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ASSESSMENT
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GoldenPeaks Capital Holding Ltd.

Second Party Opinion – Green Bond Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 sustainability quality score (excellent) to GoldenPeaks Capital Holding's green bond framework dated April 2024. The issuer has established its use-of-proceeds framework with the aim of financing projects across one eligible green category dedicated to renewable energy. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), and the issuer has also incorporated all best practices identified by Moody's Ratings. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS1

SQS5 Weak | SQS4 Intermediate | SQS3 Good | SQS2 Very good | SQS1 Excellent

Alignment with principles

USE OF PROCEEDS

Overall alignment

Not aligned | Partially aligned | Aligned | Best practices

FACTORS	ALIGNMENT
Use of proceeds	
Evaluation and selection	
Management of proceeds	
Reporting	

Contribution to sustainability

Overall contribution

Poor | Limited | Moderate | Significant | High

Expected impact
Relevance and magnitude

ADJUSTMENTS	
ESG risk management	No adjustment
Coherence	No adjustment

POINT-IN-TIME ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the green credentials of GoldenPeaks Capital Holding's green bond framework, including the framework's alignment with the ICMA's GBP 2021 (with June 2022 Appendix 1). Under its framework, GoldenPeaks Capital Holding plans to issue use-of-proceeds green bonds to finance projects across one green category as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of the framework received on 24 April 2024, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

GoldenPeaks Capital Holding Ltd. (GPC) is an Independent Power Producer (IPP) specializing in the financing and development of renewable energy assets. As the controlling entity of the GPC Group, it operates from its head office in Malta and has additional offices in Switzerland, the UK, Germany, Poland, and Hungary.

GPC is involved in the solar energy business, with over 2.5GW of operating and pipeline renewable energy projects across Eastern Europe. The company's growth strategy is rooted in its core business as a solar photovoltaic (PV) and battery energy storage developer, fostering partnerships with leading suppliers, engineering, procurement and construction (EPC) contractors, and operations and maintenance (O&M) companies.

GPC is committed to maintaining environmentally responsible business practices. It prioritizes environmental protection, resource conservation, and reduction of greenhouse gas (GHG) emissions. This commitment is demonstrated through its efforts in mitigating GHG emissions by adopting clean and renewable energy sources, enhancing energy efficiency, and implementing carbon reduction strategies.

Strengths

» Financing solar PV projects is likely to make a high contribution to the decarbonization of the energy sector in the long term.

» The environmental objective and the associated expected benefits are clearly defined and relevant.

» The ongoing compliance to eligibility criteria and ESG principles for selected projects is monitored throughout the life of any bond issuance under the framework.

Challenges

» The environmental and social risk mitigation process is not detailed in the framework, but is part of the issuer's ESG Policy Handbook.

Alignment with principles

GPC's green bond framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and incorporates all best practices identified by Moody's Ratings:

- [x] Green Bond Principles (GBP)
- [ ] Social Bond Principles (SBP)
- [ ] Green Loan Principles (GLP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

For the single eligible green category of renewable energy, GPC has provided clarity on the project type, encompassing the financing of acquisition, development, manufacturing, construction, operation and maintenance, distribution and transmission of solar PV energy, meeting the threshold of less than 100 gCO_2/kWh. A comprehensive overview of exclusion criteria is provided in the publicly available ESG Policy Handbook. Expenses include only capital spending and the locations of eligible projects are defined as within Poland and Hungary.

Clarity of the environmental objectives – BEST PRACTICES

GPC has clearly outlined the relevant environmental objective for the eligible category as climate change mitigation. This is considered coherent with the United Nations' (UN) Sustainable Development Goals (SDGs), which have been instrumental in shaping GPC's definition of the environmental objective for the eligible category.

Clarity of expected benefits – BEST PRACTICES

GPC has identified CO_2 avoidance as a relevant benefit for the eligible category. The benefits are measurable and will be quantified in the company's ongoing reporting. In addition, the potential CO_2 savings have been included in the issuer's framework ex ante. GPC expects to have no share of refinancing, which makes the definition of an associated lookback period obsolete.

Best practices identified - use of proceeds

» Eligibility criteria are clearly defined for all project categories

» Objectives set are defined, relevant and coherent for all project categories

» Relevant benefits are identified for all project categories

» Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

» Commitment to transparently disclose the share of proceeds used for refinancing where feasible

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and quality of process for defining eligible projects – BEST PRACTICES

GPC has established a clear and structured process for the evaluation and selection of eligible green projects, including detailed decision-making criteria, and clearly defined roles and responsibilities formalized in its framework. The process relies on relevant internal expertise convened in the form of the Green Bond Committee, which is composed of members from the Executive Committee, Investment Committee, Finance and ESG teams. External advisors can be called in for technical and legal issues. The Green Bond

Committee is responsible for reviewing, validating and monitoring the selection of eligible green projects. The committee meets on an annual basis.

The company commits to monitoring the continued compliance of selected projects with eligibility and exclusion criteria specified in the framework and in the publicly available ESG Policy Handbook throughout the life of any outstanding bonds issued under this framework. The traceability of the process is ensured through meeting minutes. Upon encountering non-compliance, corrective measures will be recommended. If these measures prove inefficient, GPC might seek external assistance. In the event that no solution is found, the project's termination and decommissioning remain within the purview of the issuer.

Environmental and social risk mitigation process – BEST PRACTICES
The risk mitigation process of potential ESG controversies associated with the projects (also covering GPC's suppliers) is comprehensively presented in GPC's ESG Policy Handbook. A dedicated team is in place to constantly monitoring the systems as well as conduct regular physical site checks throughout the life of bonds. If a controversy is identified, the issuer will apply the same process as detailed in the above sub-section on “Transparency and quality of process for defining eligible projects”.

Best practices identified - process for project evaluation and selection

» The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise

» There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed

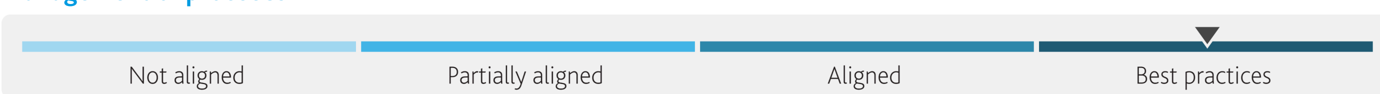
» The process for project evaluation and selection is traceable

» Material environmental and social risks for most project categories are identified

» Presence of corrective measures to address environmental and social risks across projects

» ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES
GPC has defined a clear process for the management and allocation of green bonds' proceeds. The net proceeds will be disbursed in the company's general account and tracked accordingly. While the bonds are outstanding, the balance of tracked net proceeds will be adjusted periodically to match allocations to eligible projects. The allocation period is likely to be less than 12 months and the monitoring will take place quarterly.

Management of unallocated proceeds – BEST PRACTICES
Any temporarily unallocated proceeds, if any, will be held in cash. The framework contains a formalized commitment to not directly invest temporarily unallocated proceeds in defined controversial activities or GHG-intensive activities. In the event that a project is postponed, canceled or otherwise becomes ineligible, the company has committed to reallocate the proceeds to similar eligible projects within six months.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting

Not aligned | Partially aligned | Aligned | Best practices

Transparency of reporting – BEST PRACTICES

The company will report biannually on the use of green bonds' proceeds. Both allocation and impact reporting will be conducted annually until bonds' maturity and will be made publicly available on the company's website. The reporting is exhaustive and includes the description of financed projects, the amount allocated at the eligible category level, the share of refinancing, if any, and the amount of unallocated proceeds and expected sustainable benefits. The issuer has also committed to report on any material developments and controversies related to the eligible projects.

GPC has identified relevant environmental reporting indicators (tCO_2eq, MW, MWh) for the eligible category. The methodologies and assumptions used to report on the environmental impact will be publicly disclosed.

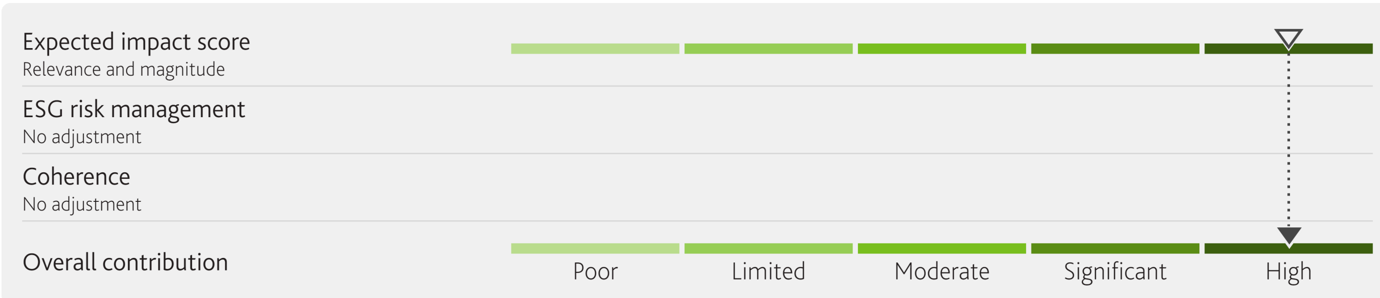
For both allocation and impact reporting, the verification will be carried out by an external auditor until bond maturity.

Best practices identified - reporting

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

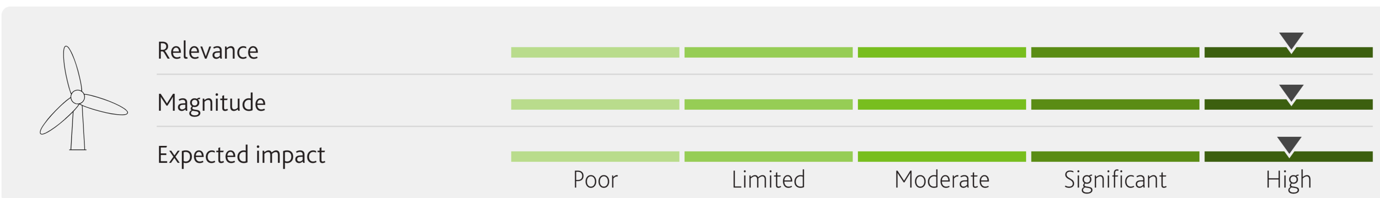
The framework demonstrates a high overall contribution to sustainability.



Expected impact

The expected impact of the single eligible category on the environmental objective is high. A detailed assessment is provided below.

Renewable energy



The eligible category holds high relevance given its focus on financing renewable energy projects, particularly solar PV projects under GPC's purview. This is considered vital in addressing the decarbonization challenges faced by the Polish and Hungarian economies. Despite having one of the fastest growing solar PV markets, Poland's energy mix is heavily dependent on hard coal, lignite and oil for the total energy supply, with renewables accounting for only 15% of total electricity generation in the country in 2022[2]. Hungary's electricity mix consists of around 70% fossil fuels for the total energy supply in 2022[3]. In addition, the country's GHG emissions of Global Domestic Product was significantly above the EU average[4].

The eligible category will likely have a high magnitude in mitigating GHG emissions through the use of best available technologies without negative lock-in effects. Eligible solar PV assets must meet relevant market-recognized thresholds, namely CO_2 levels below the threshold of 100 gCO_2/kWh, and are expected to contribute substantially to the goal of mitigating climate change in the long term.

ESG risk management

We have not applied a negative adjustment for the management of ESG externalities to the expected impact score. A comprehensive overview of the GPC Group's ESG policies and commitments is presented in the publicly available ESG Policy Handbook.

In the sphere of environmental stewardship, GPC Group follows a defined process before initiating any solar power project. This includes conducting Environmental and Social Impact Assessments (ESIAs) and Risk Assessment Method Statements (RAMS) to identify and mitigate potential risks. Complementing these are Biodiversity Impact Assessments, which are designed to detect any possible adverse effects on local ecosystems. These environmental standards are not only applicable to GPC Group's internal operations but also to its contractors. If local legislation stipulates stricter standards, these must be adopted accordingly. Beyond environmental responsibilities, the ESG Policy Handbook also underscores GPC's commitment to social and governance-related obligations. These commitments aim to safeguard the well-being and provide protection for GPC's employees, suppliers, and local communities impacted by any GPC-financed project.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects to be financed under the GPC's framework aim at increasing the share of renewable energy in the global energy mix. These initiatives align with the Group's overarching sustainability objectives geared towards fostering a low-carbon and sustainable society. By financing the development, construction and operation of solar PV projects in Poland and Hungary, GPC is only supporting the collective decarbonization efforts, but also addressing key sustainability challenges within the energy sector.

Appendix 1 - Mapping eligible category to the United Nations' Sustainable Development Goals

The single eligible categories included in GPC's framework is likely to contribute to two of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 13: Climate Action		13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The mapping of the UN's SDGs in this SPO considers the eligible project category and associated sustainability objectives/benefits documented in the issuer's green bond framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG mapping guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in GPC's framework

Eligible Project Category	Description	Sustainability Objective	Impact Reporting Metrics
Renewable Energy	Investments and financings related to acquisition, development, manufacturing, construction, operation and maintenance, distribution and transmission of solar PV energy, meeting the threshold of less than 100 gCO_2/kWh.	Climate Change Mitigation	gCO_2/kWh

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 International Energy Agency, Poland, retrieved in April 2024.

3 International Energy Agency, Hungary, retrieved in April 2024.

4 Climate Action Progress Report 2023, Country profile - Hungary, October 2023.

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