



# NEUTRAL CAPITAL FINANCE PLC GREEN BOND FRAMEWORK

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## CORPORATE PURPOSE & COMMITMENTS

- ✔ Neutral Fuels is the largest producer and dispenser of biofuel in the Gulf region, and is one of the most technologically advanced biofuels companies in the world. Headquartered in Dubai, they currently operate biofuel facilities in Dubai, Abu Dhabi, Bahrain and Delhi. Neutral Fuels uses bespoke patent-pending technology and equipment to produce biofuel in an end-to-end process, from oil collection and biofuel production to fuel dispensing.
- ✔ Neutral Fuels' biofuel meets the European EN 14214 standard. It is made from locally-sourced ISCC-certified waste cooking oil.
- ✔ Neutral Fuels partners with the local supply chain to implement an advanced closed loop waste-to-fuel system that is fully auditable, trackable, and supports their environmental and sustainability goals which are shared by their clients, local governments and the United Nations.





Neutral Fuels' proprietary award-winning oil collection containers are equipped with geolocation and oil level sensors. They are coupled with a proprietary mobile app which enables a 100% paper free oil collection system that supports ISCC certification, a fully auditable waste stream for their clients, and ensures compliance with local health and municipality standards.



Neutral Fuels uses proprietary stainless steel biofuel production equipment which is in the process of being patented. Their equipment is controlled by sophisticated digital control systems, and their team of chemical engineers have developed bespoke processes to achieve unprecedented levels of chemical conversion efficiency without using any water in the process.



Neutral Fuels uses Internet of Things (IoT) technology to track and dispense fuel via fully licensed mobile and fixed tankers. Digital fuel cards and sensors enable a 100% paperless process that is fully auditable.



The energy world is steadily becoming more distributed, digital, and decarbonised. Neutral Fuels supports the circular economy with their local/local/local strategy. They source local waste oil, produce biodiesel locally, and dispense it for the local commercial transportation market. Their end-to-end equipment and processes are enhanced with technology and robust digital assets that enable paperless operations and a fully auditable waste-to-energy stream. Neutral Fuels' biofuel emits 83.6 % less CO<sub>2</sub>e compared with mineral diesel. Source : Etacarinae S.r.l., Milan, Italy 2019, 2020

Neutral Fuels actively supports the United Nations Sustainable Development Goals (SDGs), helping to achieve them via their products, solutions and technologies, in particular:



Good Health and Well-being (SDG 3): Re-using waste cooking oil can cause serious health problems. Neutral Fuels' fully auditable waste collection system keeps waste cooking oil out of the food chain.



Affordable and Clean Energy (SDG 7): Neutral Fuels' biofuel is sold at a price that is competitive with mineral diesel, and it does not require modifications to standard diesel engines.



Industry Innovation and Infrastructure (SDG 9): Neutral Fuels' end-to-end closed loop system includes award-winning oil collection containers supported by a mobile app. Their production process, developed over a decade, includes patent-pending processes and equipment. They have an entire circular economy infrastructure in place for oil collection, converting waste cooking oil to biofuel, and then dispensing it to end users.



Sustainable Cities and Communities (SDG 11): Neutral Fuels' expansion strategy is underpinned by their local/local/local philosophy. They collect waste cooking oil from the local economy, transform it into biofuel in their local factory, and dispense the biofuel to local customers.



Climate Action (SDG 13): Neutral Fuels' biofuel emits 83.6 % less CO<sub>2</sub>e compared to mineral diesel. Source : Etacarinae S.r.l., Milan, Italy 2019, 2020



- ✓ Neutral Capital Finance PLC has established this Green Bond Framework, under which the company has issued a second series Green Bond (on 26th April 2021), to finance or refinance projects promoting environmental progress.

The International Capital Markets Association (ICMA) Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. The Neutral Fuels Green Bond Framework follows the ICMA Green Bond Principles (GBP) 2018, which provides guidelines in the form of four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework may be subsequently revised or updated as the green finance market continues to evolve.

## USE OF PROCEEDS



- ✓ The proceeds of Neutral Capital Finance PLC's (the "Issuer") second series Green Bond will be exclusively used to finance and/or refinance with a lookback period up to 36 months (in whole or in part, new or existing) Eligible Green Projects from any of the defined Eligible Green Project categories below:

- Category 1: Clean transportation
- Category 2: Eco-efficient and/or circular economy adapted products, production technologies and processes

The proceeds will be loaned from the Issuer to Neutral Fuels Overseas Holdings Ltd (the "Borrower"). The Borrower was incorporated for the sole purpose of borrowing from the Issuer under a secured loan agreement and will on-lend the proceeds to the Eligible Green Projects via ProjectCos in multiple jurisdictions to meet the Neutral Fuels local/local/local strategy. The proceeds will be used by each ProjectCo to:

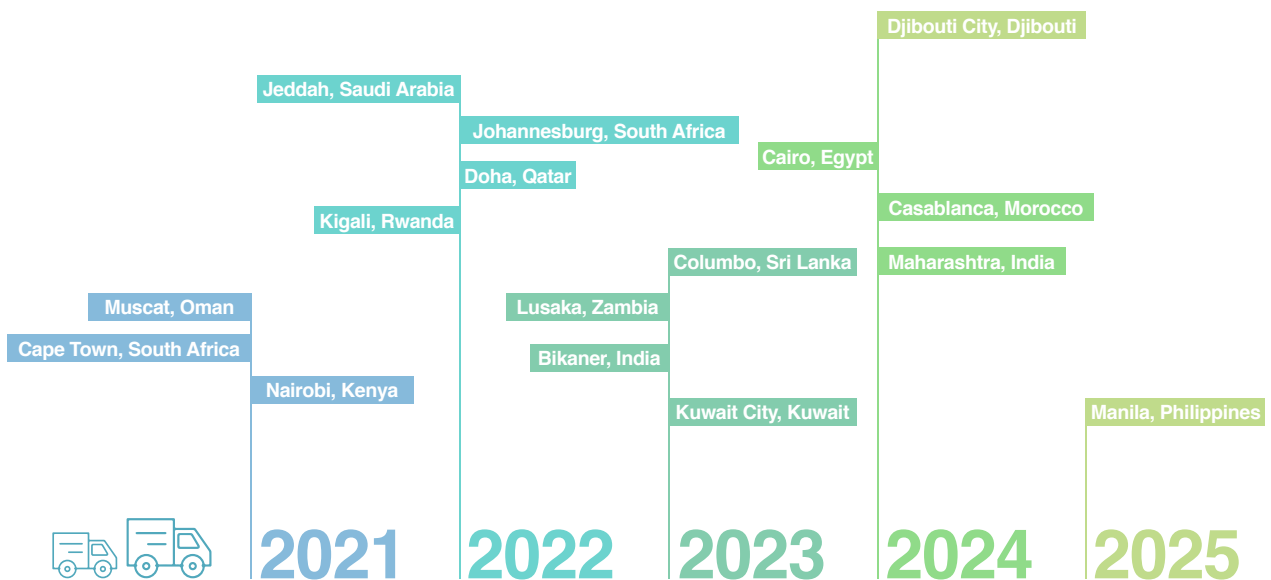
- i. finance the planning, construction, equipping and management of local biofuel facilities in 16 major cities (in emerging and developing countries);
- ii. refinance existing green debt; and
- iii. pay the costs associated with the issuance and distribution of the Green Bond.

The Green Bond is asset-backed and will afford Bondholders Senior Secured status by providing security over biofuel facilities and their associated assets, as well as the ProjectCos' shares, bank accounts and contractual receivables. The Issuer's security is governed by and enforceable under English Law with security in all other jurisdictions pledged to the trustee under the secure trust structure, governed by the local law of the ProjectCos. All Neutral Fuels' Eligible Green Projects are 100% eligible to Green Bond.





ICMA GBP Category	Eligible Green Projects	EU Environmental Objective (Taxonomy Regulation)																
<p>Eco-efficient and/or circular economy adapted products, production technologies and processes.</p>  	<p>Capital expenditure for waste cooking oil collection, tracking, transportation, and all related equipment, vehicles, certifications, sensors, and activities. Financed vehicles will be electric or run on biodiesel or biodiesel blends, with an emission threshold of 25gCO2/t-km. Certifications include ISCC for oil collection.</p>	<p><b>Transition to a Circular Economy:</b> Prevents or reduces waste generation, supports high quality recycling of waste, prolongs the use of products, increases the development of the waste management infrastructure, avoids dangerous or irresponsible disposal of waste.</p>																
<p>Clean transportation.</p>   	<p>Capital expenditure for:</p> <ul style="list-style-type: none"> <li>• Planning, developing, constructing, equipping, and managing biofuel facilities which are dedicated to producing biofuel from waste cooking oil.</li> <li>• Transporting, mixing, dispensing, and tracking of biofuels, where transport vehicles are either electric or run on biofuel/biofuel blends with an emission threshold of 25gCO2/t-km.</li> <li>• Expenses for all technology, sensors, certifications, and patents related to biofuel production processes, methods, and equipment. Biofuel dispensing includes pumps and tanks installed at customer sites. This also includes the electronic fuel dispensing system used to track sales and for billing.</li> </ul> <p>The Borrower has identified a preliminary list of locations where they will construct biofuel facilities and implement end-to-end biofuel services by 2024:</p> <table border="0"> <tr> <td>1. Muscat</td> <td>9. Lusaka</td> </tr> <tr> <td>2. Cape Town</td> <td>10. Kigali</td> </tr> <tr> <td>3. Nairobi</td> <td>11. Kuwait City</td> </tr> <tr> <td>4. Jeddah</td> <td>12. Djibouti City</td> </tr> <tr> <td>5. Johannesburg</td> <td>13. Cairo</td> </tr> <tr> <td>6. Doha</td> <td>14. Casablanca</td> </tr> <tr> <td>7. Bikaner</td> <td>15. Maharashtra</td> </tr> <tr> <td>8. Colombo</td> <td>16. Manila</td> </tr> </table>	1. Muscat	9. Lusaka	2. Cape Town	10. Kigali	3. Nairobi	11. Kuwait City	4. Jeddah	12. Djibouti City	5. Johannesburg	13. Cairo	6. Doha	14. Casablanca	7. Bikaner	15. Maharashtra	8. Colombo	16. Manila	<p><b>Transition to a Circular Economy:</b> Prevents or reduces waste generation, supports high-quality recycling of waste, prolongs the use of products, increases the development of the waste management infrastructure, avoids dangerous or irresponsible disposal of waste.</p> <p><b>Climate Change Mitigation:</b> Increases clean or climate-neutral mobility.</p> <p><b>Pollution Prevention and Control:</b> Improves levels of air quality in areas of economic activity.</p>
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Projects financed and/or refinanced through the Green Bond proceeds under this Framework are evaluated and selected based on compliance with the Green Bond Eligibility Criteria, aligned with Neutral Fuels' strategic environmental and sustainability objectives and in compliance with applicable national laws and regulations.

The process of evaluating and selecting eligible projects and allocating Green Bond proceeds to eligible projects comprises the following steps:

- Neutral Fuels, supported by the applicable sustainability experts (as required), shall evaluate potential eligible projects, their compliance with the categories described above, and their environmental benefits according to Neutral Fuels' investment criteria.
- The findings and recommendations shall be documented and presented to Neutral Fuels' investment team and will be used as part of the investment criteria. The final investment decision will be made in the relevant forum according to Neutral Fuels' authority and decision matrix.
- A consensus decision by the relevant decision forum according to the authority matrix is required to approve eligible projects before any allocation of proceeds from the Green Bonds. The investment team will include the Company's CEO, CFO and COO when deciding to invest into new eligible projects. Decisions by the board of directors, or another relevant decision maker according to the authority matrix, will be properly documented.

The decision forum will also be responsible for the following activities:

1. Review, select, validate and monitor the pool of Eligible Green Projects, based on sustainable policy, enterprise risk valuation and the Green Financing Framework.
2. Identify the proper impact metric that best describes the environmental benefits.
3. Draft, verify and validate annual reporting for investors.
4. Monitor the on-going evolution towards Sustainable Capital Markets in terms of disclosure/reporting in order to be in line with market best practices.
5. Review the Framework to reflect any changes involving the Company's sustainability strategies and initiatives.





- ✓ Neutral Fuels intends to allocate the proceeds from the Green Bond to Eligible Green Projects, selected in accordance with the Use of Proceeds criteria and Evaluation and Selection Process presented above. These consist of new and/or existing biofuel facilities (may be refinanced). Their Finance Department, supported by the Chief Operating Officer, will be responsible for allocation of the bond proceeds.

Neutral Fuels will strive, after adjustments for intervening circumstances including, but not limited to, refinancing existing Neutral Fuels Green debt, to fully allocate proceeds to Eligible Green Projects within 36 months from issuance.

Pending the full allocation to Eligible Green Projects, Neutral Fuels will hold and/or invest the balance of net proceeds at its own discretion into cash or cash equivalents (e.g., money market funds).

## REPORTING



- ✓ The GBPs require Green Bond issuers to provide information on the allocation of proceeds and recommend communicating on the expected impact of the projects.

Neutral Fuels will produce and keep readily available reporting on the allocation of net proceeds to the Eligible Green Projects and, wherever feasible, reporting on the impact of the Eligible Green Projects, at least at the project level, after a year from the issuance of the applicable Green Bond, to be renewed annually until full allocation of the Green Bond net proceeds. Any material developments, such as modification of the Framework or allocation portfolio, will be reported in a timely manner. The reporting will be via market announcements (published via London Stock Market's RNS service), with each announcement filed on Neutral Fuels' website (Investors page).

### ALLOCATION REPORTING

- ✓ The allocation report will provide:
  - the total amount of investments and expenditures in the Eligible Green Projects;
  - the amount and/or percentage of new and existing projects (share of financing and refinancing);
  - the date of investment/disbursement; and
  - the balance of unallocated proceeds.

### IMPACT REPORTING

- ✓ Where feasible, Neutral Fuels intends to report on the environmental impacts of the projects funded with the Green Bond proceeds by way of its existing Sustainability Report and/or specific impact reports.

Potential indicators are listed below:

- Clean Transportation:
  - Annual reduced mineral diesel consumption (liters)
  - Annual gross GHG emissions avoided/reduced (tCO<sub>2</sub>e)
- Energy Recovery from Waste:
  - Annual waste diverted from the waste stream (kg)

These indicators may be supplemented by qualitative and/or case study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency.

Neutral Fuels intends to align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - Working Towards a Harmonized Framework for Impact Reporting (April 2020)".

This Green Bond Framework has been externally reviewed by Sustainalytics.

