

FAMUR

Green Bond Framework



FAMUR

Proven solutions
Global reach
Smart technology
GO GLOBAL & GO GREEN



Katowice, September 2021

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Business of the FAMUR Group

About FAMUR Group

The FAMUR Group stands for over a hundred years of experience and advanced engineering know-how which contribute to increased efficiency and safety of customers provided with our solutions.

The FAMUR Group over the years evolved from a one-stop-shop supplier of comprehensive solutions for the soft rock mining, power and cargo handling sectors, to entering the sector of large-scale photovoltaics and PV solutions for the B2B sector and a consistent search for attractive investments in the area of RES by modifies strategic directions to take advantage of the opportunities and benefits of the global transition to low-carbon economies.

The process of building the Group began in 2003 with the purchase of NFUG NOWOMAG S.A. by FAMUR. After several years of strong growth, more than a dozen new companies joined the Group strengthening its product portfolio.

The FAMUR Group wants to become a leader of green transformation among the polish manufacturing companies.

Strategy and development directions of the FAMUR Group

The current megatrends and the globally accelerating transition towards low-carbon economies induce significant changes in Poland's Energy Policy, with the pace of the changes considerably increasing since the beginning of 2020. The planned phasing out of the coal mining industry in Poland by 2049 and 'Poland's Energy Policy until 2040' adopted by the Council of Ministers in February 2021 envisage, among other things, that the share of coal in Poland's energy mix will be reduced to approximately 11% by 2040 under the high CO₂ price scenario (from 69% in 2020). As a major part of the FAMUR Group's revenue is generated from sales to the Polish thermal coal mining industry (approximately 64% in 2020), the Management Board of FAMUR decided to modify the Strategy for 2019–2023.

A response to the changes observed in the external environment are the 'New strategic directions for the FAMUR Group', adopted by the Management Board and approved by the Supervisory Board on May 25th 2021, aimed at, among other things, capitalising on the potential and opportunities arising from Poland's energy transition.



The current strategic directions focus on:

- Evolving into a holding company that invests in green transition projects, in the first place by entering the segment of large-scale photovoltaics and end-to-end implementation of PV projects for the B2B market,
- Consistently searching for attractive investment opportunities in RES and other promising industries,
- Repurposing selected production plants connected with mining sector into ecological neutral or ecological friendly projects, e.g. under the strategic partnership model (JV, license agreements, etc.) in the industrial sectors that are oriented particularly towards manufacturers of machinery and equipment for RES, transport, logistics and infrastructure,
- Generating cash from the mining assets by concentrating on the most profitable and stable product areas and continuously adapting the structure of operating assets to the direction of Poland's energy transition, while retaining the competence and know-how to be able to participate in selected mining projects in Poland and export markets on an opportunistic.

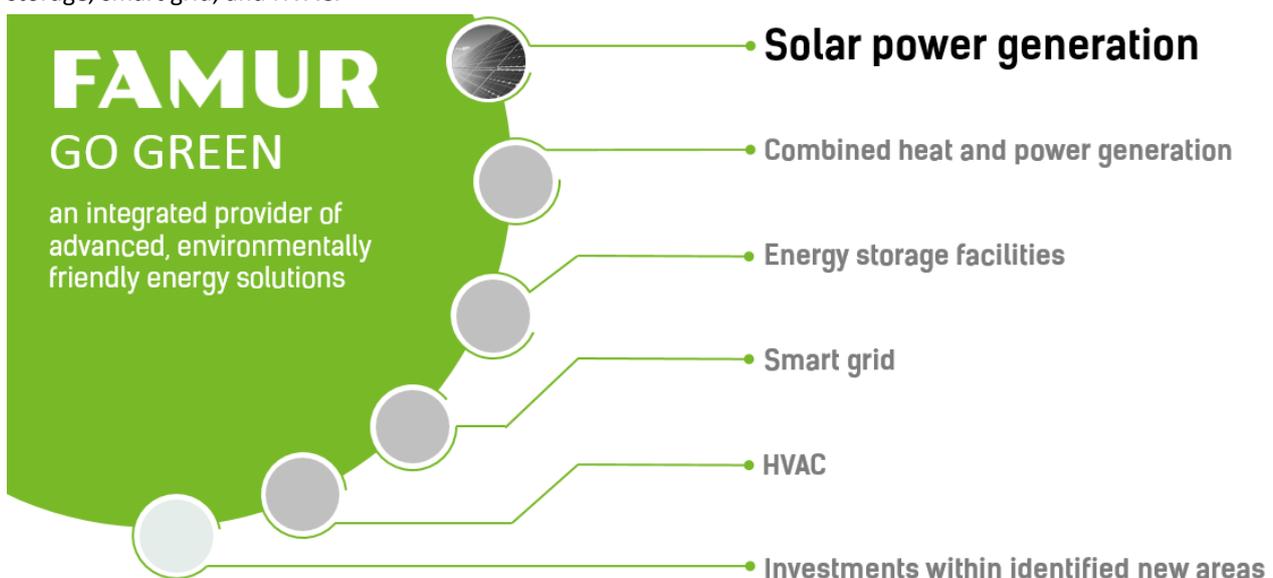
The competencies built by the FAMUR Group in the industry, the scale of its projects in international and domestic markets, unique resource base and strong financial position will allow the Group to adjust its business profile to the economic environment evolving in line with the New Green Deal.

The modification of strategic directions and their adaptation to changes in the external environment are aimed at trans-forming the FAMUR Group into a holding that invests in green transition projects and other promising industries - indicated later in the document under Rationale for Green Financing, as the most interesting sectors for the FAMUR Group. Thanks to these measures, the estimated share of revenues related to the thermal coal sector should fall below 30% by 2024.

The development in new areas will be financed from profits, available EU funds and other financial instruments supporting green energy.

Transformation towards an integrated provider of advanced, environmentally friendly energy transition solutions

The first stage of steering the FAMUR Group's development towards becoming an integrated provider of advanced and environmentally-friendly energy transition solutions is to enter the large-scale photovoltaics sector and the segment of comprehensive implementation of PV projects for the B2B market. The principal activity will focus on becoming an end-to-end provider of solutions for large-scale PV projects, which should boost the Group's profitability thanks to, among others, planned integration of most components of the PV value chain for the B2B segment. Further investment in integrated provision of advanced and environmentally-friendly energy solutions may include co-generation, energy storage, smart grid, and HVAC.



Operational and commercial achievements in the PV segment



Poland's PV market is one of the least saturated in Europe and has a very promising year-on-year growth rate in percentage terms. The outlook for the market's development in Poland is very good. The FAMUR Group can see a strong growth of large-scale solar farms, which – coupled with rising electricity prices and the steadily growing carbon allowance prices, has created the need for energy transition, which the FAMUR Group actively engages in. Together with Projekt Solartechnik (PST) and TDJ we have established **FAMUR SOLAR**, a new company set to become a market leader offering end-to-end implementation of PV projects in the B2B segment.



In May 2021, the FAMUR Management Board took a strategic decision to modify the business model towards a holding company investing in green transition in order to capitalise on the opportunities arising from the accelerating global transition towards low-carbon economies. The modified business model is based on the following pillars:

- optimised cash generation from existing assets related to the manufacture of soft-rock mining machinery and equipment,
- repurposing of selected plants under the strategic partnership model (JV, license agreements, etc.) in the industrial sectors, mainly manufacturers of machinery and equipment for RES, transport, logistics and infrastructure,
- transformation towards an integrated provider of advanced, environmentally friendly energy transition solutions,
- reorganisation of FAMAK so it would serve as a platform for the development in the new segment of logistics and cargo handling.

FAMUR SOLAR



FAMUR together with PST and TDJ has established FAMUR SOLAR, a new company set to become in the future a market leader offering end-to-end implementation of PV projects in the B2B segment.

TDJ as a stable and long-term investor will support the FAMUR Group in its expansion in new directions, its cooperation with PST has opened the possibility for the Group to enter the PV segment.

PST (now a part of FAMUR Group) is one of the leading players in the Polish renewable energy market with experience gained in 10 European markets with projects of over 300MW capacity. The company has focused on offering their customers proprietary solutions and assembly systems, building own photovoltaic installations and trading components. Thanks to this, the company can effectively support the development of the photovoltaic sector in Poland, and ultimately also on other European markets.



Germany



France



Romania



Hungary



Poland

Our approach to sustainability

The FAMUR Group has been and will always be a socially responsible corporate citizen. In conducting our activities, we are guided by the sense of responsibility for our external stakeholders, and we attach great importance to safety and environmental protection.

Through education, we increase our organisation’s awareness of the need to take further steps towards effective de-livery of the sustainable development strategy.

We consider non-financial reporting to be an extremely important communication channel, allowing us to update you on the progress in the delivery of projects and development directions we have designed for the Corporate Social Responsibility (CSR) area.

The FAMUR Group’s CSR strategy provides for activities supporting over the long term the achievement of the following nine UN Goals:



Environmental and Climate Responsibility

Environmental protection and FAMUR’s environmental goals

The Company operates in compliance with the applicable environmental protection requirements and based on valid sectoral permits (including permits for waste generation, permits for gas and dust emissions, and water permits), fulfilling its reporting obligations stipulated in the environmental laws in a timely manner.

By effectively monitoring all the environmental aspects, the Group companies are able to control their environmental footprint and take, if required, immediate steps to reduce the risk of adverse events. The Group companies operate in compliance with the applicable environmental protection requirements and based on valid sectoral permits, fulfilling its reporting obligations stipulated in the environmental laws in a timely manner.

In order to mitigate environmental risks, the FAMUR Group companies are obliged to observe the Comprehensive Environmental Policy in their operations. Compliance with the Policy is monitored, and the Policy itself undergoes periodic reviews.

The FAMUR Group is aware of the impact of its operations on rapidly changing climate and of the impact of climate on its own operations observed in the following areas:

The FAMUR Group is aware of the impact of its operations on rapidly changing climate and of the impact of climate on its own operations observed in the following areas:

- fuel and energy consumption and related greenhouse gas emissions from operating activities,
- greenhouse gas emissions from manufacturing activities.

Since 2018, the FAMUR Group has been subject to the extended non-financial reporting requirements under the amended Accounting Act, transposing Directive 2014/95/EU of the European Parliament and of the Council on the disclosure of non-financial and diversity information by certain large undertakings and groups.

The Company measure and reporting Consumption of utilities, volumes of emissions and waste generated at the FAMUR Group.

FAMUR Green Bond Framework Overview

Rationale for Green Financing

Under this FAMUR Green Bond Framework (“Framework”) the company intends to issue Green Bonds to help finance or refinance Green Projects (defined later in the document). Each of the Green Projects will be classified under a specific structure (area). The structures (areas) will be included in a separate annex by sector / segment (eg PV Segment) and updated once a year with the publication of the Allocation Report.

We intend to do this in a manner consistent with the Green Bond Principles (GBP) established by the International Capital Markets Association, which provides guidelines for the following four key areas:

- Use of proceeds
- Project evaluation and selection process
- Management of proceeds
- Reporting

Use of Proceeds

The proceeds of FAMUR Group Green Bond issuance will be used to finance and/or refinance, in whole or in part, new or existing projects (“**Green Projects**”), including the acquisition, development and construction of **the Green Project Categories** as defined below.

Green Project Categories:



Acquisition, development and construction of Solar Energy projects.

Eligibility Criteria: Renewable Energy, Pollution prevention and control

Funds will be used for activities with environmental benefits that promote the transition towards increased use of solar energy. Funds can be used for the financing of the new assets and projects, as well as for the refinancing of the existing investments.



Acquisitions, shares purchase and capital support for the development of newly acquired companies from sectors defined below related to the green energy transformation. The list may be further updated as technologies and other circumstances evolve. Financing mergers and acquisition or shares purchase of companies is only acceptable in case of pure play’s, i.e., the company should derive 90% of its revenue from eligible activities which are in the line with Eligibility Criteria and the Company’s business activity is in line with direction of the green transformation and support positive environmental impacts.

Eligibility Criteria: Renewable Energy, Energy efficiency, Clean transportation.



Capital support in CAPEX for increasing the company’s energy efficiency, through retrofits e.g. (I) setting up of PV installations in the company’s branches (II) installing energy efficient technologies such as smart control systems, new windows, energy efficient lighting, ventilation systems, or costs for enabling renewable energy sources with high estimated energy savings in the targeted area. In consequence we assume an improvement of the energy efficiency by at least 30%.

Eligibility Criteria: Renewable Energy.

All of the above Green Projects shall contribute to the energy sector transitions to zero emissions in the markets in which FAMUR Group is currently present or will be operating in the future.

The Green Bond Framework excludes any projects that are dedicated to fossil fuels and/or linked of fossil-fuel technology.

Eligibility Criteria	Green Project Categories	Eligible Green Assets and Capital Expenditures	Contribution to UN SDG
(i) Renewable Energy	Acquisition, development and construction of Solar Energy projects.	Financings related to the acquisition, conception, construction, development, installation and operations of infrastructures in renewable energy production units: Solar PV.	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 
	Acquisitions, shares purchase and capital support for the development of newly acquired companies from sectors related to the green energy transformation.	Financings related to the acquisition, conception, construction, development, installation and operations of infrastructures in renewable energy production units. Renewable energy production and storage units including: - Solar PV, - Wind power, - Bioenergy (Biomass and Biogas) ¹ , - Hydrogen production ² , storage and distribution infrastructure.	
	Capital support in CAPEX for increasing the company's energy efficiency, through retrofits	- PV installations in the company's branches, - Energy efficient technologies such as smart control systems, new windows, energy efficient lighting, ventilation systems, or costs for enabling renewable energy sources with high estimated energy savings in the targeted area.	9.4. By 2030, 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, with all countries taking action in accordance with their respective capabilities. 
(ii) Energy efficiency	Acquisitions, shares purchase and capital support for the development of newly acquired companies from sectors related to the green energy transformation.	Integrated on-site business and energy solutions, composed of EU taxonomy-aligned technologies, including but not limited to the following: - District heating ³ , - Production of heating / cooling from waste heat, - Cogeneration of heating/cooling and electricity from bioenergy, and geothermal energy ⁴ . Financings related to: - Energy storage systems, both for industrial solutions, for prosumers generating electricity from renewable energy sources and for large energy producers ⁵ , - Energy grids (i.e. development, manufacture and installation of technologies enabling more efficient transmission and distribution and/or end user demand management),	9.4. By 2030, 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, with all countries taking action in accordance with their respective capabilities 

¹ For Bioenergy: we strive for complies with the criteria laid down in Article 29 of Directive (EU) 2018/2001 which points sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids and biomass fuels.

² Hydrogen produced from renewable energy (green hydrogen) or by electrolysis.

³ District heating -for any financing of distribution networks, they will be >50% renewables powered and/or waste-heat.

⁴ Emissions from electricity generation should be below 100gCO₂/kWh.

⁵ Energy storage technologies are limited to electrochemical technology.

Eligibility Criteria	Green Project Categories	Eligible Green Assets and Capital Expenditures	Contribution to UN SDG
		<ul style="list-style-type: none"> - Smart meters and smart grid investments (steering of the grid with the help of smart meters (IoT for example) for more efficient transmission and distribution of energy or reduction of demand, - HVAC that focused mainly on highly-efficient tech, electrified processes and use of renewable sources of energy, - Usage of waste heat (e.g. using excess heat generated from waste-to-energy and other industrial plants⁶, - CHP facilities powered by biomass, geothermal power, solar energy (concentrated solar power) and other renewable sources, - the use of modern and ecological forms of heating buildings, including heat pumps, recuperation, electric heating using renewable energy sources, - excluding excess heat from fossil fuel production/operations – to provide heat to nearby communities and cities). 	
(iii) Clean transportation	Acquisitions, shares purchase and capital support for the development of newly acquired companies from sectors related to the green energy transformation.	<p>Financings related to the development, construction, acquisition, operation, maintenance and upgrades of zero-carbon and low-carbon transport assets.</p> <ul style="list-style-type: none"> - Zero-carbon transport: investments in passenger and freight vehicles with zero tailpipe emissions, such as electric cars, hydrogen cars, trains etc. - Low-carbon transport: <ul style="list-style-type: none"> · Investment in low-carbon passenger vehicles with tailpipe emissions intensity of max. 50g CO2/km until 2025. From 2026 onwards, only vehicles with emission intensity of 0g CO2/km are eligible · Investment in low-carbon freight vehicles with tailpipe emissions intensity of max. 25g CO2 per tonne-km, - Investments in infrastructure to support the use of zero-carbon and low-carbon vehicles, - Investments in transportation infrastructure for mass transportation (expansion of train/metro networks, projects in relation to capacity improvement, station upgrades). 	<p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> 



⁶ This does not include hard-to-abate industries such as steel, aluminium, cement, etc.

The most interesting sectors for the FAMUR Group - in line with the direction of the green transformation:

Production renewable energy and components	 PV	 Wind energy (Offshore & Onshore)	 Energy storage	 *Biomass & Biogas
Heat, cool, ventilation - systemic and individual	 HVAC**	 Cogeneration*** (CHP)		
Distribution, energy metering and services	 Energy transmission and distribution	 Measurement of energy (Smart metering)	 Smart Grids - IT solutions	 Energy Service Company (ESCO)
Complementary to the RES sector and energy transformation	 Electromobility	 Renewable energy recycling	 Hydrogen	

* Biomass & biogas - FAMUR is concentrated on assess lifecycle emissions and sustainable sourcing of feedstocks.

FAMUR ensure that biomass feedstocks are sustainable sourced from waste products or, if they are non-waste, we ensure that they be certified to a recognized market standard e.g. the Round Table on Sustainable Soy (RTRS), if applicable.

** HVAC - includes all projects focused on highly-efficient tech and electrified processes, and exclude anything solely powered by fossil fuels.

*** CHP - heating and cooling network projects which may include combined heat and power (CHP) and/or cogeneration realizing at least a 30% reduction in GHG emissions. Emissions from CHP powered by geothermal should be below 100gCO₂/kWh.

8 priority sectors

The most interesting in terms of M&A. Potential platform for further acquisitions as part of the **Go Green Strategy**.

5 opportunistic sectors

A smaller pool of interesting companies for acquisitions, with long-term prospects, interesting as a supplement to the platform.

The scope of recognition of given areas as priority or opportunistic, may be further updated as technologies and other circumstances evolve.

Main **Green Goals** for the company:

- construction of large scale PV solar farms (minimum 100MW capacity) by 2028 ,
- reduction of CO₂ emissions,
- increased participation in renewable energy projects,
- improvement of energy efficiency.

Process for Project Evaluation and Selection

Roles and responsibilities



Eligible Green Projects to be financed with proceeds from FAMUR Green Bond issuance will be evaluated, selected and prioritized by the **Green Bond Committee**.

The tasks of the Green Bond Committee include:

- evaluation and qualification of nominated applications for project financing with Green Bonds in terms of the criteria specified in the Guidelines ICMA and Framework,
- monitoring of expenses (and receipts),
- control of the limit of granted funds.

The Committee is also responsible for supervision and review of projects carried out with the use of funds from Green Bonds. The Green Bond Committee consists of 5 members: one representative from the following sample divisions and areas of competence : Finance Department, Business Development Department, Legal Department, Natural environment and OHS supported by a member of the Management Board. People from other key areas will be able to be invited to particular Green Bond Committee meetings. The procedure for appointing members of the Committee and the mode of operation, the scope of competences of the members of the Committee and the entire Committee are specified in detail in the Regulations of the Green Bond Committee. The Green Bond Committee reports the results of its assessments directly to the Management Board.

The process of initial evaluation and preselection of projects is carried out by a dedicated experienced team with knowledge in the analyzed areas, from the most interesting sectors for the FAMUR Group – Green Projects. The purpose of this analysis is to acquire entities and projects operating in sectors consistent with the company's strategy or ready-made projects - for example - allowing the construction of photovoltaic farms, and to conduct a comprehensive study of these entities or projects in order to enable their acquisition as well as support in developing their business. The conducted analyzes and research are aimed at verifying the completeness of the legal and technical documentation, including the right to real estate and the permits, decisions and contracts held by these companies, as well as verifying the completeness of the met requirements necessary from the point of view of the provisions of the applicable law to start the construction of a photovoltaic farm. Selected companies and projects are presented for verification and acquisition assessment by FAMUR S.A.

The Committees are also responsible for excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best efforts basis. Reviewing the content of FAMUR Green Bond Framework and updating it to reflect changes in corporate strategy, technology and market developments on a best effort basis is the responsibility of the Finance team and Strategy team. Any updates to the Framework will be approved by FAMUR's Management Board.

FAMUR ensures that all Green Projects comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. It is part of FAMUR’s transaction approval process to ensure that all its activities comply with internal environmental and social directives.

The Green Bond Committee will pay special attention to ensuring that selected companies and projects meet criteria in line with the assumptions described in the Green Bond Framework and with market standards, especially regarding mergers or acquisitions of “green pure-play” companies.

A multi-stage process involving evaluation and pre-selection of projects that can be classified as Green Projects is carried out by the Business Development Department in cooperation with other Departments when needed. The selected companies and projects meeting the key criteria of ‘Green Projects’ are presented along with a recommendation regarding the main terms of a possible equity investment by FAMUR and approved by the Management Board at the Investment Committee meeting. Financial, legal, tax, technical, commercial and other due diligence processes (as and when required) are then carried out for pre-approved projects in partnership with external advisors. The scope of such due diligence processes and choice of advisor are defined for each transaction on a case-by-case basis depending on the scale and scope of business in order to identify and mitigate potential risks. For the purposes of the transaction, projects are also reviewed for compliance with the key criteria for classification as Green Projects.

If the outcome of the due diligence is positive, at the next Investment Committee meeting the Management Board makes a decision concerning an equity investment in the project under specific terms and conditions, taking into account the prepared strategy for its further development, so that the purchase transaction has a sound business rationale, is consistent with the Group’s strategy, meets the requirements for the issue of Green Bonds and is structured so as to minimise the identified risks.

Management of proceeds

In order to ensure full control and proper registration of expenses qualified by Green Bond Committee in the financial and accounting system, a separate organizational units will be established, which will be supervised by the finance department. and accounting system, a separate organizational units will be established, which will be supervised by the finance department. FAMUR will ringfence funds from Green Bonds proceeds, carried out separately for each Green Project using the ERP system. The separation of an organizational unit will allow for keeping transparent records and constant monitoring of the current state of allocated funds.

FAMUR intends to allocate the proceeds from the Green Bonds to an Eligible Green Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. FAMUR’s manages the allocation of an amount equivalent to the proceeds of the Green Bond to Eligible Green Projects using a portfolio approach. The portfolio consists of new and/or existing projects.

Constant control and updating of the balance of incurred expenses as well as financial projection of future periods will allow to optimize project finance management.

The assumed allocation of funds from Green Bonds will be used for the purposes of new Green Projects and for the refinancing of already successful projects with a maximum one year retrospective period prior to issuance date.

In the event that the proceeds cannot be fully allocated at issuance, or in the event that the proceeds are allocated to an eligible green project that is sold or otherwise divested, proceeds will be held in cash or other short-term instruments until they can be allocated to eligible green projects. Unallocated proceeds shall be held in a form of temporary cash-like instruments, which include cash, liquid term deposits with commercial banks, units of debt mutual funds.

FAMUR strive, as long as the applicable Green Bonds are outstanding, to achieve a level of allocation for the Green Project Portfolio. FAMUR will strive, over time, to achieve a level of allocation to the portfolio of Eligible Green Projects which matches the balance of proceeds from its outstanding Green Bond issuance.

Reporting and transparency

Allocation and reporting

FAMUR will publish an annual Allocation Report on its website, which shall provide information on the allocation of proceeds from the Green Bond issue. This report will be publicly available on FAMUR’s website (Investor Relations section, with Annual reports for every year).

The Allocation Report will include information about:

- bond proceeds,
- list of chosen Green Projects (detailed list of the eligible projects financed, including allocated amounts and their main environmental effects),
- remaining balance of unallocated proceeds,

Allocation reports shall be published as long as FAMUR has any outstanding Green Bonds.

Impact reporting

FAMUR S.A. will, on a best effort basis, provide environmental impact reporting at the level of each eligibility category to support the allocation reporting described above. To the extent possible, impact reporting will also reference impacts on material UN Sustainable Development Goals.

Green Project Category	Proposed Impact Reporting Metrics
Renewable Energy	Renewable energy generated or purchased (GWh) Share of electricity consumption from renewable sources Estimated avoided/reduced GHG emissions (tCO ₂ e)
Energy efficiency	Energy saved/reduced per year GHG emissions avoided per year
Clean transportation	GHG emissions avoided per year # of zero-carbon and/or low-carbon vehicles financed # of electric vehicle charging points installed Estimated reduction in car use and car kilometers the project will replace

External Review

Second Party Opinion:	FAMUR S.A. will request a Second Party Opinion on its Green Bond Framework by an eligible external, independent party. If the Green Bond Framework is updated, FAMUR will ask for a Second Party Opinion again.
Verification:	FAMUR S.A. request an assessment of the allocation of the Green Bond proceeds by an external auditor.
Annual review:	FAMUR S.A. request an eligible external, independent party to annually assess the Green Bonds’ compliance with this Framework.

