



# Green Financing Framework September 2021

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# 1. Introduction

## Clean energy and water. The fundamentals of life.

### 1.1 Who We Are

At Photon Energy Group, we are dedicated to ensuring that everyone has access to clean, affordable energy and water. We deploy technology to provide these fundamentals and help build a thriving, sustainable world.



Our solar power solutions and services cover the entire lifecycle of photovoltaic power plants.



We offer comprehensive clean water solutions, from treatment services to the management of wells and other resources.

Since its foundation in 2008, Photon Energy has built and commissioned solar power plants with a combined capacity of over 110 MWp and owns power plants with a combined capacity of 89.3 MWp. Photon Energy is currently developing projects with a combined capacity of over 546 MWp in Australia, Hungary, Poland and Romania and provides operations and maintenance services for over 300 MWp worldwide.

Our second major business line, Photon Water, provides clean water solutions including treatment and remediation services, as well as the development and management of wells and other water resources.

Photon Energy N.V., the holding company for Photon Energy Group, is listed on the Warsaw, Prague and Frankfurt Stock Exchanges. We are headquartered in Amsterdam, with offices in Australia, South America and across Europe.

<p style="text-align: center;"><b>Photon Energy</b></p> <p style="text-align: center;">Current core activity and strategic area of development</p>					<p style="text-align: center;"><b>Photon Water</b></p> <p style="text-align: center;">Strategic area of development</p>		
110+ MWp constructed	300+ MWp O&M portfolio	89.3 MWp proprietary portfolio	546+ MWp PV project pipeline	70.0 GWh produced in 2020	605 ha of lakes and ponds managed	3,500 m of wells drilled, maintained or decommissioned	PFAS patent pending

### 1.2 What We Do

All of our work – 100% of our revenue – is connected to activities creating sustainable value to the environment.

#### Photon Energy:



**Project Development.** We acquire photovoltaic projects at all stages of development and guide them to completion. With years of experience on a variety of projects, and as owners and operators of our own solar power plants, we have the expertise and proven track record to navigate any project – large-scale power plants to off-grid energy systems in remote communities – through all stages of development.



**EPC Solutions.** We have a proven track record of delivering engineering, procurement and construction services that can actualise any solar energy project, providing our customers with sustainable, efficient and reliable energy as well as significant long-term cost savings.



**Technology.** We procure world-class technology to fit any project’s location, design and budget. Our services cover all aspects of the technology procurement process, including after-sales support.



**Operations and Maintenance.** We provide a full range of O&M services, including monitoring and inverter maintenance. Our philosophy is to maximise environmental and financial benefits for our clients by carrying out preventative maintenance to optimize and extend the useful life of their assets. Photon Energy is an asset owner as well as a service provider; we understand our clients’ needs because we are one ourselves. The power plants we manage run with an average uptime of more than 99%.

**Photon Water:**



**Water Treatment.** We deliver treatment solutions around the world, including potable and wastewater treatment, hazardous liquid waste and industrial water treatment. Our solutions are customisable and comprehensive, ranging from the treatment of drinking water to the large-scale treatment of hazardous liquid waste.



**Remediation.** We offer a range of remediation services to eliminate contaminants from water and soil. Water and soil contamination are harmful to local communities and the Earth itself. Through the process of remediation, we remove harmful pollutants, leaving soil healthy and water safe to use. Different methods of remediation are available depending on the site and the type of pollutants involved. We have the expertise to assess our customers' needs and provide the safest, most effective remediation solutions.



**Wells and Resources.** We provide complete services for wells and water resources, from design to maintenance. We have the expertise and proven track record to provide customised water well solutions using state-of-the-art technology and techniques. Our work is research-based and prioritises both safety and efficiency, grounded in our mission to ensure access to clean water for people and communities around the world.



**Resource Management.** We help our customers make the best, most efficient use of their water resources, lakes and ponds. Our work is research-based and prioritises both safety and efficiency, grounded in our mission to ensure access to clean water for people and communities around the world.

**1.3 Our Commitment to Sustainability**

Sustainability is one of our core values. We understand our responsibility to ensure that our work provides consistent, long-term benefits to the people and communities impacted by our work and to the world at large.

Our code of ethics and sustainability reports form the basis of our approach to ESG issues and aims to ensure that the organisation is fully geared toward sustainability.

In addition, we have developed a policy for each material sustainability topic (such as anticorruption, safety and procurement), outlining the key principles and management approach governing the way we operate and address such issues.

Please visit [photonenergy.com/sustainability](https://photonenergy.com/sustainability) for a comprehensive overview of corporate policies and other relevant documentation.

**1.3.1 Environment**



Environmental sustainability is the foundation of our business model.

To conduct our business responsibly, we have prioritised the following long-term environmental principles, in line with various international organisations including the EU taxonomy objectives and the sustainable development goals of the United Nations:

- ▶ **Climate change mitigation** through the delivery of affordable and clean energy, through the development of green energy systems including energy storage.
- ▶ **Innovation as a means to enhance the efficiency of infrastructures** by developing new solutions and relying on partnerships with RayGen and Lerta, our new investees, as a priority.
- ▶ **Helping to make cities and communities sustainable** by developing and operating environmentally friendly and emission-free power plants.
- ▶ **Contribution to a healthy ecosystem** by making sure environmental impact studies are performed prior to the installation of power plants.
- ▶ **Enhancing biodiversity** by working proactively on projects that are beneficial to local ecosystems and wildlife.
- ▶ **The sustainable use of water and sanitation** through the delivery of water treatment solutions and a range of remediation services to eliminate contaminants from groundwater.

**Our Environmental Commitments:**

- ▶ All of our field operations are subject to local environmental regulations, which we strictly adhere to.
- ▶ When disposing of waste, all recyclable materials such as metal, wood, plastic, glass and paper are sorted and recycled.
- ▶ We never use chemical fertilisers or pesticides for landscape management.
- ▶ For the cleaning of PV panels, we use only demineralised water, never chemical agents.
- ▶ When clearing land to construct new power plants, we conduct in-depth biodiversity studies and implement measures to ensure that any unavoidable impact is minimised or reversed.
- ▶ We follow all local guidelines and regulations regarding community involvement and consultation.
- ▶ When working with subcontractors, we prioritise local suppliers so as to have a positive impact on the local economy through job creation.

**1.3.2 Social Conduct**



We are proud to have built a dynamic, diverse team of colleagues in locations around the world.

Our dedication to community extends beyond our company: one of our guiding principles is to prioritise the safety of everyone impacted by our work.

**Our Social Commitments:**

- ▶ We have stringent health and safety policies and procedures in place, and all employees are responsible for complying with any applicable laws and regulations.
- ▶ We embrace all forms of diversity and provide equal employment opportunities without regard to gender, race, religion, disability, sexual orientation or age.
- ▶ We provide an open, inclusive and non-retaliatory work environment, and discrimination of any kind is not tolerated.
- ▶ We ensure that all employees are treated equally and objectively in opportunity and remuneration, using merit-based criteria.
- ▶ We have strict policies and procedures in place to ensure that sensitive data is protected. This includes electronic data stored in our systems.

**1.3.3 Corporate Governance**



Good corporate governance is essential to our sustainability.

It creates an atmosphere of trust and allows us to build solid, lasting relationships with all of our stakeholders, from suppliers to investors. As Photon Energy Group continues to grow, we are committed to maintaining our focus on the responsible management of our operations and affairs at a corporate level.

**Our Corporate Governance Commitments:**

- ▶ We have an independent supervisory board and audit committee in place to provide guidance and oversight to the management board on the general affairs of the company.
- ▶ As a listed company, we apply the Dutch Corporate Governance Code and Warsaw Stock Exchange Best Practices.
- ▶ We are committed ensuring that all employees, customers and suppliers act in an ethical manner and that stakeholders are never subject to unethical behaviours such as corruption, bribery or extortion. We have an anti-corruption policy in place, and an insider trading policy is signed by all employees when they sign their contract of employment.

## 1.4 Our Strategic Plans and Green Financing Programme

The key pillars of our strategy focus on:

- ▶ **The expansion of our clean electricity generation asset base**, creating multiple recurring revenue streams from our fully integrated energy business model
- ▶ **The development of our water treatment business**, with a particular focus on the growing global issue of

PFAS (per- and polyfluorinated substances) contamination through our patent-pending nanoremediation technology.

### 1.4.1 Strategic Plans

To achieve the goals outlined above, the management board intends to grow the company in the following ways by year-end 2024:

- i) **Investments:** expand our proprietary portfolio from 89.3 MWp across utility-scale and behind-the-meter PV and RayGen PV Ultra power plants to a total installed capacity of 600 MWp in operation. Furthermore, by year-end 2024 we intend to control a solar energy project pipeline at various stages of development – including both projects developed in-house and co-developments – of 1.5 GWp to drive further growth beyond 2024.
- ii) **Energy solutions:** further grow our engineering, procurement and construction (EPC) business by leveraging existing experience and know-how into customised grid-connected and decentralised energy generation solutions in combination with cutting-edge energy storage technologies.

- iii) **Operations & maintenance:** grow our operations and maintenance (O&M) services to maximise the energy generation output of proprietary and clients' power plants and to optimise the useful life of PV assets. By year-end 2024 we intend to have 1.0 GWp of proprietary and clients' power plants under contract compared to the current total capacity of 300 MWp.
- iv) **Technology distribution:** benefit from the boom in the solar energy industry and utilise existing economies of scale through an upcoming B2B online sales platform to generate additional trading revenues from PV modules, inverters, batteries and other components.
- v) **Water:** grow our suite of water services and products and become a leading worldwide player in the PFAS remediation industry on the back of our proprietary patent-pending nanoremediation technology (and other technologies under development) so as to develop our water business line into the second pillar of the company's activities.

### 1.4.2 Green Financing Programme

We have chosen to establish this Green Financing Framework, enabling us to finance our contributions to a low-carbon and climate-resilient future. The financing programme will take the form of several green bonds, issued until the end of 2024.

This framework has been developed in alignment with the Green Bond Principles 2021 (GBP). The framework is applicable for the issuance of green bonds, where net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing projects with clear environmental benefits, as defined in this framework.

The framework was prepared according to the four recommended components of the GBP; Use of Proceeds (Section 2), Process for Project Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5).

Furthermore, the Green Financing Framework has been reviewed by an impartial firm, which has provided a Second Party Opinion to confirm its alignment with the GBP.

## 2. Use of Proceeds

An amount equivalent to the net proceeds from our green bonds will be used to finance or re-finance, in part or in full, projects or assets providing distinct environmental benefits or financial instruments that were used to finance such projects or assets

(Green Eligible Projects). We will continuously exercise professional judgement, discretion and sustainability expertise when identifying these Green Eligible Projects.

### 2.1 Green Eligible Projects

Green Eligible Projects are defined as investments that promote the green energy transition, such as direct investments in renewable energy sources. This also includes the development and acquisitions of such projects as well as investments in share capital of companies with such assets, where Photon Energy Group has significant operational influence and where the use of proceeds should be directly linked to the book value of the Green Eligible Projects owned by the acquired company, adjusted for the share of equity acquired.

Our financial instruments covered by this framework provide funds for activities with environmental benefits that promote the

transition to the increased use of renewable energy, energy storage and other energy solutions, biodiversity conservation and sustainable water management. Only such activities that comply with the criteria below will be deemed eligible. Funds can be used for the financing of new green eligible projects and assets, as well as for the refinancing of existing green eligible assets, or for the refinancing of financial instruments that were used to finance such projects or assets which were developed and built in Hungary and Australia from 2017 to date.

### 2.2 Eligibility Criteria

Green Asset Category	Sub-category
Renewable energy	<p>Investment activities and related expenditures, directed towards the acquisition, development, construction of electricity generation facilities that produce electricity from solar power or hybrid solutions, possibly combined with energy storage.</p> <p>In terms of geographical breakdown, further expansion and diversification of the proprietary portfolio is mainly expected in Poland, Hungary, Romania and Australia. As far as the project size and type is concerned, the sweet spot for project size in Central Europe falls within a range of 5-15 MWp. The Group is interested primarily in commercial, utility-scale projects (based on PPA) and behind-the-meter projects, in which the energy offtaker may also secure project financing.</p> <p>On the Australian market, the Company intends to develop, build and invest in projects based mainly around concentrated solar and PV-generation technology paired with energy storage, a unique technological solution developed by RayGen Technology. The Group invested and signed up for a strategic partnership with RayGen in 2020.</p>

### 3. Process for Asset Evaluation and Selection

We have set up an internal Green Bond Committee (GBC), consisting of the CEO, the CFO and the sustainability manager. The GBC will be responsible for evaluating and selecting assets and projects eligible for green funding in accordance with the eligibility criteria above. In addition, the GBC will ensure that investments

are in line with all relevant internal policies and guiding documents, as well as potential oversight of the eligibility criteria, dependent on future market developments. The decisions made by the GBC will be documented and kept on record.

#### 3.1 Selection of Green Eligible Projects

The evaluation and selection process for Green Eligible Projects is key to ensuring that an amount equivalent to the net proceeds from green bonds is allocated to assets and expenditures which meet the criteria of the framework.

- ▶ Specific requirements and internal governance procedure for the selection of Green Eligible Projects:
  - Substantial contribution to environmental objectives in line with the eligibility criteria
  - Minimum social safeguards and compliance with all applicable local regulations
  - Compliance with our internal policies

- ▶ The selection of Green Eligible Projects is managed by the GBC. All decisions are made in consensus. Only such assets and projects that comply with the criteria defined in the Use of Proceeds section of this framework are eligible to be financed with green bonds. The CFO and treasury department are responsible for keeping an updated register of Green Eligible Projects.
- ▶ The GBC will monitor the developments of the green finance market and may update the Green Financing Framework to reflect future market practices.

#### 3.2 Exclusion

The proceeds of Photon Energy Group's green bonds will not be used to finance fossil fuel energy generation (standalone projects connected to high-polluting activities such as oil, gas and mining), nuclear energy generation, weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.

## 4. Management of Proceeds

### 4.1 Adopted Principles

An amount equal to the net proceeds from our green bonds will be used for the financing and refinancing of Green Eligible Projects as defined in this framework.

The finance department will track the value of Green Eligible Projects so it matches or exceeds the balance of net proceeds from its outstanding green bonds within a period of 36 months. If a Green Eligible Project already funded by a green bond is sold, or for other reasons loses its eligibility as outlined within this framework, the GBC is committed to replace the asset with another qualifying Green Eligible Project.

Any unallocated proceeds temporarily held by Photon Energy Group will be placed in the company's ordinary bank account or short-term money markets until deployed.

Additional green projects will be added to the issuer's Green Eligible Project portfolio to the extent required to ensure that the net proceeds from outstanding green bonds will be allocated to Green Eligible Projects.

### 4.2 Net Proceeds of Green Bonds Allocation

- ▶ Refinancing of operational projects that qualify as Green Eligible Projects
- ▶ Investments into the development and construction of projects that qualify as Green Eligible Projects
- ▶ Unallocated proceeds: investments in any form of liquid assets
- ▶ Photon Energy Group commits to fully allocate the proceeds within 36 months of the issuance date of each green bond and will strive to maintain full allocation until maturity by replacing any projects that may have been divested or are no longer eligible due to other circumstances.

## 5. Reporting

To enable investors, bondholders and other stakeholders to follow the development of the assets and projects funded by the green bonds, a Green Financing Report will be made available as part of the annual Sustainability Report on our website. The Green Financing Report will include an Allocation Report and an Impact Report and be published annually as long as there are green finance instruments outstanding.

Any material impact on our operations has to be immediately announced, in accordance with our reporting duties towards the stock exchanges. Significant changes affecting the proceeds allocation or the impact reporting will be detailed in our Green Financing report.

### 5.1 Net Proceeds of Green Bonds Allocation

- ▶ Summary of the main activities in green financing and related projects
- ▶ Description of financed projects
- ▶ Total amount of green bonds outstanding and split breakdown per instrument
- ▶ Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section 2
- ▶ Share of unallocated proceeds

### 5.2 Impact Reporting

The Impact Report will aim to disclose the environmental impact of the Green Eligible Projects financed under this framework. Impact reporting will, to some extent, be aggregated and depending on data availability, calculations will be made on a best-intention basis. The impact assessment may, where applicable, be based on the metrics listed below. Impact reporting covers all assets financed by the green bonds. If assets are only partly financed by green bonds, the impact reporting will reflect the relevant shares.

- ▶ Estimated annual greenhouse gas emissions avoided (tCO<sub>2</sub>e): the CO<sub>2</sub> savings connected to the green electricity generated by our proprietary portfolio are based on the European Investment Bank carbon footprint report dated July 2020: [https://www.eib.org/attachments/strategies/eib\\_project\\_carbon\\_footprint\\_methodologies\\_en.pdf](https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf)
- ▶ Energy storage and other energy solutions: capacity and technology of electricity storage installed (MWh): the capacity associated to projects will be provided by our Project development teams, which are making assumptions based on every project characteristics. These data are subject to evolve over the time, until the end of the construction process.

- ▶ Annual renewable energy generation (MWh), in total and compared to plans: for every project, an audit is conducted by an external party to determine what the output will be like on a monthly basis. Thanks to our in house monitoring system we are able to track the annual renewable energy generation (MWh) compared to these audits..
- ▶ Capacity of renewable energy power plants constructed (MWh), in total and per renewable energy technology (solar power, concentrated solar): we are able to track this breakdown as we are building our projects in house,

## 6. External Review

To confirm the transparency and robustness of Photon Energy Group's Green Financing Framework, it will be verified and approved by an external second party opinion provider. The second

party opinion by imug | rating will be available on our website, together with this framework.

Amsterdam, 30 September 2021



Georg Hotar, Member of the Board of Directors



Michael Gartner, Member of the Board of Directors