Green Bond Framework

October 2019

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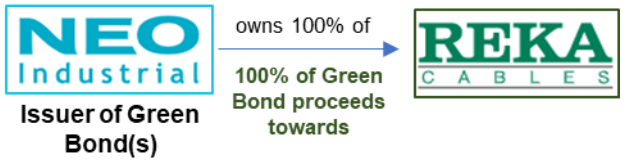
1 Introduction

1.1 Introducing Neo Industrial Plc and Reka Cables Ltd

Neo Industrial Plc (hereafter ''Neo'' or the ''Company'') invests in cable businesses that develop electricity solutions of the future. The main company Neo has invested in and is the sole owner of is Reka Cables Ltd (hereafter ''Reka''). For the avoidance of doubt, Neo is the holding company of Reka.

The proceeds of the Green Bond issued by Neo will exclusively be directed towards the financing of Reka's Eligible Expenditures.



1.1.1 Reka Cables Ltd

Reka provides high-standard cable solutions for the purposes of industry, construction, electricity transfer and telecommunications networks. Reka uses state-of-the-art production methods and technology to make medium- and high-voltage cables, data transfer cables, control and instrumentation cables, installation cables and power cables. Reka has been at the forefront of the Finnish cable industry for more than half a century and is currently the largest Finnish-owned cable manufacturer. The main market areas of Reka, in addition to Finland, are the Nordic and Baltic countries, and Russia. Reka has subsidiaries in Sweden, Denmark, Norway, Estonia, Russia and Kazakhstan.

Reka currently employs c. 230 people, and has three plants, all located in Finland:

- The Hyvinkää plant specializes in the manufacturing of 1kV power cables. The manufacturing process covers the entire production chain from raw materials to finished cables. Hyvinkää makes PVC and LSF plastic compounds as well as aluminium and copper wires for cables ;
- The Keuruu plant specializes in installation, control, connection and telecommunications cables as well as in fire-resistant and halogen-free special cables ;
- The Riihimäki plant manufactures medium and high-voltage cables, from aluminium wire drawing to the testing of finished products. It is also one of the most modern cable manufacturing plants in Europe.

1.2 Reka's commitment to Sustainability

In this section are presented the commitments and the track record of Reka with respect to sustainability, for it is Reka that will be benefiting from the Green Bond proceeds. Please note that the Corporate Social Responsibility (hereafter ''CSR'') and Environmental, Social and Governance (hereafter ''ESG'') policies formulated by Neo are also *de facto* valid and applicable to Reka, and *vice-versa.*

1.2.1 Supporting the advent of a low-carbon energy system

Reka, as a pure-player and northern European leader in the cables manufacturing industry, thrives to support the energy and ecological transition by providing and continuously investing in innovative cables, which will form an integral part of tomorrow's smart grid. Reka's products offering covers the entire electricity value chain.

Furthermore, Reka endeavors to operate in the most responsible manner as regards ESG matters. To ensure this, Reka has established an efficient Environmental Management System, of which the workings are inscribed in Reka's Operations Handbook. Concretely, Reka currently:

- sorts, recycles and re-uses plastics, metals and packaging materials wherever possible ;
- uses only the very best and responsibly-sourced raw materials in its cable production and the most environmentally-friendly and recyclable materials ;
- is committed to ensuring no toxic substances escape from production into the environment, earth or water systems ;
- has its cables registered in the Nordic Ecolabel database ;
- follows the ICC Business Charter for Sustainable Development ;
- is a signatory of the Europacable Industry Charter[1] – Reka is a member of Europacable.

Going forward, Reka is committed to reducing its CO_2 emissions through:

- the exclusive use of renewable energy (biomass and/or waste to energy energy) for its heating needs by 2020-2021 ;
- endeavoring to achieve an overall 15% in energy efficiency improvements in relation to its output by 2025 vs 2017 ;
- guaranteeing its cables are not supplied to new fossil fuel projects from 2023 onwards.

Neo, and therefore *de facto* Reka, has identified a number of 'Sustainable Development Goals' (hereafter ''SDGs'') that are particularly relevant for the Company. By the nature of its activities, Neo actively contributes towards the achievement of these identified SDGs (*see Figure 1*).

[1] Europacable Industry Charter: *the Charter expresses a collective commitment to shared principles and objectives of ethical, sustainable and high quality cable development and manufacturing*

For the quality of its operations management, Reka has received the following certifications covering all of its low, medium and high voltage cables, and all its processes and functions in Hyvinkää, Keuruu and Riihimäki: *ISO 9001*[2], *ISO 14001*[3] and *OHSAS 18001*[4].

Further to its certifications, Reka evaluates its ESG performance level annually via EcoVadis, an independent CSR assessment body that appraises environmental responsibility, working practices, ethics and the sustainability of supply chains. The evaluation criteria are based on international corporate responsibility criteria, such as the GRI[5], UN Global Compact[6] and ILO Principles[7], and the *ISO 26000*[8] standard. Reka is proud to have received a Gold Medal[9] rating for the last two consecutive years from Ecovadis.

Figure 1: Neo and the SDGs

SDGs		How Neo contributes to achieving these goals
	**Affordable and clean energy**	Neo Industrial currently designs and manufactures power cables that establishes the national power grid. Some of the products are specifically adopted to accommodate renewable energy such as for wind farms. By helping increase the share of renewable energy, Neo contributes to the effective reduction in carbon emissions and therefore to the achievement of international climate-related goals.
	**Decent work and economic growth**	Neo Industrial provides a safe working environment and protects labor rights for all its employees. To achieve this goal Neo Industrial invests in technologies that improve working environments and increases productivity. Additionally, business partners have to share the same values with their employees.
	**Industry, innovation and infrastructure**	To increase energy efficiency, Neo Industrial provides products which reduce carbon emissions through the reduction of grid losses. It also supports the current modern infrastructure via products that help create smart grids. Moreover, Neo Industrial enhances sustainable industrialization by investing in Smart Drum Management technology to improve efficiency.
	**Sustainable cities and communities**	Neo industrial supports biodiversity conservation and sustainable management of the living natural resources and land use. The products such as underground transmission cables are aimed to reduce soil use and the impact on terrestrial biodiversity. Also, Neo Industrial participates in providing cables to increase clean transportation methods in cities and communities.
	**Responsible consumption and production**	In cable production Neo Industrial uses the most environmentally-friendly and recyclable materials. Furthermore, the products are circular economy adapted and eco-efficient. For example, Neo produces cables which are highly resilient to extreme weather and easily recyclable. To minimize the environmental impact, Neo Industrial invests in production technology in order to reduce waste and one of its main principles is to avoid toxic substances to escape from production into the environment.
	**Partnerships for the goals**	Neo Industrial collaborates with machinery and raw material suppliers to improve energy efficiency and minimizing the usage of raw materials. It is an important aspect for Neo Industrial to create sustainable solutions and products.

[2] ISO 9001: *standard that specifies requirements for a Quality Management System (QMS)*
[3] ISO 14001: *specifies the requirements for an Environmental Management System (EMS) that an organization can use to enhance its environmental performance*
[4] *OHSAS 18001: Occupational Health and Safety Assessment Series is a British standard for occupational health and safety management systems*
[5] Global Reporting Initiative: *an international independent standards organization that helps business, amongst others, understand and communicate their impacts on issues such as climate change, human rights and corruption*
[6] UN Global Compact: *a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable policies and to report on their implementation*
[7] ILO Principles: *the International Labour Organisation's Fundamental Principles and Rights at Work*
[8] ISO 26000 *provides guidance rather than requirements (therefore not certifiable) on how businesses and organizations can operate in a socially responsible way that contributes to the health and welfare of society.*
[9] https://www.rekacables.com/sites/default/files/media/other-attachments/ecovadis_rating_certificate.pdf

1.2.2 Reka's responsible procurement policy

The raw materials Reka utilizes in its cables consist predominantly of copper and aluminium.

Reka purchases its raw materials only from suppliers that are aware of and take into account the environmental impact of their own operations. All of Reka's procurement processes are managed by its ERP[10] system.

See below the criteria set by Reka for newly sourced products:

- quality (must fulfill the standard's requirements, good processability and best possible recyclability) together with competitive prices ;
- good availability (buffer or consignment stocks) ;
- environmental issues: *ISO 14000* or the supplier has an own environmental policy in line with Reka's.

Reka audits all its new suppliers according to the following:

- *ISO 9001* ;
- *ISO 14001* ;
- working conditions (wages, working hours, general working conditions and working safety), labor relations (employee representatives/labor unions and also local labor contracts), children and forced labor, and fundamental human rights.

On top of these, all existing geopolitical risks have to be taken into consideration. This means that there must always be an alternative source in case of local conflicts. Reka has a list of accepted suppliers which is used in its purchasing organization. Buying outside of the list is not accepted.

1.3 Background on Neo Industrial's Green Bond Framework

Neo's wish through the Green Bond issuance is to build on its already proven ESG record by continuing to provide best-in-class quality products to help advance the cause of renewable energy and also improve its operations with respect to sustainability. Neo's intent through the issuance of the Green Bond is to consolidate its position as an actor supportive of the energy transition.

[10] ERP: *Enterprise Resource Planning*

2 Green Bond Framework

The Green Bond Framework of Neo (hereafter the 'Framework') is set-up in line with the voluntary guidelines of the Green Bond Principles 2018 (thereafter 'GBPs'). The Framework has been reviewed by an External Reviewer.

The framework will be presented along the following components:

1 Use of Proceeds **2** Process for Expenditure Evaluation and Selection
3 Management of Proceeds **4** Reporting
5 External review

2.1 Use of Proceeds

The Green Bond issued by Neo intend to exclusively finance and/or refinance, in whole or in part, eligible capital expenditures (hereafter ''CAPEX'') and research and development (hereafter ''R&D'') expenditures related to the following categories of expenditures (hereafter ''Eligible Categories''):

(i) the enhancement of the environmental credentials of Reka's portfolios of products

(ii) the improvement of Reka's environmental performance in respect to its production facilities and processes

The CAPEX and R&D expenditures that form part of the Eligible Categories are referred to as ''Eligible Expenditures'', following the below-stated ''Eligibility Criteria'':

Eligibility Criteria

(i) the enhancement of the environmental credentials of Reka's portfolios of products

Investments to foster the environmental qualities of Reka's products. These enhancements include the following:

- Rendering products fully recyclable ;
- Improving the durability of the products, and ;
- Making products more adapted to accommodating renewable energy.

These enhancements correspond respectively to the following GBPs categories:

- Circular Economy Adapted Products ;
- Pollution Prevention and Control, and ;
- Renewable Energy.

The categorization of Reka's portfolios of products according to the environmental benefits they already possess and the intended improvements for each of the portfolios is provided in the Appendix 2.

The type of expenditures include CAPEX and R&D expenditures since 2017.

Any expenses related to products specifically geared towards accommodating fossil fuel energy are excluded.

(ii) improvement of Reka's environmental performance in respect to its production facilities and processes

Expenditures in:

- Energy Efficiency[11]: expenditures related to energy efficiency upgrades such as heating, ventilation and air conditioning system upgrades, and lighting retrofits ;
- Eco-Efficient and/or Circular Economy Adapted Products and Processes: expenditures related to efficient production technologies and processes ;
- Pollution Prevention and Control: expenditures related to the enhancement of recycling, material recovery and reuse.

The type of expenditures include CAPEX since 2017.

2.2 Process for Project Evaluation and Selection

Expenditures financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria set in the Framework's Use of Proceeds section.

Expenditures are evaluated by Neo's Green Bond Committee, comprised of the Chief Financial Officer and members of the following departments: Corporate Social Responsibility, Finance and Project Management. The Chief Financial Officer, who will chair the Green Bond Committee, is ultimately responsible for the Green Bond proceeds allocation decision.

2.3 Management of Proceeds

An amount equal to the net proceeds of the Green Bond issuance will be credited to a sub-account. Pending the allocation to Eligible Expenditures, unallocated proceeds will temporarily be invested in accordance with Neo's investment guidelines in cash, deposits and money market instruments.

Neo will track the net proceeds in the internal accounting system and will monitor the allocation. The Finance department is responsible for tracking of proceeds allocation.

Neo intends to allocate the proceeds of Green Bond issuance within a two-year period from the issue date of each Green Bond issuance.

2.4 Reporting

2.4.1 Allocation of Proceeds

Neo intends to report – annually and until the Green Bond proceeds are fully allocated – on the allocation of the proceeds from its Green Bond to Eligible Categories.

To the extent possible, Neo will provide qualitative descriptions of key expenditures as well as information on the amounts invested/disbursed, including the proportion of financing vs refinancing, the breakdown of

[11] To be eligible, Energy Efficiency expenditures need to enable an overall min. 10-15% in energy savings

expenditures by type of expenditures (CAPEX, R&D) and the balance of unallocated proceeds.

For further transparency, Neo shall publish – as part of the annual Green Bond report – the list of projects to which it has provided its cables and, wherever possible, relevant details attached to these projects (e.g. length of cables supplied by Reka in km, renewable energy produced in MWh, energy efficiency gains in kWh, CO_2 savings etc.).

2.4.2 Impact Reporting

Where possible, Neo intends to report on the environmental impacts of the Eligible Expenditures at category level. The list of possible impact indicators according to the Eligible Categories is included below (non-exhaustive):

(i) Reka's portfolio of products with environmental benefits

- Cables sold (in km) per portfolio of products ;
- Cable connections to renewable energy production plants and/or clean transportation (in number of plants and/or km and/or MW) ;
- Construction of underground cables and/or replacement of overhead transmission cables (in km).

(ii) improvement of Reka's environmental performance in respect of its production facilities and processes

- Average energy savings of production plants/buildings (in kWh) ;
- CO_2 emissions savings (in tons per year) – historical data to showcase progress ;
- Waste diverted from landfills (in tons or % diversion) and/or waste recycled (in tons).

2.5 External Review

2.5.1 Pre-issuance

Neo's Green Bond Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion.

2.5.2 Post-issuance

An External Auditor will be appointed by Neo, which responsibility will be to verify, on an annual basis and until the proceeds of the Green Bond are fully allocated, the allocation of proceeds to Eligible Expenditures as well as the remaining balance of unallocated proceeds.

2.6 Publication of Green Bond information

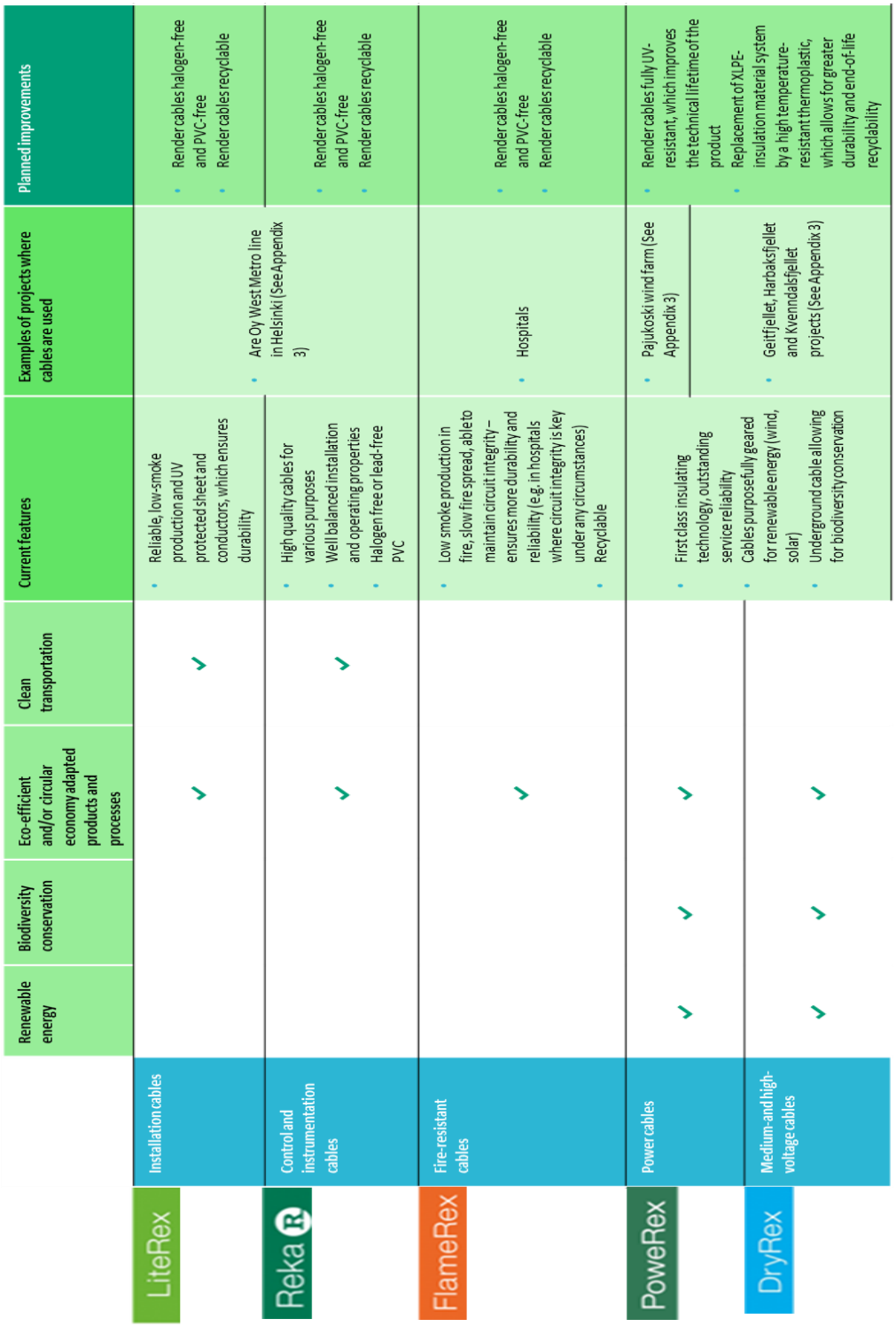
The Green Bond Framework, the Second Party Opinion, the annual standalone Green Bond report, as well as the External Audit on the allocation of proceeds will be made available on Neo's website under the section 'Financial Information'.

3 Appendices

Appendix 1 . Table of Eligible Expenditures per category – examples:

Eligible Category	GBP Categories	Eligible Expenditures e.g.	Environmental benefits	Potential impact indicators
(i) The enhancement of the environmental credentials of Reka's portfolios of products	• Eco-Efficient and/or Circular Economy Adapted Products • Pollution Prevention And Control • Renewable Energy	• Replacement of PVC-insulation and sheathing compounds by halogen-free materials • Application of UV-protection on core insulations • Replacement of taped mineral insulation layer over conductor by a ceramic insulation compound system • Replacement of XLPE-insulation material system in power cables by a high temperature resistant thermoplastic material system	• Increases performance of the products for their future end-of-life recyclability • Renders cables non-toxic • Increases durability of cables • Increases reliability of cables in the context of power transmission	• Cable connections to renewable energy production plants and/or clean transportation (in number of plants and/or km and/or MW) • Construction of underground cables and/or replacement of overhead transmission cables (in km)
(ii) The improvement of Reka's environmental performance in respect of its production facilities and processes	• Energy Efficiency	• Replacement of old IE1 (Standard Efficiency) motors with new motors possessing the highest IE4 (Super Premium Efficiency) energy efficiency classification • Modernization of building automation system – improved control of heating and ventilation system • Installation of new LED lighting system replacing old fluorescent tube lighting	• Energy savings • CO_2 emissions savings	• Energy savings in kWh • CO_2 savings in tons
	• Eco-Efficient and/or Circular Economy Adapted Products And Processes • Pollution Prevention And Control	• Manufacturing technologies, such as insulation and sheathing lines, which have state of the art monitoring and data collection systems enabling minimum material loss	• Minimization of material loss • Material optimization	• Waste diverted from landfills (in tons or % diversion) and/or waste recycled (in tons)

Appendix 2 . Table of environmental benefits of and planned improvements for Reka's Portfolio of Cables:



		Renewable energy	Biodiversity conservation	Eco-efficient and/or circular economy adapted products and processes	Clean transportation	Current features	Examples of projects where cables are used	Planned improvements
LiteRex	Installation cables			✓	✓	• Reliable, low-smoke production and UV protected sheet and conductors, which ensures durability	• Are Oy West Metro line in Helsinki (See Appendix 3)	• Render cables halogen-free and PVC-free • Render cables recyclable
Reka	Control and instrumentation cables			✓	✓	• High quality cables for various purposes • Well balanced installation and operating properties • Halogen free or lead-free PVC		• Render cables halogen-free and PVC-free • Render cables recyclable
FlameRex	Fire-resistant cables			✓		• Low smoke production in fire, slow fire spread, able to maintain circuit integrity – ensures more durability and reliability (e.g. in hospitals where circuit integrity is key under any circumstances) • Recyclable	• Hospitals	• Render cables halogen-free and PVC-free • Render cables recyclable
PoweRex	Power cables	✓	✓	✓		• First class insulating technology, outstanding service reliability • Cables purposefully geared for renewable energy (wind, solar) • Underground cable allowing for biodiversity conservation	• Pajukoski wind farm (See Appendix 3) • Geitfjellet, Harbaksfjellet and Kvenndalsfjellet projects (See Appendix 3)	• Render cables fully UV-resistant, which improves the technical lifetime of the product • Replacement of XLPE-insulation material system by a high temperature-resistant thermoplastic, which allows for greater durability and end-of-life recyclability
DryRex	Medium-and high-voltage cables	✓	✓	✓				

Reka's portfolio of cables are registered in the **Nordic Ecolabel** database

Appendix 3 . Examples of projects to which Reka has supplied its cables :

Are Oy West Metro Line Project in Helsinki

Are Oy brings electricity into metro tunnels with Reka's cables.

The company Are Oy is responsible for the electrical contract for Keilaniemi station on the West Metro line in Helsinki metropolitan area. About 10,000 metro passengers will use Keilaniemi station every day. Are is also responsible for the electrical installation work for the tunnels on the nearly 14 kilometres route from Ruoholahti to Matinkylä as well as for the electrical contracts for Tapiola and Otaniemi metro stations.

Reka Cables supplies cables to Are for the metro project. Are utilizes Reka's 1 kV and 20 kV halogen-free cables as well as instrumentation cables in the contract. The cable deliveries will continue until the project is completed.

The West Metro extends the metro line westwards from Ruoholahti via Lauttasaari to Matinkylä, Espoo. It will carry more than 100,000 passengers per day. The metro will be extended in two phases. In the first phase, there will be eight new stations and five more will be included in the second phase. The metro will operate on a rail line of 21 kilometres underground in two parallel tunnels.

The construction of the first phase of the West Metro has been completed at the end of 2015, and operation has begun in the autumn of 2016. The entire line from Matinkylä to Kivenlahti in the second phase will be completed in 2020 at the earliest.

Pajukoski Wind Farm Project

A total of nine 3.3 MW wind turbines have been constructed in the Pajukoski wind farm in the Finnish town of Ylivieska.

The combined power output of the turbines is 97 gigawatt hours per year, corresponding to the energy need of 30,000 apartment building homes.

The electrical contractor for the job is HSK Sähkö Ltd, which is responsible for the installation of the wind farm cables, the substation and the high voltage line from the Uusnivala substation to the Pajukoski substation. The contract also includes the data communications network connecting the substation, the wind farm and the farm's nine wind turbines. A total of 30 kilometres of underground cables has been laid in the area.

In the Autumn 2014, Reka Cables delivered almost 100 kilometres of cables to the Pajukoski wind farm project. The cables were delivered to HSK Sähkö Ltd. via Onninen Oy. The deliveries consisted of several medium-voltage 30 kV AHXAMK-W cables of different size.

The construction of the Pajukoski wind farm began in 2014 and has started operations in October 2015.

Geitfjellet, Harbaksfjellet and Kvenndalsfjellet Wind Projects

Reka Cables provides 210 kilometres of medium voltage cables for three wind parks in Norway.

In cooperation with Norwegian network construction company Linka AS, Reka Cables will provide cabling for onshore wind parks of Geitfjellet, Harbaksfjellet and Kvenndalsfjellet in Norway. Reka's 36 kV medium-voltage cables will ensure energy transfer of altogether one hundred wind turbines.

The construction of the wind parks has started in 2018 and will be finished during 2020. The three wind parks fitted with Reka's cables will produce 1401 GWh of electricity and have an installed capacity of 420 megawatts. When ready, the six wind parks in the area will form the largest onshore wind farm in Europe.

"As renewable energy is increasing rapidly in Europe, Reka Cables has developed high-quality cable solutions specifically for wind power applications. We are proud of being part of the development towards more sustainable energy production", says Ralf Sohlström, CEO of Reka Cables.

Reka offers tried-and-true solutions for challenging Nordic environments.

Reka Cables' Dryrex WIND products are medium-voltage cables especially well-suited for use in wind farm energy transfer networks. They can be installed directly into the ground both on the shoreline and on terracing protruding outwards from the shore. Dryrex WIND cables may also be used in repeatedly and continuously wet soil.

Reka Cables has several years of experience in vertical cables installed in wind turbine towers. The halogen-free power and MV cables in Reka's wind power cable product range are an economical and tried-and-true solution for all kinds of wind farms, including those intended for challenging Nordic environments.

Appendix 4 . Relevant permanent links to Neo's and Reka's website:

- https://www.neoindustrial.fi/en/governance

- https://www.rekacables.com/about-us/responsibility
  - https://www.rekacables.com/about-us/responsibility/safety-and-security
  - https://www.rekacables.com/about-us/responsibility/quality
  - https://www.rekacables.com/about-us/responsibility/environmental-responsibility
    - https://www.rekacables.com/sites/default/files/media/Other-attachments/iso_14001_2015_englanti.pdf
    - https://www.rekacables.com/sites/default/files/media/Other-attachments/rinki-certificate_2018.pdf
    - https://www.rekacables.com/sites/default/files/media/other-attachments/ecovadis_rating_certificate.pdf
    - https://www.rekacables.com/sites/default/files/media/other-attachments/reka_cables_scorecard_2019.pdf

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