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Second Party Opinion

Vöröskő Ltd

Green Bond Framework

20 December 2021



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Scope of the Second Party Opinion

Deloitte Advisory and Management Consulting Private Limited Company (Deloitte Co. Ltd.) (“Deloitte”) was engaged to provide a Second Party Opinion (“SPO”) on the alignment of Vöröskő Limited’s (“Vöröskő”) Green Bond Framework (the “Green Bond Framework”) and described:

Subject of the SPO

The Green Bond Framework of Vöröskő as of 20 December 2021 and referenced Annexes (see Appendix 2. Scope of Assessment – Referenced Documents List).

Scope of Work

To perform a Second Party Opinion in line with ICMA’s Guidelines for Green, Social and Sustainability Bonds External Reviews¹, regarding:

- **Part A:**
Alignment of the Green Bond Framework with the four core components of the Green Bond Principles 2021,
- **Part B:**
Alignment of the Green Bond Framework with the Green Bond Definition of the Green Bond Principles 2021.

Relevant Standards

- ICMA Green Bond Principles 2021 (as of June 2021), henceforth ICMA GBP

Validity

In connection with Vöröskő’s Green Bond Framework or referenced documents (last modification on 20 December 2021, see Appendix 2. Scope of Assessment – Referenced Documents List). The SPO’s validity does not extend to any future or updated versions of the relevant standards, of the International Capital Market Association (ICMA) Guidelines for Green, Social and Sustainability Bonds External Reviews (ICMA Guidelines for External Reviews²), or to any amendments or subsequent reissuance of the Green Bond Framework.

¹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>

Executive Summary

Our Responsibility

Our responsibility is to provide an independent conclusion, based on our Second Party Opinion procedures, on the alignment of the Green Bond Framework, based on the requirements of the ICMA Guidelines for External Reviews. The preparation of the Green Bond Framework is the responsibility of Vöröskő's management.

The Second Party Opinion was performed by the members of the Sustainability and Climate Change team of Deloitte, with support from the Financial Institutions Risk & Regulatory team.

We planned and performed our work to provide a Second Party Opinion about whether Vöröskő's Green Bond Framework is aligned with the ICMA GBP requirements. The conclusion of the SPO should be read along with the Limitations section of this SPO.

We applied Deloitte's quality control standards in performing this engagement.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

Our Methodology³

Deloitte's engagement is performed based on ICMA's "Guidelines for Green, Social and Sustainability Bonds External Reviews".

The SPO is structured in 2 sections (Part A, B) in which the alignment of the Framework with the selected relevant standards as described.

Part A. Alignment with the four core components of the Green Bond Principles 2021

Part B. Alignment with the Green Bond Definition of the Green Bond Principles 2021

As part of the SPO, Deloitte determines whether Vöröskő's Green Bond Framework is in alignment with the core components of ICMA GBP or not. Deloitte does not assess partial alignment⁴. If the Framework meets all criteria required by ICMA GBP, Deloitte issues the Second Party Opinion on alignment.

³ Please see our detailed methodology in Appendix 3

⁴ Please see further the Limitations section

General Observations

Based on Vöröskő's Green Bond Framework we observed the following:

General Observations
The Framework aligns with the required criteria set for Green Bonds in ICMA's Green Bond Principles. However, the Framework does not fully align with ICMA GBP's recommended criteria. The latter does not affect the issuance of the SPO on alignment.

Assessment Summary of the SPO⁵

Based on Vöröskő's Green Bond Framework, we assessed the following:

ICMA GBP component	Assessment	Rationale of assessment
Use of Proceeds	Aligned	The Use of Proceeds chapter of the Framework aligns with ICMA GBP's required criteria. Use of proceeds, eligible Green Projects and the expected environmental benefits thereof are clearly defined by the Framework and eligible Green Project categories are in alignment with the ones defined by ICMA GBP.
Project Evaluation and Selection	Aligned	The Project Selection and Evaluation Process chapter aligns with ICMA GBP's required criteria. Eligibility criteria for the Green Projects are defined in the Use of Proceeds chapter of the Framework. The Project Selection and Evaluation Process chapter of the Framework clearly defines the role and responsibilities of the Green Committee in selection and evaluation of projects. Besides, the environmental sustainability objectives of the Eligible Projects are also defined in this chapter.
Management of Proceeds	Aligned	The Management of Proceeds chapter of the Frameworks aligns with ICMA GBP's required criteria. The management of proceeds are clearly defined in the Framework. The issuer plans to track the net proceeds of the Green Bond and adjusting it periodically to match allocations. Under the Framework, one bond is going to be issued.
Reporting	Aligned	The Reporting chapter of the Framework aligns with ICMA GBP's required criteria. Allocation of the use of proceeds will be reported annually as part of the annual report. An impact report will be issued periodically which will assess the environmental impact of investments to which green bond proceeds have been allocated.



⁵ Please see the Second Party Opinion section regarding the conclusions on the alignment of the Framework with ICMA GBP.

Second Party Opinion

To the management of Vöröskő:

Vöröskő has prepared a Green Bond Framework under which it intends to finance or refinance, in whole or in part green projects. We were engaged by Vöröskő to provide a SPO on the alignment of this Green Bond Framework with the four core components of the Green Bond Principles 2021 and the Green Bond definition of the ICMA GBP. We performed our work based on the ICMA Guidelines on External Reviews as detailed in Our Methodology, Our Responsibility and Limitations section of this SPO.

Overall, based on the documents provided by Vöröskő and as described above, nothing came to our attention that would make us believe that there are material exceptions regarding the Green Bond Framework’s alignment with the four core components of the Green Bond Principles 2021 and the Green Bond definition of the ICMA GBP⁶.

SPO Conclusion		Alignment
Part A.		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding the Green Bond Framework’s alignment with the required criteria stated in the Green Bond Principles 2021.</i>
Part B.		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding the Green Bond Framework’s alignment with the green bond definition of the Green Bond Principles 2021.</i>

X



Alastair Teare
Partner, Member of the Board of Directors

X



Krisztina S-Nagy
Partner, Member of the Board of Directors

Budapest: 20 December 2021

⁶ ICMA GBP: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

SPO Analysis

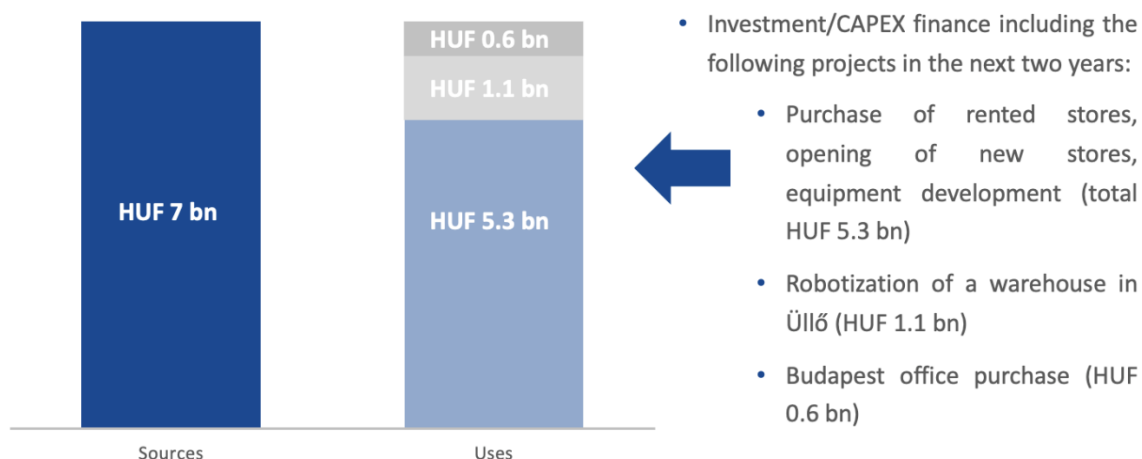
The following SPO analysis should be read in conjunction with Vöröskő's Green Bond Framework and related documentation, as described in Appendix 2. Scope of Assessment – Referenced Documents List.

Part A.

Alignment with the ICMA Green Bond Principles

“Vöröskő Ltd intends to issue a 7 billion HUF Green Bond in the frame of Bond Funding for Growth Scheme (BGS) launched by The National Bank of Hungary. The proceeds of the Green Bond are planned to finance four specific projects:

- 1) acquisition of rented stores,
- 2) building of new stores,
- 3) robotisation of Üllő warehouse and
- 4) Budapest office purchase.



Main conditions of bond issuance

- Total nominal value: maximum HUF 7 Bn
- Maturity: ten years (2021-2031)
- Method of repayment: amortizing repayment (in the 5th-9th years) yearly 10% repayment and in the last year 50% (balloon) repayment
- Method of interest: fixed interest rate (4.0% interest p.a. as planned) and interest payment instalment once a year
- The purpose of using the funds involved: investment/CAPEX finance
- Standard covenants are planned” (Source: Vöröskő's Green Bond Framework)





The Green Bond Framework contains four separate chapters. The first chapter provides insight to how the company works, the second chapter details the sustainability approach of the company, the third chapter contains information on the four key components of alignment with ICMA GBP and the fourth chapter details the external review.


1. Use of Proceeds

According to the Framework, Vöröskő will use the proceeds of the Green Bond to finance four Energy Efficiency Green Projects.

- Acquisition of rented stores: Vöröskő plans to buy some of their rented stores and refurbish them, thus increasing the buildings' energy efficiency by 30%.
- Building of new stores: Vöröskő plans to transfer some of their stores to newly built buildings. All newly built stores will meet the near-zero energy building requirements defined by Annex 6 of 7/2006. (V.24.) TNM directive.
- Robotisation of warehouse in Üllő: Vöröskő will establish an almost 20,000 m² robotised warehouse which will increase energy efficiency through Lithium-ion battery operated forklifts, and the optimization of material flow processes and freight optimization.
- Budapest office purchase: Vöröskő is committed to find a newly built headquarter which meets the near-zero requirements set by Annex 6 of 7/2006. (V.24.) TNM directive and all future amendments.

According to our assessment below the Framework aligns with all the required criteria by ICMA GBP.

No.	GBP Consideration	Comments	Alignment
1.1	The utilization of the proceeds of the bond for eligible Green Projects, which should be appropriately described in the legal documentation of the security.	<i>The utilization of proceeds and how the eligible projects will contribute to ICMA GBP's Eligible Project Categories are clearly defined in the Framework.</i>	
1.2	All designated eligible Green Projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer.	<i>Environmental benefits are defined for all eligible Project Categories.</i>	
1.3	The eligible Green Projects categories, listed in no specific order, include, but are not limited to: energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);	<i>The eligible Green Project categories in the Framework include various energy efficiency projects.</i>	
Recommended criteria:			
1.4	In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or	<i>There is no mention of refinancing in the framework. Based on discussion, no refinancing is planned.</i>	

	project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced eligible Green Projects.		
1.5	There are several current international and national initiatives to produce taxonomies and nomenclatures, as well as to provide mapping between them to ensure comparability. These may give further guidance to Green Bond issuers as to what may be considered green and eligible by investors.	<i>The Framework does not rely on international or national taxonomies.</i>	

2. Project Evaluation and Selection

According to the Green Bond Framework, Vöröskő's management has established a Green Committee. The composition of the Green Committee, their responsibilities and the frequency of meetings is clearly defined in the Framework. The Green Bond Committee is responsible for the introduction and implementation of the Green Bond Framework.

The management of Proceeds will be reviewed by auditors annually.

Eligibility criteria for Green Projects are determined by the Use of Proceeds chapter of the Framework.

Vöröskő's environmental sustainability objectives are linked to the Sustainable Development Goals of the United Nations (SDG)s:









PROJECTS MEETING ICMA GBP ENERGY EFFICIENCY ELIGIBLE CATEGORY RELATED TO SDGs		
 Goal 7: Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all		
Target 7.3 By 2030, double the global rate of improvement in energy efficiency	Indicator 7.3.1 Energy intensity measured in terms of primary energy and GDP	Acquisition of rented stores Building of new stores Robotization of warehouse in Üllő Budapest office purchase
 Goal 13: Climate action Take urgent action to combat climate change and its impacts		
Target 13.2 Integrate climate change measures into national policies, strategies and planning Indicators	13.2.2 Total greenhouse gas emissions per year	Acquisition of rented stores Building of new stores Robotization of warehouse in Üllő Budapest office purchase

Figure 1: Sustainability goals (source: Vöröskő Ltd's Green Bond Framework)

According to our assessment below, the Framework aligns with all the required criteria by ICMA GBP.



No.	GBP Consideration	Comments	Alignment
2.1	<p>The issuer of a Green Bond should clearly communicate to investors:</p> <p>The environmental sustainability objectives of the eligible Green Projects;</p>	<p><i>Environmental sustainability objectives of eligible Green Projects are clearly defined.</i></p>	
2.2	<p>The issuer of a Green Bond should clearly communicate to investors:</p> <p>The process by which the issuer determines how the projects fit within the eligible Green Projects categories; and</p>	<p><i>Eligibility Criteria for Green Projects are clearly defined under the Use of Proceeds chapter of the Framework.</i></p>	
2.3	<p>The issuer of a Green Bond should clearly communicate to investors:</p> <p>Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)</p>	<p><i>The Green Committee and its responsibilities are clearly defined in the Framework. Communication to investors on the process by which the issuer identifies and manages perceived social and environmental risks associated with the relevant projects, is carried out by the Green Committee.</i></p>	
Recommended criteria:			
2.4	<p>Issuers are also encouraged to:</p> <ul style="list-style-type: none"> • position the information communicated above within the context of the issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability. 	<p><i>Vöröskő is yet to formalize its sustainability objectives, strategy, policy and related processes but “intends to improve its sustainability approach incorporating it in the company’s overall objectives and business strategy and clearly communicate these environmental sustainability objectives to stakeholders and investors.”</i></p>	
2.5	<ul style="list-style-type: none"> • provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including if applicable, exclusion criteria; and also disclose any green standards or certifications referenced in project selection. 	<p><i>No exclusion criteria are mentioned in the Framework.</i></p>	



2.6	<ul style="list-style-type: none"> • have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful. 	<p><i>There is no process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant projects.</i></p>	
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3. Management of Proceeds

Vöröskő intends to keep the net proceeds of the Green Bond as fixed-term deposits, as long as these proceeds are not invested in a project. According to the Green Bond Framework, the net proceeds will be kept “in a separated countability”. The management of proceeds will be the responsibility of the Green Committee.

According to our assessment below, the Framework aligns with all the required criteria by ICMA GBP.


No.	GBP Consideration	Comments	Alignment
3.1	<p>The net proceeds of the Green Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer’s lending and investment operations for eligible Green Projects</p>	<p><i>"The Issuer intends to keep the net proceeds of the Green Bond as fixed-term deposit as long as not invested in a project. The net proceeds of the Green Bond will be kept in a separated countability", by which we consider that it will be handled separately.</i></p>	
3.2	<p>So long as the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p>	<p><i>Vöröskő addresses this requirement and quotes it in its Green Bond Framework: "So long as the Green Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to the Green Project carried out during that period. The Issuer commits to communicate to investors the intended types of temporary placement for the balance of unallocated net proceeds."</i></p>	



3.3	The proceeds of Green Bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple green bonds (portfolio approach)	<i>One bond will be issued under the framework, this criterion is met.</i>	
Recommended criteria:			
3.4	The GBP encourage a high level of transparency and recommend that an issuer’s management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds.	<i>Vöröskő addresses this requirement in its Green Bond Framework: "In order to assure the highest level of transparency the Issuer commits to supplement the management of proceeds by the appointment of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond."</i>	

4. Reporting

Vöröskő will be publishing an Allocation Report on an annual basis, including the Use of Proceeds, a breakdown of proceeds in relation to Eligible Projects, the amount of unallocated proceeds and a closer description of the activities financed. The company will also issue an Impact Report periodically, which will illustrate the expected and achieved impact made by the new investments to which green bond proceeds have been allocated. The Allocation and Impact Report will both include indicators which are clearly defined in the Framework.

According to our assessment below, the Framework aligns with all the required criteria by ICMA GBP.


No.	GBP Consideration	Comments	Alignment
4.1	Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments.	<i>"In accordance with the Green Bond Principles, Vöröskő will provide an annual update on the activities related to its Green Bonds issuance. In such updates, the Company will provide information on the allocation of the use of proceeds as well as relevant impact metrics." In addition to the annual report, an impact report is expected to be issued periodically, the content and timing of which will be decided by the Green Committee.</i>	

4.2	<p>The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact.</p>	<p><i>Vöröskő addresses this requirement in its Green Bond Framework: "The Impact report will illustrate the expected and achieved environmental impact made by the new investments to which green bond proceeds have been allocated. It will be based on ex-ante estimates (calculated prior to project implementation) considering previous status for a representative year before the individual project is completed and operating at normal capacity."</i></p>	
<p>Recommended criteria:</p>			
4.3	<p>The GBP recommends the use of qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Issuers should refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting.</p>	<p><i>The methodology for ex-ante estimates, indicator scopes and key underlying methodologies are not clearly defined. According to ICMA's Harmonized Framework for Impact Reporting, the core indicators for energy efficiency projects are 1) annual energy savings in MWh/kWh (electricity) and GJ/TJ (other energy savings) and 2) annual GHG emissions reduced/avoided in tones of CO2 equivalent. In the Framework impact indicators for saved energy consumption do not differentiate between electricity and other energy savings. ICMA requires that where CO₂ emissions figures are reported, the GHG accounting methodology and assumptions should be referenced.</i></p>	

Part B

Alignment with the green bond definition of the ICMA Green Bond Principles

According to ICMA GBP Green Bonds are “any type of bond instrument where the proceeds [...] will be exclusively applied to finance [...] new and/or existing eligible Green Projects” and which are aligned with the four components of ICMA. Vöröskő’s Green Bond Framework aligns with the four components of ICMA GBP, and the proceeds of the bond are planned to be used for financing Green Projects therefore, alignment with the Green Bond Definition is assured.

No.	GBP Consideration	Comments	Alignment
5.1	Green Bond definition	Vöröskő’s Green Bond Framework aligns with the four components of ICMA GBP, and the proceeds of the bond are planned to be used for financing Green Projects therefore, alignment with the Green Bond Definition is assured	

Limitations

The present SPO is valid for Vöröskő's Green Bond Framework as of 20 December 2021. The SPO's validity does not extend to any future or updated versions of the relevant standard and ICMA Guidelines for External review or to any amendments or subsequent reissuance of the Green Bond Framework. The SPO is issued in connection with Vöröskő's Green Bond Framework only and does not apply to any bonds issued in accordance with this framework. The Green Bond Framework and any bonds in accordance with it are the responsibility of Company's management.

We have not carried out an audit or review in accordance with international or national standards or regulations in the course of this assessment and we do not issue an auditor's opinion or any other assurance.

The SPO and information presented is based on information received from Vöröskő. The alignment with the selection criteria is based solely on the documents submitted by Vöröskő. While Deloitte exercised due care in compiling the SPO, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. The SPO does not provide any legal, financial or other advice for investment decisions.

Our responsibility in performing this SPO is to the management of Vöröskő and we do not accept or assume responsibility for any other purpose or to any other party. Any reliance placed on the Green Bond Framework by any third party is entirely at its own risk.

The SPO, while reflecting on the alignment of the Green Bond Framework with relevant standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The measurement and reporting of the actual impact achieved through projects financed with the proceeds of bonds issued under the Green Bond Framework is the responsibility of Vöröskő's management.

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Appendices

Appendix 1: Indicative Categories of Eligibility for Green Projects⁷

The categories, listed in no specific order, include, but are not limited to:

- renewable energy - including production, transmission, appliances and products;
- energy efficiency – such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products;
- pollution prevention and control – including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy;
- environmentally sustainable management of living natural resources and land use – including environmentally sustainable agriculture, environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture, environmentally-sustainable forestry, including afforestation and reforestation, and preservation or restoration of natural landscapes;
- terrestrial and aquatic biodiversity conservation - including the protection of coastal, marine and watershed environments;
- clean transportation – such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions;
- sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation;
- climate change adaptation – including information support systems, such as climate observation and early warning systems;
- eco-efficient and/or circular economy adapted products, production technologies and processes – such as development and introduction of environmentally sustainable products, with an eco-label or environmental certification, resource-efficient packaging and distribution; and
- green buildings which meet regional, national or internationally recognized standards or certifications.

The list above is based on the categories provided in the GBP dated June 2021 and reference should be made to any subsequent updates. The list is intended to be indicative and captures the most commonly used types of projects. There are several categories and sets of criteria defining Green Projects already in existence in the market that can be used as complementary guidance. Borrowers and other stakeholders can refer to examples through links listed on the ICMA webpages at www.icmagroup.org/resourcecentre.

⁷ ICMA Green Bond Principles 2021

Appendix 2: Scope of Assessment

Referenced Documents List

Vöröskő's responsibility as part of the Second Party Opinion was to provide information and documentation regarding:

- Green Bond Framework

We recommend that the client provides information and documentation regarding:

- Firm strategy in the ESG space, as relevant for the Green Bond Framework
- Selection process

The key documents reviewed as part of the Second Party Opinion were:

Document Number	Document name	Description
1.	Green Bond Framework	Vöröskő's Green Bond Framework as of 20 December 2021, including the description of the company, their sustainability goals and the Green Bonds structure.

Appendix 3: Detailed Methodology

Deloitte’s assessment is based on ICMA Guidelines for External Reviews.

The Second Party Opinion applies the below criteria in analysing the alignment of the scope:

Part A. Alignment with the four core components of the Green Bond Principles 2021

Part B. Alignment with the Green Bond Definition of the Green Bond Principles 2021

As part of the SPO, Deloitte determines whether Vöröskő’s Green Bond Framework is in alignment with the core components of ICMA GBP or not. Deloitte does not assess partial alignment⁸. If the Framework meets all criteria required by ICMA GBP, Deloitte issues the Second Party Opinion on alignment.

Part A. Alignment with the ICMA Green Bond Principles

Part A. investigates the alignment with the ICMA Green Bond Principles (GBP). The Green Bond Principles administered by the International Capital Market Association has a view to promoting consistency across financial markets. The GBP are the internationally recognised voluntary issuance guidelines that promote transparency, disclosure and reporting in the green bond market.

Therefore, the GBP provides an international standard in form of voluntary recommended guidelines based on four core components: 1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds, and 4. Reporting. Within these components criteria have been identified that form the core of the SPO Methodology for analysing alignment between the Framework and the GBP.

When performing the SPO, we assess the following criteria regarding each component.

1. Use of Proceeds

Criterion 1.1: Does the issuer have processes in place to ensure that the utilization of the bond proceeds aligns with ICMA GBP’s Green Project definition?

Criterion 1.2: Does the creditor have processes in place to that the designated Green Projects provide clear environmental benefits, which will be assessed, and where feasible, quantified, measured, and reported by the borrower?

Criterion 1.3: Does the Framework describe the eligible Green Projects categories in alignment with ICMA GBP’s eligible Green Project Categories?

Additional considerations:

Criterion 1.4.: Where funds are to be used, in whole or part, for refinancing does the issuer provide an estimate of the share of financing versus refinancing?

Criterion 1.5: Does the Framework claim that it is in alignment with international and national initiatives, taxonomies or nomenclatures other than ICMA GBP?

⁸ Please see further the Limitations section

2. Process for Project Evaluation and Selection

Criterion 2.1: Does the issuer have processes in place to ensure clear communication to its investors on the environmental sustainability objectives of the eligible Green Projects?

Criterion 2.2: Does the issuer have processes in place to ensure clear communication to investors by which the investor determines how its projects fit within the eligible categories set out in **Error! Reference source not found.**? Does the issuer have processes in place to ensure that the designated Green Projects have clearly identified environmental benefits?

Criterion 2.3: Does the issuer have processes in place to ensure clear communication to its issuers on complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?

Additional considerations:

Criterion: 2.4: Does the issuer position the above-described information within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability?

Criterion 2.5: Does the issuer disclose any green standards or certifications to which they are seeking to conform?

Criterion 2.6: Does the issuer have a process in place to identify mitigants to know material risks of negative social and/or environmental impacts from the relevant project(s), including undertaking clear and relevant trade-off analysis and monitoring where potential material risks are identified?

3. Management of Proceeds

Criterion 3.1: Does the creditor prescribe that the proceeds of a green bond should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product?

Criterion 3.2: Does the Framework prescribe that so long as the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period? Does the issuer commit to make known to investors the intended types of temporary placement for the balance of unallocated net proceeds?

Criterion 3.3: Does the issuer clearly define if the proceeds of Green Bonds will be managed on a bond-by-bond or an aggregated basis?

Additional considerations:

Criterion 3.4: Does the Framework state that the management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds?

4. Reporting

Criterion 4.1: Does the issuer have processes in place to ensure up-to-date information on the use of proceeds are provided to investors on an annual basis until fully drawn and, if necessary, thereafter in the event of material developments?

Criterion 4.2: Does the issuer have processes in place to ensure that as part of the annual report, they provide a list of the Green Projects to which the green bond proceeds have been allocated, their brief description, the amounts allocated and their expected impact?

Additional considerations:

Criterion 4.3.: Does the issuer use qualitative performance indicators and, where feasible, quantitative performance measures (for example, energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, etc.)? Does the issuer disclose the key underlying methodology and/or assumptions underlying quantitative measures?

Part B. Alignment with the Green Bond Definition of the ICMA Green Bond Principles

The GBP provides an international standard based on four core components: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting and a Green Bond definition. Green bonds must align with the four core components of the GBP, as set out above. Green bonds should not be considered interchangeable with bonds that are not aligned with the four core components of the GBP.

Criterion 5.1: Does the Framework definition for green bond align with the following?

"Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the GBP. Different types of Green Bonds exist in the market."