Second-Party Opinion
SunDell Estate PLC Green Bond Framework
Hungarian Real Estate Development

Scope ESG Analysis has assessed the Green Bond Framework (Framework) of SunDell Estate Plc. (SunDell) to align with the 2018 Green Bond Principles (GBP) of the International Capital Markets Association (ICMA). The Framework scores second highest on our 'leaf score' system with two leaves. SunDell's four green project categories and criteria align with selected real estate standards and we consider SunDell to contribute to the targets of the Paris Agreement and EU Taxonomy.

This second-party opinion is based on the four GBP components: use of proceeds, process for project evaluation and selection, management of proceeds, and reporting.

Issuance

GBP components	Fulfilment	Overall assessment
Use of proceeds	• Green buildings • Energy efficiency • Renewable energy • Clean transport	✓✓
Process for project evaluation and selection	• Establishment of green finance committee comprising members of treasury, sustainable business and energy performance departments • Committee will manage project selection and evaluation process	✓
Management of proceeds	• Tracking of allocation through internal treasury management system • Proceeds documented and updated in internal green finance register	✓
Reporting	• Annual reporting of allocation of proceeds within 12 months of first issuance • Impact metrics including direct and indirect greenhouse gas abatement and energy savings published on a best-effort basis	✓

Figure 1: Alignment with United Nations Sustainable Development Goals

Figure 2: Engagement with EU Taxonomy Draft Regulation

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Methodology

We were commissioned by SunDell to provide a second-party opinion on its Framework. We based our opinion on:

- SunDell's internal documents;
- Interviews with stakeholders in SunDell's green bond team, green finance team, treasury, and finance team;
- Documents on external market/regulatory research; and
- Data stemming from our internal database.

Our leaf score visually represents our evaluation and verification of the environmental impact of SunDell's Framework. The scoring criteria for each green project category are in the context of the real estate sector, e.g. the 'clean transport' criteria express the breadth of possible transport developments within real estate, not within the transport sector itself. Ambitions within SunDell's four green project categories receive an individual leaf score. The aggregate of the four scores yields the overall score of Scope's second-party opinion report.

Our minimum requirement for GBP alignment is that each green project category of the Framework has a positive environmental impact, as represented by one green leaf.

Scoring	Description	GBP category	Real estate sector criteria
	Transformative environmental contribution and strong alignment with all relevant market standards	Green buildings	LEED (Platinum) or BREEAM (Outstanding) and life cycle assessment
		Energy efficiency	Residential energy performance certificate (EPC) of A to A+
		Renewable energy	Self-sufficient building; energy supply exclusively from solar, wind or geothermal
		Clean transport	Very good access to public transport powered by renewable energy; bicycle-friendly construction of site (bicycle paths, bicycle parking spaces); charging stations for e-vehicles
	Significant environmental contribution and alignment with selected market standards	Green buildings	LEED (gold) or BREEAM (excellent or very good)
		Energy efficiency	Residential EPC of at least B
		Renewable energy	Energy demand partly covered by renewable energy; long-term goal is self-sufficiency of the building
		Clean transport	Good access to public transport; bicycle-friendly construction of the building
	Environmentally friendly but limited contribution to long-term transformation	Green buildings	LEED (silver) or BREEAM (good)
		Energy efficiency	Residential EPC of at least C
		Renewable energy	At least one element (e.g. heat pumps, solar cells) is integrated into the building
		Clean transport	Access to public transport
	No significant environmental contribution	Green buildings	LEED (certified) or BREEAM (pass)
		Energy efficiency	Residential EPC of at least D to E
		Renewable energy	Sparse use of renewable energy
		Clean transport	No good access to public transportation
	Negative environmental impact	Green buildings	No certification
		Energy efficiency	Residential EPC lower than F; greenfield construction
		Renewable energy	No share of renewable energy
		Clean transport	No infrastructure for sustainable transportation

Introduction

SunDell is a real estate development company headquartered in Budapest, Hungary. Its core business consists of the construction of residential buildings in suburban Budapest. After construction, the buildings are rented or sold to third parties. The company has ambitious standards for the environmental quality and sustainability of its buildings. SunDell's Framework specifies criteria that go beyond the Hungarian implementation requirements of the European Energy Performance of Buildings Directive (EPBD).

In February 2021, the company drafted its Green Bond Framework, under which it plans to issue green bonds. This is SunDell's first such framework.

Overall sustainability strategy

SunDell has not defined an overarching climate strategy to date. SunDell's sustainability targets are primarily based on the Sustainable Development Goals (SDGs) of the United Nations and the climate targets determined by EU regulation and the Paris Agreement. SunDell is also guided by relevant sector criteria and thresholds of the EU Taxonomy.

The EU has imposed regulation on new building construction in line with its aims to reduce emissions by at least 40% by 2030 and become climate-neutral by 2050[1]. The EPBD is a core legislative instrument that EU member states have adopted. SunDell currently outperforms the Hungarian EPBD threshold for energy efficiency implementation by 10%.

SunDell's sustainability targets support the environmental ambitions of its Framework

While SunDell has no quantitative target for greenhouse gas (GHG) emissions reduction, it uses technical innovation in the field of real estate development to lower its carbon footprint. SunDell has a team of engineers who are familiar with sustainable innovation in the building sector, especially with market developments at the European level.

Since SunDell is listed on the Budapest stock exchange as a real estate investment trust, the company is committed to the exchange's ESG strategy, which includes environmental aspects such as climate risk, resource management, clean energy, GHG emissions, and waste management along with the social and governance aspects.

We consider SunDell's overall sustainability targets to support the ambitions in its Framework. SunDell recognises the relevance of the SDGs and the Paris Agreement in its Framework and complies with selected sector criteria of the EU Taxonomy.

[1] https://ec.europa.eu/clima/policies/strategies/2050_en

Issuance

Green Bond Principles: assessment of issuance

I. Use of proceeds

Green project category	Fulfilment	Leaf score
Green buildings	Acquiring, constructing and refurbishing buildings that meet recognised industry standards such as BREEAM (ranking of at least 'very good') and LEED (ranking of at least 'gold'), or are ranked at least 10% better than the minimum Hungarian Energy Performance Certificate (EPC) for nearly zero-energy buildings (category BB or above), and at least category AA from 2026	
Energy efficiency	Investing in new or existing buildings that belong to the top 15% most energy-efficient buildings in Hungary. It will also renovate or refurbish existing properties to reduce carbon emission intensity by at least 30% or to achieve a two-grade upgrade in the Hungarian EPC	
Renewable energy	Installing solar power or heat pumps or stand-alone solar farms, geo-energy (ground and surface systems) and related infrastructure investments (e.g. grid connections, electric substations and networks)	
Clean transport	Financing supportive infrastructure (e.g. charging stations for electric vehicles, bicycle garages/facilities and other investments supporting low-carbon transport) and providing access to public transport (especially to trolley buses and trams, which are fully electric in Hungary)	

SunDell's Framework scores two leaves overall

Scope's assessment: SunDell's aggregate score of two leaves indicates alignment with selected sector criteria. We have scored the green project categories 'green buildings' and 'energy efficiency' with two leaves based on the Framework's stringent requirements. SunDell's future projects aim for a minimum energy efficiency of BB, which signifies a nearly zero-energy building (NZEB). SunDell's current real estate project outperforms this energy efficiency level with a ranking of AA to AA+, equivalent to three leaves. Based on production estimates, SunDell constructs apartments with about 40-50% lower water usage than conventional residential buildings in Hungary.

SunDell's 'renewable energy' category is scored with two leaves. SunDell does not plan to construct energy self-sufficient buildings but intends to install geothermal heat pumps or solar panels in all real estate projects. We note that solar panels and heat pumps do not contribute equally to the renewable energy category. We provide further information on the drawback of heat pumps in the risk section on page 12.

For the 'clean transport' category, SunDell has the best score of three leaves. SunDell plans to construct in areas that are highly accessible by public transport. In Budapest, public transport such as trams and buses is fully electric. As SunDell exclusively operates in the suburbs of Budapest, it can adhere to this criterion in the future. SunDell will also finance supportive infrastructure in its buildings such as charging stations for e-vehicles as well as bike racks and biking lanes.

SunDell scores at least two leaves in every green project category. Consequently, SunDell's use of proceeds is aligned with the GBP.

II. Process for project evaluation and selection

SunDell has established a Green Finance Committee (Committee) and documented basic rules applying to the use-of-proceeds selection process. The Committee will ensure that green bond proceeds are used exclusively to finance and refinance projects and assets that meet Framework criteria.

The Committee comprises three members of the company and is chaired by the CEO. Decisions on behalf of the Committee require consensus. The mandate of a member (appointed by the CEO) lasts three years and SunDell always appoints one environmental or mechanical engineer. If feasible, the chairman can invite external green finance advisors to participate. The Committee convenes annually to allocate all proceeds or more frequently when necessary. The Committee will document its meetings and provide the treasury department with an updated list of green assets.

SunDell expressly limits the scope of eligible projects and assets to those determined under the GBP. Furthermore, they exclude the following sectors:

- Financing of gambling
- Nuclear energy generation
- Water
- Weapons and defence industries
- Tobacco
- Potentially environmentally harmful resource extraction

Scope's assessment: SunDell's project evaluation process is aligned with the GBP. The inclusion of an engineer in the Committee ensures quality and credibility in the process. SunDell's proven willingness to consult external advisors adds further value.

III. Management of proceeds

The proceeds of the green bonds will be listed and managed in SunDell's green finance register, which will be managed by a member of the Committee.

Establishment of Green Finance Register

The amount required to finance or refinance eligible assets will be deducted from the register. An asset that no longer meets Framework requirements will be removed from the list. Consequently, proceeds will be recredited to the register and reallocated to eligible assets. SunDell aims to fully allocate green bond proceeds as soon as possible after issuance. The proceeds yet to be allocated will be held as cash or other short-term interest-bearing securities.

An external auditor will verify the post-issuance use of proceeds, in line with the GBP.

SunDell's green bond issuance is part of an initiative of the central bank of Hungary. The bonds will be issued to a limited set of investors who will bid in an auction. SunDell has engaged MKB Bank as an arranger in compliance with green bond issuance regulation in Hungary. The green bonds will be listed on the Xbond platform on the Budapest Stock Exchange.

SunDell details a robust pricing process

We consider SunDell's real estate pricing process to be robust. SunDell's employees are experts in the acquisition of land and the construction of residential buildings in Budapest. The company can draw on its experience in the implementation of large projects as well as its ability to estimate costs accurately.

According to SunDell, part of its green bond proceeds will be used to pay the monthly invoices of its subcontractors. The remaining proceeds will be invested in new

development projects with the primary intention of purchasing new properties. So far it has not needed to refinance bank loans.

SunDell has an internal control and compliance function that oversees the management of proceeds. SunDell's governance report states that the company will place more emphasis on internal control systems. As a result, a higher-level control and risk management system is being implemented. More detail is currently not available.

Transparent management of proceeds

Scope's assessment: SunDell's management of proceeds complies with GBP requirements. SunDell transparently presented to us its transaction process and management of the green finance register. We highlight SunDell's efforts to further expand internal control mechanisms. The internal controller is an independent member of both the supervisory board and the audit committee and has access to the relevant reports and fund activities, which we deem to be appropriate control mechanisms.

IV. Reporting

SunDell is committed to publishing annual allocation reports that detail the allocation of its financed projects and assets until full allocation. Where feasible, SunDell will also begin publishing annual impact reports on its website within 12 months of the first bond's issuance. The Committee will review and approve the reports.

In accordance with the Harmonized Framework approach for Impact Reporting, SunDell pledges to annually report at least one impact indicator listed in the table below.

Category	Impact report
Green buildings	Types of certification and degree of certification for buildings (e.g. LEED, BREEAM, EPC)
Energy efficiency	Estimated annual amount of energy savings in relation to legislations and building codes in Hungary (MWh)
	Estimated annual GHG emissions avoided due to energy savings (tonnes CO2 equivalent)
Renewable energy	Estimated renewable energy produced annually on the asset or off the asset (MWh)
	Estimated annual GHG emissions avoided (tonnes CO2 equivalent)
Clean transport	Annual absolute (gross) GHG savings in CO2 equivalent
	Annual absolute (gross) GHG savings as a percentage

Allocation report
Total amount of green bonds issued
Remaining balance of unallocated bond proceeds
Sum of the green finance register balance
Geographical distribution of projects
Share of financing/refinancing
Construction status of buildings
Verification by external auditor

Scope's assessment: The reporting proposed by SunDell is aligned with the GBP, particularly the ambition to comply with the Harmonized Framework approach.

Share of financing versus refinancing

SunDell intends to use the green bond proceeds for financing new real estate development projects. Although unlikely, SunDell does not exclude the option to refinance projects.

Scope's opinion

Alignment with SDGs

SunDell's Framework advances SDGs

The SDGs adopted by all UN member states in 2015 are a collection of 17 global targets that form an agenda for achieving sustainable development by 2030. SunDell's Framework deems the following SDGs relevant:

- **6. Clean water and sanitation:** Ensure availability and sustainable management of water and sanitation for all
- **7. Affordable and clean energy:** Ensure access to affordable, reliable, sustainable and modern energy for all
- **9. Industry, innovation and infrastructure:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- **11. Sustainable cities and communities:** Make cities and human settlements inclusive, safe, resilient and sustainable
- **12. Responsible consumption and production:** Ensure sustainable consumption and production patterns
- **13. Climate action:** Take urgent action to combat climate change and its impacts

Appendix 3 lists relevant indicators for measuring SunDell's contribution to each SDG. In post-issuance impact reporting, the contribution to the SDGs can be quantified.

Alignment with EU Taxonomy

SunDell's Framework voluntarily engages with EU Taxonomy draft regulation

The EU Taxonomy for sustainable finance is a draft legislation that will be implemented in 2021-22. The EU Taxonomy specifies technical mitigation criteria for the activity: construction of new buildings, and a 'do no significant harm' (DNSH) assessment. The DNSH assessment ensures that other environmental objectives are not harmed while a substantive contribution is made to one or more environmental objectives. The assessment of minimum social safeguards is not included in the analysis. According to the technical criteria, the net primary energy demand of new construction must be at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements[2]. SunDell's framework sets the minimum requirement of outperforming the EPC of NZEBs by only 10%. SunDell has provided us with documentation detailing its intention to meet the mitigation threshold of the draft regulation and comply with DNSH (Appendix 4). SunDell's latest real estate development complies with the threshold specified by the EU Taxonomy.

Through its sector criteria and thresholds, the EU Taxonomy offers a concrete definition of 'green'. In our opinion, SunDell's voluntary engagement with the Taxonomy criteria reflects a high ambition. We also note SunDell's forward-thinking approach through its commitment to draft regulation that is likely to have a significant impact when enforced.

[2] 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

Impact of proceeds

SunDell's impact: green buildings

SunDell's focus is to consider both national and EU level requirements for green buildings

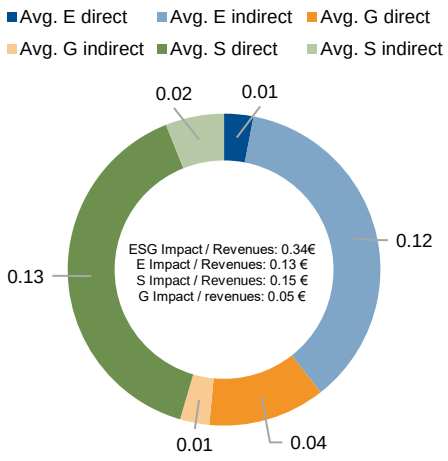
In addition to the Taxonomy, the EU has set targets to realise the Paris Agreement, including a reduction in GHG emissions by at least 40% by 2030[3]. For Hungary, a 40% reduction means its gross emissions may not exceed an equivalent of 56.19bn tonnes of CO2[4]. The National Building Energy Performance Strategy has found that buildings account for approximately 40% of primary energy use in Hungary. A further 60% of this consumption is attributable to residential buildings. These significant shares place energy efficiency and renewable energy provisions at the forefront of Hungary's discussions on how it can reach its energy targets by 2030.

In alignment with national environmental targets, SunDell focuses on reducing the downstream energy consumption of its real estate.

GHG emissions are main impact drivers for Hungarian construction companies

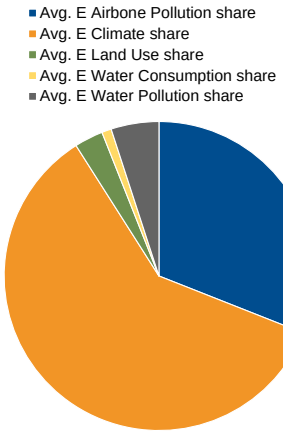
Our ESG impact model sheds light on the upstream impacts from the construction of new buildings. While the greatest impact within residential real estate construction is social-related, environmental impacts are also significant: on average, 13 cents of negative environmental impacts are generated for each euro of revenue (Figure 3).

Figure 3: Upstream ESG impact of average Hungarian residential construction company[5]



Source: Scope ESG Analysis

Figure 4: Upstream environmental impact of average Hungarian residential construction company



Source: Scope ESG Analysis

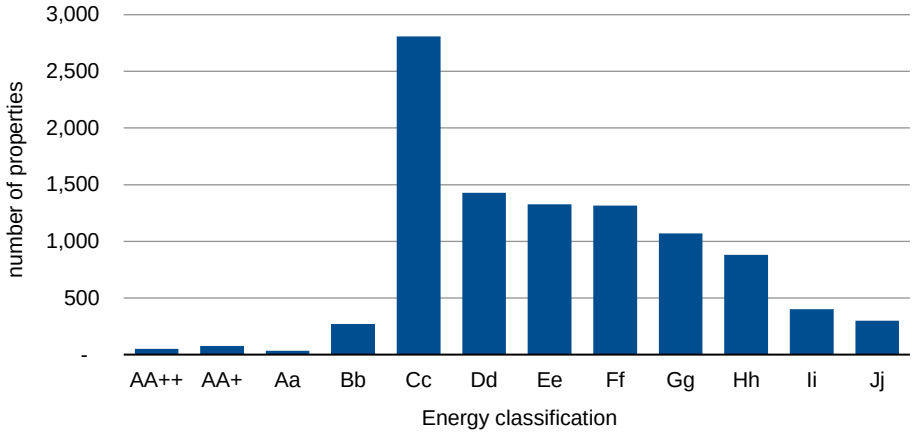
Considering the drivers of the negative environmental impact as shown in Figure 4, climate share (GHG emissions), with 63% of the environmental impact, is largely accountable.

By primarily focusing on downstream energy efficiency, SunDell aims to reduce its emissions and is tackling the greatest environmental impact likely caused by its upstream construction. Potentially, downstream reduction in energy consumption could outweigh the energy consumed during the construction phase. A life cycle assessment of the constructed buildings is required to assess the overall impact reduction.

Figure 5 depicts the energy efficiency of the current stock of buildings in Budapest. SunDell plans to invest in projects with a minimum energy efficiency of BB. In 2021, 4.6% of the building stock in Budapest is classified as BB or above.

[3] https://ec.europa.eu/clima/policies/strategies/2030_en
[4] https://ec.europa.eu/energy/sites/ener/files/documents/hu_final_necp_main_en.pdf
[5] The E impact / Revenues was changed to 0.13 from 0.31 on 27 April 2021 to correct the error.

Figure 5: Residential real estate in Budapest, 2021



Source: https://entan.e-epites.hu/?stat_megoszlas

Most recent developments adhere to ambitious energy efficiency levels of AA to AA+

While SunDell's previous project had lower energy efficiency levels, the current portfolio depicted below adheres to ambitious levels of AA to AA+. This shows that the new projects have high energy efficiency levels, well above the Hungarian standard as depicted in Figure 5.

SunDell's record

Past project finance	Timeframe	Certification Standard	Energy Efficiency
Paskal Rose	2018/21	EPC	CC
Paskal Garden Building A	2021	BREEAM, LEED, EPC	AA+
Paskal Garden Building B	2022	BREEAM, LEED, EPC	AA
Paskal Garden Building C	2022	BREEAM, LEED, EPC	AA

SunDell's focus is to consider the criteria for green buildings, aiming to ensure that the buildings it acquires, constructs, or refurbishes meet at least a 'very good' under the BREEAM certification standard, at least the 'gold' standard under LEED or perform at least 10% better than the minimum Hungarian EPC for NZEBs (category BB or above), and at least category AA from 2026.

The Green Buildings Assets & Activities plan is aimed at mitigating climate change in the Hungarian market. We acknowledge that under SunDell's Framework, investments in green buildings can contribute to EU climate targets of reducing GHG emissions by 40% by 2030 against 1990 levels.

SunDell's impact: energy efficiency

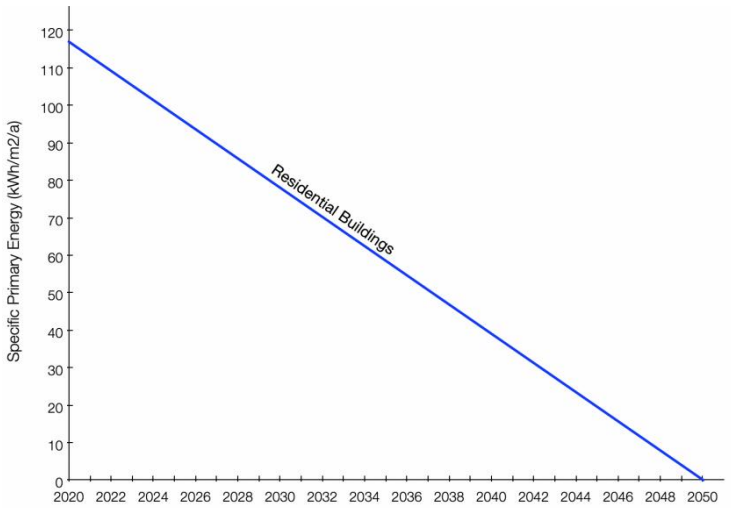
By 2030, the EU intends to improve energy efficiency among its member states by 32.5%[6]. Hungary's national targets for residential real estate closely follow EU recommendations. The Framework's energy efficiency targets exceed the relevant national regulation criteria by at least 10%.

As shown in Figure 6, The Climate Bonds Standard has established a recognised criterion whereby a building's primary energy consumption must lie below the hurdle rate established for the midpoint of the bond's term. SunDell's Framework criteria require a

[6] https://ec.europa.eu/clima/policies/strategies/2030_en

minimum energy efficiency level that lies below the hurdle rate in 2021. SunDell's buildings can fulfil this criterion depending on the future primary energy consumption of the building and the term of the issued bond.

Figure 6: Low-carbon building criteria under the Climate Bonds Standard



Source: https://www.climatebonds.net/standard/buildings/residential/calculator

SunDell aims to provide highly energy-efficient buildings in Hungary. New or existing buildings developed and constructed by SunDell are among the 15% most energy efficient buildings in Hungary.

SunDell's impact: renewable energy

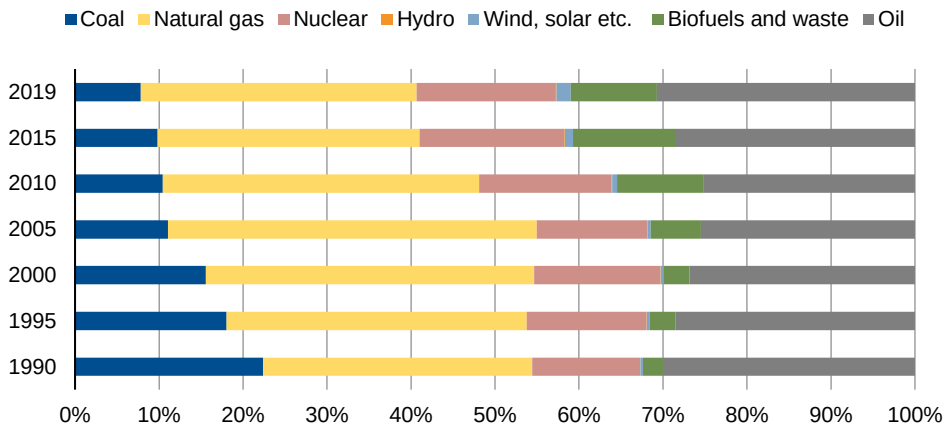
The EU is setting energy targets that aim to derive at least 32% of energy from renewables in 2030 and potentially increasing this goal in June 2021[7]. Hungary's Energy Strategy is aiming for around 20% of primary energy derived from renewables by 2030[8].

Low share of renewables in Hungary

According to Hungary's Energy Strategy, 75% of Hungarian household energy consumption relates to heating[9]. Hot water production in households accounts for a further 10% of energy consumption. Currently, heating is largely supplied with natural gas[10]. Hungarian regulation has prescribed an average 25% share of renewable energy for new property construction after 2020 to reach the NZEB performance level[11]. To realise this, the strategy strongly encourages the installation of decentralised heat pumps given that only 10-15% of Hungary's geothermal potential is currently being exploited, according to the country's ministry of innovation and technology.

[7] https://ec.europa.eu/clima/policies/strategies/2030_en
[8] https://www.iea.org/policies/5913-2030-energy-strategy-of-hungary
[9] https://ec.europa.eu/energy/sites/ener/files/documents/hu_final_necp_main_en.pdf
[10] https://ec.europa.eu/energy/sites/ener/files/documents/hungaryActionPlan2014_en.pdf
[11] https://ec.europa.eu/energy/sites/ener/files/documents/hu_final_necp_main_en.pdf

Figure 7: Energy mix in Hungary in %



Source: https://www.iea.org/countries/hungary

Figure 7 shows that obtaining a significant share of electricity from renewable sources is proving difficult for Hungary. While the share is increasing, at 11%, it is still below the European average of 19%[12]. There is a high probability that Hungary will continue to obtain electricity from fossil fuels instead of from renewables.

SunDell's installation of solar panels or standalone solar farms, heat pumps and geo-energy (ground and surface systems) and related infrastructure (e.g. grid connections, electric substations or networks) can contribute significantly to Hungary's clean energy supply.

SunDell's impact: clean transport

In Europe, transport is the largest source of carbon emissions with 27%, of which two-thirds come from automobiles and vans[13]. Focusing on clean transport in Hungary is therefore key in meeting EU emission targets. SunDell plans to use some bond proceeds to finance supportive infrastructure such as charging stations for electric vehicles, bicycle garages/facilities and other investments supporting low-carbon forms of transport.

SunDell will consider accessibility to public transport when purchasing development land in Budapest. This can have a significant impact as public transport vehicles in Budapest such as trolley buses and trams are fully electric.

While a residential building developer has limited options regarding environmentally friendly transport, framework conditions on site can encourage residents to opt for more environmentally friendly modes of transport. SunDell achieves these framework conditions through its specified criteria.

Risks

SunDell manages risks through internal control systems

The Framework's eligible categories entail social and environmental risks. We evaluate that SunDell is well positioned to address the common risks associated with its green project categories. SunDell publishes an annual report that includes information such as its strategy and business ethics. SunDell's level of transparency minimises potential risks. In Hungary, existing labour laws and environmental protection standards comply with the EU-wide minimum threshold that reduces risks.

[12] https://www.destatis.de/Europa/EN/Topic/Environment-energy/_node.html;jsessionid=B84CAE3B50C87A095766BA4C2208304B.live722
[13] https://www.transportenvironment.org/publications/co2-emissions-cars-facts

Associated project Risks	SunDell's risk mitigation measures
Health and safety risks	In Hungary, the Act of 1993 concerning Occupational Safety and Health aims at ensuring the health and safe working conditions of workers.[14] In addition, there are EU-level regulations and minimum standards regarding the health and safety of workers.[15]
Biodiversity risks	Since SunDell primarily operates in the suburbs of Budapest, there is no increased risk of greenfield construction or other biodiversity harm. Nevertheless, SunDell employs its own environmental engineers who take these risks into account. We consider the risk of harm to biodiversity to be low. The EU implemented its own biodiversity strategy for 2030[16], which also includes buildings. The strategy aims to counteract the loss of green spaces and ecosystems in urban areas by promoting the inclusion of environmentally friendly designs of buildings that have a connection to nature.
Compliance risk	SunDell has an internal control and compliance function. The employee responsible for the internal control system is an independent member of both the supervisory board and the audit committee, providing them access to all relevant information.
High impact of material resources on ESG score of the construction sector	According to our ESG Impact Review Methodology, almost 40% of the global environmental impact of the construction sector is attributed to the materials sector. SunDell states that it uses quality material in its construction, further detailed in Appendix 4.
Environmental risk	No information on an environmental management system and external environmental impact assessments was provided by SunDell or included in corporate governance reports.
Heat pump risk	Since increased energy may be required for heat pumps, Hungary's current electricity mix may pose a risk (Figure 7). The share of renewable energy is still low for EU standards, implying a high probability that heat pumps will remain powered by polluting sources of energy. Therefore, the share of renewable energy consumed is unclear.

[14] https://www.ilo.org/dyn/natlex/docs/WEBTEXT/38155/64930/E93HUN01.htm
[15] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=EN
[16] https://ec.europa.eu/environment/strategy/biodiversity-strategy-2030_en

I. Appendix: Documents provided by SunDell

Issuer document	Document description
Market research on Hungarian real estate standards	Hungarian housing market database
	Central Bank of Hungary document: Financing the Hungarian Renewable Energy Sector
	Central Bank of Hungary document: Notice on the criteria for the Preferential Green Capital Requirements
	Central Bank of Hungary document: Analysis of Housing Market
	Hungarian building regulation EPC
General information provided by SunDell	Annual reports
	Backgrounds of Green Finance Committee members and green bond team
	Environmental performance of SunDell's past projects
Green bond-specific documentation provided by SunDell	Green Bond Framework
	Green finance register
	Green Finance Committee minutes
	Green bond selection process/details on selection process
	Documentation of the treasury relating to green bond issuance
	Base rules stating the qualifications of Green Finance Committee members
	Information on use of proceeds

II. Appendix: Green building certification schemes & regulation

	LEED	BREEAM	Hungarian EPC
Description	The LEED (Leadership in Energy and Environmental Design) certification process developed by the US Green Building Council (USGBC) is widely used globally, with high acceptance among users and international real estate markets.	The BREEAM certification (Building Research Establishment Environmental Assessment Method) is a sustainability assessment method used to certify projects, infrastructure, and buildings. It sets benchmarks for the environmental characteristics of buildings through the design, specification, construction, and operational phases and can be applied to new buildings or refurbishment plans.	The Energy Performance of Buildings implementation in Hungary sets requirements in terms of energy generation and efficiency that buildings need to fulfil to qualify for public funding.
Certification levels	• Platinum • Gold • Silver • Certified	• Outstanding • Excellent • Very Good • Good • Pass	Yes/No
Areas of assessment	• Sustainable sites • Water efficiency • Energy & atmosphere • Materials & resources • Indoor environmental quality • Innovation in design	• Energy • Health and wellbeing • Innovation • Land use • Materials • Management • Pollution • Transport • Waste • Water	• Energy efficiency • Renewable share • Energy generation
Requirements	Prerequisites (independent of level of certification) and credits with associated points. LEED has different rating systems that apply to specific sectors	Prerequisites depending on the levels of certification and credits with associated points	• Energy efficiency of at least BB • Minimum renewable share of 25% • Thresholds for U-values of building elements
Accreditation	Internationally accepted, widespread and guaranteed high quality	Can be easily applied to local requirements; predominant environmental focus; standards less strict than LEED	Mandatory European regulation

III. Appendix: SDG alignment

GBP category	SDG alignment	Indicators to be evaluated
Green buildings		• Avoided kWh per square metre, or in percentage terms (%) below national building standards • Annual GHG emissions reduced or avoided, in tonnes of CO2 equivalents
Energy efficiency		• Annual energy reduced or avoided in MWh or GWh (electricity) and MWh or GWh (other energy savings) • Other indicators: annual gross GHG emissions from the project in tonnes of CO2 equivalents
Renewable energy		• Annual energy production on-site, in MWh or GWh • Quantity of installed solar power panels or heat pumps per square metre
Clean transport		• Quantity of installed bicycle racks and electric vehicle charging stations per square metre • Estimated annual GHG emissions reduced/avoided, in tonnes of CO2 equivalents through access to public transport

IV. Appendix: EU Taxonomy alignment mitigation

SunDell's Framework activity	Residential real estate construction	
Taxonomy activity	F41.1 – Development of building projects and F41.2 – Construction of residential and non-residential buildings	
	EU technical mitigation criteria	**Comments on potential alignment**
Mitigation criteria (metric and threshold)	The mitigation threshold is based on NZEB requirements, which are defined in national regulation implementing the EPBD and are mandatory for all new buildings across EU member states from 2021. To be eligible, the net primary energy demand of the new construction must be at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements. This reduction can be met through a direct decrease of the primary energy demand via a more efficient design, by offsetting with on-site and off-site renewables generation, or through combination of the two strategies. Off-site energy generation must be limited to district heating and cooling systems and local renewable energy sources.	SunDell's recent real estate developments comply with this criterion. SunDell has assessed that the first project to be funded under the Framework, Paskal Garden, has an ex-ante energy report that complies with this criterion. The average yearly energy consumption in Paskal Gardens is 59-63 kWh; the yearly NZEB requirement is 100 kWh. SunDell will also install heat pumps to all newly developed buildings that meet the criteria for heating and cooling systems
	EU Taxonomy DNSH-criteria	**Comments on potential alignment**
Sustainable use and protection of water and marine resources	All relevant water appliances (shower solutions, mixer showers, shower outlets, taps, WC suites, WC bowls, flushing cisterns, urinal bowls and flushing cisterns, bathtubs) must be in the top two classes for water consumption under the EU Water Label	The taps SunDell installs are Grohe and Kludi AG products. Grohe products belong to the '233' product family, which receives a dark-green water label. The Kludi products belong to the light-green category. The cisterns installed also belong to the light-green category as SunDell solely installs Geberit AG products, which are either in the light-green category or better.
Transition to a circular economy (circular economy)	At least 80% (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material defined in category 17 05 04 in the EU waste list) generated on the construction site must be prepared for re-use or sent for recycling or other material recovery, including backfilling operations that use waste to substitute other materials.	SunDell carries out three types of recycling: i) concrete is recycled for reuse in road construction, either for its own use or to be sold to other highway construction companies; ii) polystyrene is recycled as a raw material for 'light concrete' for levelling out ground; and iii) paper and plastic are recycled through public deposition facilities.
Pollution prevention and control	It is ensured that building components and materials do not contain asbestos nor substances of very high concern as identified based on the Authorisation List of the REACH Regulation. If the new construction is located on a potentially contaminated site (brownfield site), the site must be investigated for potential contaminants, for example, using standard BS 10175. Non-road mobile machinery used on the construction site should comply with the requirements of the NRMM Directive,	SunDell does not use asbestos or other dangerous components. Hungarian legislation is the leading point in every real estate project. If the national or regional legislation says the land targeted for development is potentially polluted, SunDell will rely on local authorities for instructions on how to investigate and restore the land. If SunDell were to use toxic materials or operate on a contaminated site, it would be prevented from proceeding with the development.
Protection and restoration of biodiversity and ecosystems	New construction must not be built on protected natural areas, such as land designated as Natura 2000, UNESCO World Heritage and Key Biodiversity Areas, or equivalent outside the EU as defined by UNESCO and/or the International Union for Conservation of Nature (IUCN) under the following categories: Strict Nature Reserve, Wilderness Area, National Park New construction must not be built on arable or greenfield land of recognised high biodiversity value and land that serves as a habitat of endangered species (flora and fauna) listed on the European Red List and/or the IUCN Red List. At least 80% of all timber products used in the new construction for structures, cladding and finishes must have been either recycled/reused or sourced from sustainably managed forests as certified by third-party certification audits performed by accredited certification bodies, e.g. FSC/PEFC standards or equivalent.	SunDell exclusively develops properties in Budapest. SunDell notes that there are no protected natural areas or key biodiversity areas in Budapest.

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