

# **GREEN FINANCE FRAMEWORK**

Skygreen Buildings Ltd.

November 2020

## Table of Content

Table of Content .....	2
1. Introduction .....	3
1.1. About Skygreen Buildings Ltd. ....	3
1.2. Skygreen Buildings' Sustainability Contribution .....	3
1.3. Green building portfolio and acquisition strategy .....	3
1.4. Greenhouse gas emissions and energy efficiency of the asset portfolio .....	4
1.5. Our contribution to the Sustainable Development Goals .....	4
1.6. The Green Finance Framework.....	5
2. Use of Proceeds .....	5
3. Process for Asset Evaluation and Selection .....	6
4. Management of Proceeds.....	7
5. Reporting.....	7
6. External review .....	8
6.1. Second party opinion (pre-issuance) .....	8
6.2. Audit of the Allocation Report (post-issuance).....	8

# 1. Introduction

## 1.1. About Skygreen Buildings Ltd.

Skygreen Buildings Ltd. (“the company” or “Skygreen Buildings”) is a real estate company founded in 2016 and operating and headquartered in Budapest, Hungary. The company acquires and manages commercial real estate assets, primarily in the office sector, with the objective of being the landlord of a growing variety of multinational companies. Currently the portfolio of Skygreen Buildings largely consists of green office buildings that are recently constructed with certificates BREEAM Very Good and above or LEED Gold and above that ensure energy efficiency, low carbon emissions, and an efficient use of resources during construction and operations.

As of 30 September 2020, Skygreen Buildings has a high-quality income generating real estate portfolio valued at EUR 76 million.

## 1.2. Skygreen Buildings’ Sustainability Contribution

Skygreen Buildings’ business model is based on sustainable value creation for the long-term through the acquisition and renting out of commercial real estate in prime locations in Budapest. Thus, sustainability is an integral part of Skygreen Buildings’ daily operations and acquisition strategy. In the acquisition and management of properties, Skygreen Buildings has the ambition to best stimulate sustainable development for tenants, the local community and the environment as well as for the long-term profit development for the company.

## 1.3. Green building portfolio and acquisition strategy

Skygreen Buildings is committed to high standards in terms of green and sustainable buildings. All but one of the office buildings in Skygreen Buildings’ portfolio are certified to internationally recognized green buildings standards. The company takes sustainability issues into account when acquiring new buildings and has a clear strategic focus to acquire only buildings which meet internationally recognized standards such as BREEAM Very Good and above or LEED Gold and above. Those comprehensive building certificates ensure a strong sustainability performance of the acquired buildings across the main relevant sustainability challenges, especially energy and greenhouse gas emissions. Additionally, Skygreen Buildings is committed to take further sustainability considerations into account such as good access to public transportation.

## 1.4. Greenhouse gas emissions and energy efficiency of the asset portfolio

The buildings sector has one of the highest carbon footprints – it currently contributes to 30% of global annual greenhouse gas (GHG) emissions and consumes around 40% of the world’s energy.<sup>1</sup> In the European Union, the share is even higher with buildings being the largest energy consuming sectors, responsible for some 40% of energy consumption and 36% of GHG emissions.<sup>2</sup> Skygreen Buildings is aware that the increase in energy efficiency, reduction of GHG emissions and the conservation of resources is a major theme affecting the future of the real estate sector on its way to carbon neutrality. In order to minimize the building’s negative impact on the environment, continuous efforts are made to minimize the direct and indirect climate footprint of the property portfolio. Despite the fact that the properties are rented on contracts exclusive of heating and electricity, meaning that Skygreen Buildings does not control the electricity consumption, by holding an investment portfolio consisting of mainly certified green buildings that were just recently built, Skygreen Buildings ensures high energy efficiency and low greenhouse gas emissions.

## 1.5. Our contribution to the Sustainable Development Goals

Skygreen Buildings supports and seeks to contribute to the United Nation’s Sustainable Development Goals that are part of the Agenda 2030. Skygreen Buildings contributes to the achievement of the UN Sustainable Development Goals, with a specific focus on:



SDG 6 – Clean water

SDG 7 – Affordable and clean energy

SDG 9 – Innovation and infrastructure

SDG 11 – Sustainable cities and communities

SDG 12 – Responsible consumption and production

SDG 13 – Climate action

All assets set up in the company’s acquisition plan have excellent approach to public transport and have sustainable environmental solutions applied. For example, Váci Green building D own by Skygreen Buildings’ is easily accessible by public transportation, the metro station is

---

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

<sup>2</sup> European Union Technical Expert Group on Sustainable Finance – Taxonomy Report: Technical Annex, p. 367  
[https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

a 5 minute walk away. In addition, in Váci Green building D, rainwater is collected and used to reduce freshwater use. Further, the building has a drilled well which provides grey water that is used in the toilets of the office building.

## 1.6. The Green Finance Framework

Skygreen Buildings' issuance of Green Financing Instruments enables the company to focus on assets with positive environmental impact and hence supports its sustainability strategy path. When issuing Green Financing Instruments, this Green Finance Framework will apply.

This Green Finance Framework ("Framework") has been developed in alignment with the Green Bond Principles 2018 ("GBP")<sup>3</sup>. The Framework is applicable for issuance of Green Financing instruments including Green Bonds and Green Loans where net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing Eligible Assets with clear environmental benefits.

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

Furthermore, the Framework is reviewed by an external impartial firm, Sustainalytics, that has provided the second opinion to confirm the alignment of Skygreen Buildings' Green Finance Framework with the GBPs.

## 2. Use of Proceeds

An amount equivalent to the net proceeds raised by the issuance of Green Financing Instruments shall be used to finance or re-finance, in part or in full, new or existing Eligible Assets providing distinct environmental benefits ("Eligible Green Assets"). Skygreen Buildings will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets.

---

<sup>3</sup> Green Bond Principles published in June 2018 are voluntary process guidelines for issuing Green bonds established by International Capital Markets Association (ICMA)  
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

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

### *Green Buildings*

- i) All existing and new acquired buildings that either have or with the objective to receive (at least applied or pre-certified):
  - ✓ one of the following certifications including the lowest indicated levels: LEED Gold, BREEAM Very Good, BREEAM In-Use Very Good
  - ✓ OR an energy performance certificate (EPC) of class A in Hungary
- ii) Major renovations (e.g. insulation of walls and roofs, replacement of boilers) to improve energy efficiency of a given building by a minimum of 30% or to facilitate a two-grade improvement in local energy performance label

In case of a denied certification or an insufficient final certification the asset will be excluded from the List of Eligible Green Assets.

In addition, all green buildings need to be connected to public transportation, thus encouraging green ways to reach the buildings

The value for Eligible Green Assets under “*Green Buildings*” is based on the value of such assets reported in the balance sheet, at time of the cut-off date for annual reporting of the Green Financing Instruments.

## 3. Process for Asset Evaluation and Selection

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

To ensure that allocations are made to Eligible Green Assets as specified in the use of proceeds section above, Skygreen Buildings has established a Green Finance Committee (“GFC”), comprising three Managing Directors of Skygreen Buildings. Only project/assets which are approved by all members can be selected as Eligible Green Assets.

The Green Finance Committee will be responsible for selection and evaluation of Eligible Green Assets including:

- Ensuring the proposed allocations are aligned with the relevant general company policies and company’s ESG strategy
- Ensuring the potential Eligible Green Assets are aligned with the categories and eligibility criteria as specified in the Use of Proceeds section above, and approving any proposed changes to the List of Eligible Green Assets in the event that the Assets no longer meet the eligibility criteria
- Monitoring the List of Eligible Green Assets on a regular basis during the term of the Green Financing instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Assets

The GFC meets at least on an annual basis to assess asset eligibility and allocation of proceeds until full allocation.

## Exclusions

Furthermore, Skygreen Buildings commits to use the proceeds of the Green Financing Instruments only for Eligible Green Assets described above and explicitly excludes financing of nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction, gambling or tobacco.

## 4. Management of Proceeds

An amount equal to the net proceeds raised by the Green Financing Instruments will be allocated to Eligible Green Assets as specified above. Green Financing Instruments will be tracked by using a spreadsheet where all issued amounts of Green bonds and other green debt instruments will be inserted. The spreadsheet will also contain the List of Eligible Green Assets mentioned in Section 3 and will be managed by one of the managing directors of Skygreen Buildings. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5.

All Green bonds issued by Skygreen Buildings will be managed on a portfolio level. This means that a Green bond will not be linked directly to one (or more) pre-determined Eligible Green Assets. The Company will keep track and ensure there are sufficient Eligible Assets included in the List of Eligible Green Assets. Assets can, whenever needed, be removed or added to/from the list.

Any unallocated proceeds will be held by the issuer in cash deposits on a temporary basis in accordance with the relevant internal treasury policies.

## 5. Reporting

To be fully transparent towards the sustainable investors and other stakeholders, Skygreen Buildings commits to report on an annual basis and as long as it has Green Financing instruments outstanding. The report will be forwarded to investors on an annual basis and will cover the following areas:

### Allocation of proceeds reporting

The allocation report will provide:

- ✓ Total amount of Green bonds issued
- ✓ Share of proceeds used for categories described in the use of proceeds section
- ✓ Disclosure of Eligible Green Assets identified (project name and location, as long as not of sensitive nature)
- ✓ The geographic distribution of Eligible Green Assets

- ✓ Share of proceeds allocated/ yet unallocated
- ✓ Share of proceeds used for financing/re-financing

## Impact reporting

Where feasible, and on a best efforts basis, Skygreen Buildings will provide an impact report in accordance with the approach outlined under the Harmonized Framework for Impact Reporting<sup>4</sup>, which may include below criteria indicating environmental impact for the total amount of Green Eligible Assets covering one main category “*Green buildings*” :

- ✓ Type of certification and degree of certification for buildings (e.g. LEED, BREEAM etc.)
- ✓ OR energy performance certificate with highest energy class
- ✓ One or several of the following key performance indicators:
  - Information on the energy usage in kWh/m<sup>2</sup>/year
  - Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)

## 6. External review

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

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

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

Allocation of proceeds to Eligible Green Assets will be subject for an annual review by an external part/external auditor. A verification report provided by the external part will be forwarded upon request.

---

<sup>4</sup> Harmonized Framework for Impact Reporting, June 2019, ICMA

## Disclaimer

This document is intended to provide non-exhaustive, general information. This Document may contain or incorporate by reference public information or information based on sources believed to be reliable not separately reviewed, approved or endorsed by Skygreen Buildings Ltd. (“Skygreen Buildings”) and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Skygreen Buildings as to the fairness, accuracy, reasonableness or completeness of such information. The information in this Document has not been independently verified.

This Document may contain statements about future events, procedures and expectations. None of these forward looking statements in this Document should be taken as promises or commitments nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in this Document. In particular, no representation or warranty is given by Skygreen Buildings as to any actual issue of any “Green Bond” by Skygreen Buildings.

Skygreen Buildings may at any time amend or supplement this Document. However, Skygreen Buildings undertakes no obligation to update, modify or amend this Document, the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any recipient if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate.

This Document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities, nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority. The information contained herein has no regard to any investment objectives, financial situations or needs of any recipient.

In no event shall Skygreen Buildings Ltd. or any of its managing directors, or employees have any liability or responsibility to any person or entity for any direct or consequential loss, damage, cost, charge, expense or other liability whatsoever, arising out of or in connection with the use of, or reliance upon, the information contained in this Document.

The publication, distribution or use of this Document and of the information it contains may be subject to legal or regulatory restrictions in some jurisdictions. Entities or persons who might come into possession of it must inquire as to existence of such restrictions and comply with them. Skygreen Buildings does not accept any liability to any person in relation to the distribution or availability and possession of this Document to or in any jurisdiction.