

# SunDell Estate Plc.

## Green Bond Framework

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# 1. Overview

SunDell Estate Plc. (hereinafter „SunDell” or the „Company”) is a Hungarian real estate development company focusing on the implementation of construction investments, mainly the construction, sale and rental of residential buildings, primarily in the suburban areas of Budapest. The company creates life-proven functional living spaces as well as sustainable technical solutions using quality materials.

As of February 2021, SunDell built 25,500 m<sup>2</sup> residential real estate, and there is 67,000m<sup>2</sup> development area under construction. Overall, 425 homes have already been built and 596 apartments are in progress.

To fight against climate change, the European Union accepted the Green Deal, which plans to cut emissions by at least 55% by 2030. Moreover, the EU aims to become climate-neutral by 2050.<sup>1</sup>

Real estate developers and builders play a very important role in achieving these goals. Based on the United Nations’ report, the building sector accounted for 38% of all energy-related CO<sub>2</sub> emissions globally as of 2019.<sup>2</sup> The March 2020 TEG Report states that buildings contribute 36% of CO<sub>2</sub> emissions in the EU, which can risk the organization’s climate objectives.<sup>3</sup> The Hungarian National Energy Strategy also confirms that 40% of all energy used in Hungary is used in buildings, about two-thirds of which can be attributed to heating and cooling. 70% of the stock of the approximately 4.3 million residential buildings does not meet modern functional technical and thermal engineering requirements,<sup>4</sup> which proves that the need for sustainable buildings is very high.

In line with legal and customer expectations, SunDell constructs environmentally-conscious and sustainable residential buildings with low energy consumption, water use<sup>5</sup> and high green area. Green roofs cover the buildings to increase the overall green area and mitigate the heat island effect. The current project of the Company outperforms the relevant national regulation criteria regarding energy efficiency by more than 20%. In addition, 15-20% of the garages of the buildings contain electric vehicle charging stations. Besides, all of the buildings have bicycle storage. The Company also creates parks, outdoor sports facilities and bicycle lanes around its buildings.

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EU climate action and the European Green Deal

[https://ec.europa.eu/clima/policies/eu-climate-action\\_en](https://ec.europa.eu/clima/policies/eu-climate-action_en)

Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector – UN report

<https://www.unenvironment.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

<sup>3</sup> EU Technical Expert Group on Sustainable Finance: Taxonomy Report Annex

[https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

<sup>4</sup> Nemzeti Energiestratégia 2030

<https://2010-2014.kormany.hu/download/4/f8/70000/Nemzeti%20Energiastrat%C3%A9gia%202030%20teljes%20v%C3%A1ltozat.pdf>

<sup>5</sup> Based on the producer’s estimates, SunDell constructs apartments with about 40-50% lower water use than a conventional residential building.

[https://www.grohe.hu/hu\\_hu/company/sustainability/](https://www.grohe.hu/hu_hu/company/sustainability/)

The Company recognizes the challenge to maintain the high quality of its buildings while at the same time reduce the environmental impact and climate footprint of its activity. Since SunDell constructs new buildings, it is guaranteed that these properties achieve at least the Energy Performance Certificate (EPC) category ‘BB’ implemented in the Hungarian law<sup>6</sup>, which is considered as a nearly zero energy building (nZEB). It means that the Company contributes to the overall energy efficiency improvement of the Hungarian real estate portfolio significantly.

### 1.1. Contribution to the UN Sustainable Development Goals<sup>7</sup> and the EU’s climate goals<sup>8</sup>

SunDell endorses all of the 17 Sustainable Development Goals ("SDG"s) as defined by the United Nations for the period 2015 - 2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The Company contributes to the fulfillment of the SDGs in its operations.

The sustainable activity of SunDell especially focuses on the following SDGs:



The investments covered by this Framework primarily contribute to goal number:

- Clean transportation – 9, 11, 12, 13
- Energy efficiency – 7, 11, 13
- Green buildings – 6, 7, 9, 11, 12, 13
- Renewable energy – 7, 9, 11, 13

Since the EU aims to be climate-neutral by 2050, in which the property development sector will also have a significant role, SunDell can contribute to the reduction of greenhouse gas emissions especially by the construction of new buildings that not just comply with, but outperform the applicable national regulations regarding energy performance. In addition to the construction of buildings, the Company also installs renewable energy generators, such as heat pumps.

<sup>6</sup> 176/2008. (VI. 30.) Korm. rendelet az épületek energetikai jellemzőinek tanúsításáról

<https://net.jogtar.hu/jogszabaly?docid=a0800176.kor>

<sup>7</sup> United Nations: The 17 Goals

<https://sdgs.un.org/goals>

<sup>8</sup> European Commission: 2050 long-term strategy

[https://ec.europa.eu/clima/policies/strategies/2050\\_en](https://ec.europa.eu/clima/policies/strategies/2050_en)

SunDell is paying particular attention to market developments on an EU-level and will look to adjust to the best extent possible its Framework when the EU Taxonomy and EU Green Bond Standard (EU GBS) become enforceable.

SunDell is listed on the Budapest Stock Exchange (BSE) as a REIT,<sup>9</sup> the execution of the Company’s strategy can be publicly measured by the investors and other stakeholders. As a listed member of the BSE, SunDell is committed to the ESG Strategy of the Stock Exchange, which includes environmental aspects such as climate risk, resource management and clean energy, greenhouse gas (GHG) emissions and waste management.<sup>10</sup>

Future changes in the Green Bond Standards may be implemented in updated versions of this Green Bond Framework. Any updated version of this framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

## 2. Use of Proceeds

All proceeds from Green Bonds issued under this framework will be fully invested in the following Eligible Assets and Projects. Eligible Assets and Projects will contribute to the adaptation and/or mitigation of climate change. Proceeds may be used for both the funding of new assets and projects as well as in increased production capacity of Green Buildings.

The Company develops buildings that belong to the top 15% of the Hungarian real estate asset based on the EU’s Energy performance of buildings directive (EPBD).<sup>11</sup>

Eligible Sector	Eligibility Criteria
Green Buildings	Acquisition, construction or refurbishment of buildings that meet the following, recognized standards, such as: <ul style="list-style-type: none"> <li>• BREEAM (Very good or above)</li> <li>• LEED (Gold or above), or</li> <li>• At least 10% better than the minimum Hungarian energy performance certificate (EPC) for nearly zero energy buildings (category BB or above), and at least category AA from 2026</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• New or existing buildings belonging to the top 15% most energy-efficient buildings in Hungary</li> <li>• Major renovations or refurbishment of existing</li> </ul>

<sup>9</sup> Real Estate Investment Trust

<sup>10</sup> BSE ESG

<https://www.bse.hu/Issuers/corporate-governance-recommendations/bse-esg>

<sup>11</sup> Energy performance of buildings directive

[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

	properties that result in a minimum 30% reduction in carbon emissions intensity or a two-grade upgrade in the Hungarian energy performance label
Renewable Energy	<ul style="list-style-type: none"> <li>• Installation of solar power or heat pump or stand-alone solar farms, geo-energy (ground and surface systems), related infrastructure investments (e.g. grid connections, electric substations or networks)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Financing of supportive infrastructure (charging stations for electric vehicles, bicycle garages/facilities or other investments supporting low-carbon transportation methods)</li> <li>• Providing accessibility by public transport (especially for trolleybuses and trams)</li> </ul>

### 3. Process for Project Evaluation and Selection

The Process for Project Evaluation and Selection intends to ensure that the use of Green Bond proceeds is allocated to projects and assets that meet the criteria and objectives of SunDell's Green Bond Framework.

The Company focuses on investing in projects which are certified with recognizable accreditations (e.g. BREEAM Very Good or above, LEED Gold or above, and at least 10% better than the minimum requirement of Hungarian EPC category BB)<sup>12</sup> or have the potential to achieve that.

Projects and assets will be evaluated and selected by the Company's Green Finance Committee to make sure they are in line with the criteria laid down in the Framework. The Committee consists of three members of the Company. The CEO appoints the two other members of the Committee and it is chaired by the CEO.

The Committee will review information about the assets and evaluate its overall economic impact. The decisions will require a consensus decision by the Committee. The decisions made by the Committee are documented in each case.

A list of all Green Assets will be kept by the Treasury department of SunDell and it will be updated if a new asset is added to the list. If a project or asset ceases to meet the Framework's requirements, it will be removed from the list and the proceeds will be divested and reallocated to other eligible projects.

<sup>12</sup> Measured in kWh/m<sup>2</sup>/year

The Committee meets at least annually to assess eligible assets and the allocation of proceeds until full allocation.

The management of bond proceeds will be reviewed by the Committee.

### 3.1. Exclusions

SunDell excludes the use of the Green Bond proceeds only for Eligible Projects and Assets described above. Financing of gambling, nuclear energy generation, pornography, weapons and defense industries, tobacco and potentially environmentally negative resource extraction are strongly excluded.

## 4. Management of Proceeds

A Green Finance Register will be established for the management of the Green Bond proceeds.

The net proceeds of the Green Bond financing will be allocated to a Green Finance Register, and it will be tracked by using a spreadsheet.

Deductions will be made from the Green Finance Register by an equivalent amount corresponding to the financing or investment of Eligible Projects and Assets.

The Green Finance Register will contain the Eligible Projects and Assets and will be managed by one of the Committee members.

In case of an Eligible Project or Asset cease to qualify or is divested, the allocated funds will be re-credited to the Green Finance Register.

Although SunDell intends to allocate the Green Bond proceeds as soon as possible after issuance, the proceeds not allocated yet or divested will be held in cash or other short-term interest-bearing securities.

The ex-post verification of funds will be performed by the Company's external auditor, which is in line with the ICMA<sup>13</sup> Green Bond Principles.

## 5. Reporting

SunDell commits to provide annual reporting no later than one year after the first green bond issuance date as long as the Company has Green Assets outstanding. The Impact report will be reviewed and approved by the Company's Green Finance Committee. To be fully transparent toward investors and other stakeholders, the report will be published on the website of SunDell.

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<sup>13</sup> International Capital Market Association

The report will include the following information:

### Allocation Report

- Total amount of green bonds issued
- Remaining balance of unallocated bond proceeds
- Sum of the Green Finance register balance
- Geographical distribution of the projects
- Share of financing/refinancing
- Construction status of buildings
- Verification by the Company's external auditor

### Impact report

SunDell also intends to create an annual report on the impact of projects and assets financed by green bond issuances. Where feasible, the Company will report at least one of the following impact indicators in accordance with the approach outlined under the Harmonized Framework for Impact Reporting:<sup>14</sup>

GBP category	Impact indicator
Green Buildings	Type of certification and degree of certification for buildings (e.g. LEED, BREEAM, EPC)
Energy Efficiency	<ul style="list-style-type: none"> <li>• Estimated annual amount of energy savings in relation to legislations and building codes in Hungary (MWh)</li> <li>• Estimated annual GHG emissions avoided due to energy savings (tCO<sub>2</sub>e)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Estimated renewable energy produced annually on the asset or off the asset (MWh)</li> <li>• Estimated annual GHG emissions avoided (tCO<sub>2</sub>e)</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Annual absolute (gross) GHG savings in CO<sub>2</sub>e</li> <li>• Annual absolute (gross) GHG savings in percentage</li> </ul>

<sup>14</sup> ICMA: Impact Reporting  
<https://www.icmagroup.org/sustainable-finance/impact-reporting/>

## 6. External Review

SunDell has engaged an External Reviewer to provide an External Review in the form of a Second Party Opinion (SPO) on the Green Bond Framework of SunDell and confirm the alignment with the Green Bond Principles (GBP) of ICMA.

The Framework will be available on SunDell's website. The SPO will be published on the website of SunDell and the External Reviewer as well.