Summary of ESG Framework

Overview

Pentagreen has developed an ESG framework based on internationally recognised ESG best practices (Equator Principles, World Bank and IFC Environmental and Social Framework, ADB Safeguards Policy Statement). Where appropriate and over time, Pentagreen will look to measure sustainability outcomes of the loans it provides.

Understanding the ESG risks our borrowers face and the impact of such risks is a key part of the evaluation of any transactions in which Pentagreen may participate. Prior to making any financial commitment, all prospective loans are screened for compliance with our ESG Framework.

Objectives

- To embed good practice ESG requirements within the full loan lifecycle
- To integrate ESG considerations into the investment evaluation and approval process to identify ESG risks, impacts and opportunities in potential transactions
- To work with clients, projects, and co-financiers to adopt good industry practices, comply with applicable country-level laws and regulations and seek improved ESG practices to address the identified risks and impacts
- To set out the responsibilities for ESG risk and impact identification, assessment, decision-making, monitoring and to facilitate a record of such considerations

Key components

In assessing whether an asset would qualify as a “Sustainable Infrastructure Asset,” Pentagreen will refer to the guidance provided in the FAST Sustainable Infrastructure Label Framework Document (FAST Infra Framework), including the non-exhaustive list of eligible infrastructure (see Annex A below). Given that the FAST Infra Framework is still being developed, other frameworks such as the ICMA Green Bond Principles and the LMA/ LTSA/ APLMA Green Loan Principles can help provide guidance on the types of projects eligible for green finance. Pentagreen will adopt the relevant parts of the FAST Infra Framework methodology as far as is reasonably practical.

Pentagreen maintains an exclusion list of sectors that the company will not finance, which include (but are not limited to) activities such as new oil and gas fields, coal-fired power generation, coal mining, coal-related infrastructure such as coal rail and coal ports, brown or grey hydrogen, weapons and munitions, harmful or exploitative forms of labour and any activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.

Pentagreen has adopted the approach used by the IFC and the Equator Principles to categorise the level of environmental and social risk in projects.

- Category A – Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B – Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C – Projects with minimal or no adverse environmental and social risks and/or impacts.

Depending on the risk classification and evaluation, Pentagreen may commission an independent Environmental and Social Due Diligence consultant to review the project against relevant standards and identify or develop potential mitigation measures, controls, or action plans.

Pentagreen screens each prospective borrower for governance risks as part of its transaction due diligence process. Pentagreen's borrowers/ investees will be subject to reporting requirements to enable Pentagreen to monitor ongoing compliance with the ESG requirements of the transaction.

Where appropriate and practical, Pentagreen will aim to work with borrowers to measure sustainability outcomes (such as avoided GHG emissions and other relevant metrics) for specific projects in line with industry best practices.

Annex A: FAST-Infra Indicative and Non-Exhaustive List of Eligible Sustainable Infrastructure Types

Renewable Energy • Electricity, steam, and/or heat/cool from: solar, wind, hydro, geothermal, bio-energy, ocean energy, waste-to-energy	**Green Buildings & Social Infrastructure** • Greenfield, existing buildings, and retrofit of buildings/facilities for residential; health; education; and commercial purposes (e.g., storage, processing facilities, cold storage); and other buildings/facilities using low-carbon technologies and/or sustainable products
Clean Transport • Electric and/or hybrid for public, urban/inter-urban rail, freight, multi-modal transport • Active transportation • Infrastructure for clean energy vehicles and reduction of harmful emissions • Dry ports	**Data Infrastructure** • Broadband networks • Smart technology • Infrastructure for remote power system management and/or GHG emission reductions
Water Wastewater & Sanitisation • Water, wastewater, and/or sewage supply and/or recycling systems, including treatment, storage, transportation, distribution, and monitoring • Water harvesting, irrigation, and drainage systems	**Electricity Transmission & Distribution** • Transmission lines • Distribution systems • Energy storage • Smart grids for renewable energy • Mini grids/distributed generation systems
Solid Waste Management • Solid waste collection, storage, processing, treatment, recycling, transport, and disposal • Anaerobic digestion of bio-waste, composting of bio-waste • Landfill gas capture, transport, and/or sequestration	**Nature-Based Solutions** • Utilization of existing or rebuilt natural landscapes – such as forests, floodplains, and wetlands – that provide ecosystem services, as standalone and/or as part of a built infrastructure solution