



# Second-Party Opinion

## Futureal Green Finance Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Futureal Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories can lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



**PROJECT EVALUATION / SELECTION** Futureal Group’s internal process in evaluating and selecting projects is facilitated by the Green Finance Committee, which is composed of the CEO, COO, Director of Property and Facility Management, Group Chief Architect and the Head of Sustainability. The GFC will assess asset eligibility on at least an annual basis. Futureal’s environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management processes to be adequate and the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** The Green Bond Team will oversee the management of proceeds, using a specified register to track the proceeds. Futureal will strive to reach full allocation within 36 months. Pending full allocation, the proceeds will be invested in cash or cash equivalents. This is in line with market practice.



**REPORTING** Futureal intends to report on the allocation of proceeds on its website, on an annual basis, until full allocation. Allocation reporting will include the total amount of Green Financing instruments issued, the share of proceeds for each use of proceeds category, the geographic distribution of assets, examples of assets identified, and the split between financing and refinancing. In addition, Futureal is committed to reporting on relevant impact metrics. Sustainalytics considers Futureal Group’s allocation and impact reporting to be aligned with market practice.

<b>Evaluation date</b>	May 12, 2022 <sup>1</sup>
<b>Issuer Location</b>	Budapest, Hungary

### Report Sections

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	8

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Charles Cassaz (Amsterdam)**  
Project Manager  
charles.cassaz@sustainalytics.com  
(+31) 20 205 02 09

**Titus Vilches (Amsterdam)**  
Project Support

**Zoe Wittmann (Amsterdam)**  
Project Support

**Andrew Johnson (Paris)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

<sup>1</sup> This document is an update of a Second-Party Opinion originally published in February 2021.

## Introduction

Futureal Group (“Futureal”, or the “Company”) is a real estate development and investment company focused on Central Europe and particularly Hungary, with an aim to expand activities in certain Western European markets in selected asset classes. The Company employs more than 300 people and has its headquarters in Budapest, Hungary. Futureal’s asset portfolio comprises multi-purpose urban regeneration projects, office and logistics developments, retail buildings, and commercial real estate investments, and aims to build up a residential-for-rent portfolio.

Futureal has developed the Futureal Green Finance Framework (the “Framework”), under which it intends to issue green bonds and loans, and use the proceeds to finance or refinance, in whole or in part, existing and future assets that are expected to increase energy efficiency and reduce GHG emissions of Futureal’s property portfolio, thereby supporting the decarbonization of the real estate sector. The Framework defines eligibility criteria in two areas:

1. Green Buildings
2. Renewable Energy

Futureal engaged Sustainalytics to review the Futureal Green Finance Framework, dated April 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>2</sup> and the Green Loan Principles 2021 (GLP).<sup>3</sup> This Framework is published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance, and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Futureal’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Futureal representatives have confirmed that (1) they understand it is the sole responsibility of Futureal to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Futureal.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

<sup>4</sup> The Green Finance Framework will be available on Futureal Group’s website at: <https://www.futurealgroup.com/en/futureal-holding#bonds/green-finance-framework>.

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Futureal has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green Finance Framework

Sustainalytics is of the opinion that the Futureal Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Futureal's Green Finance Framework:

- Use of Proceeds:
  - The eligible categories, Green Buildings and Renewable Energy, are aligned with those recognized by the GBP and GLP.
  - Futureal has established a look-back period of 24 months for its refinancing activities. This is in line with market practice.
  - Under the Green Buildings category, Futureal may finance or refinance the development, acquisition and/or refurbishment of residential or commercial buildings as follows, which are aligned with market practice:
    - Futureal may invest in the development of new buildings or the acquisition of existing buildings that meet at least one of the following criteria: (i) third-party certifications at the minimum levels of BREEAM "Very Good", BREEAM In-Use "Very Good", LEED "Gold", and DGNB "Gold". Sustainalytics considers BREEAM Excellent to be aligned with market practice and encourages Futureal to select BREEAM-certified buildings that score high enough in the Energy category (which Sustainalytics regards as the most important criterion) to fulfill the requirements for BREEAM Excellent in that category; (ii) net primary energy demand (PED) that is at least 10% lower than the EU's Nearly Zero Energy Buildings (NZEB) for the respective countries,<sup>6</sup> (iii) the Climate Bonds Initiative's Location Specific Criteria for Residential Buildings criteria for the respective countries,<sup>7</sup> or (iv) residential buildings that belong to the top 15% best performing threshold of the total stock, as determined by EPC labels in Hungary,<sup>8</sup> Poland,<sup>9</sup> UK<sup>10</sup> and Spain.<sup>11</sup>
    - Futureal may finance refurbishments that: (i) lead to energy savings of 30% compared to the building's energy performance prior to renovation, or (ii) achieve the energy

<sup>6</sup> European Commission, "Nearly Zero Energy Buildings", (2020) at: [https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en)

<sup>7</sup> Climate Bond Standards, "Standard", at: <https://www.climatebonds.net/standard/buildings/residential/calculator>

<sup>8</sup> EPC label BB and above

<sup>9</sup> Buildings complying with Technical Condition (TC) 2014 or TC2017/2021 or having PED less than 110.3 kWh/m<sup>2</sup>/year for single family houses and PED less than 96.5kWh/m<sup>2</sup>/year for multifamily houses. Sustainalytics notes that the applicable emissions thresholds vary according to the year of bond issuance and bond duration.

<sup>10</sup> EPC label B for properties acquired or completed as of 31 December 2022, and thereafter, EPC label A.

<sup>11</sup> EPC label C or above

efficiency standard of the national building codes<sup>12</sup> for newly built properties. The Company has confirmed with Sustainalytics its intention to meet cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Buildings Directive (EPBD), in line with the EU Taxonomy.<sup>13</sup> Sustainalytics notes that the EPBD minimum energy performance requirements vary across EU Member States and therefore encourages Futureal to report on the actual improvement on PED or energy savings achieved in comparison with the existing building stock in the area or region, or (iii) result in an upgrade of the local energy performance label by two levels, provided that such refurbishments lead to a minimum 20% improvement in energy performance or PED.

- Under the Renewable Energy category, the Company may finance onsite renewable power installed capacities and heat pumps. Eligible heat pumps are limited to air-to-air and air-to-water heat pump systems. For power generation, Futureal may finance photovoltaic solar panels and wind power installations. These expenditures are aligned with market practice.
- Project Evaluation and Selection:
  - Futureal's project evaluation and selection process is conducted by the Green Finance Committee ("GFC"), which is composed of the CEO, COO, Director of Property and Facility Management, the Group Chief Architect and the Head of Sustainability. The GFC is responsible for evaluating, selecting and reviewing eligible assets against the eligibility criteria set in the Framework. On at least an annual basis, the GFC will assess asset eligibility and approved assets will be added to the portfolio.
  - Futureal has in place internal occupational health and safety policies that incorporate environmental and social risks, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these policies and processes to be adequate and to address environmental and social risks for all allocation decisions made under the Framework. For additional details see Section 2.
- Management of Proceeds:
  - The Green Bond Team ("GBT") will oversee the management of proceeds, using a specified register to track the proceeds. The proceeds will be managed on a portfolio basis. Futureal will strive to reach full allocation within 36 months. Pending full allocation, unallocated proceeds will be temporarily invested in cash or cash equivalents.
  - Based on these procedures, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Futureal is committed to publicly reporting the allocation proceeds on its website on an annual basis until it reaches full allocation. Allocation reporting will include the total amount of green financing instruments issued, the share of each use of proceeds category in the allocation, the geographic distribution and some examples of assets, including project names and locations, the split between allocated and unallocated proceeds, and the share of financing versus refinancing. In addition, Futureal will publicly report annually<sup>14</sup> on impact metrics, including type of certification and degree of certification, estimated annual GHG emissions avoided (in tCO<sub>2</sub>e) or estimated energy savings (in MWh) for green buildings and expected annual renewable energy generation (MWh) and installed renewable energy capacity (MW) for renewable energy projects. For an exhaustive list of potential impact metrics, please refer to Appendix 1.
  - Based on these commitments to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2021**

Sustainalytics has determined that the Futureal Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

<sup>12</sup> Eurocodes, "European standards", at: <https://www.en-standard.eu/eurocodes/>

<sup>13</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities that have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

<sup>14</sup> Futureal has disclosed that it will start reporting on the impact metrics no earlier than the time it publishes its annual report.

## Section 2: Sustainability Strategy of Futureal

### Contribution of framework to Futureal's sustainability strategy

Sustainalytics is of the opinion that Futureal demonstrates a commitment to sustainability by integrating sustainability practices in the implementation and operation of its projects. In particular, Futureal aims to minimize waste generation, energy consumption and harmful emissions.<sup>15</sup> Moreover, Futureal is a founding member of the Hungarian Green Building Council<sup>16</sup> and pledged over a decade ago to only build commercial buildings that meet a minimum criterion of BREEAM's "Very Good" level.<sup>17</sup>

Futureal demonstrates a consistent commitment to sustainability. In 2022, all the Company's newly built office buildings, shopping centres and logistics development projects aim to achieve BREEAM "Very Good" or "Excellent" level. Redevelopments are also examined to achieve the best possible BREEAM rating.<sup>18</sup> Futureal incorporates sustainability measures in its projects to improve the sustainability performance, such as district heating with renewable energy, electric vehicle charging stations running on renewable electricity, car sharing parking spaces, bicycle storage facilities and proximity to public transportation.<sup>19</sup>

Sustainalytics acknowledges Futureal's plans to use the proceeds to finance green buildings and renewable energy projects. The GBP and GLP recommend that issuers communicate these plans within the context of their overarching sustainability strategy. Thus, Sustainalytics encourages Futureal to disclose a publicly accessible sustainability strategy, along with quantified and time-bound energy and GHG emission reduction targets, and to publicly disclose its targets and report on its progress.

Sustainalytics is of the opinion that the Green Finance Framework is aligned with Futureal's sustainability initiatives and that it will further the Company's action on its key environmental priorities and goals.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include: risks related to Occupational Health and Safety, Land Use and Biodiversity issues associated with larger-scale real estate development, and Emissions, Effluents and Waste generated during construction.

Sustainalytics is of the opinion that Futureal will be able to manage or mitigate these potential risks through the following:

- Futureal commits to address environmental and social risks throughout the project evaluation and selection process, and to provide a mitigation proposal if risks are identified.<sup>20</sup> Furthermore, Futureal has a workplace risk assessment policy and an occupational medical examination policy in place that are applicable to all allocation decisions made under the Framework.<sup>21,22</sup>
- Futureal's health and safety measures during construction include mandatory training sessions, accident prevention and escape routes, first aid training, access controls and emergency procedures. Moreover, contractual partners conduct daily health and safety audits, risk assessments and reports on site.<sup>23</sup> All office developments target a WELL "Gold" or "Platinum" certification.<sup>24</sup> The WELL Building Standard includes strategies to enhance human health and well-being by setting science-based building design measures, operational protocols and policies.<sup>25</sup> Futureal also complies with local regulations, such as the 1993 Occupational Safety and Health Act, which aims to ensure healthy and safe working conditions.<sup>26</sup> The EU Directive on Safety and Health also provides a strong

<sup>15</sup> Futureal Group, "Sustainability", (2022), at: <https://www.futurealgroup.com/en/sustainability/>.

<sup>16</sup> Hungarian Green Building Council (HuGBC), at: <https://www.hugbc.hu/english?lang=en>.

<sup>17</sup> Futureal Green Finance Framework.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Futureal Green Finance Framework.

<sup>21</sup> Futureal, "Workplace Risk Assessment Policy", (2021) provided by Futureal.

<sup>22</sup> Futureal, "Occupational Medical Examination Policy", (2021) provided by Futureal.

<sup>23</sup> Futureal, "Futureal Statement on Health & Safety Risk Mitigation during Construction", (2020) provided by Futureal.

<sup>24</sup> Futureal Green Finance Framework.

<sup>25</sup> WELL Building Standard, (2022), at: <https://www.wellcertified.com/certification/v2/>.

<sup>26</sup> International Labour Organization, "Act No. 93 of 1993 concerning Occupational Safety and Health", (1993) at: <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/38155/64930/E93HUN01.htm>.

framework to ensure worker health and safety protection in the EU members states,<sup>27</sup> and Hungary has implemented the Directive into its national legislation.<sup>28</sup>

- Futureal develops and operates projects in accordance with the standards set out in the sustainability certification scheme BREEAM, addressing Emissions, Effluents and Waste risks generated during the construction and operation of projects.
- Regarding Land Use and Biodiversity, and Emissions, Effluents and Waste issues, Futureal has a geographical focus on Central European countries, which are recognized as Designated Countries under the Equator Principles, indicating the presence of a robust environment and social governance legislation system and institutional capacity to ensure the mitigation of common environmental and social risks.<sup>29</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Futureal has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics focuses below on green buildings, whose impact is specifically relevant in the local context.

#### Importance of green buildings in improving energy efficiency in Europe and Hungary in particular

In the EU, the building sector is a key contributor to emissions and it is the largest consumer of energy. In 2020, buildings were responsible for 40% of the EU's energy consumption and 36% of its CO<sub>2</sub> emissions.<sup>30</sup> One of the reasons buildings account for a significant source of emissions is that 75% of the EU's existing building stock is considered energy inefficient. Moreover, a large proportion of the energy consumed during building construction, operation and renovation is generated from fossil fuels.<sup>31</sup>

The overarching goal across the EU is to become climate neutral by 2050, as stated in the European Green Deal.<sup>32</sup> In respect of the building sector, the EU is committed to reducing the carbon footprint of its building stock by developing energy-efficient structures and renovations, as 85-90% of the buildings in the EU are expected to still be standing in 2050.<sup>33,34</sup> To help the EU achieve its carbon goals through renovations that can boost buildings' energy performance, the European Commission announced the Renovation Wave strategy in 2020. The strategy aims to renovate 35 million buildings across EU member states by 2030.<sup>35</sup> Moreover, reaching the targets would require emissions from the building stock to decrease by an estimated 60%.<sup>36</sup> Additionally, the Energy Performance of Buildings Directive requires all new buildings to be nearly zero energy buildings as of 2021 and requires all member states to establish a long-term strategy that supports the achievement of a highly energy efficient and decarbonized building stock by 2050, with a roadmap of clear milestones for 2030 and 2040.<sup>37</sup> Sustainalytics notes that investments that enhance the energy efficiency of the building stock can to generate environmental benefits and contribute to the EU achieving its climate goals.

In Hungary, the building sector accounts for approximately 40% of energy consumption, of which two-thirds is for heating and cooling. Moreover, approximately 70% of private and public dwellings do not meet basic energy efficiency standards.<sup>38</sup> Therefore, energy efficiency projects in the building sector, such as energy retrofit programmes, play a key role in improving energy efficiency at the national level. Hungary expects the technical heating requirements of buildings to become 30% more stringent through energy efficiency

<sup>27</sup> Official Journal of the European Communities, "Council Directive of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989) at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=EN>.

<sup>28</sup> European Commission, "Evaluation of the practical implementation of the EU occupational safety and health (OSH) directives in EU Member States", (2015) at: <https://ec.europa.eu/social/BlobServlet?docId=16895&langId=en>.

<sup>29</sup> The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>.

<sup>30</sup> European Union, European Climate Pact, "Green Buildings", at: [https://europa.eu/climate-pact/about/priority-topics/green-buildings\\_en](https://europa.eu/climate-pact/about/priority-topics/green-buildings_en).

<sup>31</sup> European Commission, "Energy efficiency in buildings", (2020), at: [https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17\\_en](https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17_en).

<sup>32</sup> European Commission, "A European Green Deal", at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en).

<sup>33</sup> IEA, "European Union 2020 Energy Policy Review", at: [https://iea.blob.core.windows.net/assets/ec7cc7e5-f638-431b-ab6e-86f62aa5752b/European\\_Union\\_2020\\_Energy\\_Policy\\_Review.pdf](https://iea.blob.core.windows.net/assets/ec7cc7e5-f638-431b-ab6e-86f62aa5752b/European_Union_2020_Energy_Policy_Review.pdf).

<sup>34</sup> European Commission, "A European Green Deal", at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en).

<sup>35</sup> European Commission, "Renovation Wave", at: [https://ec.europa.eu/commission/presscorner/detail/en/FS\\_20\\_1844](https://ec.europa.eu/commission/presscorner/detail/en/FS_20_1844).

<sup>36</sup> Ibid.

<sup>37</sup> European Commission, "DIRECTIVE (EU) 2018/844 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL", (2018), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2018.156.01.0075.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG).

<sup>38</sup> Ministry of National Development of Hungary, "National Energy Strategy 2030", at: <https://2010-2014.kormany.hu/download/a/b7/70000/Hungarian%20Energy%20Strategy%202030%20Summary.pdf>



programmes that align with EU targets.<sup>39</sup> Sustainalytics notes that by financing green buildings and renovation activities, Futureal could further Hungary's effort to achieve its GHG emissions targets.

In view of the above, Sustainalytics expects Futureal's financing of green buildings in European countries to be impactful in reducing GHG emissions and energy consumption linked to the building sector.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by 2030. The instruments issued under the Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable & Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

## Conclusion

Futureal has developed the Futureal Green Finance Framework, under which it may issue green bonds and loans, and use the proceeds to finance or refinance green buildings and renewable power added capacities. Sustainalytics expects the projects funded by the green finance proceeds to help decarbonize the Company's asset portfolio and improve energy performance of the real estate sector in the EU and Hungary.

The Futureal Green Finance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Futureal Green Finance Framework is aligned with the overall sustainability initiatives of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Futureal has adequate measures in place to mitigate the environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics acknowledges that Futureal is well positioned to issue green bonds and green loans, and that the Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

<sup>39</sup> Ibid.

## Appendix

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	Futureal Group
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Green Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	May 12, 2022
<b>Publication date of review publication:</b>	February 4, 2021
<b>Original publication date [please fill this out for updates]:</b>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.



## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.

#### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBP:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Futureal Group's internal process in evaluating and selecting projects is facilitated by the Green Finance Committee composed of the CEO, CFO, Director of Property and Facility Management, Group Chief Architect and Head of Sustainability. The GFC will assess asset eligibility on at least an annual basis. Futureal's environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management processes to be adequate and the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Green Bond Team will oversee the management of proceeds, using a specified register to track the proceeds. Futureal will strive to reach full allocation within 36 months. Pending full allocation, the proceeds will be invested in cash or cash equivalents. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

Futureal intends to report on allocation of proceeds on its website, on an annual basis, until full allocation. Allocation reporting will include the total amount of Green Financing instruments issued, the share of proceeds used for each use of proceeds category, the geographic distribution of assets, examples of assets identified and, the split between financing and refinancing. In addition, Futureal is committed to reporting on relevant impact metrics. Sustainalytics views Futureal Group's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported:**

- Allocated amounts
  Green Bond financed share of total investment
- Other (please specify): Share of proceeds used for each use of proceeds category, the geographic distribution of assets, examples of assets identified and, the share of financing vs. refinancing

**Frequency:**

- Annual
  Semi-annual
- Other (please specify):

**Impact reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings
- Decrease in water use
  Other ESG indicators (please specify): Type of certification and degree of certification for buildings, expected annual renewable energy generation (MWh), installed renewable energy capacity (MW), and estimated annual GHG emission avoided (tCO<sub>2</sub>e)

**Frequency**

- Annual
  Semi-annual
- Other (please specify):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report

- Information published in ad hoc documents
  Other (please specify): Futureal's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification
- Verification / Audit
  Rating
- Other (*please specify*):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third-Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

