Green Bond Framework

Financing for the energy transition

Swiss Sustainable Sec S.à r.l.

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1. About Swiss Sustainable Sec S.à r.l.

Swiss Sustainable Sec S.à r.l. is a limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg, in particular the law of 10 August 1915 on commercial companies, as amended from time to time (the "Companies Law") and qualifies as a securitization company (société de titrisation) under the law of 22 March 2004 on securitization, as amended from time to time (the "Securitization Law").

Swiss Sustainable Sec S.à r.l. is a Luxembourg company that aims to raise capital for projects that contribute to the energy transition through the production, processing, or application of sustainable batteries. Accordingly, the purpose of Swiss Sustainable Sec S.à r.l. is the issuance of securities to raise financial resources that can be used preferably by way of debt financing for projects ranging from the establishment of production facilities to the marketing of sustainable batteries and battery storage systems for the implementation of the energy transition worldwide and that contribute to the Green Bond Principles (GBP). To this end, Swiss Sustainable Sec S.à r.l. establishes compartments containing the securities for the respective projects. The financial resources are preferably passed on by means of loans but may also include other financing instruments.

Battery storage systems have a decisive potential for the energy transition - if they are produced more sustainably and can be used more widely. The production of batteries is energy- and resource-intensive, but their lifespan has so far been strictly limited. The massive expansion of battery production for a sustainable energy supply thus threatens to lead to serious sustainability problems. This is where the strategy of Swiss Sustainable Sec S.à r.l. comes in: The aim is to provide capital to support battery technologies that offer substantial improvements over conventional batteries in the transformation fields of climate, biodiversity, and society.

One of these battery technologies that Swiss Sustainable Sec S.à r.l. would like to support is the green solid-state battery from High Performance Battery Technology GmbH: it has solved the problem of battery ageing at its chemical root, does not require critical raw materials and has a combination of features that can revolutionise the usefulness of batteries for the energy transition. Energy and resource efficiency are significantly improved - since battery storage no longer needs to be oversized to counteract ageing effects[1]. The almost unlimited service life also opens fields of application and models[2] that are essential for the success of the energy transition, such as the use of batteries to buffer renewable energies as the fourth pillar of energy supply or for peak load capping in industry. High Performance Battery Technology GmbH consistently focuses on economic independence to be able to guarantee sustainability-oriented marketing of the technology. Through the licensing model, manufacturers and users worldwide are able to participate in and benefit from the spread of green battery technology.

Supporting projects that aim to produce, process, and use sustainable batteries have a positive impact on three important transformation fields:

1 Solid state battery technology from High Performance Battery Technology GmbH: https://www.highperformancebattery.ch/de/technologie/

2 Fields of application: https://www.highperformancebattery.ch/de/anwendungen/

Climate

Climate protection requires a shift towards renewable energy sources. Batteries play a central role in this, both as buffer storage and as mobile storage media. So far, however, their production and use have been associated with considerable sustainability problems and application restrictions. Sustainable battery technologies therefore have a wide range of applications and enormous impact potential but require considerable financial resources for successful market entry. Access to debt capital via Swiss Sustainable Sec S.à r.l. expands the opportunities for the funded projects to be implemented and scaled up in the short term.

Biodiversity

The energy transition protects biodiversity by substituting fossil fuels with massive consequences for ecosystems (tankers, pipelines, opencast mines, etc.). Sustainable battery technologies offer new options for unsolved problems of the energy transition, with significantly reduced resource requirements and environmental impact. Swiss Sustainable Sec S.à r.l. promotes such technologies that make the side effects of battery production and use transparent by using a sustainability label. Although this is increasingly demanded, it is by no means common at present. Through this selection of projects, Swiss Sustainable Sec. S.à r.l. aims to have a knock-on effect on the entire energy sector.

Society

Sustainable development needs a social basis. Currently, climate protection and jobs are played off against each other, which endangers cohesion and blocks the necessary transformation. Swiss Sustainable Sec S.à r.l. has set itself the goal of providing important impetus for innovation and cooperation by financing projects that aim to produce, process, and use sustainable batteries, thus expanding the scope for sustainable action worldwide.

2. Green Bond Framework

In line with its strategy and sustainability vision, Swiss Sustainable Sec S.à r.l. has developed the Green Bond Framework under which the company can issue Green Bonds to finance or refinance projects that promote and contribute to the production, processing, and application of sustainable batteries. Hence, the financed projects need to contribute to the transition to a low carbon economy. The following Green Bond Framework of Swiss Sustainable Sec S.à r.l. is based on the International Capital Markets Association's (ICMA) Green Bond Principles (GBP)[3]. These are a set of optional guiding principles that suggest transparency and disclosure and support integrity in the development of Green Bonds. The Swiss Sustainable Sec S.à r.l. Green Bond Framework follows the GBPs, which were updated in June 2021 and contain guidelines in four core areas:

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

MSCI ESG Research, as the largest global provider of ESG data and analytics, will provide a Second-Party Opinion (SPO)[4] for the Green Bond Framework of Swiss Sustainable Sec S.à r.l. This Green Bond framework is informed by MSCI's Green Bond and Green Loan Assessment Methodology, dated November 2021.

If GBPs, general practices or regulatory requirements in the Green Bond market change in the future, this framework might be adapted accordingly to continue complying with the guidelines.

3 GBPs: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
4 SPO MSCI: https://www.msci.com/zh/our-clients/corporates/second-party-opinions

2.1 Use of Proceeds

Swiss Sustainable Sec S.à r.l. focuses on supporting projects for the development of production up to the marketing of sustainable batteries and battery storage systems. The funds are preferably granted as debt capital by means of loans. Within the projects CAPEX and OPEX can be financed. Each individual project of Swiss Sustainable Sec S.à r.l. is set up as an independent financing instrument (compartment). In this respect, the use of funds of a financing instrument is always related to one project. Within the framework of growth and/or follow-up financing, several compartments can be set up for the financing of a project. However, a compartment never finances several projects. This always ensures transparency regarding the use of funds and the project to which the funds are allocated.

Swiss Sustainable Sec S.à r.l. plans to select projects that fall into at least one of the following GBP categories:

GBPs

- **Alternative Energy / Renewable energy**

  Eligible projects in this category rely on the use of solar energy, for the generation of batteries or the use of sustainable batteries to improve the generation of renewable energy, specifically of wind-, solar- and/or green hydrogen-energy. The funding is used to implement preferably own generation facilities and/or use cases for the deployment of sustainable batteries.

- **Energy efficiency**

  Eligible projects in this category focus on the production of batteries that contribute to a more efficient use of energy. Such production does not involve any kind of mining activity. Furthermore, eligible projects address the infrastructure for improved integration of renewable energies, such as wind-, solar- and/or green hydrogen-energy, and/or for grid relief in various fields, such as the control energy sector, for island grids and/or quarter solutions (e.g., in the form of buffer storage and/or for peak load capping)[5].

5 Fields of Application: https://www.highperformancebattery.ch/en/anwendungen/

Overall eligible projects contribute to a more efficient management of power storage by producing and applying sustainable batteries. Through such projects energy can be used more efficient since supply or demand surpluses can be managed. Meaning that the management of fluctuating electricity generation of renewable energies is addressed by using batteries as a storage.
As a specific example for a project expected be funded serves the production building of Swiss Clean Battery AG (SCB AG). The roof of the building will be equipped with photovoltaics. To enhance the energy efficiency of the whole building as well as the production of batteries the energy generated with photovoltaics will be stored by using own battery storage. This means that the energy is buffered by the company itself to produce as much electricity as possible by itself. This relieves the load on the grid and reduces peak loads. The goal is to harmonize energy generation and consumption.
Furthermore, funding can be used to implement energy-efficient energy concepts (energy recovery, combined heat, and power charging infrastructure, etc.). Combined heat and power projects that involve any fossil fuel-based cogeneration are not considered eligible.

- **Pollution prevention and control**

Eligible projects in this category address the entire product life cycle through clear positioning from raw material extraction to recycling. The contributions to preventing pollution are ideally made transparent through life cycle assessment in line with the intended requirements of the EU battery regulation[6]. Particular attention is paid to the possibilities of the circular economy, for example in the procurement of raw materials by using secondary raw materials from reprocessing and/or partnerships for recycling at the end of the product life cycle. Eligible projects therefore address the recycling of batteries that apply recycling processes[7]. The goal of funded projects has to be the recycling of the scrap and materials from recycling chains. Partnerships in this area will be considered as eligible projects. Moreover, raw materials are sourced in an environmentally- and social-friendly manner while the use of critical resources, like for instance cobalt, is addressed[7]. The sourcing of raw materials is as well in line with the intended requirements of the EU battery regulation. Raw materials sourced under reprocessing are for example metals such as lithium, nickel and stainless steel as well as graphite. Projects that use critical or toxic resources such as cobalt are not considered eligible, even if the procurement were from reprocessing. Overall, the key environmental benefits of a life cycle assessment are the production and operation of batteries with the lowest possible impact on the environment. Specifically, this means that companies should for example implement short production and supply chains which additionally promotes regionality. Meaning that the shipping of raw materials and finished products around the globe should be avoided. Overall, life cycle assessments support companies to a better "footprint" in the areas of climate, biodiversity, and society.

6 EU battery regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0798
7 Whitepaper "Criticality and recycling of lithium-ion batteries": https://www.highperformancebattery.ch/global/downloads/220901_Impulses_for_the_energy_transition_-_criticality_and_recycling.pdf?m=1661841280&

The specific example of SCB AG illustrates that. For instance, recycling is addressed, and toxic resources are avoided. This reduces pollution. As described above, the batteries of SCB AG have various fields of application and can therefore support the necessary energy transition. Ultimately, life cycle assessments shall be used for transparency.

▪ Green buildings

Eligible projects in this category are new commercial buildings for the production of sustainable batteries that acquire ESG verification on compliance with EU taxonomy for new buildings[8].
Furthermore, projects of new commercial buildings for the production of sustainable batteries that obtain country-specific building standard, such as "Minergie", or comparable national or international building standards, such as LEED, BREEAM etc. are considered eligible as well. All Minergie building standards (Minergie, Minergie-P and Minergie-A) are considered eligible. Minergie is a Swiss building standard for new and modernised buildings[9]. The brand is jointly supported by the economy, the cantons, and the federal government. Hence, environmental impact of the buildings affected by the project (production halls, customer buildings, etc.) are already considered during the planning process and measures to efficiently reduce the environmental impact of the project implementation are executed (use of wood instead of steel and concrete, etc.). As the specific example of SCB AG shows, the company considers the environmental impact of the building by for example installing photovoltaics and therefore reduces their environmental impact by producing most of its energy on its own. Moreover, SCB AG also considers the environmental impact in the production halls by using wood. On the one hand, wood captures carbon and on the other hand the environmental impact of wood is smaller compared to concrete since concrete is very energy-intensive to produce.

In addition, Swiss Sustainable Sec S.à r.l. defines that proceeds from its green bond will only fund projects that:

- Consider the EU battery regulation
- Consider social aspects (Human rights, no child labour, workplace safety etc.)

An overview of eligible projects is given in the Table below. By financing such projects, Swiss Sustainable Sec S.à r.l. will contribute to the outlined Sustainable Development Goals (SDGs). The SDGs are part of the 2030 Agenda for Sustainable Development that was defined by the United Nations[10].

8 EU taxonomy: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=DE
https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_1&format=PDF
Relevant chapter, 7.1 "Construction of new buildings", p. 166-169: https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_2&format=PDF
Relevant chapter, 7.1 "Construction of new buildings", p. 236-240: https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_3&format=PDF
9 Minergie: https://www.minergie.ch/de/
10 SDGs, History: https://sdgs.un.org/goals

GBPs	Eligible projects	Supported SDG
Alternative Energy / Renewable energy	▪ Use of solar energies for battery production ▪ Use of sustainable batteries for improved generation of renewable energies (wind, solar, green hydrogen)	
Energy efficiency	▪ Production of batteries for a more efficient use of energy ▪ Infrastructure for the integration of renewable energies ▪ Grid relief, e.g., in the form of buffer storage and/or for peak load capping ▪ Implementation of energy-efficient energy concepts (energy recovery, combined heat, and power, charging infrastructure, etc.)	
Pollution prevention and control	▪ Structure and use of a life cycle assessment ▪ Implementation of a circular economy, for example in the procurement of raw materials by using secondary raw materials from reprocessing ▪ Partnerships for recycling at the end of the product life cycle	
Green Buildings	▪ ESG verification on compliance with EU taxonomy for new buildings ▪ “Minergie” certification or comparable building standard ▪ Consideration of the environmental impact of the buildings affected by the project (production halls, customer buildings, etc.) ▪ Measures to efficiently reduce the environmental impact of project implementation (use of wood instead of steel and concrete, etc.)	

Table 1: Use of Proceeds and Supported SDGs

As its first project, Swiss Sustainable Sec S.à r.l. has designated the construction of 400 MWh of production capacity for SCB AG[11]. The funds of the associated compartment flow to 100% into this project. This project is particularly suitable for the implementation of the strategic goals of Swiss Sustainable Sec S.à r.l., as the above-described GBP are fulfilled. This is illustrated in the table below.

GBPs	**Fulfilment SCB AG**	
Alternative / Renewable energy	PV on the roof and energy concept	
Energy efficiency	Own use of batteries for peak load capping in production	
Pollution prevention and control	Self-commitment to life cycle assessment (licence agreement) and targeted supplier cooperation with sustainable sources and sinks	
Green Buildings	Environmental impact considered and measures to reduce environmental impact developed	

Table 2: Project Fit SCB AG

Further projects can be implemented with the issue of additional bonds in independent compartments by Swiss Sustainable Sec S.à r.l.

11 Swiss Clean Battery AG website: https://www.swisscleanbattery.ch/de/

2.2 Process for Project Evaluation and Selection

Swiss Sustainable Sec S.à r.l. has defined the following evaluation and selection process for the projects. The responsibility for the evaluation and selection of projects lies with the Board of Directors of Swiss Sustainable Sec S.à r.l. and therefore takes place "in-house". Experts within Sustainable Sec S.à r.l. can be consulted for this process. To receive debt financing, the project must meet at least one of the above-mentioned "use-of-proceeds" criteria. Furthermore, the project must be in line with the strategy and sustainability vision of Swiss Sustainable Sec S.à r.l. The assessment is made on the basis of the borrower's overall social and environmental objectives and in consideration of the specific project planning. For project selection, the degree of fulfilment for each of the defined GBP is analysed and recorded in writing. Table 2, in which the degree of fulfilment of the SCB AG project is recorded, serves as an example. Future projects will be evaluated and selected in the same way. The evaluation and selection process described is thus intended to ensure that the selected projects fulfil at least one of the categories for eligible projects and are in line with the strategy and sustainability vision of Swiss Sustainable Sec S.à r.l. By recording the evaluation in writing, the selection is also comprehensible to third parties. Swiss Sustainable Sec S.à r.l. checks every six months whether the allocated projects still fit the framework. If necessary, appropriate measures are defined to fulfil the framework.

2.3 Management of proceeds

The required debt capital of the projects is structured by Swiss Sustainable Sec S.à r.l. in accordance with the Luxembourg law on securitizations. A securitization is an investment vehicle that is characterized above all by its structuring flexibility. So-called compartments are established for the securitization. These compartments can be liquidated independently of the securitization company or other compartments of this company.

High level of investor protection

- Issuer risk is de facto excluded, as each compartment represents a separate and independent entity (ring fence).
- The rights and obligations of the investors are limited to the specific compartment (earmarking).
- The separate liquidation of a compartment is possible.
- The securitization can be rated by a rating agency if required.

Neutral treatment

There is almost complete tax neutrality at the compartment level. All payments made by the compartment in respect of securities issued are fully tax-deductible expenses. Compartments, as securitization vehicles, benefit in principle from a wide range of Luxembourg double taxation treaties.

The funds of a compartment are each allocated to 100% as a loan to the borrower. This means that a compartment finances only one project at a time and that there are therefore no unallocated funds. However, several compartments can finance the same project. Projects are selected based on the "use-of-proceeds" categories described above and the evaluation and selection process. Within the projects, the funds can be used for CAPEX as well as OPEX. For the time being, Swiss Sustainable Sec S.à r.l. plans to provide debt financing for the SCB AG project described above. However, the financing of further projects is possible. New compartments would be formed for this purpose.

2.4 Reporting

On the one hand, Swiss Sustainable Sec S.à r.l. reports semi-annually on the total amount of debt financing transacted. The issued compartments and the related projects are reported. The ratio of new and existing projects is also reported. The total amount of a compartment flows into a project. This means that there will be no unallocated funds.

On the other hand, the borrowers report on their projects. The borrowers report on the exact use of the funds allocated to them as well as on the amount of funds that have already been used or are still available. This reporting takes place every six months. Furthermore, the borrowers report annually on their achieved environmental impact. This can be done, for example, in the form of a sustainability report. Table three provides an overview of possible indicators that can be included in the borrower's reporting. These indicators are based on the handbook "Harmonised Framework for Impact Reporting" of the ICMA[12].

12 ICMA Reporting Handbook: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022v2-020822.pdf

GBPs	Key figures
Alternative Energy / Renewable energy	▪ Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent ▪ Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) ▪ Capacity of renewable energy plant(s) constructed or rehabilitated in MW ▪ Capacity of renewable energy plant(s) to be served by transmission systems (MW) ▪ Annual Absolute (gross) GHG emissions from the project in tonnes of CO2 equivalent
Pollution prevention and control	▪ Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or as absolute amount in tonnes p.a. ▪ Reduction or removal of harmful substances (persistent, carcinogenic, mutagenic, reprotoxic) used in % in comparison to the original design and/or in absolute amount in tonnes p.a. ▪ The % and/or absolute amount in tonnes p.a. of virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes
Energy efficiency	▪ Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) ▪ Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent ▪ Number of people who benefitted ▪ Annual Absolute (gross) GHG emissions from the project in tonnes of CO2 equivalent
Green Buildings	**Use of materials with lower environmental footprint:** ▪ Embodied energy (and carbon) over life-cycle ("cradle to grave"), in tons CO2 ▪ % of embodied energy (and carbon) reduced over life-cycle ("cradle to grave"), vs local benchmark/ baseline **Land Use and Biodiversity:** ▪ Land remediated/decontaminated/regenerated, in ha or m^2 ▪ % of unadulterated Green spaces before and after the project

Table 3: Key figures reporting

3. External Review

Prior to the issuance of the compartment and the publication of this framework, a SPO will be obtained. After the issuance of the compartment, the balance sheet and the use of funds (see reporting) will be audited by an independent auditor.

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