

KYOTHERM
GREEN BOND FRAMEWORK
June 2020

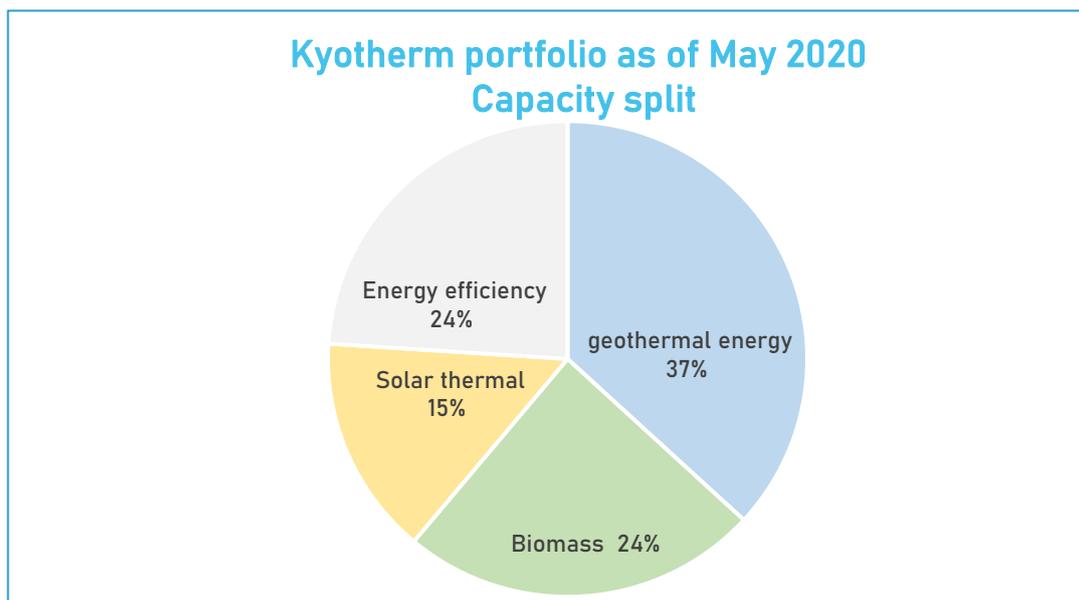
KYOTHERM
investing in clean energy

Renewable energy sources like the sun, wind, photosynthesis or geothermal energy are free, but they require significant upfront investments as well as technical know-how in order to be valued. The same logic applies to energy savings. Kyotherm is committed to combat climate change by financing low-carbon energy, successfully meeting the energy challenges of the years to come.

1 INTRODUCTION TO KYOTHERM

Kyotherm is a European investment company with registered office in Paris, dedicated to renewable heat and energy efficiency projects. Its mission is to be a leading funder and operator in the renewable heat and energy efficiency markets by providing third-party finance for projects sometime too complex to be financed by traditional investors. Renewable heat includes technologies such as solar heating, geothermal heating, heat pumps, biomass and goes hand in hand with energy efficiency. The technical specialization gives to the Kyotherm's portfolio a strong coherence.

The company has developed quickly since its foundation in 2011 and operates as of May 2020 75 sites with a combined capacity of 88 MW. Kyotherm's markets are niche and have demonstrated strong growth, supported by the structural trend towards a low-carbon economy. The company's business model is also extremely attractive given the contracted nature of the main part of its revenues, which provides a high level of visibility in terms of revenues, EBITDA and cashflow over the life of the projects (average lifetime remaining 17 years).



The current contracted projects are located in France, Germany, the Netherlands, the UK and Morocco. Kyotherm developed its solutions in developed countries but plans to expand to emerging countries in the future because climate change is a global issue, and combating it requires applying the best solutions developed in richer countries to countries more in need, where these solutions can have a significant and lasting impact.

As of May 2020, the Kyotherm's portfolio of operating projects represents:

- **75 sites using low-carbon solutions**
- **200 GWh/year of carbon-free energy**
- **810 000 tons of CO₂ avoided over the projects' lifetime**

Clean energy and Corporate Social Responsibility

Clean energy is not only at the core of Kyotherm' strategy, it is the very reason why Kyotherm exists. In the context of the United Nations Principles for Responsible Investments, Kyotherm's Corporate Social Responsibility (CSR) is based on two pillars: a strong commitment to climate and low-carbon solutions, and the human development of Kyotherm's employees.

These priority commitments are put into practice as follows:

- **Climate and low-carbon solutions:**
 - identification of technologies and projects having major impact on the reduction of CO₂ emissions
 - measurement and reduction of greenhouse gases
- **Human development**
 - best practices in people development
 - profit sharing for employees

Kyotherm believes it has a great potential to make an impact by generating environmental benefits through contributing to the financing of low-carbon energy. Kyotherm considers that Green Bonds is an important financing instrument to support its efforts and to achieve its development, contributing to address major climate change challenges.

2 GREEN BOND FRAMEWORK

This Green Bond Framework sets the basis for the identification, review, reporting and transparency of the Kyotherm projects that are eligible for financing by the proceeds of the Green Bonds. This Green Bond Framework is established in accordance with the Green Bond Principles (GBP) published by the International Capital Markets Association that promote transparency, disclosure, and integrity in the Green Bond Market. Kyotherm’s Green Bond Framework is aligned with the four core pillars of the GBP: the Use of Proceeds, the Process for Project Evaluation and Selection, the Management of Proceeds and the Reporting.

2.1 USE OF PROCEEDS

2.1.1 Eligible Green Project category

The net proceeds of Green Bonds will be exclusively used to finance Eligible Projects as defined in the table below, in accordance with the Sustainable Developments Goals identified in September 2015 by the United Nations.

Eligible Green Project category	Eligibility criteria	Environmental benefits	UN sustainable goals
Renewable energy	Renewable heat generation facilities based on the following technologies: solar thermal, biomass, geothermal energy	Renewable energy produced & avoided greenhouse gas emissions	Goal 7: Affordable and clean energy Goal 13: combat climate change
Energy efficiency	Energy efficiency facilities: biomass cogeneration, lost heat recovery, energy performance contracts to reduce electricity or thermal consumption, heat networks	Avoided greenhouse gas emissions	Goal 7: Affordable and clean energy Goal 9: Industry, Innovation and Infrastructure Goal 13: combat climate change

Regarding biomass supply, Kyotherm commits on the fact that it will be sourced from eligible feedstock (such as Sustainable Biomass Program, Roundtable on Sustainable Biomaterials, ISCC Plus or an equivalent program) or from certificated forest (such as Forest Stewardship Council, Forest Stewardship Council or any equivalent program that certifies sustainable forest management).

2.1.2 Examples of Eligible Green Project

Kyotherm has selected a geothermal plant and a lost heat recovery project from its currently operating projects as examples of Eligible Green Projects.

Geothermal plant and heat network

The project consists in a deep geothermal doublet (1,8 km deep) and a heat network (16 km primary network, 10 km secondary network) dedicated to two leisure parks in the Paris area (Villages Nature and Disneyland Paris). In November 2015, the drilling was successfully completed. The geothermal plant and the heat network were then commissioned between June 2017 and February 2018. The geothermal plan has a capacity of 19,5 MW and allows a 60 GWh annual heat consumption, saving approximately 10,200 tons of CO₂ emissions per year.

Heat recovery

This project is a waste heat recovery on the annealing process line of a steel factory plant and a connection to the nearby district heating network located in Saint Chély d'Apcher (France). The recovered heat is used on the process of the factory and also exported to the heat network. The project allows a renewable heat recovery of 12 GWh / year, saving approximately. 5,400 tons of CO₂ emissions per year.

2.1.3 Eligible Investments

For all Eligible Projects presented above, Eligible Investments may include:

- Investments in tangible assets for new Eligible Projects
- Acquisitions of existing Eligible Projects
- Refinancing of existing Eligible Projects
- Minority equity participations in entities detaining Eligible Project(s)

- Operating expenditures such as maintenance costs that increase the efficiency or the lifetime of Eligible Projects

Eligible Investments will be:

- Committed after the issuance of the Green Bond
- Or committed before the issuance of the Green Bond but funded after the issuance

2.2 EVALUATION AND SELECTION

Kyotherm will establish a Sustainability Committee who will be responsible for:

- Reviewing and validating the selection of a project as an Eligible Green Project in accordance with the defined categories
- Monitoring the Eligible Green Projects portfolio during the life of the transaction
- Overseeing the Kyotherm Green Bond implementation and allocation process

The Kyotherm Sustainability Committee will comprise Kyotherm CEO and two other members of the Investments team.

Practically, every project financed by Kyotherm goes through a classical investment process and is eventually approved by the Investment Committee. All along the valuation and investment process of a project and until its approval by the Investment Committee, Kyotherm Sustainability Committee will be in charge of verifying the eligibility of a proposed investment with the Use of Proceeds defined above. An investment that is aligned with the Use of Proceeds will be considered eligible for Green Bond proceeds allocation.

Projects that will be financed through the Green Bond proceeds under this framework will be evaluated and selected based on compliance with applicable national, European and international environmental and social standards.

2.3 MANAGEMENT OF PROCEEDS

Kyotherm intends to allocate the entire proceeds of the Green Bond issuances to Eligible Projects, selected as defined above.

Kyotherm S.A.S., the issuing entity, will grant an amount equal to the net proceeds to the subsidiaries in charge for the Eligible Green Projects via intercompany loans and equity injections (or any other available funding forms).

Kyotherm Green Bond proceeds will be managed through a process aiming to ensure traceability. Complete allocation of the proceeds from the Kyotherm Green Bond is expected within 36 months from the issuance date.

Pending the full allocation to Eligible Green Projects, Kyotherm will hold the balance of net proceeds not already allocated to Eligible Green Projects within the treasury of the Group. Kyotherm will establish systems to monitor and account for the allocation of the proceeds.

2.4 REPORTING

To enable investors to follow the allocation of Green Bond proceeds, Kyotherm will provide once a year until full allocation to the investors a report containing:

- A list of Eligible Green Bond Projects including a description of the projects (technology, location, capacity, production) and allocated amounts
- The sum of Installed capacity financed by the Green Bonds in MW;
- The corresponding annual greenhouse gas emissions avoided in tons of CO2 equivalent;
- The corresponding annual renewable energy production in MWh.
- Information about any unallocated amount.

3 EXTERNAL REVIEW

Kyotherm has appointed Sustainalytics to act as an external verifier of this Green Bond Framework and assess its alignment with the GBP. Sustainalytics applies its own methodology in line with international standards and Green Bond Principles guidelines to carry out this assessment. The results are documented in the Sustainalytics' Second Party Opinion which can be made available on request.

In addition, Sustainalytics will perform a review of the allocation report prepared annually until full allocation by Kyotherm, in order to ensure it is consistent with the Green Bond Framework.