



Legal aspects of the energy efficiency financing

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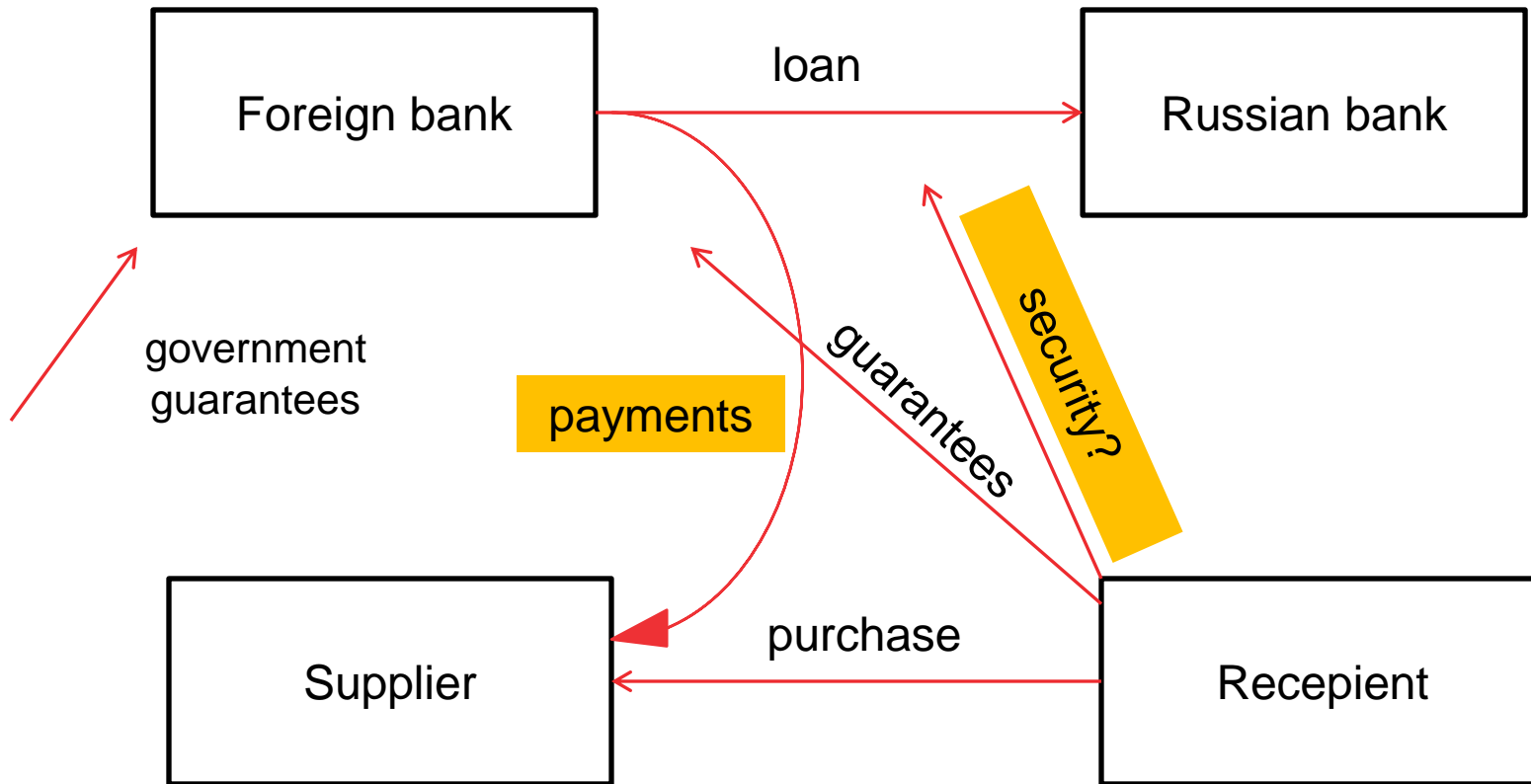




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Pre-export financing



Green financing

- Green financing has its own dynamic within capital markets
- Green bond issuers across the world take on additional obligations both pre- and post-issuance in order to demonstrate to investors their commitment to sustainable development. For example (Apple Inc. Green Bond, 2016):
 - Report on the use of proceeds from green bond issuance:

“...An amount equal to such net proceeds will be allocated for **investments in one or more Eligible Projects (as defined below)**, including new and ongoing development of such Eligible Projects. Eligible Projects may include projects of our subsidiaries that meet the Eligibility Criteria set forth below.

We plan to identify **Eligible Projects that fall within three environmental priorities** where we believe we can make the most environmentally positive impact:

1. Reduce our impact on climate change by using renewable energy sources and driving energy efficiency in our facilities, products and supply chain.
2. Pioneer the use of greener materials in our products and processes.
3. Conserve precious resources.”

Green financing (continued)

- Report on issuer's commitment to "Green Bond Principles" (Apple Inc. Green Bond, 2016):

"We... intend to implement the following guidelines:

- **work with an outside consultant** with recognized expertise in environmental, social and governance research and analysis to develop our Eligibility Criteria and processes for compliance with the Green Bond Principles and annually obtain and make publicly available a second party opinion from such consultant in respect of compliance with such criteria,
- **obtain annual assertions** by management that the net proceeds of the offering of the 2023 Fixed Rate Notes were **allocated to qualifying Eligible Projects**, and
- **obtain an annual report from an independent registered public accounting firm** in respect of its examination of management's assertions conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

During the term of the 2023 Fixed Rate Notes, until such time as the net proceeds from such notes have been fully allocated to Eligible Projects, **these materials and annual update reports will be published annually on Apple's website** at <http://investor.apple.com> (which will be available to investors within one year from the date of issuance of the 2023 Fixed Rate Notes).

Our Environment, Policy and Social Initiatives team will assess and determine project eligibility on a semi-annual basis and recommend an allocation of proceeds to Eligible Projects. **The final allocation of net proceeds to Eligible Projects will be approved by our Vice President of Environment, Policy, and Social Initiatives"**

Green financing (continued)

IFC / BHP Billiton – First-of-its-kind forests bond

Deal highlights:

- Complex and unique project
- The proceeds are used towards the private sector development as well as the deforestation prevention in the developing countries
- The first bond that allows investors to be paid in cash or carbon credits:

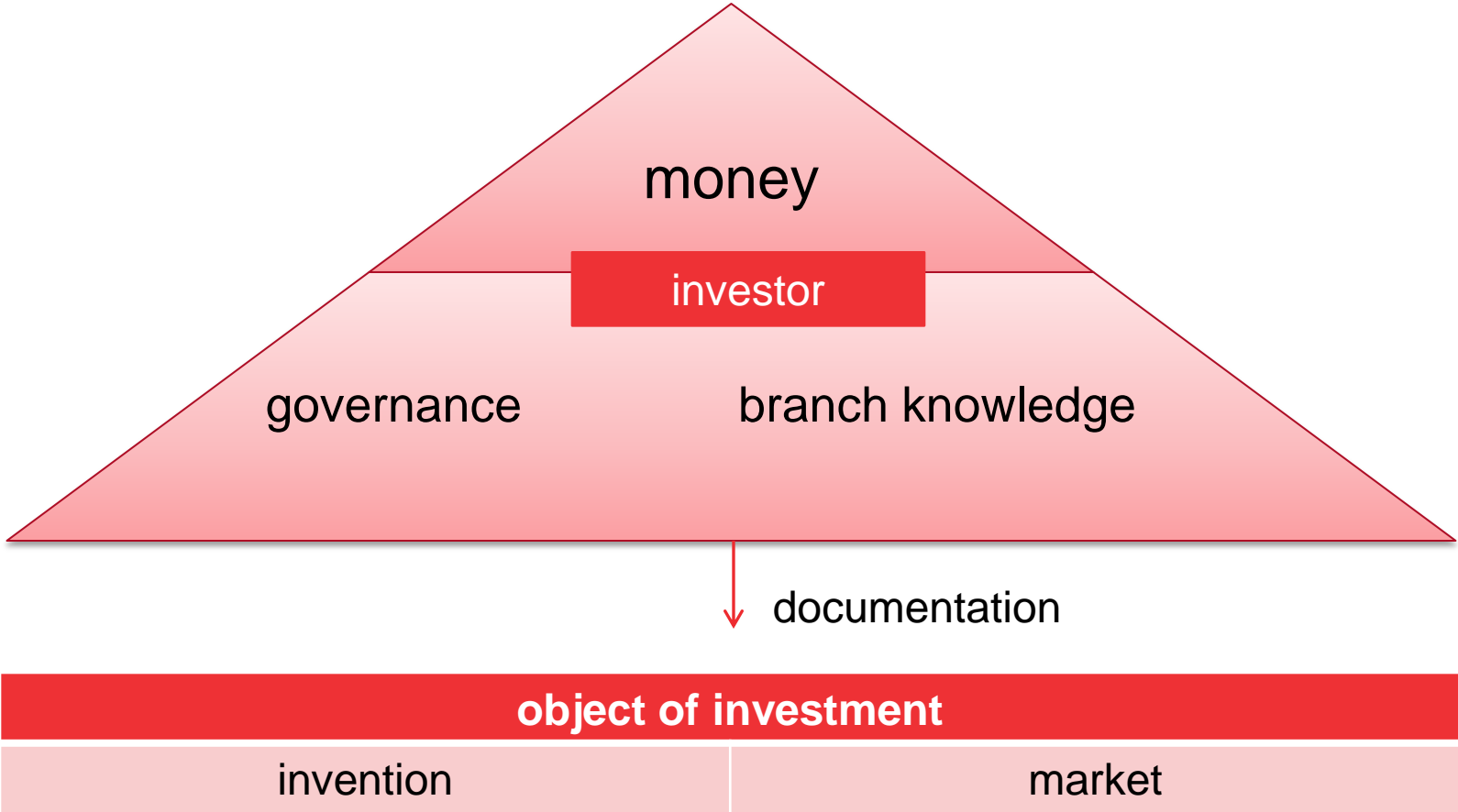
Option 1 – cash coupon: BHP Billiton takes the carbon credits generated by the Kenyan project and covers the cash coupon to investors

Option 2 – carbon credits: IFC buys carbon credits from a project in Kenya that follows the UN REDD scheme (Reducing Emissions from Deforestation and Forest Degradation)

Green financing (continued)

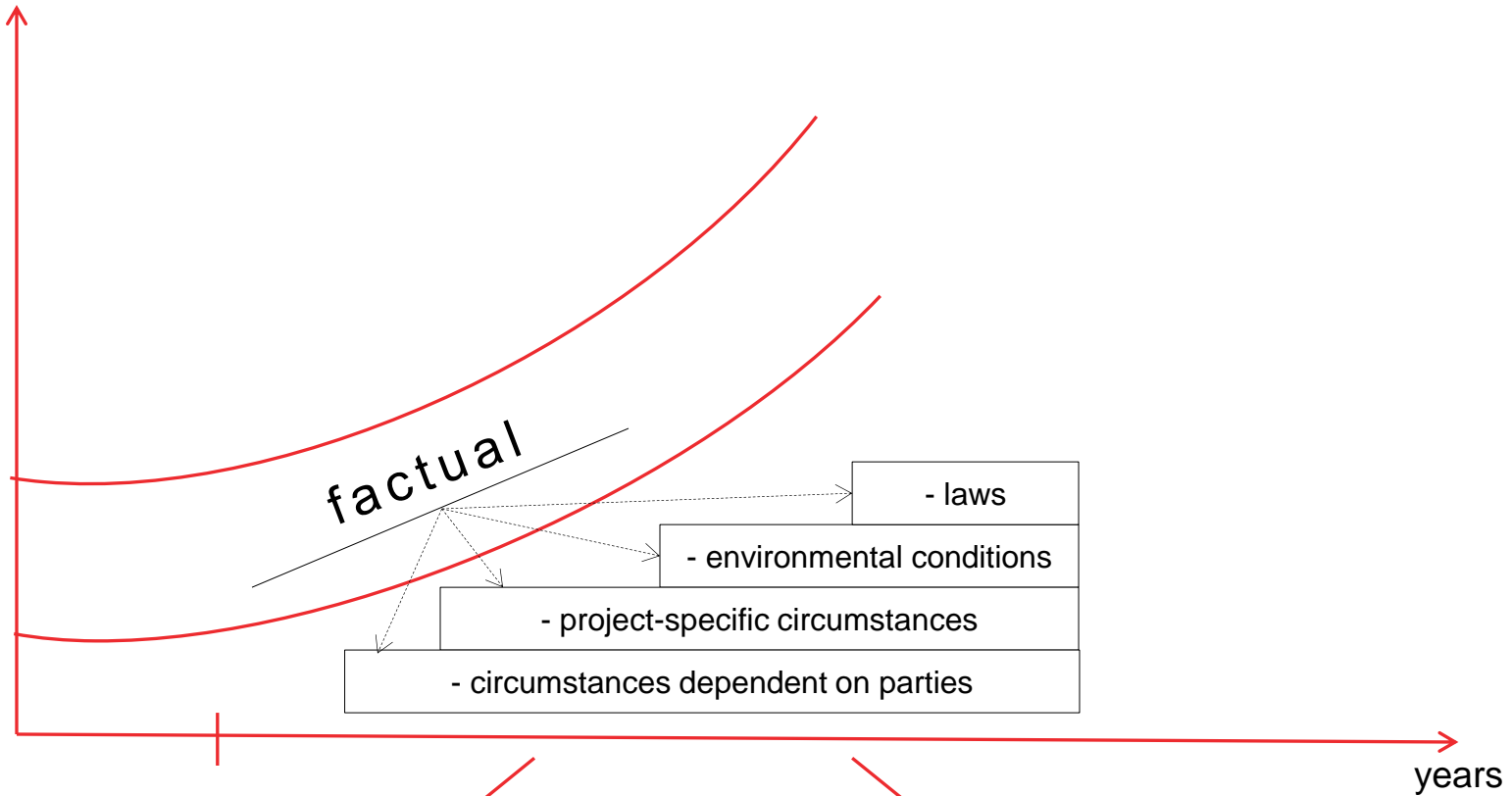
- In Russia, green bonds have not yet been issued
- Norilsk Nickel is on the record considering a green bond and pointing to some potential difficulties (e.g., what qualifies as a green project?)

Characteristics of the improving climate for venture investments



Energy Savings contract

relevant factors



Contract

Readiness to make payments, including budget laws

Energy Savings contract (continued)

Practical risks and their regulation

	Issue	Assumed risk attribution	Reason	Place of risk regulation
External events of general nature	energy theft, deterioration of equipment due to external causes	Owner	Owner is the primary user of the equipment	Energy Savings contract
	changes in price regulation	Owner	This risk applies to the owner even in the absence of investments	Energy Savings contract
Aspects specific to the owner or project type	Owner's failure to pay	Bank	Banks have the means to evaluate the risks of failure to pay	limited rate of ESCO's bank loan, equipment as surety within the loan, equipment as surety within the energysaving contract
	changes to technical regulation	Energy service company (ESCO)	ESCOs have technical know-how	Energysaving contract
Project-specific risks	energy savings do not reach the promised rates	ESCO	ESCOs have technical know-how	additional guarantees for the banks from ESCOs
	consumption lesser than expected	Owner	Owner is the best to judge about the reliability of the evaluation	Energy Savings contract
	expenses greater than predicted	ESCO	ESCO is responsible for the feasibility of the project	Energy Savings contract



Thank you for attention!

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