



MANAGEMENT REPORT

PRIME ENERGY PLC

GREEN BOND FRAMEWORK
PRE-ISSUANCE SECOND PARTY OPINION

October 2023

Introduction

IBIS ESG Consulting Africa (Pty) Ltd (IBIS) has been engaged by Prime Energy Plc (“Prime Energy” or “the Issuer” or “the Company”) to perform a pre-issuance Second Party Opinion (SPO) assurance engagement to determine the alignment of Prime Energy’s Green Bond Framework 2023 (referenced to as “the Framework”) with the International Capital Markets Association (ICMA) Green Bond Principles of June 2021 (the Green Bond Principles or GBPs). This report is produced in accordance with the terms of our engagement letter dated 11 August 2023.

Prime Energy Holdings Limited (PEHL) is a non-operating registered company in Rwanda which controls 2 Special Purpose Vehicles (SPVs) for the Group’s Hydro Power Projects (HPPs). They are:

- Prime Energy PLC: Operates 4 fully commissioned mini HPPs under Concession and Power Purchase Agreements with the Government of Rwanda
- Rukarara VI HPP Limited (Rukarara): Currently developing a 9.7MW run-of-river Greenfield HPP

Prime Energy 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 Issuer understands 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 while committing to ensuring its initiatives and projects not only contribute to environmental sustainability but also addresses the issue of climate change.

IBIS Independence And Quality Control

IBIS is an independent provider of non-financial assurance services. This engagement was conducted by a multidisciplinary team of non-financial assurance specialists led by Petrus Gildenhuis, who has more than 25 years of experience in non-financial performance measurement involving both advisory and assurance work and supported by assurance consultants, Seko Mbatha and Uchechukwu Nwachukwu. IBIS conducted the engagement based on the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board, which Standard inter alia requires that the assurance practitioner follows due process and comply with ethical requirements.

Scope and Objectives

The objective of this assurance engagement is to verify the alignment of Prime Energy’s Green Bond Framework with ICMA GBPs June 2021 Pre-issuance core component requirements in terms of:

- Use of Proceeds;
- Process for the Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

IBIS' responsibilities do not extend to any other disclosures or assertions.

Prime Energy Limited's and IBIS' Responsibilities

The management of Prime Energy is responsible for generating and maintaining accurate and reliable information provided to IBIS for this assessment. IBIS shall not be held liable if any of the information provided by Prime Energy's management is not accurate or complete.

IBIS' responsibilities are to conduct an assurance engagement and to report its conclusions to the Directors of Prime Energy in accordance with the assurance procedures followed.

Inherent limitations

The evidence-gathering procedures performed in a Limited Assurance engagement vary in nature, form, and are less in extent, than for a Reasonable Assurance engagement. As a result, the level of assurance obtained in a Limited Assurance engagement is lower than the assurance that would have been obtained had we performed a Reasonable Assurance engagement.

Restriction of liability

Our work has been undertaken to enable us to express the conclusion on the specified scope and objectives of the engagement to the Directors of Prime Energy in accordance with the terms of our engagement, which includes the publication of this opinion, and for no other purpose. We do not accept or assume responsibility to any third parties i.e., other than to the Directors of Prime Energy, for our work or for this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

Summary of assessment performed.

Prime Energy provided IBIS with its Green Bond Framework 2023 and other supplementary information to support the independent assurance process. IBIS' Limited Assurance procedures were based on our professional judgement and consisted of:

- Management enquiry and interviews;
- Review of Prime Energy's green bond related documentation and publicly available market information; some documents reviewed include
 - Environmental Impact Assessment (EIA) Rukarara II
 - Gashashi EIA Certificate
 - Report of EIA Mukungwa II
 - Prime Energy's Environmental and Social Management System (ESMS)
- Evaluation of the Prime Energy Green Bond Framework against the ICMA GBP June 2021 requirements as related to the Issuer's Strategy and Rationale, Use of Proceeds, Process for the Project Evaluation and Selection, Management of Proceeds and Reporting.

SPO Section	Summary	Evaluation
Section 1 Green Bond's Link to the Issuer's Sustainability Strategy	The Use of Proceeds to be financed through this Green Bond Framework is consistent with the Issuer's sustainability strategy. The rationale and objectives for issuing a Green Bond are clearly articulated by the Issuer.	Aligned
Section 2 Alignment with ICMA's Green Bond Principles.	The Issuer has defined a formal concept for its Green Bond Framework regarding the use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. The concept is aligned with the requirements of the 4 pillars of the ICMA's Green Bond Principles	Aligned
Section 3 Sustainability Quality and Assurance Conclusion	In our opinion, and based on our Limited assurance procedures conducted, nothing has come to our attention that causes us to believe that Prime Energy's Green Bond Framework does not conform in all material respects to ICMA GBPs of June 2021	Aligned

Section 1: Green Bond's Link to Issuer's Sustainability Strategy Reporting

Background

Prime Energy, which is a subsidiary of Prime Energy Holding Limited, is a renewable energy company with experience in the development, construction, operation, and maintenance of renewable energy projects. The Company has a track record of delivering hydropower projects within Rwanda and is committed to providing clean energy solutions to the growing demand for energy in the country while contributing to the Government's goal of achieving universal access to electricity by 2024.

The Ministry of Infrastructure awarded Prime Energy a twenty-five-year concession to upgrade, operate and maintain four 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 45Million kWh.

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 plants out of the 4 HPPs were fully renovated and upgraded in 2018.

Prime Energy aims to invest in the Rukarara VI project which is a significant addition to the Group's portfolio, as it will increase the overall installed capacity and further their commitment towards the need for clean energy development. Rukarara VI is a project in the pipeline of the Issuer which is currently under construction. The project has a proposed installed capacity of 9.7MW with the potential to generate about 55million kWh on average for the 25 years after commissioning. The Rukarara VI project also plans to contribute to the Government's goal of reducing the dependency of the country's energy supply on diesel generators.

The Company intends to issue an RWF 9.5 billion corporate green bond of which 79% of the proceeds will be invested in the Rukarara VI project while the outstanding balance will be invested into the maintenance of the four HPPs.

The Issuer's Sustainability Strategy

The Issuer recognizes the complexity and urgency of climate change and is committed to the transition to a cleaner low-carbon world through its energy solutions. ESG is a core strategic priority for the Issuer, with a focus on environmental sustainability, social responsibility, biodiversity conservation, and continuous development. The primary objectives of the green bond is to finance projects that have a positive environmental impact and contribute to environmental sustainability while also addressing the impacts of climate change.

The Company's E&S strategy is aligned with the considerations of the IFC Performance Standards and three (3) Sustainable Development Goals (SDGs) namely:

- **SDG 7 (Affordable and Clean Energy):** This 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):** This 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):** This 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.

Conclusion on the Rationale for issuance

Prime Energy intends to use the proceeds of the green bond to provide cleaner energy solutions which are environmentally sustainable and friendly, while also addressing socio-economic challenges of power supply. IBIS finds that the Use of Proceeds financed through this bond is consistent with the Issuer's sustainability strategy. The rationale for issuing Green Bond is also clearly described within the framework.

Section 2: Alignment with Green Bonds Principles

Use Of Proceeds																	
Use of Proceeds	<p>Prime Energy is committed to allocating an amount equivalent to the net proceeds of the green bond to eligible projects as defined within the Green Bond Framework with the environmental objectives focused mainly on climate change mitigation. The framework clearly defines the green project category as <i>Renewable Energy</i> which is aligned with the GBPs. It further defines the eligibility criteria under the eligible category as below:</p> <table border="1" data-bbox="432 647 1386 1301"> <thead> <tr> <th>GBP Eligible Category</th> <th>Eligibility Criteria</th> </tr> </thead> <tbody> <tr> <td>Renewable Energy</td> <td> <ul style="list-style-type: none"> • Proceeds will finance expenditures related to the construction, development, operation, and maintenance of new and existing HPPs. • Greenhouse Gas (GHG) emissions intensity would be less than 100 gCO₂-e/kWh (aiming for less than emission intensity of 24 gCO₂-e/kWh) • HPPs with a generation capacity below 15MW </td> </tr> </tbody> </table> <p>The Issuer commits to allocate 15% of the net proceeds of the Green Bond to refinancing existing loans of the existing HPPs and has defined its expected lookback period for the refinanced portion as 84 months. In summary, the expected allocation of funds to the other eligible categories are as below:</p> <table border="1" data-bbox="445 1529 1377 1688"> <thead> <tr> <th></th> <th>Eligible Projects</th> <th>% of Proceeds Allocation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>New Investment into Rukarara VI</td> <td>79</td> </tr> <tr> <td>2</td> <td>Maintenance CAPEX of existing HPP</td> <td>21</td> </tr> <tr> <td></td> <td>Total Net Proceeds</td> <td>100%</td> </tr> </tbody> </table> <p>The framework also articulates the anticipated environmental benefits of the eligible project category. These include but are not limited to reduction in greenhouse gas emissions, enhanced air quality, conserved ecosystems, etc.</p>	GBP Eligible Category	Eligibility Criteria	Renewable Energy	<ul style="list-style-type: none"> • Proceeds will finance expenditures related to the construction, development, operation, and maintenance of new and existing HPPs. • Greenhouse Gas (GHG) emissions intensity would be less than 100 gCO₂-e/kWh (aiming for less than emission intensity of 24 gCO₂-e/kWh) • HPPs with a generation capacity below 15MW 		Eligible Projects	% of Proceeds Allocation	1	New Investment into Rukarara VI	79	2	Maintenance CAPEX of existing HPP	21		Total Net Proceeds	100%
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Conclusion	<p><i>IBIS has assessed the Green Bond Framework and confirms that the Issuer's eligibility criteria for its use of proceeds align with the ICMA GBPs. The Green Project category selected by the Issuer, namely Renewable Energy, is</i></p>																

in line with the ICMA GBPs. Environmental benefits are also articulated within the framework.

Process For Project Evaluation and Selection

Evaluation and Selection

The Issuer's framework articulates several key steps and processes for the evaluation and selection of eligible green projects. The governance structure relevant to the selection and approval of eligible projects are also adequately defined to support transparency and accountability of the green bond. The governance structure includes:

- **Green Finance Team:** The team will be responsible for managing the green bond process and will comprise of individuals with expertise in sustainability, finance, and project evaluation.
- **Green Bond Committee:** The committee will have overarching responsibility for overseeing the entire green bond process. Its responsibilities will include but not limited to project selection, reporting, etc.
- **External Expert Advisory Panel:** Prime Energy commits to the involvement of external experts/advisors to provide independent input on project selection and evaluation to enhance credibility and provide additional expertise.

A Green Finance team will screen the identified projects against the company's Environmental and Social (E&S) Risk Management Policy to identify potential E&S risks impact across several considerations such as compliance with local environmental regulations, greenhouse gas emissions, resource efficiency, stakeholder engagements, etc. Prime Energy has an Environmental and Social Management System (ESMS) which supports the integration of environmental and social factors in the Issuer's decision-making process.

The framework also details an exclusion list which states that the net proceeds of the green bond will not be allocated to the following projects:

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

	The Company has developed the Green Bond framework and its associated use of proceeds to be align with <i>The Common Principles for Climate Mitigation</i> .
Conclusion	<p><i>The Issuer has articulated its governance structure and processes for selecting and evaluating the eligible projects within the framework. Environmental and Social risks are clearly considered in the assessment process while also ensuring that the nominated projects aligns with the eligibility criteria. The exclusionary criteria are clearly defined.</i></p> <p><i>IBIS considers the Issuer's process for selecting and evaluating the identified projects to be aligned with the ICMA's requirements.</i></p>

Management Of Proceeds	
Management of Proceeds	<p>According to the framework, Prime Energy commits to manage the net proceeds of the Green Bond on a portfolio basis. The Issuer commits to achieving an allocation of the net proceeds that match the Eligible Green Project portfolio. The Finance Department will be responsible for the allocation and tracking of the net proceeds through the use of its internal accounting system which will be ringfenced into a dedicated sub-account. Prime Energy will maintain a Green Financing Register to record, on an ongoing basis, the allocation of the net proceeds of the Green Bond, the unallocated proceeds, and details of the eligible projects. The Finance team will be responsible for updating the Register on a semi-annual basis. Prime Energy envisages full portfolio compliance to its eligibility criteria, however in the event that a project no longer meets the eligibility criteria, the following will be considered;</p> <ul style="list-style-type: none"> ▪ Corrective Actions: This will involve implementing new strategies, technologies, or management practices to address the issues that led to the loss of eligibility. ▪ Re-evaluation and Redesign: This could involve making changes to the project's goals, strategies, or technologies to align with the eligibility criteria once again. <p>The Company also intends to allocate 100% of the net proceeds within 12 months of the issuance of the Green Bond and additional eligible projects will be included into the Eligible Green Projects Portfolio to ensure full allocation.</p>
Unallocated Proceeds	Pending the allocation of the Green Bond Proceeds, Prime Energy commits to temporarily hold and/or invest, at its own discretion, in its treasury liquidity portfolio (in cash or cash equivalents), or reimbursement/purchase of existing debt, the balance of unallocated proceeds.

Conclusion	<i>IBIS considers the Management of Proceeds proposed by Prime Energy within its framework to be aligned with the requirements of ICMA Green Bond Principles. The Issuer intends to track the proceeds using its internal management system. The Issuer has also disclosed the intended types of temporary investment instruments for unallocated proceeds.</i>
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Reporting	
Reporting Commitment	<p>Prime Energy commits to prepare and publish its Green Bond Report annually until the full allocation of net proceeds on its website.</p> <p>The Green Bond Report will provide qualitative and quantitative details on:</p> <p>Allocation Reporting</p> <ul style="list-style-type: none"> • the details of each eligible green project, • a record of the amount or amounts invested and/or allocated to each eligible green project, and • total amount of unallocated proceeds <p>Impact Reporting</p> <p>For purposes of impact reporting, Prime Energy will consider the following impact metrics for its green project categories which will include but not limited to:</p> <ul style="list-style-type: none"> • GHG emissions reduced/avoided resulting from the projects, and • Total energy generated by the project <p>The annual reporting will provide transparency and accountability to investors and stakeholders during the life of the green bond.</p>
Conclusion	<p><i>Prime Energy's reporting on bond performance is aligned with the GBPs. The framework has committed to a transparent process on the level of expected reporting in terms of allocation and impact. Impact indicators of the green project categories are listed within the framework.</i></p>

Part 3- Sustainability Quality and Assurance Conclusion

Sustainability Quality

Based on the assessment of the sustainability quality of the use of proceeds and using ICMA High-level mapping to the SDGs, IBIS has assessed that the contribution of the Issuer's Green Projects would have a positive contribution to the following SDG.



OPINION

We believe that the information provided by Prime Energy Plc, and the assessment performed by IBIS are sufficient and appropriate to form a basis for our Second Party Opinion.

In our opinion, and based on our Limited assurance procedures conducted, nothing has come to our attention that causes us to believe that Prime Energy's Green Bond Framework 2023 does not conform in all material respects to ICMA GBPs of June 2021, with regard to:

- Use of Proceeds;
- Process for the Project Evaluation and Selection;
- Management of Proceeds; and
- Reporting.

A handwritten signature in black ink, appearing to read "P. Gildenhuys".

Petrus Gildenhuys

DIRECTOR, IBIS ESG CONSULTING AFRICA (PTY) LTD

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