

GREEN BOND FRAMEWORK

2023



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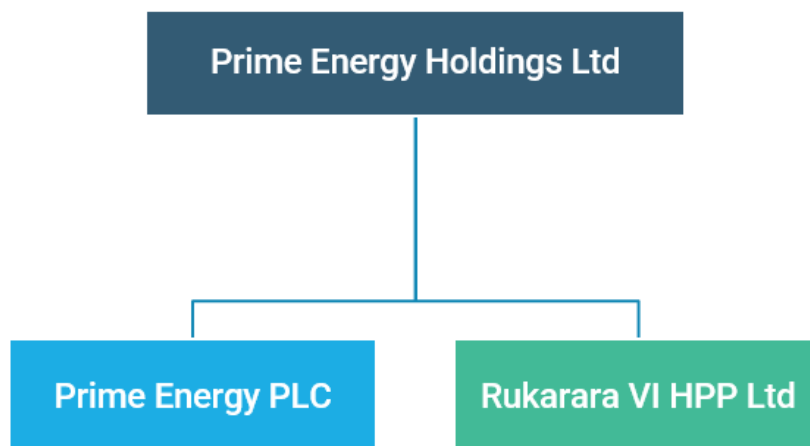
1. Introduction

1.1. Executive Summary

- **Prime Energy Holding -PEH-**

Prime Energy Holdings Ltd is a company registered in Rwanda as a non-operating holding company controlling 100 percent of Prime Energy PLC and **Rukarara VI HPP Ltd**, both of which are special purpose vehicles (SPVs) for the group's investments in hydropower projects in Rwanda.

- **Prime Energy PLC** currently operates four (4) fully commissioned Mini-HPPs under Concession and Power Purchase Agreements with the Government of Rwanda whereas. All the 4 plants are run-of-river, these started operations in 2015;
- **Rukarara VI HPP Ltd** is currently developing a 9.7MW run-of-river Greenfield HPP on the Rukarara River.



Prime Energy Holding Ltd has a strong track record of delivering high-quality, reliable, and sustainable hydropower projects in Rwanda. The company is well-positioned to capitalize on the growing demand for clean energy in the country and contribute to the Government's goal of achieving universal access to electricity by 2024.

The Holding company draws from a host of highly skilled and experienced individuals, both within Rwanda and through partnerships and alliance agreements to render quality services within the requisite time frame, cost and quality.

Prime Energy Holding's core business is management and investment in the following areas:

- Development of energy production power plants
- Operation of energy production power plants
- Modular design and modernization of system
- Maintenance of energy production power

- **Prime Energy PLC**

Prime Energy PLC is a leading renewable energy company in Rwanda, with a focus on hydropower generation. The company was registered in 2014 as pioneers of private power generation industry in the country.

The Ministry of Infrastructure awarded **Prime Energy PLC** a twenty-five-year concession to renovate, upgrade, operate and maintain four Hydro-Power Plants (HPPs) through a transparent and international tendering process. The four HPPs are Gashashi (0.28MW), Gisenyi (1.7MW), Mukungwa II (3.6MW) and Rukarara II (2.2MW), totaling 7.8MW producing between 45 – 46 Million KWh p.a. All four plants are connected to the national grid.

The company also signed Power Purchase Agreements with Energy Utility Corporation Limited (Rwanda utility) for the four power plants and started operation in 2015. Three [3] plants out of the 4HPP were fully renovated and upgraded in 2018. The 4th plant (Rukarara II 2.2MW) was not renovated as it was commissioned in 2014. The 3 renovated plants in 2017-2018 are:

- **Mukungwa II HPP:** fully renovated and upgraded from 2.5MW to 3.6MW
- **Gisenyi HPP:** fully renovated and upgraded from 1.2MW to 1.7MW
- **Gashashi HPP:** fully renovated and upgraded from 0.2MW to 0.28MW

The company has secured long-term power purchase agreements (25 years) with the national utility, ensuring a stable and predictable revenue stream. The company has been operating for 8 years and was profitable 7 years of the 8 years. The only year that the company got a loss was 2018 as 3 plants were under full renovation.

All four power plants are run-of-river units, unlike traditional hydropower plant that requires the creation of a dam and reservoir to store water, a run of river plant uses the natural flow of the river to turn turbines and generate electricity. This type of plant typically has less environmental impact than traditional hydropower plants, as it does not require the creation of a large reservoir and does not disrupt the natural flow of the river.

Through an RWF 9.5 billion corporate bond to be issued in February 2024, **Prime Energy PLC** aims to invest 79% of the bond's proceeds in the Rukarara VI project which is a significant addition to the Holding's portfolio, as it will increase the overall installed capacity and further the group's revenues. The balance of 21% will be invested in the renovation of the existing 4HPP.

- **Rukarara VI HPP Ltd**

The Holding Company has a pipeline of projects under development, which will significantly expand the parent company's portfolio in the coming years.

Among the projects in the pipeline, Rukarara VI Project is the most advanced; currently under construction. With its 9.7MW installed capacity, the run-of-river project will produce 55 million KWh p.a. on average for the 25 years after commissioning. The project is developed under an SPV named Rukarara VI HPP Ltd registered in 2018.

The 65% of bond's proceed will be injected in Rukarara VI Project through the Holding Company; in the form of related party's loan.

The greenfield project will contribute to the Government's goal of reducing the dependency on the diesel generators which still provide 40% of the country's energy supply.

By early 2024, the **Holding Company** will be the 2nd largest Independent Power Producer in Rwanda, with an annual production nearing 100 Million KWh.

1.2. The Holding Company's Mission

The Holding's mission is to "understand the need for clean energy development and maintenance solutions on a continent with massive demand for electricity and rapidly deteriorating natural resources and emerging opportunities. The Holding builds on continuous innovation to satisfy the needs of the consumer while protecting the environment for prosperity"

Prime Energy PLC plans to issue a green bond to finance the business expansion (10MW run-of-river Rukarara VI Project) and renovating the assets in operation (4 run-of-river HPP totaling 8MW).

This Green Bond Framework has been developed to achieve the following objectives;

Integrity and Transparency: The framework aims to ensure integrity and transparency in the issuance and use of green bonds. It provides investors with confidence that the funds will be used for environmentally beneficial projects and that there will be proper reporting on the allocation of proceeds.

Environmental Impact: The primary objective of the Green Bond Framework is to finance projects and initiatives that have a positive environmental impact. By setting clear criteria for eligible green projects, the framework ensures that the issued bond contribute to environmental sustainability and climate change mitigation

Investor Confidence: Green bond investors, who often include environmentally conscious institutional investors and individuals, want assurance that their investments align with their sustainability goals. A robust framework helps build trust and confidence among investors that their money will be channeled into environmentally responsible activities

1.3. Alignment with the UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) provide a global framework under the United Nations for addressing various social, economic and environmental challenges were developed and adopted in 2015. Their aim is to achieve a more equitable, sustainable and prosperous world by 2030. Prime Energy Holding's activities and the use of proceeds from the Green Bond are aligned with three SDGs, namely:

SDG 7: Affordable and Clean Energy, which includes targets to (i) increase substantially the share of renewable energy in the global energy mix, and (ii) double the global rate of improvement in energy efficiency.

SDG 9: Industry, Innovation and Infrastructure, which includes targets to (i) develop quality, reliable, sustainable and resilient infrastructure, and (ii) upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.

SDG 13: Climate Action, which includes targets to (i) strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries and (ii) Integrate climate change measures into national policies, strategies and planning.

1.4. Purpose

This Green Bond Framework sets the governing guidelines and principles for issuing green bonds at Prime Energy PLC's level. It reflects the company's strong commitment to advance sustainable finance agenda and establish itself as a leading example in the energy sector of Rwanda. The Framework has been developed based on international standards and best practices, such as:

- The Green Bond Principles (GBP), 2021 edition issued by the International Capital Market Association (ICMA).
- The Common Principles for Climate Mitigation, utilized by various Multilateral Development Banks, including the International Finance Corporation (IFC).

Prime Energy PLC will use this framework as a reference for the issuance of green bonds, in line with its



strategic priorities, future funding needs and the company's Environmental and Social Management System (ESMS) framework. The Framework will be publicly available on Prime Energy PLC website (www.primeenergyltd.com) on the day of the first green bond issuance.

The ESG goals of Prime Energy Ltd. are:

- Sustainability in the Environment
 - The goal of water management policy is to apply sustainable water management techniques that cause the least amount of harm to nearby ecosystems and communities downstream.
 - Fish Protection installs fish-friendly devices like fish ladders or screens to safeguard aquatic life when water is being moved through an area.
 - Habitat Restoration initiatives are supported in the impacted area in order to mitigate environmental damage.
- Being Socially Responsive
 - Community Engagement aims to interact with local communities to learn about their worries, provide information, and address problems relating to the functioning of the hydropower plant.
 - The creation of jobs, with a focus on local employment prospects, job training, and skill development for the benefit of neighboring areas. Respecting and preserving local cultural history, especially sacred sites and the rights of the indigenous people, is the goal of cultural preservation.
 - Public Security put in place strict safety procedures to safeguard the environment, local communities, and workers.
- Governance and Moral Conduct
 - Openness. By providing pertinent information about the plant's performance, environmental effect, and community engagement initiatives, this policy aims to maintain transparent operations.
 - Adherence Follow all applicable laws and rules on safety, environmental protection, and the operation of hydropower plants.
 - Moral business conduct: Encourage moral business practices, such as anti-corruption measures and ethical purchasing.
 - Stakeholder Engagement: Discuss issues and solicit feedback from stakeholders, such as local communities, investors, and regulators.
- Conserving Biodiversity
 - Ecosystem Protection intends to maintain and conserve the local biodiversity, including the flora and fauna in the project area.
 - System Integration: Work with regional utilities to effectively integrate hydropower from renewable sources into the electricity system.
- Continual Development
 - Regular reporting and interaction with stakeholders are crucial for monitoring progress and resolving any new problems.

2. Green Bond Framework Overview

Under this Green Bond Framework Prime Energy PLC intends to issue Green Bonds to help finance the development of Eligible Green Projects. The Green Bond Framework has been developed in line with the four key pillars of the Green Bond Principles (GBP) established by the International Capital Markets Association (ICMA) as follows:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting and Verification

In addition, a Second Party Opinion on the alignment of this GBF with the ICMA’s GBPs will be sought.

2.1. Use of proceeds

Prime Energy PLC will allocate 100% of the Green Bond proceeds to finance the renovation, the development and the construction of Eligible Assets. A sub-account will be created for ring-fencing the net proceeds. Prime Energy PLC will use the eligibility criteria as set below:

Prime Energy PLC Green Bond Eligibility Criteria

GBP Eligible Category	Eligibility Criteria	SDGs
Renewable Energy	<p>Proceeds will finance expenditures related to construction, renovation, development, operation and maintenance of new and ongoing renewable energy activities in renewable energy (hydropower plants) and emissions including costs related to Purchase/finance of:</p> <ul style="list-style-type: none"> -Construction works -Maintenance works -Equipment manufacturing <p>This will aim for the lowest possible greenhouse gas emissions (less than emission intensity of 24 gCO₂-eq/kWh) while maximizing energy efficiency to reduce carbon emissions and slow down climate change.</p>	<p>7. Affordable and clean energy</p> <p>9. Industry, Innovation and Infrastructure</p> <p>13. Climate Action</p>

The nominated renewable energy projects will have a number of environmental benefits; the utilization of renewable energy sources reduces greenhouse gas emissions, enhances air and water quality, safeguards ecosystems, and promotes sustainability, among other environmental benefits. These advantages are essential for solving the pressing environmental issues that our planet is currently confronting. Whereas the projects that focus on Environmentally Sustainable Management of Living Natural Resources and Land Use will play a critical role in safeguarding the environment, maintaining ecosystem services, and mitigating the negative impacts of human activities on the planet. These practices contribute to the overall well-being of both ecosystems and human societies by promoting long-term ecological sustainability.

The composition of the portfolio will be the four HPP in operations and the 10MW run-of-river plant in construction, to be commissioned in Q4 2024. In summary the expected allocation of funds to the other eligible categories are as below;

New Investment into Rukarara VI	7,500,000	79%
Maintenance CAPEX of existing HPP	2,000,000	21%
Gross proceeds	9,500,000	100%

Exclusion Criteria

Prime Energy PLC is a small-scale renewable energy company, and therefore will not use any proceeds of the Green Bond on the following types of projects:

- Large-scale hydropower plants that have a generation capacity of over 15MW
- Nuclear power plants
- Fossil fuel projects, which include; refined or alternative coal technologies, gas-to-liquid projects and natural gas projects.

2.2. Process for Project Evaluation and Selection

Eligibility assessment, exclusion list, E&S.

Prime Energy PLC projects are subject to Environmental, Social and Governance (ESG) standards in this regard, potentially eligible projects will be reviewed for the green bond proceeds and a project portfolio created. Projects that pass the eligibility criteria will also be screened to ensure they comply with company's Environmental and Social Risk Management Policy. Projects that do not meet the stated criteria will not be eligible for the Green Bond proceeds.

Prime Energy PLC evaluation and selection of green bonds will involve several key steps to ensure that the projects funded by the green bonds align with sustainability and environmental objectives. The evaluation will involve; Project Screening and Assessment of the identified projects to determine their environmental and social impact on greenhouse gas emissions reduction potential, resource efficiency, positive social implications, and adherence to local regulations and environmental standards, Financial and Technical Feasibility, Quantify Green Impact, Risk Analysis, Stakeholder Engagement, Green Bond Certification, Issuance and Reporting. The selection and evaluation will follow an established governance structure.

The governance structure for selecting and evaluating green bond projects is crucial to ensure transparency, accountability, and alignment with environmental goals. The governance structure for selecting and evaluating green bond projects will be as follows:

- Green Bond Issuer: Prime Energy PLC is responsible for establishing and maintaining the governance structure.
- Green Finance Team: Prime Energy PLC will create a dedicated team responsible for managing green bonds. This team will include individuals with expertise in sustainability, finance, and project evaluation.

- **Green Bond Committee:** Prime Energy PLC will form a committee responsible for overseeing the green bond program. The committee will include representatives from various departments within Prime Energy PLC, such as finance, sustainability, legal, and risk management. The committee's responsibilities include:
 - **Setting the green bond framework:** Develop a clear framework that outlines Prime Energy PLC green objectives, the types of projects eligible for funding, and the reporting requirements.
 - **Project Selection:** Review and approve projects that are eligible for green bond financing based on the established criteria.
 - **Reporting and Disclosure:** Ensure that regular reporting on the use of proceeds and the environmental impact of funded projects is conducted and disclosed to investors and stakeholders.
- **External Expert Advisory Panel:** Prime Energy PLC will involve external experts/advisors to provide independent input on project selection and evaluation. This will enhance credibility and provide additional expertise in sustainability.
- Prime Energy PLC by establishing a comprehensive governance structure will build trust with investors and demonstrate their commitment to funding environmentally sustainable projects through green bonds. This, in turn, will attract more investors and contribute to the financing of a greener and more sustainable future.

Responding to environmental and social risks

As part of its organization to promote sustainability initiatives, Prime Energy PLC has a Sustainability Management Committee under the supervision of the CEO. The Committee discusses policies and measures concerning sustainability initiatives and ESG risk management and reports to the Board of Directors.

Prime Energy PLC has an ESMS that demonstrate a commitment to sustainability and responsible environmental and social practices like; Environmental Risk Management (Identification and Assessment, Mitigation Strategies, Compliance), Social Risk Management (Stakeholder Engagement, Human Rights, Diversity and Inclusion Community Investment), Reporting and Transparency, Data Collection and Monitoring, Reporting Standards (Global Reporting Initiative - GRI) to provide transparent and standardized reporting on environmental and social performance, External Verification, Risk Mitigation Plan, Training and Capacity Building and Continuous Improvement.

It is essential for Prime Energy PLC as a company to integrate robust environmental and social risk management practices into their green bond policy framework to ensure that the proceeds from green bonds are used to finance projects that contribute positively to sustainability goals while minimizing adverse impacts on the environment and society.

2.3. Management of the Proceeds

The net proceeds of Green Bonds issued by Prime Energy PLC will be managed on a portfolio basis. Proceeds will be used for the financing of Eligible Green Projects. Prime Energy PLC through its Finance Department aims to achieve a level of allocation to the Eligible Green Projects portfolio that matches or exceeds the balance of net proceeds from its outstanding green bonds.

The Finance Department will guarantee the allocation of net proceeds by following an internal management system that aims to define the destination of cash-flows, set reserved accounts for not invested funds and adjust periodically the net proceeds. Additional eligible investments and/or

projects will be added to the Eligible Green Projects portfolio as needed to ensure that the net proceeds from outstanding green bonds will be allocated to Eligible Green Projects.

The Green Bond's proceeds will be allocated in a period of 1 year (April 2024 to March 2025). The proceeds will be allotted to the following use:

- 79% will be injected in the 9.7MW renewable energy project under construction;
- 21% will finance the renovation of the 4 HPP in operation;

Pending allocation of any green bond net proceeds, Prime Energy PLC will temporarily hold and/or invest, at its own discretion, in its treasury liquidity portfolio (in cash or cash equivalents), or in reimbursement/purchase of existing debt, the balance of net proceeds not yet allocated to the Eligible Green Projects portfolio. Proceeds not immediately disbursed will not be invested in non-green projects.

Prime Energy PLC will monitor their portfolio closely and take proactive measures to address any issues that may lead to a loss of eligibility. This will help ensure the portfolio's long-term success and its ability to contribute to environmental sustainability goals.

Prime Energy PLC envisages full portfolio compliance to its eligibility criteria, however in the event of noncompliance several consequences will be taken, depending on the specific circumstances;

- Corrective Actions - Will involve implementing new strategies, technologies, or management practices to address the issues that led to the loss of eligibility.
- Reevaluation and Redesign - In some cases, when a Green Project no longer meets its eligibility criteria, it will need to be reevaluated and redesigned. This could involve making changes to the project's goals, strategies, or technologies to align with the eligibility criteria once again.

Prime Energy PLC will establish a Green Financing Register to record on an ongoing basis the allocation of net proceeds from our Green Financing Framework to Eligible Green Projects. The Green Financing Register will contain relevant information to identify each Green Bond or Green Loans and the Green Assets relating to it, including the country, category, and nature of the Green Assets. The Green Financing Instruments Register will be monitored by Prime Energy PLC's Finance team and will be updated on a semi-annual basis.

2.4. Reporting

Prime Energy PLC will publish a Green Bond Report on its website annually until maturity using ICMA requirements. The annual reports will be issued by the end of February for the previous reporting period (from January 1st to December 31st). The report will contain details of the total amount of projects in the Green Bond portfolio and the total outstanding amount raised by the Green Bond. In addition, the Green Bond Report will provide details of eligible assets within the Green Bond project Portfolio along with Prime Energy PLC's financial commitments to each project; the total amount of unallocated proceeds, if any; and environmental impacts of the Green Bond Project Portfolio to the extent it is practical to do so.

Reporting indicators the projects will be essential for providing transparency and accountability to investors and stakeholders. These indicators also help demonstrate the environmental impact and sustainability of the projects funded. Reporting will typically include both qualitative and quantitative information these are some key reporting indicators:

- Use of Proceeds: Describe how the funds raised through the green bond were allocated across eligible projects. Provide a breakdown of investments in specific green activities, such as renewable energy, environmentally and sustainable management of land use.

- Environmental Impact Metrics:
 - Carbon Emissions Reduction: Report on the expected or realized reduction in greenhouse gas emissions resulting from the project.
 - Energy Savings: Quantify the amount of energy saved or generated by the project.
- Compliance with Green Bond Principles (GBP): Ensure that the project aligns with the GBP's core components and voluntary disclosure guidelines.

Impact Reporting

Prime Energy PLC will strive to report on the environmental impact of Eligible Projects financed by the issuance of Green Bond based on the Framework when feasible and subject to availability of data that will include:

- Define and disclose the period and process for including projects in their report.
- The total signed amount and the amount of green bond proceeds allocated to eligible disbursements and also show additional information such as the year of signing (or other measures to describe the seasoning of a portfolio) or project stage from a financing point of view (such as signed, disbursed, repaying).
- Define characteristic of green bonds is that the issuance proceeds be used i.e issuer's predefined eligibility criteria.
- List of projects to which green bond proceeds have been allocated, or report solely on a portfolio level.
- The impact report should illustrate the expected environmental impacts or outcomes made possible as a result of projects to which green bond proceeds have been allocated.
- The estimated lifetime results and/or a project's economic life (in years) to provide users with a basis for understanding the impact of the project over its lifetime.
- To facilitate comparison of project results, the issuers will report on a limited number of sector specific core indicators for projects included in their green bond programmes.
- Greenhouse gas (GHG) emissions reduced/avoided

3. Disclaimer

This Green Bond Framework has been prepared by Prime Energy PLC for information purposes only. It cannot be relied upon in connection with and does not constitute, or form part of, any offer to sell or offer to buy Prime Energy Green Bond. This document does not constitute legal or financial advice, and nothing contained herein shall constitute, form the basis of or be relied on in connection with any contract, binding obligation or claim whatsoever. Any decision to purchase any Prime Energy Green Bond should be made solely on the basis of the information to be contained in any offering document produced in connection with the offering of such Bonds. Prospective investors are required to make their own independent investigation and appraisals prior to any investment decisions and are solely liable for any use of the information contained herein. No assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding any "green", "sustainable" or other equivalently labelled performance objectives.

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