

Photon Energy N.V.

Green Bond – October 2021

Photon Energy N.V. plans to issue green bonds to finance and refinance solar power projects in the area of renewable energy and has commissioned imug | rating to provide a Second Party Opinion. The findings below are based on our assessment of

the Issuer and of the Issuer's Green Financing Framework (September 2021) in accordance with the voluntary process guidelines outlined in the Green Bond Principles (GBP) published by the International Capital Market Association (June 2021).



imug | rating is of the opinion that the green bonds issued by Photon Energy N.V. are in line with the Green Bond Principles (GBP) 2021.

FRAMEWORK



- ✓ Use of proceeds
- ✓ Process for project evaluation and selection
- ✓ Management of proceeds
- ✓ Reporting

ISSUER



- ✓ Sustainability management
- ✓ Controversy check
- ✓ Analysis of controversial business activities

OPINION



The Green Financing Framework for the green bonds issued by Photon Energy N.V. meets the requirements of the Green Bond Principles. Financing and refinancing solar power projects represents a positive contribution to sustainability that promotes one of the United Nations' Sustainable Development Goals (UN SDGs): Goal 7 "Affordable and Clean Energy".

Photon Energy N.V.'s core business in the field of renewable energy comprises in particular the acquisition, development, construction of electricity generation facilities that produce electricity from solar power or hybrid solutions, possibly combined with energy storage. The Issuer is not involved in controversies or in controversial areas of business. The issuance of the green bonds is in line with the strategic sustainability goals of Photon Energy N.V.: expansion of its clean electricity generation asset base.

imug | rating
Hanover, 15. October 2021

www.imug-rating.de

1. BACKGROUND

imug | rating has been commissioned to provide an independent Second Party Opinion on the Green Financing Framework and planned bonds issuance of Photon Energy N.V. (hereafter referred to as "Photon Energy", "the Company" or "the Issuer"). The assessment of the Green Financing Framework was conducted taking into consideration the International Capital Market Association's Green Bond Principles 2021 (GBP).

imug | rating has not been commissioned to carry out any further assessments or audits.

Headquartered in Amsterdam with offices in Australia, South America and across Europe, Photon Energy Group is a provider of solar power and clean water services. Its solar power services are provided by Photon Energy and cover the entire lifecycle of photovoltaic systems, which includes operations & maintenance, project development and installations.

Since its foundation in 2008, Photon Energy has built and commissioned solar power plants with a combined capacity of over 110 MWp, and has power plants with a combined capacity of 89.3 MWp in its proprietary portfolio. At the end of 2020, the Company had a workforce of 133 employees and generated a turnover of 28.2 million euros.

Photon Energy is currently developing projects with a combined capacity of 546 MWp in Australia, Hungary, Poland and Romania and provides operations and maintenance services for over 300 MWp worldwide.

The Group's second major business line, Photon Water, provides clean water solutions covering treatment and remediation services, the development and management of wells and other water resources as well as research & development.

Photon Energy is thus making a commitment to sustainable development and to its vision of expanding its clean electricity generation asset base. The Issuer complements this aspiration through creating multiple recurring revenue streams from its fully integrated energy business model.

With the issuance of the green bonds, Photon Energy undertakes to use the financial resources exclusively to finance and re-finance projects in the solar power sector.

*Photon Energy
N.V.*

imug | rating performed the assessment from 6 September to 15 October 2021. Photon Energy provided all the relevant documents. Additionally, imug | rating was in direct contact with the relevant employees. The information we received allowed us to provide a reasonable opinion on the Framework's compliance with the above-mentioned principles.



2. FRAMEWORK

2.1. Use of proceeds

imug | rating confirms that the project categories are clearly defined and in line with the Green Bond Principles. The solar power projects financed provide clear environmental benefits, which the Issuer quantifies.

The proceeds are used to finance projects that demonstrate positive environmental benefits. It is anticipated that these projects will contribute positively to one of the United Nations' Sustainable Development Goals (UN SDGs), namely Goal 7 "Affordable and Clean Energy".

PROJECT FINANCING

- No refinancing
- Refinancing
 - >36 months
 - 36 months
 - 24 months
 - 12 months

The estimated share of refinancing is between 25 percent and 40 percent of the total proceeds. Eligible projects are mainly those that have been developed and built in Hungary and Australia since 2017.

- Financing

The net proceeds from the bond will be used to finance and refinance projects focusing on the following area:

Renewable energy – solar power projects

■ Goals and Benefits

- ▶ Climate change mitigation / Preventing greenhouse gas emissions
- ▶ Increasing the installed power generation capacity of renewable energy

The projects which will be financed and refinanced through the bond contribute positively to sustainability by slowing the rate of climate change. The Issuer is able to demonstrate the environmental benefits quantitatively.

In terms of geographical breakdown, further expansion and diversification of the proprietary portfolio is currently under development in the following countries: Poland (115.8 MWp), Hungary (96.5 MWp), Romania (226.2 MWp) and Australia (160 MWp).

The eligible renewable energy projects financed and refinanced through the bond are likely to contribute to one of the United Nations' Sustainable Development Goals (UN SDGs), namely Goal 7 "Affordable and Clean Energy".

UN SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all



UN SDG 7 aims to make it easier for people to access and use renewable energy. The following are among the goals to be achieved by 2030:

- ▶ Increase the share of renewable energy in the global energy mix and promote investments in the energy infrastructure and clean energy technologies.
- ▶ Double the global rate of improvement in energy efficiency.

By using the proceeds from the green bonds to finance and refinance solar power projects, Photon Energy is making a contribution towards achieving UN SDG 7.



2.2. Project evaluation and selection

imug | rating confirms that the process for project evaluation and selection is in line with the Green Bond Principles.

Issuing the green bonds helps Photon Energy to achieve its sustainability goals. The Issuer has implemented structured processes that allow it to identify suitable projects that have benefits for the environment. Furthermore, the underlying process is transparent, structured and spread across several levels of authority. The Issuer also has a process in place to identify and manage any significant risks that may be associated with the projects.

SELECTION AND EVALUATION

In order to ensure that the process for selecting and evaluating projects is well structured, Photon Energy has assembled a Green Bond Committee for the issuance of the green bonds. The committee comprises the following representatives:

- ▶ Chief Executive Officer
- ▶ Chief Financial Officer
- ▶ Sustainability Manager

The process is clearly defined and documented/appropriately structured.

The selection and evaluation of projects is based on clearly defined responsibilities

The Green Bond Committee will work with the local development teams. The CEO and CFO are responsible for reporting on the development of the Australian projects. The Sustainability Manager will primarily monitor compliance with the Green Financing Framework and ensure that the characteristics of each project are in line with internal guidelines, and the CFO will prepare templates summarising the distribution of proceeds, which may lead to corrective actions.

There is a Green Bond Committee responsible for the process.

Audit and traceability of the projects is ensured.

The Green Bond Committee (GBC) is responsible for the evaluation and selection of eligible assets in accordance criteria's committed to in the Issuer's Framework. The GBC will ensure that investments are in line with all relevant internal policies and guiding documents. The decisions made by the GBC will be documented and kept on record.

ELIGIBILITY CRITERIA

The Issuer has defined eligibility criteria for selecting and evaluating projects:

PROJECT CATEGORY	CRITERIA
Renewable energy - solar power	<i>Location</i> <ul style="list-style-type: none"> ▶ Average regional solar radiation ▶ Profitability, market risks
	<i>Regulations and environmental laws</i> <ul style="list-style-type: none"> ▶ Building permits ▶ Appropriate concessions ▶ Minimum social safeguards and compliance with all applicable local regulations

Other assessment aspects

- Evaluation criteria are subject to external review
- Internal evaluation

EXCLUSION CRITERIA

The Issuer specifies investments in fossil fuel energy generation projects as ineligible for funding.

Furthermore, Photon Energy has defined additional exclusion criteria for the selection and evaluation of projects

- ▶ that are connected to high-polluting activities such as oil, gas and mining,
- ▶ associated with nuclear energy,
- ▶ that serve the arms and defence industry,
- ▶ that cause environmentally negative resource extraction, or
- ▶ that are related in any way to gambling and tobacco.

MANAGEMENT OF ESG RISKS

imug | rating regards Photon Energy as having suitable guidelines and processes in place for managing any significant ESG risks associated with the projects. The Issuer has implemented a good risk management system to identify and manage potentially important ESG criteria.

In addition to positive impacts, there are also certain potential ESG (environmental, social and governance) risks associated with the projects to be (re)financed. These material risks include the loss of biodiversity, construction noise, and the burdens of waste and recycling and also conflicts with local stakeholder groups. Environmental and social risks in connection with suppliers are also important given the international nature of the supply chain. Photon Energy has implemented a number of measures to manage any ESG risks that occur.

- ▶ **Environmental management:** All of Photon Energy's Australian entities have been ISO 14001 certified. All of active operations and maintenance entities in Europe (covering the Czech Republic, Slovakia, Hungary, and Romania) have also been ISO14001 certified. The Company has implemented elements of an environmental management system, e.g. the consideration of environmental and climate protection aspects or maintaining active dialogue with key stakeholder groups in order to identify risks to and impacts on the environment.
- ▶ **Environmental impacts:** The Company strives to cause as little negative change to land areas as possible. The possible negative impact of the projects on the environment is identified and related investigations are carried out for small-scale projects. Environmental Impact Studies (EIS) are conducted for larger scale projects. As far as the Company's major projects in Australia are concerned, the EIS take place at the beginning. During the first year of development, an extensive amount of information about the environmental impact of each project is published and documented as part of the approval process.
- ▶ **Recycling:** The Company commits to disposing of waste, sorting and recycling all recyclable materials such as metal, wood, plastic, glass and paper. In addition, Photon Energy does not use chemical fertilizers or pesticides for landscape management. Ecologically sound disposal of PV components is included in the ESG risk management.
- ▶ **Working conditions:** Photon Energy has adopted internal guidelines that regulate the issues of occupational health and safety.
- ▶ **Safety at work:** In order to ensure that the requirements in the internal guidelines are met, the Company has implemented appropriate processes for managing safety. These include clear responsibilities and providing its staff with protective equipment. During the construction of PV power plants, the project manager is responsible for ensuring that the teams comply with health and safety requirements under the responsibility of the respective contractor. Risks are identified, mitigated, controlled and monitored. Necessary actions are taken to prevent recurrence.
- ▶ **Supplier considerations:** Photon Energy's procurement policy provides guidelines for the selection of suppliers. First due diligence on its top 10 suppliers has been performed, representing 90 percent of the Company's technology sourcing (modules and inverters). In 2021, this due diligence process is planned to be renewed and extended to the Issuer's 20 top suppliers.
- ▶ **Dialogue with stakeholder groups and controversies:** The Issuer has local teams in place in every country where it operates, allowing to communicate with and provide

information directly to local authorities and residents. In Australia, development approvals for PV power plants are subject to public inquiry and concertation which brings together representatives of central and local government, environmental and other associations.

- ▶ **Compliance:** The Company is established in the areas of governance and compliance. Photon Energy keeps books and records in reasonable detail to accurately reflect transactions. An anti-corruption and bribery policy has been implemented within the Company, including the creation of a whistleblowing system (an anonymous system is planned to be set up by March 2022). In addition, an anti-corruption training program is expected to be organized in Q4 2021.



2.3. Management of proceeds

imug | rating confirms that the rules put in place for managing proceeds are in line with the Green Bond Principles.

Photon Energy has established internal rules that facilitate a transparent allocation process.

TRACKING THE PROCEEDS

- Sub-account
- Sub-portfolio
- Otherwise suitably tracked

The finance department of the Issuer will track the value of green eligible projects so it matches or exceeds the balance of net proceeds. If a green eligible project already funded by a green bond is sold, or for other reasons loses its eligibility as outlined within the Framework, the Green Bond Committee is committed to replace the asset with another qualifying green eligible project. 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.

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.

- The Issuer has an internal process in place that is used to ensure that the proceeds will only be used for the solar power projects chosen.
- The Issuer will periodically allocate the balance of the net proceeds to the projects as long as the green bonds are pending.

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

- The Issuer discloses where temporarily unallocated proceeds will be held. Photon Energy will place the unallocated proceeds in the Company's ordinary bank account or short-term money markets until deployed.

- The Issuer undertakes the allocation of proceeds to projects within a specified time period.

Photon Energy Group commits to fully allocate the proceeds within 36 months of the issuance date of each green bond. Remaining proceeds will have been allocated no later than 36 months after issuance of the bond.

- External verification



2.4. Reporting

imug | rating confirms that the reporting process is in line with the Green Bond Principles.

The Issuer undertakes to report on both the allocation of proceeds and the environmental benefits of the projects. The underlying process for acquiring and consolidating data is clearly defined.

imug | rating considers the Issuer's commitment to regularly reporting in future on the use of proceeds and the bonds' environmental benefits to be convincing and reliable.

LEVEL OF REPORTING

- Project portfolio basis
- Project level

REPORTING INDICATORS

Allocation of the funds

- Amount of the total proceeds of the issuance
- Amount allocated
- Share of refinancing
- Information on any unallocated proceeds of the issuance
- Project description

Sustainability information

- Demonstration of the sustainability benefits (quantitative)
- Demonstration of the sustainability benefits (qualitative)

Further information

- Reporting on risk management
- Reporting on material changes
- External verification of reporting (Impact Reporting)
- External verification of reporting (Allocation Reporting)

REPORTING TAKES PLACE VIA

- Website
- Annual Report / Sustainability Report
- Internal channels (to investors only)

FREQUENCY

- Annually
- Semi-annually
- Other

REPORTING PERIOD

- Until proceeds are fully allocated
- As long as the bond is pending

DATA COLLECTION AND CONSOLIDATION PROCESS

- The underlying process of data collection and consolidation is clearly structured.
- Disclosure of the methodology and/or assumptions
- Subject to external control

ENVIRONMENTAL REPORTING INDICATORS

imug | rating considers the environmental reporting indicators selected to be relevant and significant. The Issuer will use quantitative output and impact indicators to demonstrate the positive effect expected from the (re)financing activity:

PROJECT CATEGORY	OUTPUT INDICATORS	IMPACT INDICATORS
Renewable energy – solar power	<ul style="list-style-type: none"> ▶ Energy storage and other energy solutions: capacity and technology of electricity storage installed (MWh) ▶ Annual renewable energy generation (MWh), in total and compared to plans ▶ Capacity of renewable energy power plants constructed (MWh), in total and per renewable energy technology (solar photovoltaic, concentrated solar) 	<ul style="list-style-type: none"> ▶ Estimated annual greenhouse gas emissions avoided (tCO₂e)



3. ISSUER

SUSTAINABILITY STRATEGY

The issuance is in line with the GBP and contributes to furthering Photon Energy's corporate strategy and thus the expansion of renewable energy. Photon Energy's main business model is the development and construction of solar power plants. Accordingly, all its business activities are oriented towards the production of renewable energy. The issuance of the green bonds, therefore, is in line with Photon Energy's corporate strategy.

Corporate strategy

The issuance contributes to the achievement of Photon Energy's long-term goal: creating multiple recurring revenue streams from its fully integrated energy business model. In order to achieve this goal, Photon Energy invests mainly in the expansion of clean electricity generation, as well as the development of its water treatment business.

Photon Energy has also formalized a sustainability strategy that is consistent with its goals. The objectives for this strategy are focused around the growing global issue of climate change. By the end of 2024, the Company intends to grow further in the following ways:

- ▶ Investments – enhancing its clean energy portfolio to a total installed capacity of 600 MWp in operation.
- ▶ Energy solutions – expanding its EPC business by utilising existing experience.
- ▶ Operations & maintenance – maximising the energy generation output of proprietary and clients' power plants and to optimizing the useful life of PV assets.
- ▶ Technology distribution – generating additional trading revenues from PV modules, inverters, batteries and other components.
- ▶ Water – becoming a leading worldwide player in the PFAS (per- and polyfluorinated substances) remediation industry.

The entire corporate strategy of Photon Energy is consequently geared to making a contribution to sustainable development and is thus also consistent with the issuance of the green bonds.

CONTROVERSIAL AREAS OF BUSINESS AND CONTROVERSIES

imug | rating has examined Photon Energy in relation to a total of 10 controversial areas of business¹. Photon Energy is not active in controversial areas of business. Up to the reporting date of 15.10.2021, there was no information available to suggest that Photon Energy is involved in controversies.²

¹ Controversial areas of business are specified in the Methodology section (page 14).

² Controversial business activities are specified in the Methodology section (page 14).



4. OPINION

Photon Energy is a globally active company in the renewable energy sector, and provides various different products and services and advocates for access to clean, affordable energy and water. imug | rating regards the contribution Photon Energy makes to sustainability as very positive.

Photon Energy's Green Financing Framework, intended to support its financing activities, was analysed and assessed to be appropriate to support the issuance of green bonds. Under this Framework, Photon Energy can finance and/or refinance eligible assets and projects that are fully in line with the Green Bond Principles.

The Framework for Photon Energy's green bonds is in line with the Green Bond Principles.

By producing solar electricity, Photon Energy's power plants are making a contribution to mitigating ongoing climate change and increasing the share of renewable energy in the global energy mix. Financing solar power plants makes a positive contribution that promotes one of the United Nations' Sustainable Development Goals (UN SDGs), namely Goal 7 "Affordable and Clean Energy".

imug | rating confirms that Photon Energy's strategy is in line with the issuance of the green bonds. Photon Energy's core business is the solar power solutions and services. There is no evidence to suggest that Photon Energy is involved in controversies or any other controversial areas of business.

5. METHODOLOGY

The present report was prepared by qualified imug | rating analysts. Our sustainability research is carried out exclusively in accordance with recognised and methodically secured procedures. We have defined strict quality standards for all research activities and customer processes. As early as 2002, imug | rating adopted a Code of Conduct which guarantees the independence, traceability and quality of sustainability assessments. In order to align its research and work processes even more closely with recognized standards, imug | rating underwent an external audit in June 2019 and received certification in accordance with the quality management standard ISO 9001:2015. The initial certifications are reviewed in regular monitoring audits, the last of which took place in June 2021.

Following a detailed examination of the Framework, imug | rating confirms whether an issuance complies with the Social Bond Principles (SBP) 2021, the Green Bond Principles (GBP) 2021 and the Sustainability Bond Guidelines (2021), as well as the Social Loan Principles (SLP) 2021 and Green Loan Principles (GLP) 2021.

For a positive assessment, the Issuer must report on the following points transparently and implement them in a comprehensible manner: (1) Use of the proceeds, (2) process selection and evaluation, (3) management of the proceeds and (4) reporting. In addition to the Framework, discussions with relevant employees of the Issuer and publicly available information form the information basis for the present expert opinion. These sources were only used if the information is comprehensible and documented. In addition, imug | rating sends a questionnaire to the Issuer in order to thoroughly examine the issuer's ESG risk management in the areas of environmental, social and governance issues.

In addition, imug | rating examines whether an issue is in line with the Issuer's corporate strategy or whether appropriate environmental measures have already been implemented in the absence of a strategy.

imug | rating analyses the activities of the Issuer in the following controversial business areas: Fossil fuels (including thermal coal or unconventional oil and gas production), production of nuclear energy and strategic products/services for the operation of nuclear power plants, production of conventional and controversial weapons and armaments, factory farms/animal testing, green genetic engineering, gambling, tobacco, alcohol, pornography, and hazardous chemicals. All controversial business activities are listed regardless of a sales threshold.

imug | rating also screens every Issuer for other controversial business activities. This includes potential controversies such as violations of internationally recognized sustainability standards, such as the UN Global Compact or the ILO core labour standards. Only those controversial business activities are listed that can be verified by reliable and resilient public sources. The analysis covers the following areas: Environmental damage (loss of biodiversity, etc.), society (human rights, social standards, occupational safety, health protection, etc.) and corporate governance (corruption, tax evasion, cartels, money laundering, fraud, etc.). imug | rating categorizes controversies according to their degree of severity (insignificant, significant and critical). In addition to the severity of a controversy, the frequency of its occurrence is also taken into account.

Transparency & Disclaimer

Disclosure of the relation between imug | rating and the Issuer: imug | rating has carried out a sustainability rating for Photon Energy N.V. in the year 2021. This activity is not related to the present Second Party Opinion. There is no relationship, financial or otherwise, between imug | rating and the Issuer.

imug | rating has prepared this independent Second Party Opinion in accordance with imug | rating's methodology and in strict compliance with its Code of Conduct to avoid conflicts of interest and to meet requirements of objectivity and transparency, independence, integrity and professional conduct.

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