



OPTIMUM SOLAR

GREEN BOND
FRAMEWORK

MARCH 2023



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I. Introduction

ABOUT OPTIMUM SOLAR

Optimum Solar Zrt. is a medium-sized solar energy utilization company, established in 2011 that operates in Hungary. The company was established for the construction of passive and efficient buildings and specialized towards solar panels and related services.

Since then, our company has been developing dynamically in this area, so today it is one of the market leaders among Hungarian renewable energy companies. Our product range has been designed in such a way that we can meet the individual needs of our customers to the maximum, whether it is homestead electrification, a solar system installed on a private house or solar power plants supplying the energy needs of companies, municipalities, medical institutions, catering units and industrial parks. Since its foundation, our company has installed solar panels for our customers with total capacity of more than 123 MWp and avoided approximately 340.450 tons of CO₂ pollution per year.



445.822

solar panels delivered

340.450 tons

Co2 -discharge

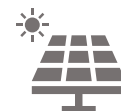
575.666 MWh

Annual green energy production

OUR SOLUTIONS



Solar Panel for Home



Solar Power Plants for Investment Purposes



Complex Energy Investments



Electric Vehicle Chargers



Modernization of Public Lighting

SUSTAINABILITY AT OPTIMUM SOLAR

At Optimum Solar we consider sustainability part of our mission. Our activity represents long-term sustainable solutions to our clients and supports transition of the energy sector towards green energy. When it comes to sustainability we think in a holistic way. As a responsible business we consider sustainable operation just as important as sustainable business activity. In 2021 we developed our sustainability plan, that defines the sustainability principles of our operation. Our goal in the future is to set measurable targets to these principles, therefore, we intend to develop our own ESG strategy in the close future.

In our ESG approach we consider all three pillars of sustainability as high priority.

Environmental

Our business activity enables our clients to decrease their negative impact on the environment, by using green energy. With our core business we contribute to climate change mitigation.

Environmental awareness is in everything that we do from the services we offer to the daily operation of our business. The green approach can be seen in everyday, small activities, like using recycled or reusable products instead of disposable ones in our offices. We are slowly increasing the proportion of electric cars in our fleet, which we charge from our solar systems, thus ensuring carbon-free replenishment. In this approach we have established our 700 m² headquarters in Baja, in 2015. Our office and warehouse buildings are using heat pump systems with wall and ceiling heating and cooling, operated by local energy, natural gas has not been connected at the site. The solar power systems we installed produce an annual power of 77.000 kWh, resulting in reducing CO₂-pollution by 45 540 kg each year.

We consider waste management a challenge that our industry is facing, therefore we intend to responsibly care about waste generated along our value chain, with special focus on disposition of PV panels at the end of their life cycle. Optimum Solar commits to apply takebacks and/or dismantling and using the dismantled parts of the solar panels again at the end of its life to increase circularity of the operation.

For us, the preservation of biodiversity is an important factor when deciding about the instalment of new solar power plants. Before implementing new power plants an environmental assessment is always concluded to identify and mitigate potential and actual environmental risks related to biodiversity, to ensure that we do no significant harm in natural habitats and the ecosystem. The



assessment is made based on our environmental policy and risk assessment policy.



Social

The most important resource that we have is our trustworthy employee base, which enables us to provide added value to all. We aim to create a supportive environment where our employees feel appreciated and safe, we support these ambitions through fair compensation and benefit system as well as with proper health and safety measures. In 2022 we conducted an employee satisfaction survey which we plan to continue in the future to have an overview of the wellbeing of our employees. Our construction workers and mechanics take on elevated risk when installing solar panels therefore it is required that all health and safety measures are properly performed during construction.

It is important for us to convey an appropriate set of values beyond our work, and in addition to this, we consider it essential to play a role in society and to promote the preservation of local values. We believe that it is easier to achieve our goals by working together, so we support local associations and organizations.

We are working at regional and national level to raise awareness on the importance of environmental protection and the usefulness of solar systems providing renewable energy. We consider enhancing education of local communities an important social role for companies, therefore we supported environmentally conscious Super Green (Szuperzöld) television magazine show to promote environmentally conscious thinking. Also, we are publishing a series of environmental articles in several journals to inform the public as widely as possible about the current issues of the topic.

Governmental

Energy investments mean long-term cooperation, so trust is key for the company. To earn the trust of our investors, clients and suppliers, ethical business behavior is very important for us. Our Anti-corruption policy and supplier policy are sets of rules which define the business attitude we expect to be performed both from our employees and business partners. We require ethical and fair business manner inside and outside of our organization with high level of transparency. We make health, safety, and environmental considerations according to the ISO 9001 and 14001 standards,

and the quality standards 3834-2 and 1090-1 issued by TÜV SÜD. Business decisions are made with proper risk evaluation based on our risk management policies. In the long run we consider environmental risks as an ever-increasing risk factor, therefore we intend to put even higher focus on this topic.



E

- Reducing CO₂ emission through our core business
- Reducing environmental footprint of our own operation by environmental conscious day-to-day work, refurbishment of our sites, reducing waste generated
- Incorporating sustainability to our value and supplier chain
- Protecting biodiversity when designing solar plants
- Increasing recycling at the end of solar panels' lifecycle



S

- Supporting local communities through ESG education and donations to local organizations
- Creating a fair working environment by providing equal opportunities to our employees
- Protecting our employees through Health and Safety measures



G

- Maintaining compliant operation through responsible leadership
- Obtaining relevant certifications
- Reducing ESG risk through proper risk assessments
- Ensuring ethical business behavior through Anti-corruption policy

II. The Green Bond Framework

GREEN BOND FRAMEWORK CHARACTERISTICS

The Green Bond Framework is prepared in alignment with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1). Optimum Solar considers the EU Taxonomy a forward-looking classification system, which the company intends to comply with in the future as market best practice evolves.

In 2020 Optimum Solar issued corporate bonds under the Central Bank of Hungary's National Growth Bond Program for financing green investments of the company. Net proceeds from this previous bond issuance were allocated fully to green projects.

With the development of this Green Bond Framework, Optimum Solar aims to define a set of criteria based on which the environmental performance of these projects can be identified and certified as green.

Though the company did not obtain a Green Bond Framework in 2020, the transparent allocation of bond proceeds was ensured by several management processes:

- Eligible projects were evaluated and elected by decision-making representatives of Optimum Solar and members of the Executive Board such as (but not limited to) the CEO, CFO, and the Green Referent of Optimum Solar, they had a comprehensive knowledge to assess environmental and social risks related to potential green projects. Related to this Framework these representatives acquire position at the Green Bond Committee.
- Financed projects were, and still are, aligned with the green eligibility criteria defined in the Use of Proceeds section of this Framework.
- Bond proceeds were tracked all along the allocation process with separate accounting, enabling the company to identify impact and performance of the financed projects in alignment with the Management of Proceeds and Reporting section of this Framework.

To maintain transparency, we will issue an Allocation and Impact Report about green bonds, issued in 2020. We intend to issue these reports within a year from publishing this Framework. The Allocation and Impact reports will include information about the management of proceeds and the delivered environmental impact of the projects financed by the proceeds. The impact assessment will be based on the Reporting section in this Framework. Reports will be publicly disclosed on our website.



In 2020 Optimum Solar issued bonds valued around 6 billion forints. The proceeds from these bonds were mainly used for 3 big projects: installation of PV plants and solar systems in Hungary, the refurbishment of Optimum Solar's warehouse building into a high-efficiency office building and the development of a new warehouse building, both in Baja headquarters.

From the bond proceeds we completed approximately 300 unit per 0,5MW project settlements. These small-scale solar power plants installed from the bond proceeds can produce on an annual basis nearly 735.000kWh of electricity and saves the Earth almost 435.000 kg of CO₂ pollution. Solar farms offer communities the security and predictability of locally produced energy, while reducing their ecological footprint. The investments will make municipalities stand out for their renewable energy deployment rates.

To put this into figures, current technology means that high-efficiency solar panels can produce green electricity for up to 30-40 years. Furthermore, in 25 years, the nominal output of these solar panels can be reduced by 20% according to technological standards, and their components can be recycled.






Development of our headquarters in Baja was another big project successfully accomplished through bond financing. We reconstructed our warehouse into a modern, futuristic office building meanwhile developing a brand-new warehouse building as well. During the reconstruction of the previous warehouse building, we installed renewable energy sources such as PV solar panels on the roof, heat exchanger systems and improved heat insulation. The energy performance of the reconstructed office building reached AA++ level which is more than 10% better than the minimum Hungarian energy performance certificate (EPC) for nearly-zero energy buildings.

Our warehouse building complies with the Hungarian nearly zero-emission building requirements, with primary energy demand reaching the BB level. We no longer use gas either in the warehouse nor in the office building thanks to the renewable energy solutions used in the headquarters.

For future bond issuance Optimum Solar considers this Framework applicable and is committed to be aligned with the criteria set in this document.

USE OF PROCEEDS

The proceeds from the bond issuance are used to finance or refinance eligible green assets and projects that has clear environmental benefits. Eligibility criteria is defined in alignment with national and international laws, regulations, and standards, whilst contribution to the following UN SDG's. Optimum Solar's net proceeds finance projects that fall under the following categories and that fulfils the defined eligibility criteria below:

Eligible Green Project Category	Eligibility Criteria	Contribution to UN SDG's
 <p>Renewable Energy</p>	<p>New or existing investments in or expenditures on the acquisition, development, construction and/or installation of Solar PVs (including rooftop solar projects).</p> <p>Including transmission, distribution, and electrical storage infrastructure (solar PVs) related to renewable energy production.</p>	
 <p>Green Buildings</p>	<p>Acquisition/construction of commercial buildings that meet the following, recognized standards:</p> <ul style="list-style-type: none"> • BREEAM (Excellent or above), or • LEED (Gold or above), or • At least 10% better than the minimum Hungarian energy performance certificate (EPC) for nearly-zero energy buildings. <p>Refurbishment of buildings that meet the following, recognized standards:</p> <ul style="list-style-type: none"> • Reduction of primary energy demand (PED) of at least 30 % 	 

EXCLUDED PROJECTS

THE COMPANY EXCLUDES THE ALLOCATION OF BOND PROCEEDS TO PROJECTS AND ASSETS TO THE FOLLOWING ACTIVITIES:

- Fossil-based energy generation

- Nuclear energy generation
- R&D related to weapons and defence industries
- Potentially environmentally negative resource extraction (such as fossil fuels and, Rare-earth elements)
- Gambling or tobacco

PROCESS FOR PROJECT EVALUATION AND SELECTION

To ensure that proceeds from the Green Bond Portfolio are allocated to green projects that are in line with the eligibility criteria defined in the Use of Proceeds section of this Green Bond Framework, Optimum Solar established their Green Bond Committee (GBC).

The **GREEN BOND COMMITTEE** is the responsible, decision-making committee created for governance of Optimum Solar's Green Bond Portfolio and initiatives concerning the company's CSR objectives and strategy. Transparency of the project evaluation and selection is safeguarded by the Green Committee. The Committee examines potential asset investments in relation to environmental and social risks ensuring Social Safeguards and compliance with local regulations.

The Green Bond Committee is responsible for the alignment of the four core principles of ICMA, the green project evaluation and selection, allocation, and management of proceeds as well as for reporting.

Optimum Solar intends to use green proceeds to such renewable energy and green building projects that support the company's sustainable strategic goals and objectives. By investing in renewable energy projects, we contribute to the spread of renewable energy solutions. With the construction of solar energy parks and instalment of solar panels we support our clients in the reduction of their Co₂ emission, meanwhile also contributing to climate change mitigation and improving the living standards of local communities. The construction or refurbishment of green buildings improves the overall quality of the Hungarian building stocks whilst also decreasing the environmental footprint of Optimum Solar.

The Committee is established by and subordinated to the **CHIEF EXECUTIVE OFFICER (CEO)** of Optimum Solar. It has permanent members, but it can be expanded, if necessary, by electing new members or inviting subject matter experts on an occasional basis. The Green Bond Committee is composed of members from the executive level as well, including the Head of Financing and the representative of CSR function.

The **PERMANENT MEMBERS** are responsible to make decisions about green proceeds and to issue and perform relevant control procedures related to the green bond allocation, resulting transparency and accuracy.

The **CHAIRMAN (CEO)** is the head of the Committee, responsible for leading GBC sessions and to ensure that GBC sessions are held based on the primary principles defined in this document.

OPERATION OF THE COMMITTEE

In general, Green Bond Committee holds at least one session per a year, but additional session can be held if needed. Extraordinary meetings are summoned by the Chair. Meeting minutes are to be recorded by the Secretary of the Committee. The Secretary is not a member of the Committee and, in the event of a decision, shall not have the right to vote. The Chair of the Committee will preside over Committee meetings.

With respect of Optimum Solar's intention to certify the previous bond issuance of 2020 and the financed projects under it as green, the Green Bond Committee will also be responsible to report on these past proceeds, their allocation and environmental impact.

Detailed operation of the Green Bond Committee is in a separate corporate document.

Due to the ever-changing external environment the Green Bond Committee will regularly revise the accuracy of the Framework and will make any future alteration if needed.

SPECIFIC REQUIREMENTS AND INTERNAL GOVERNANCE PROCEDURES TO SELECT ELIGIBLE GREEN PROJECTS

1. PROJECT EVALUATION

Decisions regarding green financing are reached after careful evaluation of proposed projects. Permanent members of the Committee have the right to propose topics and potential green projects for discussions. For allocation of proceeds, projects are evaluated in alignment with this Framework. If needed the Committee can decide to invite an external advisor to help project evaluation. When evaluating green projects, risks are measured and evaluated based on the company's general and ESG risk management policies.

2. ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT AND MITIGATION

Optimum Solar assesses and mitigates ESG risks based on two internal policies. Firstly, environmental risks are managed in alignment with the company's Environmental Policy. The Environmental policy details environmental and social risk factors and other environmental aspects to be taken into consideration before potential investments. Aspects include compliance with relevant laws and regulations, water management, waste management, noise protection, nature reservation etc. This policy is used as a basic guideline for preliminary assessments made before each construction. Secondly, Optimum Solar expanded its general risk assessment policy with relevant ESG risks that could arise through its operation, this directly links ESG risks to everyday risk management. No investments could be made without a comprehensive risk assessment that will ensure environmental compliance and alignment of the proposed projects with the Green Bond Framework of Optimum Solar.

3. DECISION-MAKING PROCEDURE

After the project evaluation phase, when environmental and social risk are properly assessed and mitigated, permanent members of the Committee decide with simple majority voting about matters regarding green financing.

When a project is considered as high-risk, Optimum Solar could ask an external subject matter expert to help define risk factors and risk management procedures to be performed related to the potential green project. When an ESG risk is considered to be too high, it is also possible that the proposed green project will not be selected as green project under green financing.

Eligible green projects are monitored after the selection procedure is concluded as well. ESG risks are monitored all along the project execution.

MANAGEMENT OF PROCEEDS

Optimum Solar intends to track the Green Bond Proceeds in a separate Green Portfolio or sub-account. The proceeds of green bonds are managed per bond (bond-by-bond approach). The

allocation of proceeds is monitored by the GBC. Proceeds can only be allocated to projects that are Eligible to the Use of Proceeds section of this framework.

In accordance with best market practices proceeds are to be allocated within 36 months from issuance. In case of refinancing allocation should be made within a 48 months look-back period.

Until full allocation, optimum solar can allocate proceeds to temporary investments in short-term, liquid interest-bearing securities such as Hungarian and other European sovereign bonds or cash/cash equivalents.

REPORTING

In accordance with the recommendation of ICMA GBP (as of June 2021 with June 2022 Appendix 1) Optimum Solar intends to disclose Allocation and Impact reports related to eligible green projects to inform stakeholders. The Green Bond Allocation Report describes the allocation of proceeds, while the Impact Report contains the environmental impact of the Green Projects and Assets. Optimum Solar will disclose these reports until the full allocation of proceeds. The report will be published on our website¹.

THE **ALLOCATION REPORT** IS EXPECTED TO CONTAIN THE FOLLOWING PARAMETERS:

- The total amount of eligible projects/assets in the Green Portfolio
- Share of financing/refinancing
- Status of the Green Projects/Assets
- Geographical distribution
- Balance of unallocated bond proceeds

The **IMPACT REPORT** will be based on the recommendations of the Harmonised Framework for Impact Reporting (June 2021)². The Impact report will assess environmental performance of eligible green projects including description of calculation methodologies and details of data collection. The impact assessment of eligible green projects will be based on metrics listed below, but when reasonable Optimum Solar may decide to report on other relevant KPI's.

Eligible Category	Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> • Installed renewables capacity in MW • Annual renewable energy generation in MWh • Annual avoided GHG emissions (t CO₂e)
Green Buildings	<ul style="list-style-type: none"> • Type and degree of certification for buildings (e.g. LEED, BREEAM, EPC) • Estimated annual GHG emissions avoided (t CO₂e) • Annual energy savings (MWh)

External Review

¹ [Optimum Solar](#)

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-forImpact-Reporting-June-2021-100621.pdf>

Optimum Solar appointed an external review provider, ISS ESG, to assess pre-issuance external review on the alignment of the Green Bond Framework with the four core components of ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) and the green bond definition as defined above.

THE PRE-ISSURANCE SECOND PARTY OPINION WILL BE AVAILABLE ON OPTIMUM SOLAR'S WEBSITE TOGETHER WITH THE GREEN BOND FRAMEWORK.