

# **GREEN FINANCE FRAMEWORK**

Futureal Group

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# 1. Introduction

## 1.1. About Futureal Group

The Futureal Holding B.V. and Futureal Development Holding Ltd. (together “Futureal Group” or “we”) are primarily known for their large-scale urban redevelopment projects, real estate developments and investments. The main asset of Futureal Group is our professional and experienced team of more than 200 professionals, one of the largest commercial real estate teams in Central Europe. We work together in a dynamic, people-oriented and informal working environment, held together by our shared values of integrity, creativity, perseverance and team spirit.

With projects worth EUR 5 billion (including residential projects of Futureal Group’s sister company the Cordia Group), Futureal has become a dominant player in the Central European property market. Our investment portfolio includes mixed function urban regeneration projects, retail, office and logistics developments, commercial real estate investments and various structured financing schemes.

## 1.2. Futureal’s Sustainability Contribution

Futureal Group believes in sustainable development. We aim to minimize waste generation, energy consumption, and harmful emissions during the implementation and operation of our projects as well as in our offices. The buildings sector has one of the highest carbon footprints – it currently contributes to 30% of global annual greenhouse gas (GHG) emissions and consumes around 40% of the world’s energy.<sup>1</sup> In the European Union, the share is even higher with buildings being the largest energy consuming sectors, responsible for some 40% of energy consumption and 36% of GHG emissions.<sup>2</sup> Futureal Group is aware that the increase in energy efficiency, reduction of GHG emissions and the conservation of resources is a major theme affecting the future of the real estate sector on its way to carbon neutrality.

Continuous efforts are made to minimize the negative impact of our buildings on the environment. We are proud to be one of the founding members of the Hungarian Green Building Council (HuGBC)<sup>3</sup>, and we declared already 10 years ago that we only build commercial buildings meeting the minimum criteria of BREEAM Very Good. Today, all of our office, shopping center and logistics developments target BREEAM Very Good or Excellent certification. Redevlopments are also thoroughly examined for achieving best possible BREEAM rating, preferably Very Good. In existing and future projects, wherever it is feasible, we use district heating with a potential renewable portion, and renewable electricity for

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<sup>1</sup> United Nations Environment Programme Finance Initiative (UNEP FI) <https://www.unepfi.org/publications/investment-publications/property-publications/sustainable-real-estate-investment-2/>

<sup>2</sup> European Union Technical Expert Group on Sustainable Finance – Taxonomy Report: Technical Annex, p. 367 [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>3</sup> Hungarian Green Building Council (HuGBC) <https://www.hugbc.hu/english?lang=en>

electric car charging stations. Futureal takes sustainable transportation seriously. In Budapest, we have not built any office buildings further than 500 meters from the nearest metro exit and/or tram station. All office building projects are to be equipped with electric car charging networks, car sharing parking, and bicycle storage with shower and changing room facilities.

In addition to protect the environment, it is particularly important for us to also protect the health of the people who work in our developments. Therefore, all of our office developments target WELL Gold or Platinum certification. The WELL Building Standard includes strategies to enhance human health and well-being through setting science-based building design measures, operational protocols and policies<sup>4</sup>. All Futureal developments are fully accessible to people with disabilities. For us, health and well-being go beyond safety protocols. For example, art is always incorporated into the design, every project has a contemporary piece of art, such as a painting or sculpture.

Health and safety also play a major role in the construction of our buildings. Mandatory health and safety trainings are provided for all newcomers on site, including all guests. Our contractual partners are responsible for conducting daily health and safety audits, risk assessments and reports. Access to the site is technically controlled, adequate first aid equipment and personnel are available on site, all escape routes are clearly marked, and safety signs are either multilingual or pictogram-only making them understandable to foreign workers on site. Caring for the construction workers' health includes the provision of social containers for lunch, changing or showering, and free hot tea in winter and cold water in summer.

### 1.3. Our contribution to the Sustainable Development Goals

Futureal Group supports and seeks to contribute to the United Nation's Sustainable Development Goals that are part of the Agenda 2030. In the development of new projects, we focus on the following goals:



SDG 3 – Good Health and well-being

SDG 6 – Clean water

SDG 7 – Affordable and clean energy

SDG 11 – Sustainable cities and communities

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<sup>4</sup> More information on WELL certifications is available here: <https://www.wellcertified.com/certification/v2/>

SDG 12 – Responsible consumption and production

SDG 13 – Climate action

## **1.4. The Green Finance Framework**

In line with Futureal Group’s commitment to integrate sustainability in its corporate strategy, we have established this Green Finance Framework which enables the group of companies to focus even more on assets with positive environmental impacts. When issuing Green Financing Instruments, this Green Finance Framework will apply.

This Green Finance Framework (“Framework”) has been developed in alignment with the Green Bond Principles 2018 (“GBP”) <sup>5</sup>. The Framework is applicable for issuance of Green Financing instruments including Green Bonds and Green Loans where net proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing Eligible Assets with clear environmental benefits.

The Green Finance Framework is aligned with the four recommended components of the GBP; Use of Proceeds (Section 2), Process for Project/Asset Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5). As such the Framework will be updated by Futureal (“issuer” or “company”) from time to time to reflect current market practices and potential updates in the GBPs.

Furthermore, the Framework is reviewed by an external impartial firm, Sustainalytics, that has provided the second opinion to confirm the alignment of Futureal Group’s Green Finance Framework with the GBPs. The Framework together with the second party opinion is available on Futureal Group’s website<sup>6</sup>.

## **2. Use of Proceeds**

An amount equivalent to the net proceeds raised by the issuance of Green Financing Instruments will be used to finance or re-finance , in part or in full, new or existing Eligible Assets providing distinct environmental benefits (“Eligible Green Assets”), including refinancing of project equity invested by Futureal group in Eligible Green projects standing, under development or in construction. Futureal Group will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets.

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<sup>5</sup> Green Bond Principles published in June 2018 are voluntary process guidelines for issuing Green bonds established by International Capital Markets Association (ICMA)

<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>6</sup> [https://www.futurealholding.com/investor\\_relations/green\\_finance\\_framework](https://www.futurealholding.com/investor_relations/green_finance_framework)

Eligible Green Assets can be owned directly or indirectly (including a chain of legal entities, such as companies, funds, sub-funds as well as joint venture companies) by the parent company Futureal Holding B.V., Futureal Development Holding Ltd. or their subsidiaries. For joint ventures, Futureal Group will only include assets equal to, or less than the total funding provided by Futureal Group.

**Eligible Green Assets relevant for use under the Framework include:**

Eligible Category	Eligibility Criteria	SDG Target
<p><b>Green Buildings</b></p>	<p>(i) <u>All existing buildings as well as newly acquired, newly developed or refurbished buildings</u> that either have or with the objective to receive (at least applied or pre-certified) one of the following certifications:</p> <ul style="list-style-type: none"> <li>▪ BREEAM Very Good or above</li> <li>▪ BREEAM In-Use Very Good or above</li> <li>▪ LEED Gold or above</li> <li>▪ DGNB/ÖGNI Gold or above</li> </ul> <p>In case of a denied/failed certification or an insufficient final certification the asset will be excluded from the List of Eligible Green Assets.</p> <p>(ii) <u>Refurbished buildings/ major renovations</u> leading to reduction of Primary Energy Demand of at least 30% in comparison with the energy performance of the building before the renovation</p> <p>Buildings that are used for the purpose of industrial fossil fuel extraction or manufacturing of fossil fuel products are explicitly excluded.</p>	 <p>11.1 <i>By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</i></p>  <p>13.1 <i>Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries</i></p>
<p><b>Renewable Energy</b></p>	<p>Onsite renewable energy including:</p> <ul style="list-style-type: none"> <li>▪ Solar energy: Installation of photovoltaic solar panels; dedicated support infrastructure for photovoltaic solar across building management systems</li> <li>▪ Air to air or air to water heat pump systems using renewable energy</li> <li>▪ Wind energy installations</li> </ul>	 <p>7.2 <i>By 2030, increase substantially the share of renewable energy in the global energy mix</i></p>

### 3. Process for Asset Evaluation and Selection

The evaluation and selection process for Eligible Green Assets is a key process in ensuring that the amount equivalent to the net proceeds from Green Financing Instruments is allocated to assets and activities which meet the criteria in the Framework.

To ensure that allocations are made to Eligible Green Assets as specified in the use of proceeds section above, Futureal Group has established a Green Finance Committee (“GFC”), consisting of the following representatives:

- Futureal Development Holding’s CEO
- Futureal Development Holding’s CFO
- Director of Property and Facility Management
- Futureal Group Chief Architect
- Head of the Futureal Group’s Sustainability Department

Only projects/assets which are approved by all members of the GFC can be selected as Eligible Green Assets. A list of Eligible Green Assets is kept by the Green Bond Team who is ultimately responsible for keeping the list up to date and ensuring that proceeds are sufficiently allocated to Eligible Green Assets on a regular basis until full allocation.

The Green Finance Committee will be responsible for:

- Ensuring the proposed allocations are aligned with the relevant general company policies and company’s ESG strategy
- Ensuring the potential Eligible Green Assets are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above, and approving any proposed changes to the List of Eligible Green Assets in the event that the Assets no longer meet the eligibility criteria
- Approving the annual Allocation and Impact Report

The GFC meets at least on an annual basis and until full allocation.

#### Exclusions

Furthermore, Futureal Group commits to use the proceeds of the Green Financing Instruments only for Eligible Green Assets described in the Use of Proceeds section above and explicitly excludes financing of fossil fuel generation, nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction, gambling or tobacco.

## 4. Management of Proceeds

An amount equal to the net proceeds raised by the Green Financing Instruments will be allocated to Eligible Green Assets as specified in this Framework. This process will be managed by Futureal Group's Green Bond Team.

The Green Bond Team has established a spreadsheet where all issued amounts of Green bonds and other green debt instruments will be tracked. The spreadsheet will also contain the List of Eligible Green Assets mentioned in Section 3 for the purpose of monitoring the Eligible Assets and the allocation of an amount equal to the net proceeds from Green Financing Instruments to Eligible Green Assets. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5.

All green bonds issued by Futureal Group will be managed on a portfolio level. This means that a green bond will not be linked directly to one (or more) pre-determined Eligible Green Assets. The Green Bond Team will keep track and ensure there are sufficient Eligible Assets included in the List of Eligible Green Assets matched to the proceeds of Green Financing Instruments. Assets can, whenever needed, be removed or added to/from the list. Additionally, the approved Eligible Green Assets will be earmarked as "green" in a profit-center manner within the company.

Pending allocation to the Eligible Green Assets, net proceeds from Green Financing Instruments may be temporarily invested or otherwise maintained in cash and cash equivalents. Payment of principal and interest on the Green Financing Instruments will be made from Futureal Group's general funds and will not be directly linked to the performance of the Green Asset Pool.

## 5. Reporting

To be fully transparent towards Green investors and other market stakeholders, Futureal Group commits to publish an Allocation and Impact report within 12 months of issuance and then annually until full allocation. The report will be publicly available on Futureal's website<sup>7</sup> and will cover the following areas:

### Allocation of proceeds reporting

The allocation report will provide:

- ✓ Total amount of Green Financing Instruments issued
- ✓ Share of proceeds used for categories described in the use of proceeds section
- ✓ The geographic distribution of Eligible Green Assets

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<sup>7</sup> <https://www.futurealgroup.com/en/futureal-holding#bonds/green-finance-framework>



- ✓ Examples of Eligible Green Assets identified (project name and location, as long as not of sensitive nature)
- ✓ Share of proceeds allocated/ yet unallocated
- ✓ Share of proceeds used for financing/re-financing

## Impact reporting

Where feasible, and on a best effort’s basis, Futureal Group will provide an impact report in accordance with the approach outlined under the Harmonized Framework for Impact Reporting<sup>8</sup>, which may include below criteria indicating environmental impact for the total amount of Green Eligible Assets covering:

Eligible Categories	Example of Possible Key Performance Indicators
Green Buildings	<ul style="list-style-type: none"> <li>▪ Type of certification and degree of certification for buildings (e.g. LEED Gold, BREEAM Very Good, etc.)</li> <li>▪ One or several of the following key performance indicators:               <ul style="list-style-type: none"> <li>✓ Estimated annual GHG emission avoided (tCO2e)</li> <li>✓ Annual energy savings (MWh)</li> </ul> </li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>▪ Expected annual renewable energy generation (MWh)</li> <li>▪ Installed renewable energy capacity (MW)</li> <li>▪ Estimated annual GHG emission avoided (tCO2e)</li> </ul>

Where impact data is reported, details of the methodology applied in compiling the data will also be provided.

## 6. External review

### 6.1. Second party opinion (pre-issuance)

To confirm the transparency and robustness of Futureal’s Green Finance Framework, it is verified and approved by an external second opinion provider confirming the alignment with the ICMA Green Bond Principles. The second opinion by Sustainalytics is available on Futureal’s website together with this Framework.

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<sup>8</sup> Harmonized Framework for Impact Reporting, December 2020, ICMA  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf>

## **6.2. Audit of the Allocation Report (post-issuance)**

Allocation of proceeds to Eligible Green Assets will be subject for an annual review by an external party/external auditor. A verification report provided by the external part will be published on company's website.

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