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HANWHA ENERGY USA

Green Bond Framework



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1. Background

Hanwha Energy USA Holdings Corporation (the “**Company**” or “**Hanwha Energy USA**”), which was recently renamed from 174 Power Global, is a U.S. based solar project development company arm of Hanwha Group, a Fortune Global 500 firm and the 7th largest conglomerate in South Korea with primary businesses in the chemical, aerospace, mechatronics, solar energy and finance sectors.

The Company supplies the entire photovoltaic value chain, from cell production to crystalline solar modules to turnkey solar power stations. While Hanwha Energy USA is an independent development business, it has access to all the resources, expertise and experience of Hanwha Group.

The Company aims to provide sustainable and eco-friendly electricity to surrounding locals through the utilization of affordable energy sources, and as part of doing so, focuses on project development businesses covering the supply of electricity through eco-friendly photovoltaic energy.

Along with the development of photovoltaic development businesses, the Company provides a total energy solution and platform based on Energy Storage System (“**ESS**”). Such technology refers to preliminary storage of energy produced by other energy sources, including the photovoltaic energy, and timely use of energy at the times of need, thereby improving energy efficiency and ensuring stable energy supplies. Hanwha Energy USA believes that this technology will act as an important energy infrastructure that leads to the achievement of greenhouse gas reduction while promoting low-carbon green growth.


Since photovoltaic projects tend to remain in a region for a long time period of time once developed, Hanwha Energy USA takes the responsibilities of project environmental and social risks assessment and mitigation seriously. For example, from land procurement to acquisition of permits, the Company would coordinate with municipal corporations to test and mitigate potential risks in order to minimize negative environmental and social impacts.

2. The Hanwha Energy USA Green Bond Framework (the “Framework”)

The Company intends to use this Framework as the basis to issue Green Bonds. This Framework is in line with ICMA’s Green Bond Principles¹ and its four key pillars: (i) Use of proceeds; (ii) Process for project evaluation and selection; (iii) Management of proceeds, and (iv) Reporting.

a. Use of Proceeds

The proceeds of the issuance of each Green Bond (“**Proceeds**”) will be used to finance and/or re-finance, in whole or in part, green projects which meet the eligibility criteria of the following Eligible Green Project categories (“**Eligible Green Projects**”), as defined as below. A maximum 3 year look-back period would apply for refinanced projects.

Eligible Green Project category	Eligibility Criteria	Relevant UN Sustainable Development Goals (SDG) ²
Renewable Energy	<p>The financing and/or investments in:</p> <ul style="list-style-type: none"> ▪ Development, construction, installation, maintenance, and the procurement of parts of solar energy production units ▪ Development, construction and maintenance of dedicated transmission and distribution networks and the supporting infrastructures such as inverters and transformers. 	

b. Process for Evaluation and Selection of Projects

Led by the Company’s Business Planning and Strategy team, Hanwha Energy USA has established an investment committee (“**Investment Committee**”) comprised of representatives from Development Team, Engineering Team, Operating & Management team, Legal team and Project Financing team for the selection and evaluation of the Eligible Green Projects.

The projects proposed will be reviewed by the Investment Committee through a three-step approval process, which includes:

- Pre Deal Request Committee (“**Pre-DRC**”) which mainly evaluates the economic feasibility and environmental impacts in order to study the possibility of project developments;
- Deal Request Committee (“**DRC**”) which focuses on reviewing and approving the main contracts, including interconnection and power purchase agreement; and
- Global Investment Committee (“**GIC**”) which conducts the final reviews at the Hanwha Energy’s headquarters

For project(s) which receive final approval to be earmarked as Eligible Green Project(s), Hanwha Energy USA’s Business Planning and Strategy team will coordinate with the Development Team to continuously monitor and check whether the project developments remain in line with the Framework.

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

² Due to limitation of space, only key alignments were listed; for a full alignment mapping: [Green and Social Bonds: A High Level Mapping to the Sustainable Development Goals](#)

c. Management of Proceeds

A dedicated ledger (the “**Ledger**”) will be established to record the allocation of Proceeds. The Business Planning / Strategy team will track the Proceeds via a formal internal process to ensure linkage to Eligible Green Projects.

The Ledger will contain the following information:

- I. Green Bonds details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
 - a. The Eligible Green Projects List, including for each Eligible Green Project, the Eligible Green Project category, project description, Company’s ownership percentage, total project cost, amount allocated, settled currency, etc.
 - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be placed in short-term liquid money instruments such as cash and market securities according to the Company’s investment guidelines.

d. Reporting

On an annual basis until full allocation of proceeds to Eligible Green Projects and on a timely basis in case of material changes, the Company will provide a dedicated green bond report with the following aspects:

- I. Allocation Reporting
 - a. The amount of Proceeds allocated to each Eligible Green Project category
 - b. When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.
 - c. Selected examples of projects financed
 - d. Amount of unallocated Proceeds

II. Impact Reporting
 The Company will provide reporting on the environmental benefits of the Eligible Green Projects potentially with the following impact indicators. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green Project Categories	Impact Indicators
Renewable energy	By each type of renewable energy: <ul style="list-style-type: none"> ▪ Installed capacity of renewable energy (MW) ▪ Annual CO₂ emission reduced or avoided (tons) ▪ Annual renewable energy production (MWh)

3. External Review

Hanwha Energy USA has appointed Sustainalytics to assess this Green Bond Framework and its alignment with the ICMA’s Green Bonds Principles, and issue a Second Party Opinion accordingly. The Second Party Opinion will be made publicly available on the Company’s official website: <https://174powerglobal.com/sustainability>