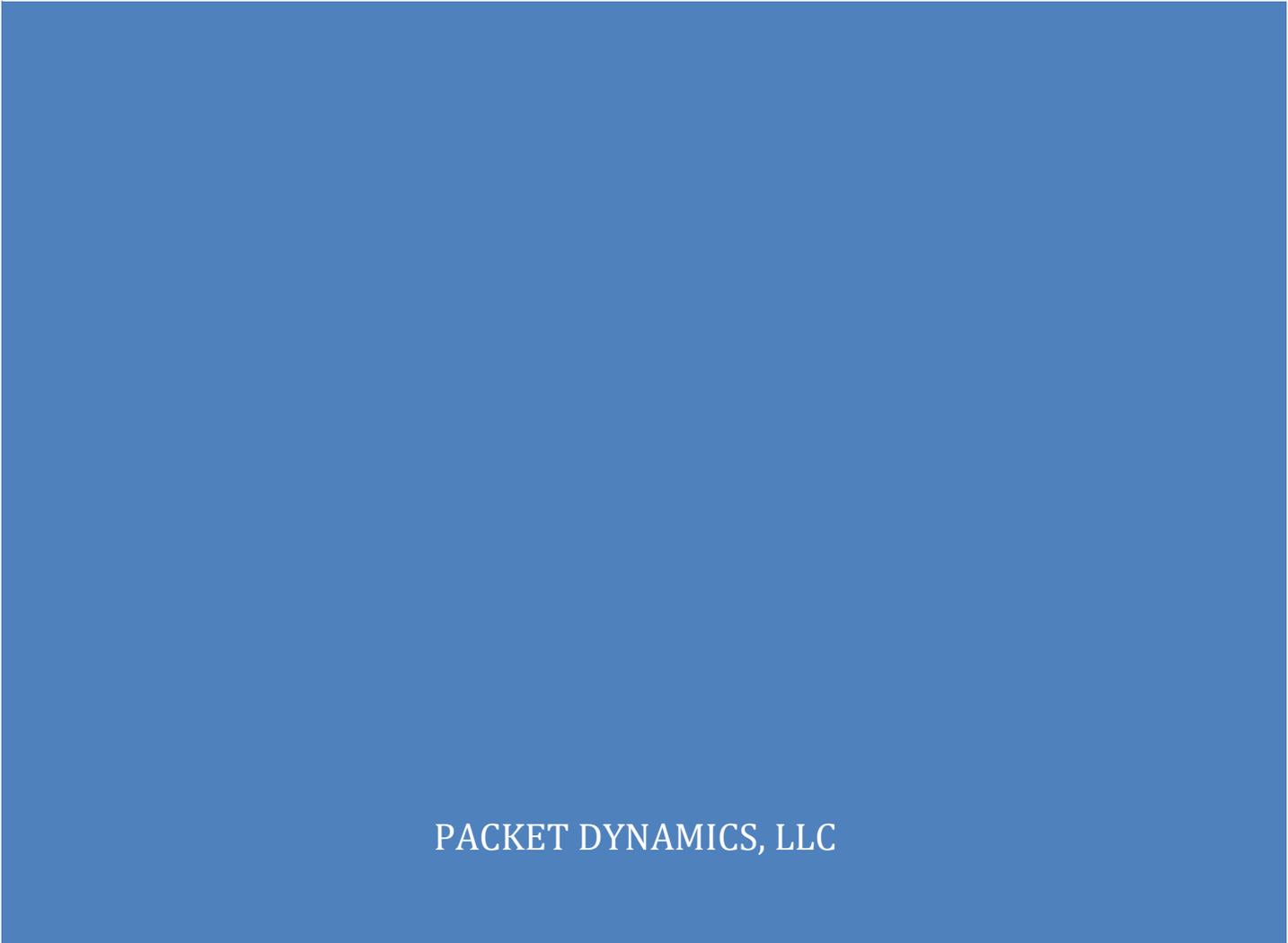




SUSTAINABILITY STRATEGY 2020



PACKET DYNAMICS, LLC

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Sustainability Strategy 2020

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 renewable energy and power storage solutions 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 our sales 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
- Water resource management
- Pollution reduction
- Reduction of consumption
- Reuse
- Recycling
- Etc.

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) #13 Climate Action, #9 Build resilient infrastructure, promote sustainable industrialization and foster innovation, and #7 Affordable and Clean Energy emphasize the importance of energy generation, transmission and consumption on climate change.

Our efforts will be focused on the provision of renewably sourced electrical energy 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. Distributed electrical generation often entails local energy storage to provide stable, continuous power, so often electrical power storage will be provided along with the generation.

Some of our potential customers have requirement for renewable standby capacity to reduce reliance on generation from diesel internal combustion engines or natural gas turbines. In this case there may not be continuous power generation but we will be able to permanently remove dirty standby generation assets. Near term funding of microgrid projects that use renewable generation and associated storage (Li-ion batteries, flow batteries, green hydrogen, etc.) will speed maturity of these storage devices and drive their cost down.

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 goals¹. 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 potential.

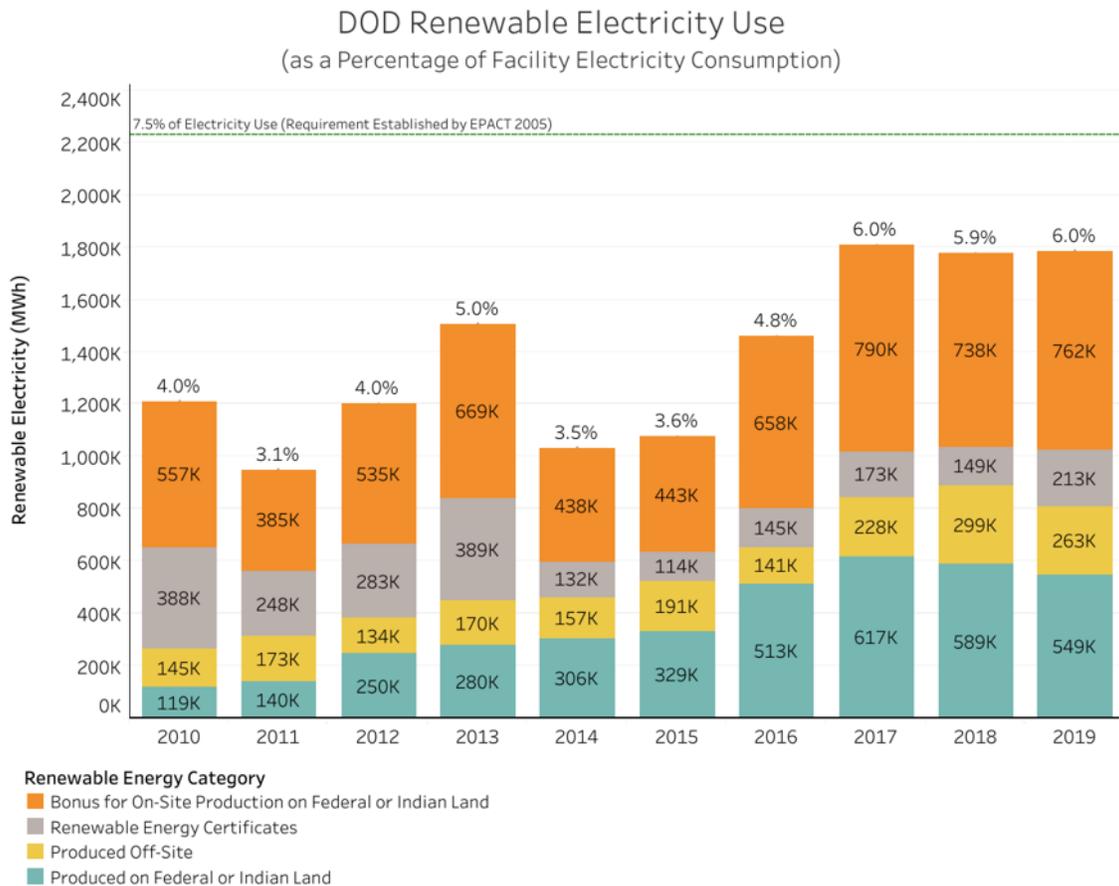


Figure 1 DOD Renewables Use Consistently Misses Goal

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

However, there is a positive note, as highlighted below DOD is willing and able to acquire renewable energy via offtake agreements (ESPC and UESC data segments), in addition to direct procurements of generation assets and energy efficiency projects (Direct Obligation data segments).

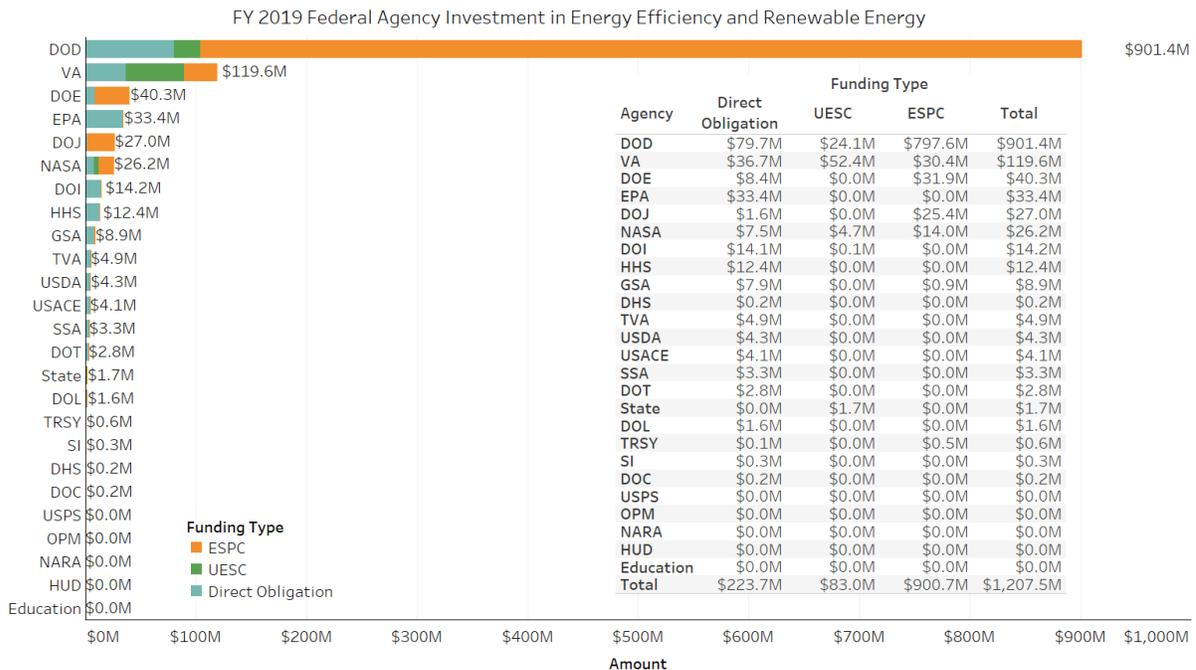


Figure 2 – Federal Agency Renewables Investment

As a service-disabled veteran-owned small business, Packet Dynamics enjoys preferential treatment in government acquisitions and will utilize this to market renewable energy solutions. Our initial goal is to capture slightly over one percent of the annual DOD electricity spend or approximately 0.6% of the total U.S. Government electricity spend. Given our average selling price approximately 20% less than the current customer’s spend, our preferential contracting position, and the focus on renewables in the new Administration this is a reasonable if not conservative goal. The target is less than 0.66% of the goal for renewable energy production on Federal land mandated in the 2021 Appropriations Bill.² After building a reputation as a trusted provider of renewable power and gaining past performance data we will aggressively expand upon this base.

² Consolidated Appropriations Act 2021, Sec. 3104 “...authorize production of not less than 25 gigawatts of electricity from wind, solar, and geothermal energy projects...”

A significant part of the 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 a single KPI that encompasses our objectives:

1. Reduction in Carbon Dioxide (CO₂) Emissions directly attributable to our projects

We considered other metrics such as nameplate capacity funded, MWh sold, hours of resource availability provided, 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; 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.

SPT	Amount	Target Date	Verification Method
1. CO ₂ Avoided	135,000 metric tons	31 December, 2023	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 factor³ 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.

³ <https://www.eia.gov/tools/faqs/faq.php?id=74&t=11> converted from short to metric tons

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

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 30 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

Communicate our commitment to sustainability

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

Communicate externally

We should feel comfortable presenting Packet Dynamics as a sustainable organization with a concrete commitment. We cannot implement our plan without building strong teammates across finance, regulatory, development and operations. Our commitment should be apparent to potential teammates in each interaction.

Refine our plan & start outreach

With our initial strategy complete it is time to build our capabilities utilizing external resources with strong past performance and proven solutions.

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.

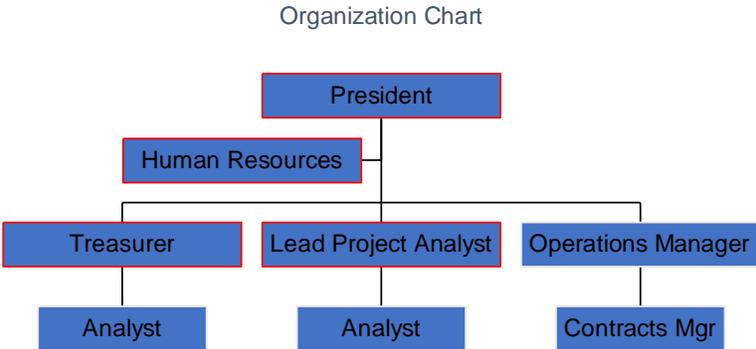


Figure 3 Organization Chart

The sustainability committee will be comprised of the Human Resources Manager, the Treasurer, and the Lead Project Analyst 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.

Appendix 1

Sustainability Performance Target Tracking Data

Facility	Location	Facility Type	Nameplate Capacity	COD	Co ₂ Avoided
{example}	{CO}	{solar+battery}	{20MW+5MW/20MWh}	{1Jun2022}	{17,270}
2					
3					
4					
5					
6					
7					
8					
9					
10					
				Metric Tons CO ₂ Avoided	{17,270}

Interest rate step down of 25 basis points (%0.25) when greater than 135,000 metric tons CO₂ avoided.

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