

# GREEN BOND FRAMEWORK



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Green Bond Framework prepared by: Credit Management Group



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## 1. Introduction to Electron Holding Plc.

Electron Holding Plc. (Company) intends to issue an EUR 20 million Green Bond. The Green Bond will finance primarily the project aiming to realize new photovoltaic solar power plants and secondly further solar power plant project development.

The fund will be used for the implementation of investments focusing on the realization of photovoltaic solar power plants and further solar power plants project development considering renewable energy, energy efficiency, GHG emission.

The present Green Bond Framework has been compiled in alignment of the International Capital Market Association (ICMA) 2021 Green Bond Principles 2021 (GBPs)<sup>1</sup> and in engagement with the UN Sustainable Development Goals.

### 1.1. Corporate structure

Electron Holding Plc. has been operating in Hungary since 2017 and is a vertically integrated renewable energy company whose activities range from project development through design, construction and operation to energy production and trading. The Company has a close relationship with the Eurotrade Group, which has gained experience in many industries over the past 30 years; including the construction, automotive, financial services, food and energy segments.

The Company's portfolio consists mainly of photovoltaic solar power plants in Hungary, but it also develops energy storage and wind power plants in the Eastern and Southern European region and is currently conducting market research and pre-acquisition work in several countries. Since its foundation, the construction of a significant number of solar power parks has been largely realized by 100% owned subsidiaries (project companies) as own investments. By operating project companies, the operation of individual parks and their potential future sales can be separated from each other.

In 2022, due to market opportunities, the Company sold 21.5 MW of solar power parks located exclusively in project companies – indirectly - to Equitix MA15 Holdco Limited in England.

The Company is working on a project with the aim of 650 MW capacity development. New projects are constantly attached to this. The aim of the Company is to become one of the leading integrated renewable energy companies in the CEE region over the next 3-5 years with significant professional and international experience.

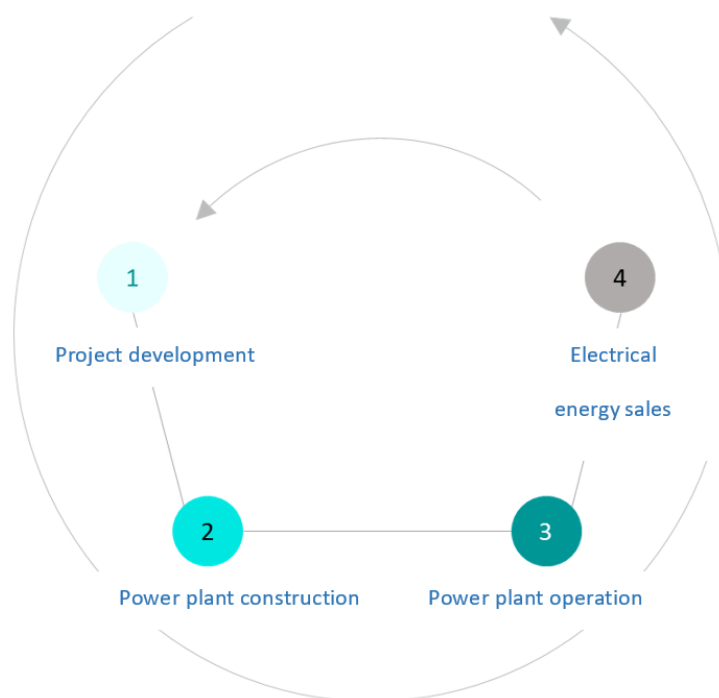
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<sup>1</sup> Green Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds published in June 2021, (with June 2022 Appendix 1)  
[https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf)

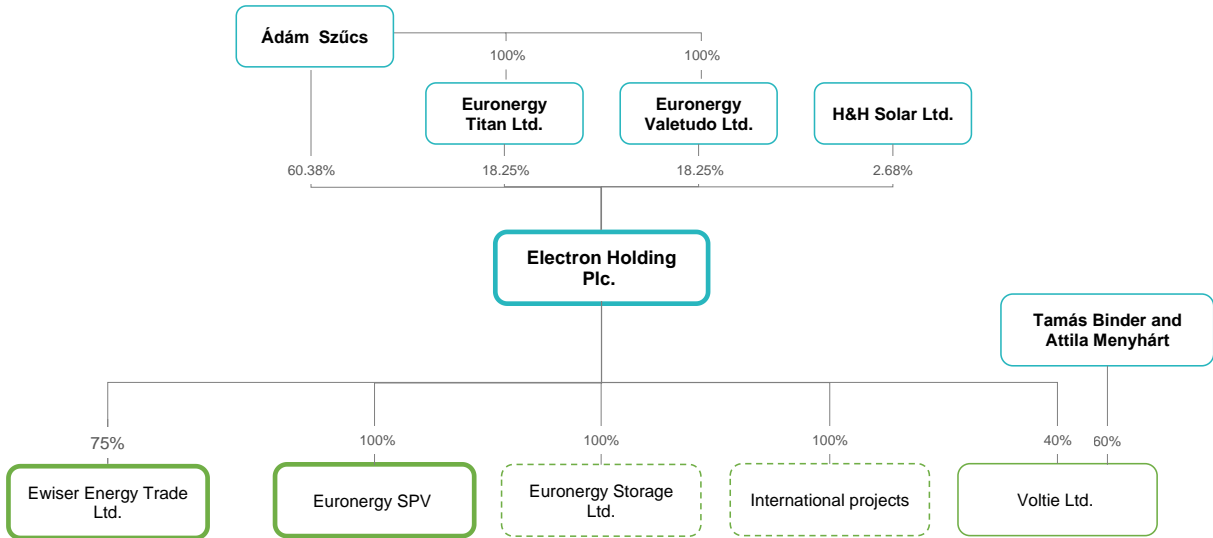
Facts and Figures (2021)	
Group turnover	EUR 42 mio
Power plant (own property)	26
PV plants under developments	650 MW
Revenue	EUR 11,6 mio
Tangible assets	EUR 32 mio
Current assets	EUR 2,4 mio

Electron Holding Plc. 's activities cover the following areas:

- Project development
- Power plant construction
- Power plant operation
- Electrical energy sales



The main owner of Electron Holding Plc. is Mr. Ádám Szűcs who owns 97.32% of the shares. Minority shareholders is H&H Solar Ltd. (2,68%). Electron Holding Plc. in collaboration with Ewiser Forecast Ltd., operates Ewiser Energy Trade Ltd., acquisition of 75% of share. Electron Holding Plc. is 100% owner of Euronenergy SPV, Euroenergy Storage Ltd. and further international projects in development phase.



Figures 1: Ownership structure & affiliated companies

### 1.2 Corporate governance structure

At Electron Holding Plc. the management and owners are separated in different corporate bodies.

The decision making is based on the following principles. The Supervisory Board is currently being formed with 5 members. The Supervisory board on behalf of the owners of the company inspects the efficient and profit-oriented operation and management of the company at least quarterly. The Board of Directors is currently being formed with 5 members. They are defining the long-term strategy and key pillars for the upcoming business year. They are approving project plans and budget, monthly monitoring of sales and cost plans and looking for new strategic opportunities. The Operational Management reconciling business matters, managing key accounts / stakeholders, issuing potential strategic proposals to the board.

There are following corporate governance elements, to monitor and audit the Company's activity. Electron Holding works with independent auditor and authorities. The auditor company of Electron Holding is KLEGER Ltd. Integrated international ERP system (Microsoft

Business Central) to be used for monitoring and mitigating business risks, monitoring global tendencies and fulfilling hedging strategy.

### **1.3. Corporate Social Responsibility (CSR)**

Electron Holding Plc's corporate governance policy includes focus areas targeting goals that make sustainable development an integrated part of business strategy to address common challenges. Selection of sites for new solar energy plants is determined not only by technical criteria but also by environmental considerations. Where positioning of new energy plants has any impact on natural environment the Company mitigates this impact by the implementation of landmark designs. Tree planting is not limited only around solar energy plants (like in Medgyesegyháza) but also in collaboration with local municipalities. Cooperation with local authorities offer opportunity also to support local communities through the donation of long expiration date food and seasonal gift donation (like Mikulásgyár gift collection).

### **1.4. Core business**

The purpose of the Company's activity is to generate and sell electricity from solar power plants. Electron Holding Plc. provides a complex service including engineering (design), procurement and construction (EPC) undertaking the complete works of a project, from the technical, legal and financial consulting, through the planning phase to the actual implementation. During the design and construction, the cost-benefit principle is applied not only to the construction, but also to the 25-30 years of operation, to keep the operating costs at an optimal level in addition to the construction costs.

Electron Holding Plc. performs the operation and maintenance (O&M) of the realized power plant with the help of a self-developed software, with a troubleshooting team available in 0-24 hours. O&M services include, but are not limited to site maintenance of the solar park, interim inspection of components, possible warranty administration, remote monitoring, and reporting to MAVIR Hungarian Independent Transmission Operator Company Plc. (MAVIR Plc.) electricity supply and transmission system operator licensed by the Hungarian Energy and Public Utility Regulatory Authority,

Electron Holding Plc. in collaboration with Ewiser, one of Hungary's leading timetable service providers, operates Ewiser Energy Trade Ltd., which is an energy trading company specializing in the receipt of electricity from renewable power plants and the sale of the received energy through the stock exchange.

In addition to energy trading, the Company operates a control centre with a validated capacity of more than 100 MW.

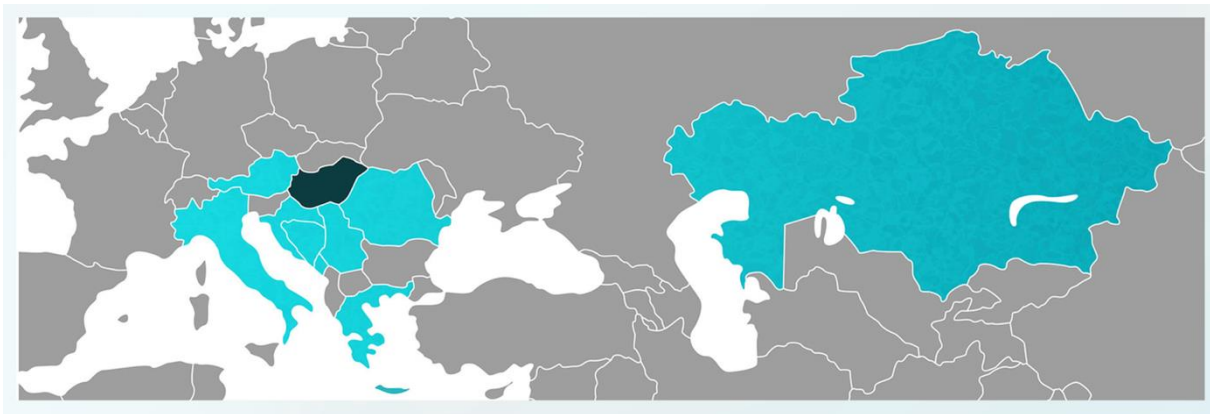
Energy trading encompasses two areas, electricity procurement and sales. During the procurement, the company buys the electricity produced from the already operating plants

or from the power plants that will be put into operation. Besides favourable prices in the market Electron Holding Plc. energy trading activity also offers most of the services providing the purchase of energy and balancing energy efficiency to cover the resulting costs, as well as several amenities when the power plant is commissioned. Another area of energy trade is the sale of electricity to end users, all for conscious consumers for whom not only a good price is important, but also the consumption of environmentally friendly “green energy”.

### **International projects**

Thanks to the successful business strategy built by Electron Holding Plc over the past 5 years, the Company has now become one of Hungary's market-leading solar power plant investment companies.

After successful investments in Hungary, the company started to develop renewable energy projects in the surrounding countries, using the acquired knowledge, experience and capital strength. The company aims to be one of the leading renewable electricity companies in the region over the next 5 years with an integrated market presence.



The Company has currently active project developments in Hungary, Austria, Italy, Croatia, Serbia, Bosnia, Montenegro, Romania, Greece and Kazakhstan.

## **2. Sustainability approach**

### **2.1. Sustainability approach of Electron Holding Plc.**

Electron Holding's owners and managers are committed to long-term sustainability as baseline for a successful operation. The Company's core business contributes to the carbon footprint reduction in energy sector providing solutions for a more sustainable energy generation in harmony also with the National Government's efforts to face current environmental challenges. Electron Holding sustainability targets regard not only its activity and its impact on environment but also social and corporate governance issues as focus points of its business responsibility.

Beyond offering solutions for the decarbonisation of the energy world through its complex services Electron Holding strives to contribute to an efficient energy management while generating electricity using solar photovoltaic technology. The Company's sustainability policy also includes a special attention to product design and lifecycle management, as well as waste and hazardous materials management. To assure appropriate operation of the energy plant for its whole useful operating lifecycle and reduce ecological impact Electron Holding Plc. offers integrated solutions for the whole lifespan of solar power plants from implementation, through operation, maintenance and troubleshooting.

The Company's diverse and inclusive corporate culture pays special attention to health and safety, equal opportunities for employees, includes commitment to human rights, labour-and environmental standards, as well as fight against corruption therefore company policies support different Sustainable Development Goals set by the United Nations.

EU political agenda is substantially shifting the power industry towards more renewables and more interconnected markets and networks:

- The EU has agreed a comprehensive update of its energy policy framework to facilitate the transition away from fossil fuels towards cleaner energy sources and to deliver on the EU's Paris Agreement commitments for reducing greenhouse gas emissions,
- EU countries have 1-2 years to transpose the new directives into national law.

Electron Holding increasingly focuses on renewable assets with building up a significant large-scale project development. Electron Holding's strategic approach for investing in power generation balances between the energy volume and flexibility

## **2.2. Environmental impacts**

### **CO<sub>2</sub> savings as for 1MW solar panel**

Taking in account Hungary's energy mix in terms of primary energy, carbon emission can be estimated cc. 365 g / kWh of CO<sub>2</sub>. Therefore a 1 MW power plant that is 1.4 MWp on the DC side, depending on how much energy it produces (fixed or tilting panels), calculating a specific performance of 1250 kWh / kW, it is 1,750,000 kWh / year. The savings of CO<sub>2</sub> are approx. 638,780,000 gCO<sub>2</sub>; 638.75 tCO<sub>2</sub> per year. This only applies for one year of operation. Considering the whole lifecycle, it means less savings (raw material mining; transport, storage, processing, manufacturing, transport, construction, operation, maintenance, refurbishment, dismantling, recycling).

### **Advantages of providing complex EPC service in solar energy plans:**

- The complex EPC service includes engineering (design), procurement and construction,
- Starting from the early stages of technical, legal, financial advising, through planning, until commissioning all the project phases are realized by one professional team of highly



specialized individuals and subcontractors. By effectively combining the outcome of the work of these teams of expertise Electron Holding Plc. can guarantee that the solar power plant is up and running in the shortest possible time.

**Advantages of providing operation and maintenance (O&M) service in solar energy plans:**

- Since the operating life of a solar power plant is 25-30 years, it is important that the maintenance and operation protocol covers all system components at appropriate intervals so the components can be operated for as long as possible with high performance during the useful life of the production unit.
- In the case of a solar power plant investment, the duration of project development (planning, construction, fundraising, etc.) is negligible compared to the life of the power plant. Solar power plants are designed for a minimum operating time of 25 years. Therefore, it is necessary to ensure the smooth operation of the power plant over several decades to return the invested capital within the planned time.

**2.3. Customer profile**

Electron Holding Plc. construct power plants mainly through its own SPV companies. The Company's portfolio consists mainly of photovoltaic solar power plants in Hungary, but it is developing battery control centers and wind farms in the Eastern European region.

In 2021, the TOP 4 customers of Electron Holding Plc. accounted for 65,8% of the total sales revenue. The Company's two biggest customers are System Integrator Ltd. and PannonWatt Plc.

Top 4 customers of Electron Holding Plc. in 2021	Thousand HUF	Ratio to net sales revenue
System Integrator Ltd.	2 135 299	49,2%
PannonWatt Plc.	506 474	11,7%
Ewiser Energy Trade Ltd.	142 510	3,3%
MAVIR Plc.	73 282	1,7%
<b>Total</b>	<b>2 857 565</b>	<b>65,8%</b>

In 2021, the two biggest customers were billed for construction works related to construction of a solar power plant. Smaller buyers were associated with energy sales.

**2.4. Supplier and subcontractor profile**

Electron Holding Plc. contracts suppliers with high quality equipment and materials. In case of the solar parks financed by the bond proceeds, construction is tracked by rigorous timeline, project management system and performed by EPCs based on tendering process.

#### Evaluation criteria

- Proposed price
- Completeness and quality of the technological solutions
- Duration of the works
- Collaterals undertaken
- Duration of the warranty
- Payment conditions and schedule
- Optional elements
- Quality management system
- Reference works
- Economic and financial suitability
- Technical and professional suitability

In 2021, 89,4% of material expenses were related to the Electron Holding Plc. TOP 5 largest suppliers. The most significant supplier is Jolywood Solar Technology Co, Ltd.

Top 5 suppliers	Thousand HUF	Ratio to material expenditures
Jolywood Solar Technology Co, Ltd.	1 311 345	46,9%
ENERTECH Hungária Ltd.	441 474	15,8%
Soltigua SRL	331 450	11,9%
Risen Energy CO. Ltd.	212 014	7,6%
PHOTOMATE s.r.o.	200 411	7,2%
<b>Total</b>	<b>2 496 694</b>	<b>89,4%</b>

The major technology suppliers of Electron Holding Plc. are:

- Jolywood Solar Technology Co, Ltd.: Jolywood is a national high-tech enterprise. The company focuses on innovative R&D and high-quality manufacturing of photovoltaic auxiliary materials, solar cell and module, system integration and other products.
- Enertech Hungária Ltd.: Enertech Hungária distributes power cable assemblies, cable assembly tools and transformer stations.
- Soltigua S.r.l.: Soltigua S.r.l is a company with a 100-year history that has been manufacturing tracker mounts since 2007.
- Risen Energy CO. Ltd.: As a world-leading new energy enterprise, Risen Energy is driving global energy innovation with solar modules and photovoltaic power plants, providing sustainable energy solutions and integrated services across the globe. Risen Energy is helping the customers reach their low-carbon and zero-carbon goals. Risen Energy strives to do our part to support the global community in entering a new era of carbon neutrality! Aiming to deliver green energy worldwide, Risen Energy is developing internationally with offices and sales networks in China, Germany, Australia, Mexico, India, Japan, USA and others.

- Photomate S.r.L: It is a distributor company exclusively engaged in the distribution of the Huawei product family. It is present in the Czech, Slovak, Hungarian, Romanian and Serbian markets

The supplier structure is considered sufficiently diversified.

### Certificates required from sub-contractors

All the sub-contractors' legal and professional compliance is certified and determined in the documentation of the project execution plan and project execution contract. Taking over the work site the sub-contractors are obliged to carry out the construction in accordance with the Hungarian legislative Act XCIII/1993 on Occupational Safety and Health regulating health, safety, environmental and fire protection requirements in workplaces in general. For the whole duration of the construction work the contractor is obligated to comply with Decree 4/2002 (II. 20.) SzCsM-EüM decree on the minimum occupational safety requirements at construction sites and during construction processes. In case when employees of more than one contractor are working at the same working site, they have to organize and coordinate their work in compliance with the above regulations. Furthermore, all subcontractors undertake to employ only appropriately trained and legally employed workers applying all the labour, tax and social security laws in vigour.

## 3. Rationale for Electron Holding Plc. to Issue a Green Bond

An amount equivalent to the net proceeds of the Green Bonds will be used to finance eligible projects that meet the Eligibility Criteria as defined below.

GBP 2021 Eligible Green Project Category	Eligible Green Project	Eligibility criteria
Renewable energy	Implementation of new solar projects	<p>Increase the share of renewable energy, particularly in solar photovoltaic energy</p> <p>Contribution to the SDGs: SDG 7. Affordable and Clean Energy SDG Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p>

### 3.1. Use of proceeds



#### Main conditions of bond issuance

- Issuer: Electron Holding Plc.
- Total nominal value of the bond: maximum HUF 20 mn EUR

**Projects meeting the Green Bond Principles’ (GBP) categories**

Projects	Meeting GBP categories	Environmental benefits	Indicators	Metric
Financing new solar park projects	Renewable energy	Increase of renewable green energy ratio in Hungarian energy production and consumption	Produced renewable solar energy avoided CO2 emission	MWh avoided t/CO2e

**3.2. Alignment with the United Nations Sustainable Goals**

Projects	Meeting GBP categories	SDGs
Financing new solar park projects	Renewable energy	 

Electron Holding Plc’s Green Bond Framework is in alignment with the following SDGs:

**Goal 7: Affordable and clean energy – Ensure access to affordable, reliable, sustainable, and modern energy for all.**

- Greenhouse gas intensity of energy consumption
- Energy import dependence
- Renewable energy sources

**Goal 13: Climate action – Take urgent action to combat climate change and its impacts.**

- Greenhouse gas intensity of energy consumption
- Greenhouse gas emissions
- Biologically inactive areas
- Renewable energy sources

**3.3. Project Selection and Evaluation Process**

Ensuring compliance with the Green Bond Framework Electron Holding Plc. is committed to ensure transparent, written record of internal procedures and practices for the use of green proceeds. The management has established a Green Committee chaired by the owner and CEO of the Board. The duties of the Green Committee are harmonized with corresponding provisions of other corporate rules.

## **The Green Committee**

- is responsible for the development of the Company's sustainability approach and for the monitoring of the implementation of the sustainability objectives in all processes of the company,
- initiates and supervises the outline and implementation of the Green Bond Framework,
- appoints the external review provider for the verification of the Green Bond Framework,
- supervises the compliance of project implementation projects with the green bond framework, initiating the revision, amendment and renewal of the framework, if necessary,
- identifies and manages the social and environmental risks associated to the Projects taking measures to prevent and reduce any negative environmental impact,
- advises the Board about the compliance with the Green Bond Framework in the case of specific investment proposals
- advises the Board on decisions, supervises the selection of projects, acquisitions and investments and reviews the allocation of funds.
- is responsible for ensuring the compliance of the selected projects and/or acquisitions with the requirements for the Use of Proceeds, preparing the audit documents and gathering the necessary evidence to facilitate the external audit check.
- supervises the alignment of the use of the funds to the Green Bond Framework. A list of the potential Green Projects is to be presented to the Green Committee. The committee is responsible for the decision to acknowledge the project as green, in line with the Green Bond criteria.
- controls the use of green resources - allocation and targeted environmental impact- and will monitor the development of green KPIs and the achievement of the set goals. In matters requiring special sustainability expertise, the committee will require the involvement of an external expert.
- ensures the development of monitoring and reporting procedures related to the use of green proceeds, with special attention to the Allocation Report and Impact Report.

## **3.4. Management of Proceeds**

The net proceeds of the Green Bond are tracked by the issuer in a Green Register (separated account in the accounting) kept by the Finance Department. The ERP (Enterprise Resource Planning) system tracks that an amount equal to the Green Bond net proceeds is allocated to Green Projects. The purpose of the Green Register is to ensure that Green Bond net proceeds only support of Green Projects. The management of proceeds will be reviewed by auditors yearly.

The net proceeds of the Green Bond issued by Electron Holding Plc. will be kept in a separated countability. So long as the Green Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to the Green Project carried out during that period. The Issuer commits to communicate to investors the intended types of temporary placement for the balance of unallocated net proceeds.

To assure the highest level of transparency the Issuer commits to supplement the management of proceeds by the appointment of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond.

Any decision regarding the management of the funds from the Green Bond belongs to the Green Committee's competencies and duties and will be stated in reporting until full allocation. The Green Committee will monitor and regularly supervise the use of proceeds in alignment of the Eligible Project and will publish by each year the net proceeds of the issuance reduced by the amount of proceeds invested in the Eligible Project in the reported period.

### **3.5. Reporting**

In accordance with the Green Bond Principles, Electron Holding Plc. will provide an annual update on the activities related to its Green Bonds issuance. In such updates the Company will provide information on the allocation of the use of proceeds as well as relevant impact metrics.

Within one year of issuance, and annually thereafter until full allocation of an amount equivalent to the net proceeds of the Green Bond as well as in the event of any material changes, Electron Holding Plc. will publish (i) an Allocation Report and (ii) an Impact Report via Electron Holding Plc. website.

The relevant information provided will include:

- Use of Proceeds
- A breakdown of proceeds in relation to Eligible Projects
- The amount of unallocated proceeds
- A closer description of the activities financed.

#### **Allocation Report**

Proposed indicators:

- Proportion of green investments in the corporate portfolio:  $\frac{\text{Green rated investments}}{\text{Total investments}}$  (%)
- Green proceeds utilization:  $\frac{\text{Green bond proceeds used}}{\text{Total green bond proceeds}}$  (%)
- Use of green proceeds by environmental purpose: Distribution of green proceeds used between categories defined in the Green Bond Framework (%)
- Other relevant indicators

#### **Impact Report**

The Impact report will illustrate the expected and achieved environmental impact made by the new investments to which green bond proceeds have been allocated. The environmental impact will be measured based on energy consumption and GHG emissions.

The impact indicators will be measured and monitored regularly and published for assuring transparency of Electron Holding Plc’s commitment to sustainable and green activities.

Monitoring of CO<sub>2</sub> reduction is already part of the company’s ERP system. Monitoring of energy consumption will be incorporated as well.

As part of Electron Holding Plc’s annual audit process, the internal monitoring system will follow the use of green resources and the results will be presented to the auditor. The figures about the use of Green Bond Proceeds, with respective descriptions and the amounts utilized, will also be available in the Company’s Annual Report and published on the website.

GBP Eligible Category as per GBP 2021	Use of Green Bond proceeds	Impact Indicators
<b>Financing new solar park projects</b>		
Renewable energy	Implementation of new project	Annual GHG emissions avoided in tonnes of CO <sub>2</sub> equivalent Annual renewable energy generation in MWh Capacity of renewable energy plant(s) installed in MW

#### 4. External Review and Assessment

Electron Holding Plc. appointed Scope ESG Analysis GmbH to provide a Second Party Opinion on the Green Bond Framework, evaluating its alignment with the Green Bond Principles 2021 guidelines. The result is to be documented in a Second Party Opinion, which will be published on Electron Holding Plc’s website together with the Framework.

The process to establish this Green Bond Framework for Electron Holding Plc. was conducted by Credit Management Group, acting as advisors in the creation of the Green Bond Framework.