



GREEN FINANCE FRAMEWORK 2022



1. INTRODUCTION

Alter5 was created as a sustainable alternative investments platform that provides financing to renewable energy promoters and green assets to institutional investors.

The company has undertaken a commitment to sustainability which is strategic and with a long-term vision due to the nature of the business. Decarbonisation of the economy and contribution to social, economic and environmental development drives our business model in order to respond to the challenges of the future. As agents for decarbonisation of the economy, we achieve to be proactive in the energy transition towards a zero-emission model, advocating for the electrification of the economy and the efficient integration of renewable energy, through a robust and better interconnected grid, as well as through the development and operation of energy storage systems.

At Alter5 we issue Green Finance Instruments, thus we established the Green Finance Framework as we want to provide investors with the most transparent and trustable information about their investments being allocated towards green instruments. Any issuance (which may include, green bonds, green loans, etc.) to finance and / or refinance assets promoting renewable energy projects must be efficiently tracked in terms of its impact. The Framework explains how we align our strategy with the current market standards and how we present the impact metrics of the projects we invest in.

The nature of our business aligns with Article 9 of the SFDR, as we provide financial products which have sustainable investment as their objective.

The Framework is inspired by, and intends to comply with the EU Taxonomy drafted by the European Commission Technical Expert Group.

Due to the issuance of Green Instruments, the Framework also aligns with the Green Bond Principles published by the International Capital Markets Association (ICMA).

Apart from showcasing our commitment to international regulation, we developed our own impact metrics and index in order to provide investors a direct access to the footprint and impact of their investments.

2. EU TAXONOMY

The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource efficient economy.

Therefore we have an obligation to complete Taxonomy disclosures where the investment concerns activities that contribute to an environmental objective.

As we invest in renewable energy, we are focused in climate change mitigation.

The alignment between the taxonomy and our overall investments on renewable energy can be found in the longer version of the framework.

3.1 GREEN BOND PRINCIPLES

The Alter5 Green Finance Framework aligns with the ICMA Green Bond Principles 2021, which are a set of voluntary guidelines that seek to support issuers in financing environmentally sound and sustainable projects that foster a net-zero emissions economy and protect the environment. GBP-aligned issuance should provide transparent green credentials alongside an investment opportunity. We will cover our financial instruments through the 5 pillars of the Principles:

- A. Use of Proceeds
- B. Process for Project Evaluation
- C. Management of Proceeds
- D. Reporting

3.2 SDG CONTRIBUTION



4.1 IMPACT METRICS

At Alter5 we want to provide investors with transparency on the environmental, social and governance performance of their investors. This is why we chose the most relevant metrics of ESG factors on PV solar projects. Here are the KPIs that we'll put forward on our investor dashboard so the impact of the investment can be quantified. Some are from the Green Bond Principles (GBP) metrics but we added impact metrics that deem important in our specific projects.

4.2 GREEN IMPACT INDEX

The current ESG methodology presents some limitations for investors or managers in terms of showcasing real impact.

Apart from disclosing regulation alignment of the projects, at Alter 5 we created an ESG index to help institutional investors more effectively benchmark their investment performance and measure and report on ESG mandates of renewable energy projects.

There is a score to each asset on their environmental, social and governance practices, that are the most relevant to the industry and can give investors a perspective of the impact of each project. This index is an instrument to measure the responsibility of the renewable energy projects in environmental, social and governance areas. The more they take these aspects into account as they develop their projects, the higher the score they will obtain.

This index promotes transparency so investors can make an informed decision of their investment and align their sustainability goals with their portfolio.

Annex A showcases the metrics of the impact index and how it is scored.

The Alter5 Green Impact Index can be found in the Investor Dashboard portal, so investors can align their ESG preferences and their investments. Renewable energy developers we work with are then incentivised to upgrade and better their practices so they can receive a higher score.



IF YOU WANT TO READ THE WHOLE GREEN FINANCE FRAMEWORK,

PLEASE CONTACT INFO@ALTER-5.COM



Sources:

ICMA Green Bond Principles

<https://www.icmagroup.org/green-social-and-sustainability-bonds/>

United Nations Sustainable Development Goals (SDGs)

<http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

EU Taxonomy

https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

Harmonized Framework for Impact Reporting, ICMA, June 2019

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>