

AUDAX RENEWABLES and subsidiaries

**REFERENCE REGULATORY FRAMEWORK FOR
GREEN FINANCING**

March 2020

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Introduction

Audax Renovables, S.A. (hereinafter "Audax Renovables", "Audax" or "the Group"), with its registered address in Spain, is a holding company whose business activity is focused on providing electricity and natural gas, as well as on developing, building and producing 100% renewable energy.

The Group's main activities involve:

- **Providing electricity and gas to individual customers as well as to companies, mainly small and medium-sized enterprises**, through the supply division, which is present in many European countries: Spain, Portugal, Italy, Germany, Poland and the Netherlands, and has around **350,000 clients**.
- **Developing all kinds of activity connected with electricity generation from 100% renewable sources**, primarily wind and solar energy. The generation division manages a total portfolio of operating facilities of 91 MW in Spain, France and Poland and a portfolio of facilities under development of 320 MW in Spain. It has also a wind farm project under construction in Panama, of 66 MW.

Audax operates in **Spain, Portugal, Italy, Germany, Poland, the Netherlands, France and Panama** and has **544 employees**.

Business model

About us: Audax Renovables

Audax Renovables is an energy group with leading position in the SME segment in Spain, providing efficient supply of retailed energy (electricity and natural gas) through a process of vertical integration with the segment of renewable energy generation. The Group is undergoing the expansion process, is comprised of around **40 subsidiary companies**, has **544 employees**, around **350,000 clients** and operates in **8 countries**.

The Group's main activities involve:

- Providing electricity and gas to individual customers as well as to companies through the **supply division**, which is present in many European countries: Spain, Portugal, Italy, Germany, Poland and the Netherlands.
- Developing all kinds of activity connected with electricity generation from 100% renewable sources, primarily wind and solar energy. The **generation division** manages a total portfolio of operating facilities of 91 MW in Spain, France and Poland and a portfolio of facilities under development of 320 MW in Spain. It has also a wind project under construction in Panama, of 66 MW.

Its objective is to offer energy at competitive prices while delivering products that adapt to the clients' needs and providing high-quality customer service.

Audax manages together the business activities of 100% renewable energy supply and generation, and by the year 2022 Audax aims to have a portfolio of more than 500,000 customers, supply more than 15 TWh of energy, achieve €1.5 billion in sales figures and more than €100 million in EBITDA. All this is to be achieved through the means of doubling the profitability, covering 2/3 of the supplied energy by PPAs and reducing financial leverage due to substantial cash generation.

The accomplishment of these objectives will enable Audax Renovables to strengthen its leadership as the top independent retailer in the SME segment in Spain and to replicate the success achieved on the international markets where it is already present: Portugal, Italy, Germany, the Netherlands, France, Poland and Panama.

Corporate Social Responsibility of the Group

The Corporate Social Responsibility (CSR) is an essential feature of the business model and management of the companies that comprise the Group.

Therefore, each business line of the Group tackles diverse dimensions of the CSR:

Environment

Through the activity of energy generation from 100% renewable sources the Group directly contributes to combating climate change, supporting the increase of the clean energy offer within the Spanish energy mix.

Moreover, many companies integrate environmental efficiency concepts into their own buildings.

Staff

Ensuring health and safety of people, especially at work, is a fundamental principle for the Group. The Group also endeavours to ensure the employees' personal and professional development, and bolster the emotional well-being of all the staff.

Community

In connection with the previously mentioned aspect, as well as with the aspect of Community, the Group contributes to creating quality employment through all its activities. This effect is especially noticeable in the regions where power generating plants are being installed, which usually are rural areas, away from the most important towns, and employment there is created first in the construction and then in the maintenance of the power plants.

It is worth mentioning that the Group has been a member of the United Nations Global Compact for 7 years, actively supporting the ten principles of the Global Compact. In particular, the Group's business model has direct positive impact on the community and the area where it is present, because with its various business activities it contributes to achieving the Sustainable

Development Goals (SDG) number 7 and 13, which are a part of the 2030 Agenda promoted by the United Nations:

➤ **Sustainable Development Goal number 7 "Affordable and Clean Energy".**

Specifically, this SDG consists in ensuring the access to affordable, reliable, sustainable and modern energy for all the people.

Within this Goal 7, Audax contributes specifically to achieving the targets 7.1, 7.2 and 7.3:

- ✓ Target 7.1: "By 2030, ensure universal access to affordable, reliable and modern energy services".
- ✓ Target 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix".
- ✓ Target 7.3: "By 2030, double the global rate of improvement in energy efficiency".

➤ **Sustainable Development Goal number 13 "Take urgent action to combat climate change and its impacts"**

In particular, this SDG consists in taking urgent action to combat climate change and its impacts.

Audax can contribute specifically to supporting the energy transition and developing and sharing scalable systems in order to improve the efficiency and sustainability of the production throughout the value chain.

Economy:

Wealth is generated through the payment of taxes and fees to the municipalities, as well as the payment of lease fees to the owners of the affected land.

An indirect impact is made on the local economy through the increase of consumption in the areas where the Group operates.

Furthermore, in regard to the set of aspects outlined before, the activities are carried out within the framework of mission, vision and values of the companies that comprise the Group.

Below we present the mission, vision and values related to Audax Renovables, the parent company of the Group, which fosters these corporate principles in all its subsidiaries.

The Mission of Audax Renovables

"Every day we strive to build our growth strategy based on sustainability, economic development, internationalisation and respect for our business environment, and in addition to all that we offer convenient proximity to our clients."

The Vision of Audax Renovables

"We want to be a private and independent listed company which brings to its clients, employees and partners differential value within the energy sector, while promoting innovation and transparency."

The Values of Audax Renovables

- **Ethics and trust:** we believe in fostering an honest relationship with our clients and partners.
- **Customer orientation:** focused on the customers' satisfaction.
- **Innovation:** bringing new products and services in order to cater to the needs of the customers.
- **Excellence:** working every day in order to improve our processes.
- **Respect for the natural environment and for the community,** contributing to the growth and development of our surroundings.
- **Professional and personal development:** because the staff is the key to the company's success.
- **Focus on the results:** good economic results and financial soundness.

Objective of this Reference Regulatory Framework

This document outlines the internal policy of Audax Renovables regarding the Selection, Monitoring and Reporting for the purpose of obtaining green financing through the Group (hereinafter Green Financing or Green Bonds).

The objective is to ensure transparency, accessibility, integrity and quality of the Audax Renovables' Green Financing for the investors and interested parties. This document is inspired by and compliant with the Green Bond Principles ("GBP") published by the International Capital Market Association (ICMA).

Main standards and broad lines

As a result, this document covers the Audax Renovables' procedures and commitments related to the four core components of the GBP:

1. Use of Funds.
2. Process for Project Evaluation and Selection
3. Management of Funds.
4. Monitoring and Reporting.

Use of funds

Definition of eligible project categories:

Audax defines the category of projects eligible for financing sought by Audax on the capital markets, both in terms of debt and capital, as:

➤ RENEWABLE ENERGY

This category comprises two different Subcategories of eligible projects:

- **RENEWABLE ENERGY PRODUCTION Subcategory:** Projects of power plants for energy generation from 100% renewable sources, which allow to provide renewable energy to customers. These projects may already constitute part of the Group's portfolio, or refer to new purchases.
These projects have clear objectives and environmental benefits. Specifically, the mitigation of climate change effects, avoidance of the greenhouse gas emission, CO₂, and moreover, the increase of the capacity to produce energy from 100% renewable sources.
- **RENEWABLE ENERGY SUPPLYING Subcategory:** Acquisition of retailing companies, which will guarantee in the future that the origin of the energy offered to our customers is 100% renewable (through the means of certificates/guarantees of 100% renewable origin), and/or will offer products for the energy efficiency improvement and energy consumption reduction. These projects may refer to the subsidiaries

which already belong to the Group, but start offering at a certain point the products mentioned above, or they may refer to new acquisitions.

These projects also have clear objectives and environmental benefits. Specifically, the mitigation of climate change effects through increased renewable energy supply and improved energy efficiency.

In both subcategories, and in regard to new acquisitions, Audax shall make sure that the projects of power plants or the retailing companies have not issued green financing instruments in order to finance their own production on which the certificates or guarantees of origin of the renewable energy are based, and/or that those certificates actually are acquired exclusively by the Group, or, if they had done it, any later refinancing would not be considered as green instrument, thus avoiding any *greenwashing* effect and internal *double counting* of the environmental benefits.

The financing obtained through the Green Bonds will be used for the total or partial financing and/or refinancing of eligible projects pertaining to the above-mentioned subcategories, making positive impacts on the company and on the markets where it operates and contributing directly to the achievement of the SDG 7 and/or SDG 13 promoted by the United Nations in its 2030 Agenda.

Moreover, in case of refinancing, the investors will be informed of its estimated part before each issuance and, under no circumstances the retroactive period of refinancing may extend beyond 36 months before the issuance date of each Green Financing or Green Bond.

Process for project evaluation and selection

Internal process of evaluation and selection of eligible assets, roles and responsibilities.

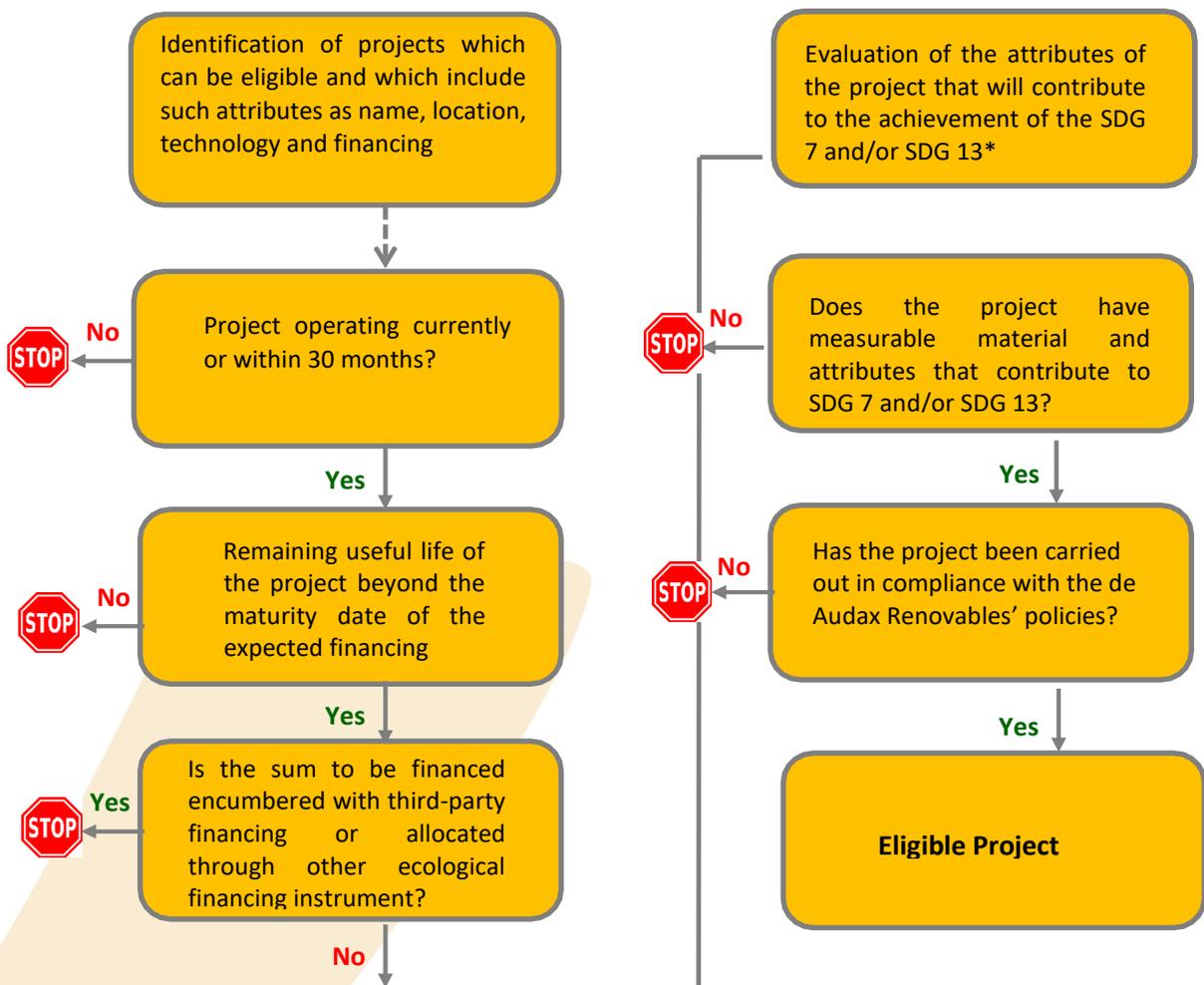
The internal process of evaluation and selection of eligible assets is carried out by the Green Financing Committee made up of the Investments Director and the Generation Director of the Group and supervised in accordance with the internal standards and regulations of Audax Renovables. Depending on the evaluated project, this committee may be extended to include representatives of other Management departments of the company in order to evaluate any and all outcomes of the project.

The Green Financing Committee shall be provided with all the internal and external reports that might be considered as necessary in order to ensure an adequate selection of the projects.

Once the project has been selected, the Generation Director shall submit every transaction to the Audit Committee for approval, and then to the Board of Directors of the company for the final approval.

Eligibility criteria

The selection and eligibility criteria are explained in the following diagram:



* Sustainable Development Goals (SDG) of the United Nations - Global Compact

As previously mentioned, the business model of the Audax Renovables Group has in itself positive impacts on the community and the area where it operates, because it contributes to the achievement of the Sustainable Development Goals (SDG) which are a part of the 2030 Agenda promoted by the United Nations.

From among the SDG, specifically it contributes to those included under number 7:



GOAL 7: AFFORDABLE AND CLEAN ENERGY

- Target 7.1: By 2030, ensure universal access to affordable, reliable and modern energy services.
- Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- Target 7.3: By 2030, double the global rate of improvement in energy efficiency.



GOAL 13: TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

- Take urgent action to combat climate change and its impacts.

The eligible projects must meet the following criteria:

- a) Each project must be submitted and successfully pass a global evaluation of risks, and in particular, of legal, environmental, labour and tax risks, and the results of such evaluation are used to determine whether the project will contribute to SDG 7 and/or SDG 13 in any of its targets.
- b) The projects must be operational, or expected to be operational within 30 months, from the date of obtaining the financing, and the expected useful life of the project must extend beyond the expected maturity date of the green financing.
- c) In addition to the evaluation of the project features specified in point a) above, each project shall be submitted to evaluation in order to ensure that its development, construction and operation have been carried out in compliance with the Audax Renovables' policies.

Substitution of the project

If the Green Financing Committee cannot certify the continuous eligibility of a project, it may substitute such project with another Eligible Project. The substitution and its motives shall be explained in the relevant Report.

External verification

The evaluation process, as well as the compliance with the eligibility criteria specified above, shall be subject annually to external verification by one of the *Big Four* firms.

Management of Funds.

Rules of the management of funds

The company's financing transactions are carried out on the basis of the Board of Directors' authorisation. Should an opportunity arise which would be different from those previously authorised, it must be first submitted through a report to the Audit Committee and then, with the report of that Committee, to the Board of Directors for its final authorisation.

System of tracking the funds

The proceeds obtained from the financing other than the working capital shall be earmarked and identified and allocated according to purpose specified in the relevant authorisation if the condition precedent for the payout does not materialise, they shall be kept in the company's treasury under the supervision of the finance department of the Group.

Process of allocating the funds

The funds are allocated according to the criteria of caution, debt ratios maintenance and compliance with the covenants of the Group's financing. At this point, and in order to provide a greater comfort to the investors and funders, the Group decided in November 2019 by the votes of 91% of the noteholders that the financing ratio NFD/EBITDA should include both the recourse and non-recourse debt, maintaining the maximum values established in 2016.

External verification

The process of management of proceeds specified above shall be subject annually to external verification by one of the *Big Four* firms.

Monitoring and Reporting

Reporting commitments: frequency, format, publication

The company issues quarterly information about its results and development, and half-year reports are audited by an external audit firm (a *Big Four Firm*). Moreover, each new financing transaction of significance, such as the acquisition of a company or acquisition and/or progress and development of a power generation plant is announced in compliance with the applicable regulations on the company's website and on the website of the Spanish National Securities Market Commission (CNMV).

Audax undertakes to subject the issuance of the Green Financing or Green Bonds to the review or endorsement by:

- "Second Party Opinion": An independent institution with environmental expertise shall release a "Second Party Opinion" which will cover all the features of the green financing instruments based on the evaluation and the commitments previous to the issuance, and which shall be made publicly available on the corporate website of Audax Renovables (www.audaxrenovables.com).

- Annual external verification: Which will consist of an external verification carried out by one of the *Big Four Firms* each year. This verification shall cover a review of the evaluation process, the compliance with the eligibility criteria, the process of management of proceeds as well as the KPIs of the results and environmental impact. This verification shall be made publicly available on the corporate website of Audax Renovables (www.audaxrenovables.com).

KPIs of allocation of funds

The indicators are selected specifically for each project before any issuance, but information shall be provided at least on the following KPIs related to the allocation of funds:

- List of the financed eligible projects including the following information:

- Project name
- Country
- Project type (in terms of eligible category)
- Amount of funds allocated to the project
- If applicable, % of refinancing

The amount of funds not allocated (temporarily) shall also be stated.

KPIs of results and environmental impact of the projects, assumptions and methodology:

The indicators are selected specifically for each project before any financing, but information shall be provided at least on the following KPIs related to the results and environmental impact:

| Category | Subcategory | KPIs of environmental benefits | |
|------------------|-------------------|--|--------------------------------|
| | | Results | Impact |
| Renewable Energy | Energy Generation | Installed Capacity (MW) | Actual Production (GWh/year) |
| | | Expected production (GWh/year) | |
| | Energy Supply | New Households/Clients provided with 100% renewable energy | CO2 emissions avoided (tCO2eq) |

The KPIs of results and environmental impact shall be subject annually to external verification by one of the *Big Four* firms.

This document and its amendments will be published and made permanently available on the corporate website of Audax Renovables (www.audaxrenovables.com).

Legal Note

Legal Disclaimer: This document, drawn up by Audax Renovables, S.A. (hereinafter "Audax Renovables", "Audax", the "Company" or the "Group"), is not a brochure nor is it an offer to purchase, sell or subscribe or a request for an offer to purchase, sell or subscribe to the Audax Renovables' shares. This document must not be directly or indirectly published, announced, publicly communicated or distributed in the United States of America, Canada, Japan or Australia, or any other jurisdiction where distribution of this information is legally restricted. Any statement included in this document that does not reflect historical information, including, inter alia, statements about the Company's financial position, commercial strategy, management or business plans, targets or future transactions and clients, are future estimates. These future estimates imply and involve risks, uncertainties and other known or unknown factors that could mean that the results, business evolution or profits and losses of the Company or of the sector may be significantly different to those specified in or obtained from such future estimates. These future estimates are based on numerous presumptions about the present and future commercial strategy of the Company and the business environment in which the Company expects to operate in the future. The future estimates are only related to the date of this document and the Company expressly states that it does not accept any obligation or commitment to update or keep up to date the information included in this document nor to make any changes to the expectations or events, conditions or circumstances on which the future estimates are based. The market information used in this presentation which is not stated to have been obtained from a specific source, is an estimate made by the Company and has not been independently verified.