Kodar

Kodar Energomontaža d.o.o

Green Bond Framework

Belgrade, December 2025.

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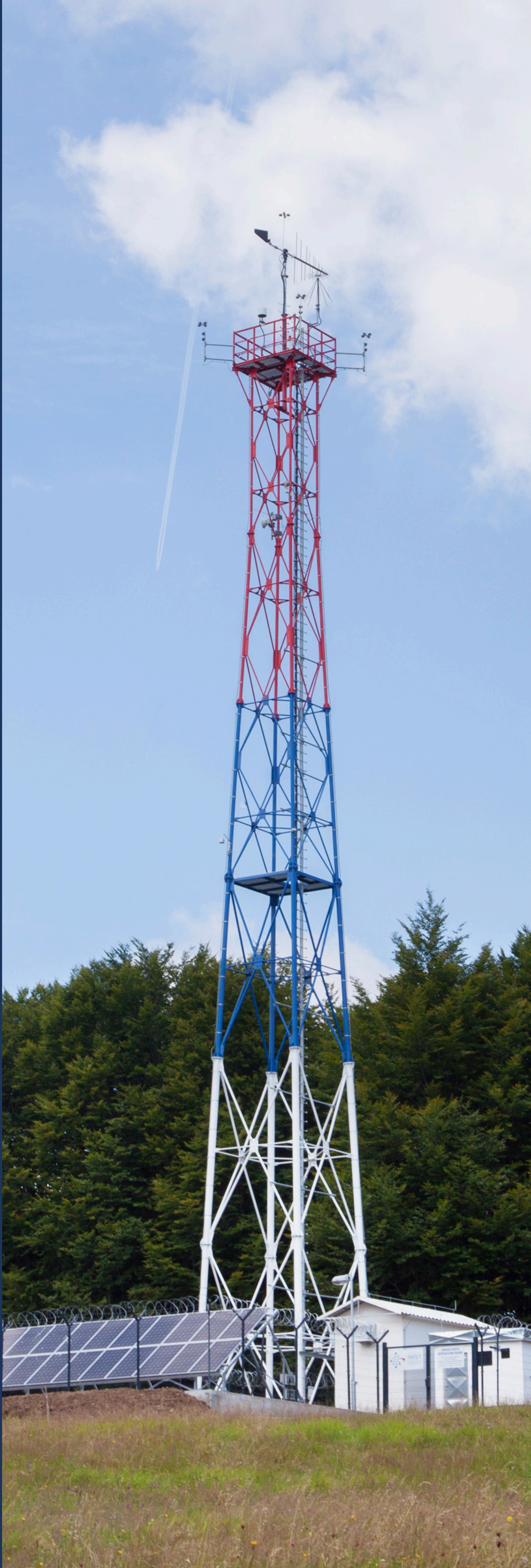
KODAR AT A GLANCE

Kodar Energomontaža was founded in 2011 through a merger of privately owned Kodar Inženjering and Energomontaža, a former state-owned company with over 60 years of experience in the energy sector. Bringing together decades of expertise and a modern approach, Kodar Energomontaža has become one of Southeast Europe's leading EPC (Engineering, Procurement, and Construction) contractors, specializing in energy and telecommunications infrastructure. Based in Serbia and supported by subsidiaries in Montenegro, North Macedonia, Croatia, and the Netherlands, Kodar Energomontaža Group (hereafter referred to as "Kodar Group" or "the Group") has become a trusted regional partner in building and maintaining critical infrastructure, successfully completing projects across Western Europe, the Nordics, and West Africa.

The Group provides full-scope EPC services — from design and engineering to construction and long-term maintenance. Kodar's driving force is building energy paths from source to end-user.
The key areas of expertise include:

- Construction, design and modernization of power transmission lines and substations (10–400 kV) used to supply both national grids and local communities;
- Development of telecommunications systems for both fixed and mobile networks;
- Electrical installations across industrial, commercial, and residential buildings;
- Construction and maintenance of renewable energy projects and facilities.

Leveraging its extensive experience in the energy sector, the Group has expanded its operations from construction to development and management of own renewable energy projects.



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OUR SUSTAINABILITY STRATEGY

SUSTAINABILTY TARGETS & SDGs

BUILDING A GREENER FUTURE

- Achieving net-zero emissions by 2050.
- Reducing Scope 1 and Scope 2 emissions by 10% by 2030 compared to 2025.
- 100% renewable electricity consumption by 2030.
- Scale renewable energy assets to 439.8 MW of solar and/or wind by 2030.
- Increase the share of revenue from green projects* to 60% by 2030.

BUILDING A SAFER FUTURE

- Women holding 30% of leadership positions
- +-3% gender pay gap
- Zero fatalities
- Reduce workplace injuries and lost-time incidents (LTIFR) by 20% from 2025 levels.

BUILDING A RESPONSIBLE FUTURE

- 100% of senior management and board completing annual anti-corruption training.
- By 2028, 100% of contracts with suppliers and subcontractors[2] will include ESG clauses.
- By 2027, 100% of procurement decisions for suppliers and subcontractors[2] will integrate ESG data insights.

[1] *Green projects refer to revenue generated from renewable energy-related projects.*
[2] *Suppliers with annual procurement above EUR 100k and subcontractors with fees exceeding 10% of the project value.*

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RATIONALE FOR GREEN BOND FRAMEWORK

Serbia is undergoing a major energy transition, driven by the aspiration for EU accession as well as national and regional climate policies, creating a strong demand for sustainable financing. Serbia's **NECP (Integrated National Energy and Climate Plan) and Low-Carbon Development Strategy** have set ambitious targets, including a coal phase-out by 2050. The NDC 3.0 raises ambitions further, aiming for a 40.1% reduction in GHG emissions by 2035.

Renewable energy is expected to reach at least 33.6% of gross final energy consumption and around 45% of electricity generation by 2030, supported by incentives for solar, wind, energy efficiency, and grid modernization. Rising average temperatures and more frequent extreme weather conditions underline the need for resilience measures. In addition, Serbia's alignment with **the EU Green Deal and the Green Agenda for the Western Balkans underscores the strategic relevance of the Group's Green Bond Framework ("the Framework") for the financing of renewable projects.**

With the clear vision for a sustainable future, the Group has set an ambitious goal — to reach a capacity of **440 MW in renewable energy**. The transition toward clean energy carries both a responsibility and potential for advancing innovation and growth. To support this goal and enable potential investors to actively contribute to the more sustainable world, the Group establishes this Green Bond Framework.

The primary goal is to contribute to climate change mitigation by actively supporting the reduction of CO_2 emissions, while also ensuring that progress in this area does not come at the expense of other environmental or social priorities.

For this reason, every financed project undergoes a thorough evaluation, reflecting the Group's commitment to the principle of "no significant harm" and avoiding any substantial negative impacts on communities or nature.

The Environmental & Social (E&S) risk assessment process enables careful evaluation of each project throughout its lifecycle. The Group assesses impacts on biodiversity, interactions with local communities, and other potential risks that may arise and defines mitigation measures. Additionally, in line with the local legislature and best practices, Environmental and Social Impact Assessment Studies are conducted. Alignment with ISO 14001 standards has ensured proactive management of environmental risks according to best practices through a structured system.

The Group's operations are guided by strict standards of safety and ethical conduct, with occupational health overseen by a dedicated expert, reinforced through internal policies and risk assessments. Sound corporate governance is guided by the Group's Code of Ethics, promoting legal compliance and ethical conduct.

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GREEN BOND FRAMEWORK

This Green Bond Framework has been developed by the Group as a foundation for issuing Green Bonds. The proceeds will be used exclusively for financing projects that deliver clear environmental benefits, as defined under this Framework.

The Framework aligns with the Green Bond Principles (2025) published by the International Capital Market Association (ICMA) and is structured around four core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

By following recognized market standards, this Framework supports transparency and accountability, enabling potential investors to contribute to the Group's renewable energy goals and the broader transition to a low-carbon economy.

Each of the four core components will be explained in detail in the remainder of this document.

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USE OF PROCEEDS

The net proceeds from the Green Bond Framework will be used solely for capital expenditures in new projects. To qualify, projects must fully or partially meet the eligible green categories and criteria listed in the table below ("Eligible Green Projects").

PROJECT CATEGORY	ENVIRONMENTAL OBJECTIVE	ELIGIBLE PROJECTS	ELIGIBILITY CRITERIA	SDG ALIGNMENT
RENEWABLE ENERGY	**CLIMATE CHANGE MITIGATION**	**SOLAR POWER PLANTS**	Investments in the development, construction, and installation of facilities for electricity generation using solar photovoltaic (PV) technology including related storage facilities.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
		WIND POWER PLANTS	Investments in the development, construction, and installation of facilities for electricity generation from onshore wind power and related storage facilities.	

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PROCESS FOR PROJECT EVALUATION AND SELECTION

The Group has an investment approval process in place to ensure all projects adhere to relevant regulations and are consistent with its risk management framework, including those financed or refinanced through the Green Bond Framework. The process is structured as follows:

1. Identification of Investment Opportunities

The Sales Director, supported by the bid management team, continuously monitors market trends and identifies potential investment opportunities in renewable energy and other environmentally sustainable sectors. All incoming project proposals are reviewed to assess their preliminary technical, commercial, and environmental viability.

When a promising opportunity is identified, the Sales Director prepares an Investment Opportunity Report (IOR), which provides an initial overview of the project details, including objectives and high-level financial estimates. This serves as an early-stage screening tool and is submitted to the Board of Directors for consideration.

2. Preliminary Assessment and Strategic Alignment

During a dedicated Board meeting, the Sales Director presents the findings from the IOR. The Board of Directors evaluates the project's compatibility with the Group's strategic priorities, sustainability objectives, alignment with ICMA principles and existing investment portfolio. If the project is deemed suitable, the Board of Directors issues an approval to proceed with a feasibility study to further assess its technical, environmental, financial, and regulatory aspects.

3. Feasibility Study and Due Diligence

Sage Solutions d.o.o., the Group's related party specializing in project development and renewable energy solutions, conducts a feasibility study assessing environmental and social impacts, site and technical suitability, legal and regulatory compliance, financial viability, and key risks with a projected implementation timeline.

4. Final Approval and Project Selection

The completed feasibility study is presented to the Group's Board of Directors for review. Based on the study's conclusions, the Board of Directors makes the final investment decision. For projects intended to be financed with green bond proceeds, only those that meet the eligibility criteria defined in the Green Bond Framework and can demonstrate measurable environmental benefits are approved for financing.

Approved projects are then delegated to the relevant operational departments for detailed planning and implementation.

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MANAGEMENT OF PROCEEDS

The Group has established a clear process for the management of proceeds raised through the issuance of green bonds in accordance with the ICMA Green Bond Principles.

A dedicated working group within the Finance Department, including the Treasury Officer, the Chief Financial Officer (CFO), and the Team Head for the Capital Budgeting and Investments (CBI) process, is responsible for overseeing the allocation and management of proceeds. This working group ensures that the use of funds is aligned with the approved Green Bond Framework and that payments are made exclusively for eligible and approved projects.

Proceeds from the Green Bond issuance will be credited to a dedicated account, separate from the Group's general operating accounts. The CFO would authorize all payments from this account based on approved project budgets and in line with internal financial controls.

The balance and transactions of the account will be monitored daily through the Group's existing treasury management systems. Any unallocated proceeds will be temporarily held on the dedicated account and may earn interest at the prevailing a vista rates until full allocation to eligible projects is achieved. In addition to a vista interest income, the Group may also invest unallocated proceeds in short-term securities portfolios composed exclusively of first-class sovereign bonds (German for EUR and USA for USD currency). These are low-risk and liquid investments and are selected to eliminate market and currency risk. All such investments are carried out in compliance with the Group's internal FX Risk Management Policy and in accordance with the Law on Foreign Exchange Operations of the Republic of Serbia.

The Group intends to allocate the proceeds from the Green Finance Instruments within **two years of issuance**.

All proceeds raised from the Green Bond issuance will be allocated to the construction of solar and wind power plants, through a transfer of funds to Special Purpose Vehicles (SPVs) for each eligible project, respectively, which are wholly owned by the issuer or its subsidiaries under control. The transfer will be executed under a loan or equity investment agreement, which explicitly defines that the funds may be used solely for financing activities consistent with the Green Bond Framework. The SPVs will maintain separate accounting records and bank accounts for the received funds, ensuring full transparency in tracking cash flows and expenditures across project phases.

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REPORTING

To ensure full transparency towards investors and other stakeholders, the Group will publish a report on the utilization of net proceeds on an annual basis until full allocation of the net proceeds, and thereafter in case of material changes. This report will be verified by external auditors and published either as part of the Group's audited consolidated financial statements or as a standalone special-purpose report. The reports will be publicly available on the Group's website in either case.

The Group will strive to align the reporting approach with the "Handbook Harmonized Framework for Impact Reporting (from June 2024)" on a project-by-project basis.

The report will consist of two main components: allocation reporting and impact reporting. Impact reporting will reflect the expected environmental impacts or outcomes resulting from projects financed through the Green Bond proceeds.

ALLOCATION REPORTING

- Information about the financed project
- Balance of unallocated net proceeds, if any
- Portion of financing versus refinancing

IMPACT REPORTING

ELIGIBLE CATEGORY	POTENTIAL INDICATORS
Renewable energy	• Annual GHG emissions reduced/avoided in the Republic of Serbia in tons of CO_2 equivalent/s • Annual renewable energy generation for eligible projects, respectively, in MWh/GWh (electricity) • Renewable energy capacity installed for eligible projects, respectively, in MW

Impact estimations will be carried out using methodologies aligned with leading industry standards and best practices. For CO_2 emissions figures, the applied GHG accounting methodology and underlying assumptions will be clearly referenced to ensure accuracy, transparency, and comparability of the reported results.

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EXTERNAL REVIEW

The Group has appointed S&P Global to provide a Second Party Opinion on its Green Bond Framework.

The Second Party Opinion will be publicly available on the Group's website (https://www.kodar.rs/) under the "Investor relations" section.