat consumption
  - Hydrogen consumption
  - Percentage of thermal energy consumption improvement
  - CO<sub>2</sub> emission reduction for the overall project

**Means of Disclosure**

- Information published in financial report

- Information published in sustainability report

- Information published in ad hoc documents

- Other: An annual Allocation and Impact Report shall be prepared and published in Secil's website at [www.secil-group.com](http://www.secil-group.com)

Reporting reviewed





**Appendix II - Green Bond Principles issued by the International Capital Market Association (“ICMA”) in June 2021 (with June 2022 Appendix 1)**

**Findings and observations related to particular aspects of the engagement**

We provide a summary of our findings and observations in alignment with ICMA’s pre-issuance checklist to the GBP for the core components, to provide the reader with further understanding on how the Green Bond Framework meets the Criteria. These observations are not intended to detract from our conclusion provided above.

GBP component 1: Use of proceeds			
Topic	Content	Core to the Principles / Recommendation	Observations and findings
Green projects	<p>A description of the issuer’s selected green projects should be appropriately described in the Green Bond framework or in the legal documentation of the security. All designated green projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. Issuers are encouraged to provide further details on the project category, such as type of technology being considered.</p> <p>Common question(s) from the pre-issuance external reviewers:</p> <p><i>Does the activity/project provide clear environmental benefits that can be monitored, quantified and are attributable (at least indirectly) to the activity/project?</i></p>	Core	<p>The Green Bond Framework states that proceeds raised from green bonds will be used to finance and refinance eligible green projects and assets that have positive environmental outcomes. As the subject matter consists of the Green Bond Framework alone, we did not review specific legal documentation on green bonds to consider whether the use of proceeds was appropriately described.</p> <p>The relevant green eligible project categories for the use of proceeds described in the Framework are aligned with the Green Bond Principles 2021 (with June 2022 Appendix 1) project categories “Renewable energy”, “Pollution Prevention and Control”, and “Energy efficiency”.</p> <p>The Framework states that the eligible projects aim to develop and demonstrate new cement production technology on an industrial scale while at the same time reducing the facilities’ CO<sub>2</sub> emissions by at least 20%, increasing energy efficiency by 20%, and generating 30% of the required electricity through an innovative hybrid electricity generation system that recovers heat from industrial processes and uses concentrated solar thermal energy.</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Environmental benefits	<p>Taking into account the local context and business activity of the issuer, will the intended activity/project/asset provide and/or ensure a short- or long-term environmental improvement?</p> <p>Common question(s) from the pre-issuance external reviewers:</p> <p><i>Can the issuer demonstrate that the project/activity/asset will provide clear and relevant environmental improvements (based on evidence, research, international standards, etc.)?</i></p>	Core	<p>The Framework states that modernizing Secil Outão factory with a Clean Cement Line (CCL), a research, development, and innovation project, aims to transform the factory to supply low-carbon cement, aiming to decrease energy consumption by 20%, to decrease CO<sub>2</sub> emissions by 20%, and to capture 30% of its electricity needs from solar thermal energy and from a heat recovery system. The Framework also notes that to support this project Secil has established several partnerships with universities (Instituto Superior Técnico and Universidade de Évora) and research institutes (CENTI – Centre for nanotechnologies and Smart Materials, PSA – Plataforma Solar de Almería).</p> <p>Secil presents in the framework that the CCL project will allow it to achieve the goal set out by the Paris Conference and the sector’s Declarations of Climate Ambition, as well as the goal set at national level in the Roadmap for Carbon Neutrality of the National Cement Industry, which all aim to achieve carbon neutrality in the concrete value chain by 2050.</p> <p>The Framework also states that the CCL project was considered a Project with National Interest (<i>PIN – Projeto de Interesse Nacional</i>), as well as a “Research, Development and Technology” project and the largest project under Portugal 2020.</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Multiple projects	Description of the estimated proceeds allocation per green project category. If unknown at time of issuance, please indicate when this will be determined.	Core	<p>The Framework comprehends three green project categories: “Renewable Energy”, “Pollution Prevention and Control” and “Energy Efficiency”. The allocation of proceeds, up to a total of 75 million euros, will be reported per green subproject, which are the following:</p> <ul style="list-style-type: none"> <li>• PSS1 Zero Fossil Fuels;</li> <li>• PSS2 Low Carbon Clinker;</li> <li>• PSS3 Combustion Boost; and</li> <li>• PSS4 Sun2Dry.</li> </ul> <p>The proceeds allocation will be reported on an annual basis in the Allocation and Impact report.</p>
Refinancing	<p>Description of the estimated share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for the refinanced green projects.</p> <p>If unknown at time of issuance, please indicate when this will be determined. Please note that:</p> <ul style="list-style-type: none"> <li>• Green projects qualify for refinancing as long as they are in use, follow the relevant eligibility criteria at the time of issuance and are still assessed as making a meaningful impact.</li> <li>• Different lookback periods may apply for Capex and Opex.</li> </ul>	Recommendation	<p>The Company states in the Framework that proceeds will be allocated to essentially refinance the project as most of the investment and respective disbursement have already occurred and that the proceeds from the green bonds issues will be fully allocated to the Project predictably within 24 months from the issue date. The Green Bond will be contracted in January 2023 and can be withdrawn until January 2024.</p> <p>The Framework defines that eligible green assets shall qualify for financing/re-financing without a specific look-back period, provided that they follow the relevant Eligibility Criteria.</p> <p>The framework defines that the annual allocation reports will present the portion (amount and percentage) of financing and refinancing.</p>

GBP component 2: Process for project evaluation & selection			
Topic	Content	Core to the Principles / Recommendation	Observations and findings
Evaluation and selection of green projects	<p>Description of the governance process by which the green projects are evaluated and selected including:</p> <ul style="list-style-type: none"> <li>• details on who will be part of the process to select eligible projects for allocation;</li> <li>• the alignment with the Use of Proceeds Categories (qualitative and quantitative inclusion criteria and, if applicable, exclusion criteria);</li> <li>• the alignment with official or market-based taxonomies, (e.g., qualitative and quantitative criteria and if applicable, exclusion criteria).</li> </ul> <p>Issuers should also clearly communicate the environmental sustainability objectives of the green projects and should describe how the selected projects fit within the issuer's wider sustainability strategy, goals and objectives.</p>	<p>Core</p> <p>Recommendation</p> <p>Core</p>	<p>The Framework explains that the CEO is responsible for promoting sustainability topics in the business, namely Governance topics, as well as approving strategic objectives, strategic initiatives, and priority actions related to the matter and that the Executive Director is responsible for climate-related issues and other environmental topics.</p> <p>As presented in the Framework, the Steering Committee is composed of the Sustainability Project Team, the Executive Committee, the various countries' CEO's and the Institutional Communication Manager. The Sustainability Project Team is responsible for coordinating the entire portfolio of ESG+E initiatives and projects up until 2025 and the proceeds allocation and reporting are approved by the Company's Executive Committee.</p> <p>The framework states that CCL will allow Secil to achieve the goal set out worldwide by the Paris Conference and by the sector with Declarations of Climate Ambition, as well as the goal set at national level with the Roadmap for Carbon Neutrality of the National Cement Industry, which aims to achieve carbon neutrality in the concrete value chain by 2050.</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
<p>Official or market- based taxonomies, green standards or certifications referenced</p>	<p>Issuers are also encouraged to identify alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and to reference any green standards or certifications used which may include: GBP, EU taxonomy for Sustainable Activities, ISO 14030, China’s Guidelines for issuing Green Bonds, ASEAN Green Bond Standards, Climate Bond Initiative Standard, Climate Transition Finance Handbook (CTFH) etc. if applicable.</p> <p>It is also recommended to provide information, if relevant and applicable, on exclusion criteria used.</p>	<p>Recommendation</p>	<p>The Green Bond Framework states that it is aligned with the four core components of the Green Bond Principles issued by the International Capital Market Association (“ICMA”) in June 2021 (with Appendix 1 dated June 2022) (“GBP”). These principles are voluntary guidelines that support transparency and credibility in the green bond markets.</p> <p>The Framework states that Secil will consider for exclusion any project if claims of non-compliance with internationally recognised best sustainable practices, such as the Global Compact or the International Labour Organization, or environmental legislation, become known.</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Associated risks	<p>Description of the process applied to identify and manage perceived/known social and environmental risks associated with the relevant projects.</p> <p>It is recommended that issuers have a process in place to identify mitigants to key social and/or environmental risks associated with the eligible project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.</p> <p>While green activities do not require to demonstrate a positive social impact, they should not cause any social harm.</p> <p>Common question(s) from the pre-issuance external reviewers:</p> <ul style="list-style-type: none"><li>• Would the considered use of proceeds have a significant negative impact on the other environmental objectives, or on other vulnerable groups or social areas?</li><li>• What measures can be implemented to avoid or at least minimise the negative impact of the activity/project?</li><li>• Is the commitment to identify and manage potentially material social and/or environmental risks, as well as international conventions and recommendations or local labour laws formalised and detailed in the framework?</li></ul>	Core          Recommendation	<p>Chapter 3 of the Framework (“Sustainability Governance”) presents that:</p> <ul style="list-style-type: none"><li>— The Board of Directors includes the Chief Executive Officer (CEO), who is responsible for promoting sustainability topics in the business, namely Governance topics, as well as approving related strategic objectives, strategic initiatives, and priority actions.</li><li>— The Executive Director is responsible for climate-related issues and other environmental topics.</li><li>— The Human Resources Manager is responsible for social topics from the beginning of 2023 and will be invited to all Executive meetings.</li><li>— The Sustainability Project Team is composed of a Project Leader and four Global Managers, one for each of the pillars in ESG+E (Environmental, Social, Governance, and Economic).</li><li>— The Steering Committee is comprised of the Sustainability Project Team, the Executive Committee, each country’s CEO, and the Institutional Communication Manager, and meets every two months for a status follow-up.</li><li>— The Sustainability Committee is composed of all the elements involved in the various sustainability topics and will, from 2023 onwards, hold meetings on a quarterly basis. These elements include Corporate ESG+E Pillar Managers, Corporate Technical Experts, and Local ESG+E Pillar Managers. Twice a year, all first line managers will be invited to participate in the Sustainability Committee.</li></ul>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
SDGs alignment	<p>Issuers are also encouraged to identify alignment with market-wide green, social or development objectives, such as the Sustainable Development Goals (SDGs), to help investors that may use them as part of their investment decisions. Issuers can indicate alignment:</p> <ol style="list-style-type: none"> <li>1) At a company level (if applicable)</li> <li>2) In respect of the green categories and/or projects to be funded by Green Bonds</li> </ol> <p>It is recommended that issuers include in their Green, Social and/or Sustainability Bond frameworks their methodology for alignment with the SDGs, and where applicable, incorporate this in their external review process. Issuers should provide as much clarity and detail as feasible on how specific SDGs are relevant to the issuance and not simply reference the SDGs in general.</p>	Recommendation	<p>The Green Bond Framework identifies its alignment to the Company's sustainability strategy and vision. Secil is modernizing its Outão factory with the CCL project, the project which falls under the Green Bond Framework. The CCL project aims to develop the demonstrate a new cement production technology on an industrial scale that reduces the factory's CO<sub>2</sub> emissions by at least 20%, increases its energy efficiency by 20%, and generates 30% of the required electricity through an innovative hybrid electricity generation system that recovers heat from industrial processes and utilizes concentrated solar thermal energy.</p> <p>The Framework states that the projects aim to contribute to the achievement of SDGs 7, 8, 9, 11, 12, 13, and 17. Green Project Category "Renewable Energy" shall contribute to the SDGs 7, 8, 9, 12, 13, and 17. Green Project Category "Pollution Prevention and Control" shall contribute to the SDGs 8, 9, 11, 12, 13, and 17. Green Project Category "Energy Efficiency" shall contribute to the SDGs 8, 9, 11, 12, 13, and 17.</p>

GBP component 3: Management of proceeds			
Topic	Content	Core to the Principles / Recommendation	Observations and findings
Management of proceeds	<ul style="list-style-type: none"> <li>• Issuers should describe the governance within the company to manage the use of proceeds, including the supervision, tracking and reporting of the proceeds.</li> <li>• The proceeds of green bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple Green Bonds (portfolio approach).</li> <li>• Proceeds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked in an appropriate manner (e.g., tagged in the internal accounting systems).</li> <li>• The issuer can also choose to include a clause which states the commitment of the issuer to invest the proceeds [•] months after issuance.</li> <li>• The issuer can inform on process in case a project no longer qualifies and the net proceeds originally allocated need to be reallocated.</li> </ul>	<p>Core</p> <p>Recommendation</p>	<p>The Framework presents how Secil will track the receipt and use of proceeds using internal reporting systems and states that: (1) all cash flows and balances will be performed through and accounted for in Secil's accounts and will be monitored by the Company's financial teams; (2) the principal and interest payment of any financing instrument issued by Secil under the Framework will be performed from its general funds and will not be linked to the execution of the Eligible Green Project; (3) if for any reason, any assets were no longer eligible, Secil will use its best efforts to substitute such asset, as soon as practical, once an appropriate eligible substitution option has been identified; (4) Eligible Green Assets will be included in the portfolio at their current IFRS balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS and will qualify for refinancing without a specific lookback period; and that (5) proceeds from a Green Bond are expected to be fully allocated to the Eligible Green Asset Portfolio within 24 months from the issue date.</p>
Unallocated proceeds	Description of the intended types of temporary placement for the balance of unallocated net proceeds.	Core	The Framework states that pending the allocation or reallocation, as the case may be, of the cash inflow, Secil will invest the balance, at its discretion, in cash and/or cash equivalents until the allocation to Eligible Green Assets.
External review	The management of proceeds may be externally verified, by an auditor or another independent third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds. This verification is expected to take place annually or until full allocation.	Recommendation	The Framework states that post-issuance independent Allocation and Impact Reporting assurance against the GBP will occur at least annually throughout the entire life of each green bond, including the resources allocated to Eligible Green Projects, the remaining balance of unallocated resources, and the compliance of allocated resources with the Eligible Project Categories.



GBP component 4: Reporting			
Topic	Content	Core to the Principles / Recommendation	Observations and findings
Frequency, duration and level of allocation reporting	<p>The reporting should be renewed:</p> <ul style="list-style-type: none"> <li>• Annually until full allocation of the proceeds of the relevant green bond.</li> <li>• In case of full allocation, on a timely basis in case of material developments.</li> <li>• The reporting can be done on the individual Green Bond level (bond-by-bond approach) or on aggregated level (portfolio approach).</li> </ul> <p>In case of bond-by-bond approach the issuer should clearly reference to which bond (ISIN) the reported impact belongs to.</p>	Core	<p>The Framework states that the Company will make and keep available reporting covering the allocation of the proceeds to the Eligible Green Project portfolio and that the following will be included in the reporting:</p> <ul style="list-style-type: none"> <li>– The total amount of Eligible Assets;</li> <li>– Portion (amount and percentage) of financing and refinancing;</li> <li>– Breakdown of what is financed/refinanced; and,</li> <li>– The balance of unallocated proceeds.</li> </ul> <p>The annual Allocation and Impact report and the independent assurance report will be publicly available, according to the Framework, in Secil's corporate website (<a href="http://www.secil-group.com">www.secil-group.com</a>).</p>
Frequency, duration and level of impact reporting	<p>The report should include the output, expected/achieved outcome and/or impact of projects financed by Green Bond proceeds either on a project level or on a portfolio level throughout the life of the Green Bond or at a minimum, until full allocation of the proceeds.</p> <p>Issuers are welcome to report throughout the life of the bond and are encouraged to make available the latest report either on their website or in another publicly available space, with the date that it was prepared.</p>	Recommendation	<p>The Company states in the Framework that reporting will be readily available in the form of an annual Allocation and Impact Report and will cover the allocation of proceeds to the Eligible Green Project and, where feasible, include the impact of the Eligible Green Project. The Framework also states that the reporting will take place in line with Secil's general annual reporting cycle at least until the proceeds of the Green Bonds have been fully allocated. The Impact Reporting will include:</p> <ul style="list-style-type: none"> <li>– A Brief description of the Eligible Projects and their contribution to the Environmental Objectives.</li> <li>– Environmental impact metrics per Eligible Green Project, depending on data availability.</li> </ul>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Indicator Methodology	<p>Description of the key underlying methodology and/or assumptions used in the quantitative determination. To facilitate comparison of project results, it is suggested that issuers aim to report on at least a limited number of sector specific core indicators for projects included in their green bond programmes.</p>	Recommendation	<p>The Framework states that the Company intends to align its Allocation and Impact Report's environmental impact metrics per Eligible Green Project with the approach described in "Handbook – Harmonised Framework for Impact Reporting December 2021".</p> <p>The Framework includes a listing of "Core Indicators" and "Other Sustainability Indicators" per Green Project within each Green Project Category adapted from those found in the Handbook. Additionally, the Framework also indicates that it will report on the reduction of CO<sub>2</sub> (carbon dioxide) emissions due to the Eligible Green Projects as a whole (portfolio basis).</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Reporting Indicators	<p>Description of the qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to environmental objectives per project category related to the criteria.</p> <p>For the calculation of indicators, where there is no single commonly used standard, issuers may follow their own methodologies while making these available to investors. For the calculation of greenhouse gas (GHG) emissions reduced/avoided, for instance, there are a number of calculation methodologies both within and across institutions.</p> <p>Issuers should be transparent as to the calculation methodologies used.</p> <p>The impact report should illustrate the expected/achieved environmental impact made possible as a result of projects to which green bond proceeds have been allocated.</p> <p>The expected environmental impacts should be based on ex-ante estimates (developed prior to project implementation) of expected annual results for a representative year once a project is completed and operating at normal capacity. In case of reporting on a portfolio level, ex-ante estimates can be based on the annual analyses per portfolio and, if several categories are financed, per category, if possible.</p>	Recommendation	<p>As previously referred, the Framework states that the Company shall prepare an Allocation and Impact Report annually and publish it on its corporate website, which is expected to be aligned with the approach described in “Handbook – Harmonised Framework for Impact Reporting December 2021”.</p> <p>The Framework states that the report is to include:</p> <ul style="list-style-type: none"> <li>– The total amount of Eligible Assets;</li> <li>– Portion (amount and percentage) of financing and refinancing (the split between new and existing projects);</li> <li>– Breakdown of what is financed/refinanced;</li> <li>– The balance of unallocated proceeds;</li> <li>– Brief description of the Eligible Projects and their contribution to the Environmental Objectives; and</li> <li>– Environmental impact metrics per Eligible Green Project, depending on data availability.</li> </ul>
Estimated lifetime results	<p>It could also be beneficial to report the estimated lifetime results and/or project economic life (in years) to provide users with a basis for understanding the impact of the project over its lifetime.</p>	Recommendation	<p>The Framework presents a basis for the project lifetime in years, stating that Secil estimates it to be at least 20 years.</p>

Topic	Content	Core to the Principles / Recommendation	Observations and findings
Further information	In this section you have the opportunity to provide further information e.g. based on national regulations, data and/or certain KPI's, with regard to the SDGs or other information which could be useful for investors.	Recommendation	As already referred, the Company presents the alignment of the Framework with SDG and states the intention to align the annual Allocation and Impact Reports with the approach described in "Handbook – Harmonised Framework for Impact Reporting December 2021".