

PACKET DYNAMICS, LLC SUSTAINABILITY STRATEGY 2022

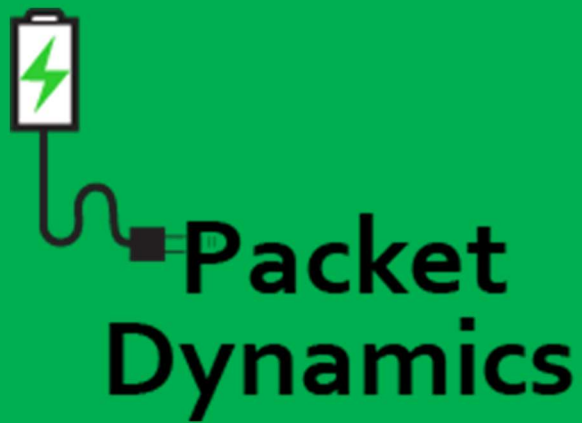


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Sustainability Strategy 2022

Packet Dynamics' focus on the renewable energy market

Packet Dynamics, LLC can have a significantly positive impact on the world and build a strong business by addressing environmental sustainability issues with specific focus. We will increase our internal and external sustainability efforts and effectively communicate these efforts to our stakeholder community. This document establishes the sustainability goals of the company and explores how we plan to achieve those goals.

Summary:

- By focusing on providing power storage solutions and renewable energy Packet Dynamics will already be sustainable-by-default in our product offering. The greatest direct impact PD can have is to deliver more environmentally friendly offerings in a short time frame. We should not lose focus of our own internal corporate environmental footprint even though it is small relative to our customers'.
- The positioning of the company as both environmentally focused as well as veteran focused can support our engagement with public sector customers.
- Company leadership needs to address sustainability issues internally and externally and champion an Environmental, Social and Governance (ESG) focus throughout the company.

Environmental Sustainability Areas

Environmental sustainability focuses on improving the environment and long term social good by promoting:

- Reduction of greenhouse gas emissions
- Waste management, product reclamation and recycling
- Pollution reduction
- Reduction of consumption
- Water resource management

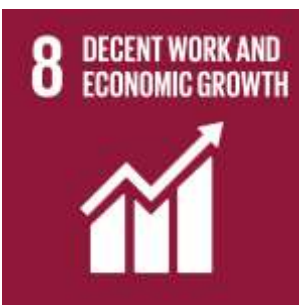
While all these areas are important, PD must select a limited set on which to concentrate our efforts. This sustainability plan documents the company's Sustainability Performance Targets (SPTs), Key Performance Indicators (KPI), as well as the data sources and methods that we will use in their calculation. Other ESG factors important to the company are documented even where formal metrics will not be established or continuously monitored. This document will be reviewed and updated periodically so that it remains a useful reference as the company grows and evolves.

Packet Dynamics' Focus Area

Packet Dynamics evaluates that the first focus area, reduction of greenhouse gas emissions, is the area in which the organization can make the most impact and within the near term. The United Nations Framework Convention on Climate Change Agreement (the "Paris Agreement"), and the promotion of climate change within the U.N. Sustainable Development Goals (SDGs) emphasize the importance of energy generation, transmission, and consumption on climate change:



SDG #7 Affordable and Clean Energy: Near term funding of energy storage projects (Li-ion batteries, flow batteries, liquid air, green hydrogen, etc.) will speed maturity of these storage devices and drive their cost down.



SDG #8 Decent Work and Economic Growth: We will create new jobs in the green economy. Due to locations of our customers' facilities, the jobs will often be in economically depressed areas and Opportunity Zones.



SGD #9 Build resilient infrastructure, promote sustainable industrialization and foster innovation: Distributed electrical systems require local energy storage to provide stable, continuous power given the intermittency of renewable generation.



SDG #13 Climate Action: The electrical power storage we provide will be able to store renewable-generated power that would have been curtailed otherwise.

In the future we will provide renewably-sourced electricity using physical and virtual offtake agreements (Power Purchase Agreements and similar contract types). Where feasible, power will be generated as close to the point of consumption as possible, including on customer premises. Reducing the distance from the generation source to the customer improves the system efficiency by reducing transmission power loss.

The initial customer segment that we will focus on is the public sector of the United States. Efforts targeting energy consumption within the Government have been made over the years with varying degrees of success. Whole-of-government energy intensity reduction has only achieved 25.6% against the goal of 30% baselined on fiscal year 2003. Some agencies have met their energy use reduction targets, however the Department of Defense lags other departments and consistently fails to meet its own internal goals. The DOD which is the largest single source of greenhouse gas emissions on the planet only achieved a 20.9% reduction of energy intensity versus the 30% goal. Importantly DOD has not yet acquired renewable energy at its target rate as it only acquired 6% of its electricity from renewable sources versus its goal of 7.5% so it has significant upside potential¹.

¹ U.S. Department of Energy, <https://ctsedweb.ee.doe.gov/Annual/Report/Report.aspx>

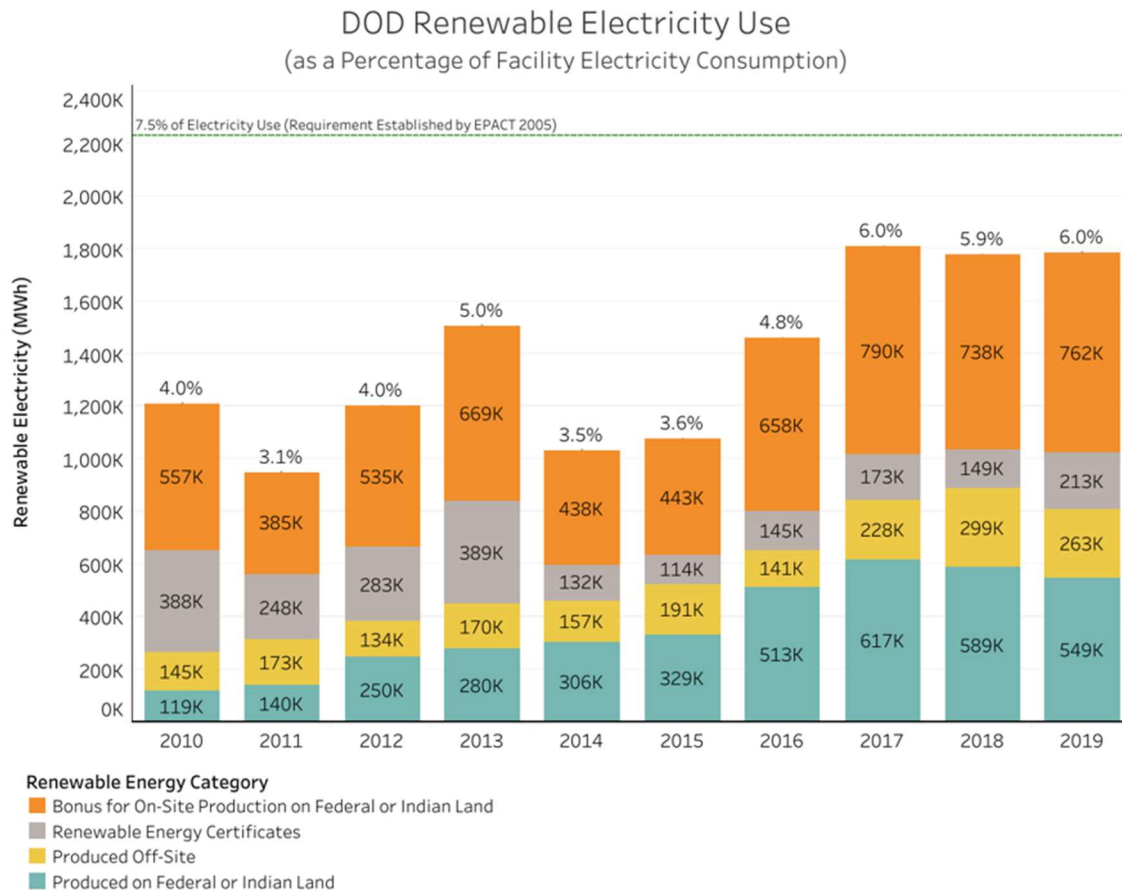


Figure 1 DOD Renewables Use Consistently Misses Goal

The Biden-Harris Administration ordered the U.S. Government to use “all available procurement authorities to achieve... a carbon pollution free electricity sector no later than 2035.” which is strong motivating factor for change within the Government. We hope to play a supportive role in this structural change from 7.5% to 100%.

A significant part of our corporate culture is to continue support for the military mission even in a civilian capacity. Our goal as civilians is to provide energy security for our Government customers so they can focus on their own missions confident that their electrical power supply is protected. This culture and mission attract not only human resources talent but also business partners that share the ‘Continue Mission’ attitude.

Sustainability Target Setting

Key Performance Indicators

Key Performance Indicators (KPIs) should be readily quantifiable measurements which reflect the specific relevant outcome that we desire to achieve. After considering a range of alternatives and comparing KPIs selected by organizations with similar goals, we have selected KPI's that encompasses our objectives:

1. Reduction in Carbon Dioxide (CO₂) Emissions reduction directly attributable to our projects
2. Energy Storage Installed (MWh) in our projects

We considered other metrics such as: MWh sold, number of facilities served, or revenue from renewables projects which are reasonable indicators. In our rationale, there were many secondary or tertiary indicators that will be useful to monitor and important to the business but that are not the primary drivers for the business.

Reducing overall GHG emissions, in a relatively short period of time, at a significant scale is required to make the 1.5° Celsius temperature rise over pre-industrial temperature goal of the Paris Agreement. The final measure of Packet Dynamics' impact will be on the amount of GHG that we can keep out of the atmosphere aligned with SDG #13 Climate Action; SDG #9 Build resilient infrastructure, promote sustainable industrialization and foster innovation; SDG #8 Decent Work and Economic Growth; and SDG #7 Affordable and Clean Energy.

We have clearly a defined KPI, the challenge is to set an appropriate target, over a specified timeframe, with verifiable data, using a clear methodology.

Sustainability Performance Targets

Sustainability Performance Targets (SPTs) should be set on KPIs that are critical to our core business, measurable, externally verifiable, and ambitious but achievable. SPTs could be internal only to the company or external in comparison with our peer group. Given the nascent state of reporting and unclear taxonomy at this point it seems most reasonable to set internal targets and not try to measure our efforts against a league table. We want to use publicly available data where possible, use assumptions and estimates only as needed and consistently, and note the basis of estimate or assumption made. We will use a common taxonomy and reporting standards as they develop (e.g. Sustainability Accounting Standards Board (SASB), SBTi and Greenhouse Gas Protocol Value Chain Scope 3 Accounting and Reporting, Federal Greenhouse Gas Emissions Accounting and Reporting Guidance).

The SPT will be expressed in estimated metric tons of CO₂ of downstream customer Scope 3 emissions avoided by our projects, and nameplate megawatt hours of energy storage delivered.

SPT	Amount	Target Date	Verification Method
1. CO ₂ Avoided	9,000 metric tons	31 December, 2025	External consultant review
2. Energy Storage Installed	500 MWh	31 December, 2025	External consultant review

Table 1 Sustainability Performance Target

Current customer emissions will be baselined as of 2019 using a weighted average of the fuel type typically used in the base case or the actual fuel type where the existing generation source is known that is avoided by our project. CO₂ emitted is estimated based on EIA's emission factor² of:

Fuel Type	Pounds CO ₂ /kWh	Tons CO ₂ /MWh
Coal	2.21	1.00
Natural Gas	0.92	0.42
Petroleum based	2.11	0.96

Table 2 Emission Factors

Reporting

Reports on the progress made toward our Sustainability Performance Targets will be made available to stakeholders at least annually. Recognizing that our Government target customer base has security restrictions on disclosure which may require abstraction, redaction, or elimination of some data elements, we will be as transparent as allowed. Information that is not competition or customer sensitive will also be made available publicly annually in updates to this document.

Verification

We will have an independent environmental consultant or auditor conduct an external review and verify the sustainability performance data included in the reports. The results of the external

² <https://www.eia.gov/tools/faqs/faq.php?id=74&t=11> converted from short to metric tons

review will also be made available to stakeholders to allow calculation of any SPT-related financial step up/downs, see example in **Appendix 1**.

Plan for Product End-of-Life

As we engage with vendors and material suppliers, we must plan for the complete lifecycle of products purchased. This includes not only energy use and environmental impacts of the products during their useful life but also the disposition of the products at the end of their useful life. Reuse, recycling, or proper disposal of unusable waste must be considered in the initial acquisition decision. Where new processes for reuse or recycling are expected to be developed and available on the market during the product lifecycle, those new processes may become part of the disposition plan as long as reasonable precautions are taken to reduce the risk of unplanned e-waste. In some of our projects we will be operating the assets for a long period of time then transferring ownership to our end customer. Recognizing this we will maintain a record of the disposition plan, updating it as needed throughout the period of performance, and transferring our disposition plan to the end customer along with the asset to aid in their final disposition planning that may occur some years later.

Benefits of Sustainability

Profitable, stable growth

In our target market segment with our chosen product mix there is significant customer demand, as well as a ready supply of power generation and storage products to implement.

The initial target customer prefers to purchase energy via offtake agreements as opposed to acquiring capital assets and managing the generating and storage assets directly. The nature of government contracting has shifted as agencies are less willing to request large appropriations from Congress for capital assets but are willing to enter into long term (up to 25 year) contracts in their place.

Recruiting and retaining top talent

This year has shown that not only customers but employees and other stakeholders all place great importance on environmental issues. As we deal with virtual hiring, remote working and

other COVID-19 restrictions it is even more important to entice high quality employees that are attracted to the combination of service and environmental aspects of the company.

Market recognition of our ESG focus

Market interest in organizations efforts across all aspects of ESG has dramatically increased this year. In prior years ESG has not been a serious issue to the majority of market participants, but now everyone from insurers to central banks have made it a main focus in their assessments. Packet Dynamics will start off with renewable energy and veteran focus and will continue to highlight these exceptional “E” and “S” credentials.

Diversity and Inclusion

A tailored approach

Going forward we will plan and document our diversity and inclusion strategy tailored to our unique, small organization. We seek to work with individuals and other organizations that share our social mission so proactively look for other small business, including female and minority-owned businesses, as well as large organizations exhibiting strong Corporate Social Responsibility.

We are committed to providing opportunities to former servicemembers as well as the dependents of active duty servicemembers to counter the persistent problem of veteran and dependent unemployment. The attributes that attract individuals to military service such as commitment and teamwork are important to us as an organization. Our employee base should be familiar with the mission, operating environment, and culture of our Government and military customer base.

This commitment must be tempered by the reality that the demographic composition of the servicemember pool may not be fully reflective of the composition of society at large. We need to acknowledge that sampling bias may exist in our preferred applicant pool which may impact employment decisions. Senior leadership awareness of this issue and having human resources on the sustainability committee from the outset with the mandate to monitor and strengthen our D&I approach will assist in this regard.

Equal Opportunity Employer

Packet Dynamics, LLC is an equal opportunity and affirmative action employer and gives consideration for employment to qualified applicants without regard to race, color, religion, sex, national origin, age, disability, genetic information, sexual orientation, gender identity or expression, pregnancy, veteran status or any other legally protected characteristic. PD provides equal opportunity and reasonable accommodation to qualified individuals with disabilities and disabled veterans.

Next Steps

Monitoring and communicating our commitment to sustainability

Employees and stakeholders should feel that it's a part of the company's mission and not just an exercise.

Create a sustainability committee

A permanent committee with full executive support will oversee the sustainability strategy and efforts going forward. The committee will monitor the environmental and social impact of the company and find ways to improve its governance as well. While the primary focus of the company is improving the environmental performance of its customers, the committee will also focus on internal factors such as corporate energy and water use, reducing waste, employee safety related to COVID-19, and support for veterans both in hiring as well as in the community.

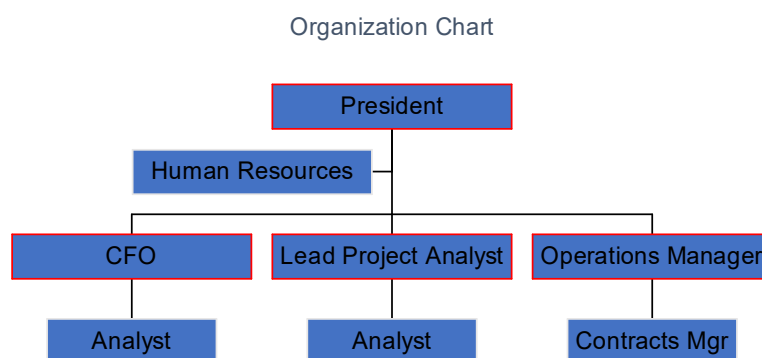


Figure 2 Organization Chart

The sustainability committee will be comprised of the Chief Financial Officer, the Lead Project Analyst, and the Operations Manager and will be chaired by the President as champion. The

committee will actively seek input from other employees and external sources to provide diversity of thought.

Engage with Industry Leaders

We need to build relationships and learn from leaders in the environmental field. We will engage with industry and government groups so we can learn from the experiences of others and share our own lessons learned.

Appendix 1

Sustainability Performance Target Tracking Data

Facility	Location	Facility Type	Nameplate Capacity	COD	Co ₂ Avoided
{example}	{CONUS}	{battery}	{5MW/180MWh}	{31March2022}	{2,500}
2					
3					
4					
5					
6					
7					
8					
9					
10					
			MWh Installed {180}	Metric Tons CO ₂ Avoided	{2,500}

Interest rate step down of twenty-five basis points (0.25%) when greater than 9,000 metric tons CO₂ avoided and 500MWh of storage is installed.

Packet Dynamics, LLC [☐ did or ☐ did not] meet the Sustainability Performance Target required to achieve the interest rate step down.

Externally Verified by:

Name

Title

Organization

Email

Signature

Date