



# **POLARIS RENEWABLE ENERGY INC.**

**Green Financing Framework**  
August 2022



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# ABOUT US



Polaris Renewable Energy Inc. is a Canadian publicly traded company engaged in the operation, acquisition, and development of renewable energy projects in the America's ("Polaris" or the "Company").

The Company operations are in 5 Latin American countries and include a geothermal plant (~72 MW), 4 run-of-river hydroelectric plants (~39 MW), 1 solar (photovoltaic) project in operation (32.6 MWdc) and 2 solar projects with an expected total capacity of approximately 13 MWdc, currently under construction.

We firmly believe there is significant potential for renewable energy projects in multiple Latin American countries that have not been utilized to offset carbon-based technologies. Furthermore, the emphasis on renewable energy is growing and provides attractive, long-term return profiles and CO<sub>2</sub> optionality in the region.



The background image shows an industrial facility, likely a power plant or refinery, with large, complex piping systems and a large white building. The sky is blue with scattered white clouds. The overall tone is professional and industrial.

# COMPANY-WIDE SUSTAINABILITY STRATEGY AND COMMITMENT

Our mission is to be a Latin America focused renewable power project developer and operator, while providing superior stakeholder returns.

In doing so, our objective is to continue to support the decarbonization shift and moving forward on the UN Sustainable Development Goals (SDGS).

**7** AFFORDABLE AND  
CLEAN ENERGY



**Ensure access to affordable,  
reliable, sustainable and  
modern energy for all**

**Polaris looks to be a key participant in the America's ability to meet their economic and climate change goals. With our recent acquisitions and internal growth our goal is to more than double our renewable energy production at sustainable prices.**

**13** CLIMATE  
ACTION



**Take urgent action to combat  
climate change and its  
impacts**

**We currently offset 310,760 tCO<sub>2</sub>e per year and expect to exceed 600,000 tCO<sub>2</sub>e over the next several years.**

**Our most recent Sustainability Report can be found at:**

**<https://polarisrei.com/sustainability/>**

# DID YOU KNOW?

That in 2021, the energy we generate contributed to offsetting CO<sub>2</sub> emissions from other sources, as an example:



**310,760\***

tCO<sub>2e</sub> per year  
of avoided emissions

Is equivalent to:



**30.5M**

Gallons of  
gasoline  
consumed



**380,736**

Acres of U.S  
forest in one year



**67,584**

Passenger  
vehicles driven for  
one year



**56,447**

Homes electricity  
use for one year



**105,701**

Tons of Waste  
recycled instead  
of land-filled

\* Data corresponds to estimated calculation of avoided emissions from Hydro and Geothermal operations. Quantity of emission reduction have been forecasted and are eligible to be registered with the UNFCCC and turned into CERs.

# COMPANY-WIDE SUSTAINABILITY STRATEGY AND COMMITMENT

Our commitment to sustainability is embedded in our culture and is a key to how we create value for all our stakeholders.



## TONE AT THE TOP

Committed Board of Directors and Senior management to advance the objectives of the UN SDGs.



## TRANSPARENCY & REPORTING

Regular periodic reporting on our approach to and performance on Environmental, Social and Governance (“ESG”) matters.



## OPERATIONAL SUSTAINABILITY

Minimizing the environmental impact of our physical operations.



## STAKEHOLDER ENGAGEMENT

Leveraging the skills of our employees, business partners and communities to advance sustainability in our business and locations in which we operate.



# **RATIONALE FOR ISSUANCE/ ALIGNMENT WITH PRINCIPLES**





# RATIONALE FOR ISSUANCE / ALIGNMENT WITH PRINCIPLES

This Green Financing Framework (“Framework”) will allow Polaris Renewable Energy and its subsidiaries to issue green Financings, loans (corporate and project level) and/or bonds for Eligible Green Projects (each a “Green Financing”).

The aim of this Framework is to facilitate disclosure, transparency, and integrity and equality related to our Green Financings for interested investors and stakeholders.

This Framework is aligned with the four core components of the Green Bond Principles (2021)<sup>1</sup>, the Green Loan Principles (2021)<sup>2</sup>, and the EU Taxonomy.

This framework may be updated from time to time and will be applied to any Green Financing issued by Polaris Renewable Energy. In the event of an update, any future projects that are not currently mentioned in the document will be in alignment with the high level Eligible Green Project categories recognized by the GBP and GLP.



1. The Green Bond Principles are administered by the International Capital Markets Association (ICMA), “The Green Bond Principles (GBP) 2021”, published on June 10, 2021. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>
2. The Green Loan Principles (“GLP”) are administered by the Loan Syndications and Trading Association, published in February 2021. <https://www.lsta.org/content/green-loan-principles/>

# THE FOUR CORE COMPONENTS OF OUR GREEN FINANCING FRAMEWORK



## USE OF PROCEEDS

Utilization of proceeds for eligible green projects



## EVALUATION AND SELECTION

Process on fit with criteria



## MANAGEMENT OF PROCEEDS

Fund segregation and allocation



## REPORTING

Relevant and timely information

**TRANSPERENCY & INTEGRITY**



**Ensure access to affordable, reliable, sustainable and modern energy for all**



**Take urgent action to combat climate change and its impacts**

## USE OF PROCEEDS

**All designated projects provide clear environmental benefits, which are assessed and quantified as applicable.**



### CRITERIA

The focus of our Green Financing initiatives will be to finance or refinance investments in renewable energy production and storage, that align with the Green Financing and Loan Principles<sup>1</sup>, and the EU Taxonomy.

- ✓ Fund investment in Eligible Green Projects will focus on four renewable energy categories: wind farms, solar panel installations, geothermal power<sup>2</sup>, and small run-of-river hydro<sup>3</sup>;
- ✓ Fund development including studies, licenses, permits, engineering, design and capital expenditures associated with the advancement of Eligible Green Projects;
- ✓ Eligible Green Projects allocation decisions under the Framework are screened by performing individual environmental and social impact assessments and approved by the ESG Steering Committee;

1. The Green Loan Principles ("GLP") are administered by the Loan Syndications and Trading Association, published in February 2021. <https://www.lsta.org/content/green-loan-principles/>
2. Life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100gCO<sub>2</sub>e/kWh. Life-cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party.
3. Greater than 5W/m<sup>2</sup>

*Note: All activities are in line with the OECD guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights*



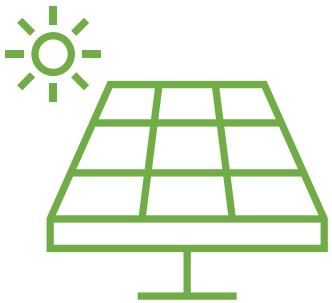


**Ensure access to affordable,  
reliable, sustainable and modern  
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## ELIGIBLE GREEN PROJECTS



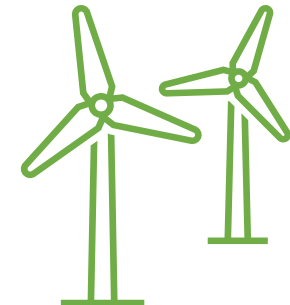
**SOLAR PV**



**GEO THERMAL**



**HYDROELECTRIC**



**WIND**



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## PROJECT EVALUATION AND SELECTION

**As a renewable energy company, we deliver every net kWh to the grid, and we are firmly committed to doing everything in our power to make sure we help mitigate climate change.**



### PROCESS

- ✓ All eligible projects will be referred to the ESG Steering Committee for review<sup>1</sup> to ensure that they meet the Eligible Green Project criteria
- ✓ The ESG Steering Committee will be responsible for documenting all reviews and decisions
- ✓ Ultimately all final decisions will be presented and approved by the Board

1. Polaris' ESG Steering Committee is a management committee that is chaired by a Board member and includes a minimum of two ESG specialists.



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## MANAGEMENT OF PROCEEDS

**As a company, we focus on transparency, accountability, fairness, reporting and ensuring that we continually assess our progress and ways to improve our organization.**



### PROCESS

- ✓ The net proceeds will be managed with full transparency between proceeds received from a Green Financing and the investment in an Eligible Project
- ✓ Proceeds will be tracked and audited to ensure the proper allocation and may be used in financing or re-financing of Eligible Projects
- ✓ Polaris intends to allocate all proceeds within 36 months or issuance. Pending allocation, proceeds will be temporarily invested in cash or cash equivalents in accordance with its cash management policy





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## REPORTING

**We are committed to providing transparent information of our global operations on a consistent and constant basis. We recognize that transparency and objective standards-based disclosure is crucial in demonstrating our commitment to all our stakeholders.**



## REPORTING

- ✓ Polaris is committed to reporting on relevant impact metrics such as installed renewable energy capacity, renewable energy generation (MWh), and CO2 emission reductions.
- ✓ Allocation and Impact Reporting will be provided by Polaris on its website and updated at a minimum, annually.
- ✓ Polaris will also obtain a Second Party Opinion on its Framework and its alignment with the Green Financing Principles (2021), Green Loans Principles (2021) and the EU Taxonomy.
- ✓ Any updates to the Framework will be reviewed with a Second Party Opinion.
- ✓ Polaris will also have its compliance and allocation of proceeds verified by external auditors as part of its annual reporting.
- ✓ Polaris expects to publish a specific and separate report on its website which will include items such as the amount of proceeds allocated, the balance of unallocated proceeds, a list of outstanding bonds/loans and the share of financing and refinancing.

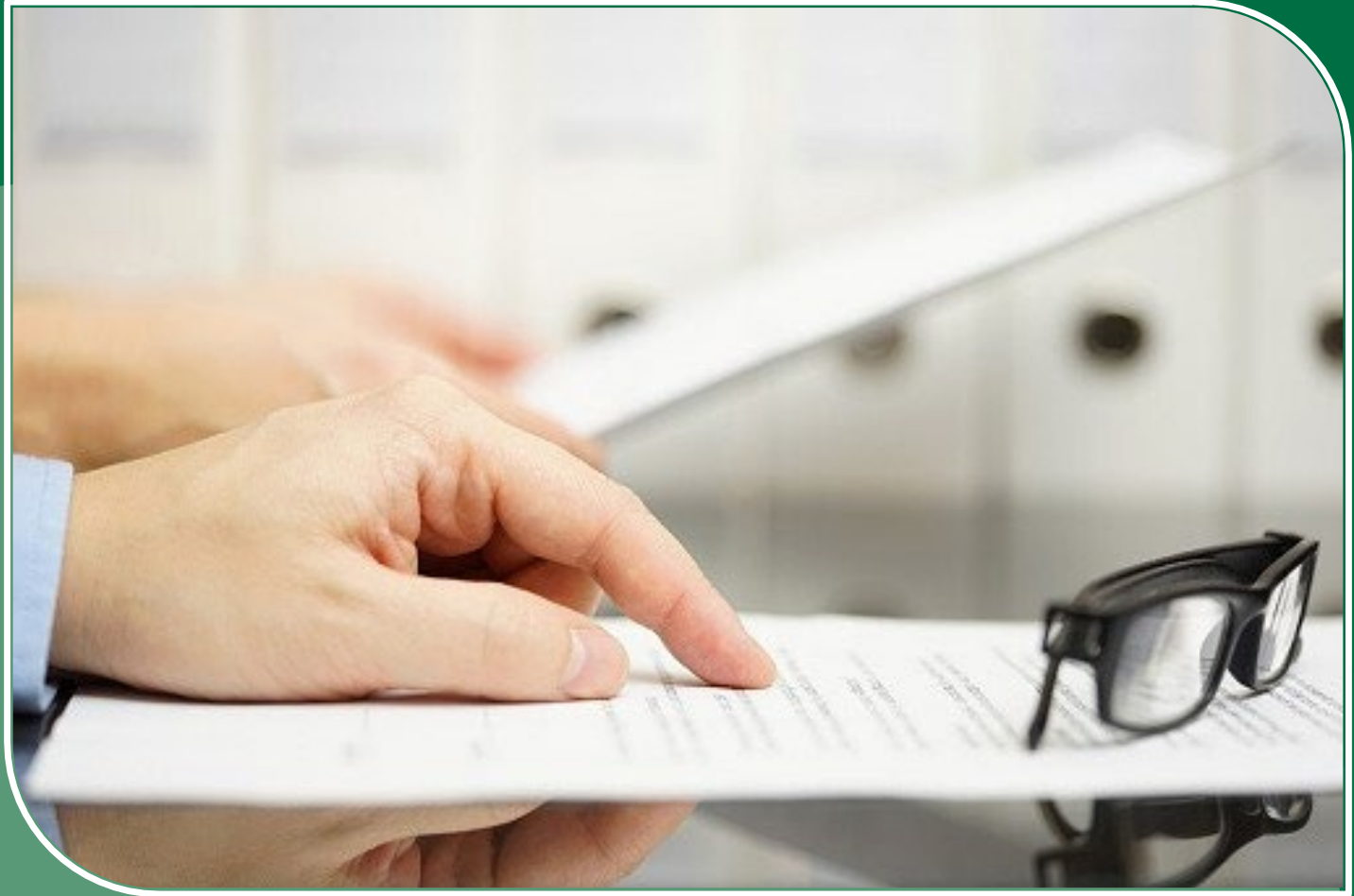
# EXTERNAL REVIEW

MORNINGSTAR | SUSTAINALYTICS

Sustainalytics, a Morningstar company and a globally recognized provider of ESG research, ratings and data, evaluated Polaris' Framework and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of the Framework.



# DISCLAIMER





*The ESG Steering Committee will review this Framework on a regular basis to ensure alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices. This may result in amendments to the Framework. Any future version of this Framework will maintain or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. Any Green Financing issued subsequently will be subject to the amended Framework. Amended Frameworks, if any, will be published on Polaris' website and will replace this Framework. The information and opinions contained in this Framework are provided by Polaris as at the date of this document and are subject to change without notice.*

*This Green Financing Framework is provided for information purposes only and does not constitute, or form part of, any offer or invitation to purchase, underwrite, subscribe for or otherwise acquire or dispose of, or any solicitation of any offer to purchase, underwrite, subscribe for or otherwise acquire or dispose of, any debt or other securities ("securities") of the Company and is not intended to provide the basis for any credit or any other third-party evaluation of securities. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of an offering memorandum, prospectus or other equivalent document and a related pricing term sheet (an "offering memorandum") and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely based on such offering memorandum and not these materials.*

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**Polaris Renewable Energy Inc. (PIF:CA)**

7 St. Thomas St. Suite 606  
Toronto, Ontario,  
M5S 2B7  
Canada

**647-245-7199**

[www.PolarisREI.com](http://www.PolarisREI.com)

