

<p>Second-Party Opinion *</p> <p>SkyGreen Buildings Green Finance Framework</p> <p>September 2021</p>	<p>Kalina Dimitrova, Project Manager k.dimitrova@bcra-bg.com</p>
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Company Overview

SkyGreen Buildings Ltd. is a real estate company based in Budapest, Hungary. The main line of business of the company is commercial real estate assets acquisitions and management. Its focus is office buildings which are to be rented out by a variety of companies. SkyGreen's portfolio consists primarily of "green office buildings" which are backed by certifications such as BREEAM (by BRE) or LEED (by USGBC). These certification programs aim to ensure efficient energy and resources usage during buildings' construction and operation.

In November 2020, the company published a Green Finance Framework, detailing the plans for Green Bond issuance. The sole purpose of the bond issuance is for the proceeds to be used for real estate (offices) acquisition under pre-defined criteria.

SkyGreen employs a business model, centred on long-term sustainable value creation, which is confirmed by the company's strict criteria for real estate assets selection:

- 1) Certified by an internationally recognised certifier in the field of sustainable real estate;
- 2) Certified as category "A" under Hungarian energy performance certificate.

Table 1: SkyGreen Buildings Green Finance Framework - Green Bond Scorecard

Evaluation factor	Score	Notes	Weight
Part I	5 (overall)		70% (overall)
Use of proceeds	5	Full alignment with ICMA's GBP, the proposed EUGBS and EU taxonomy.	50%
Project evaluation and selection	5	Straightforward project selection criteria, covering a broad spectrum of objectives.	20%
Proceeds management	5	Clear and transparent policy.	15%
Reporting quality and degree of transparency	4	Good level of detail, lacking only in additional information.	15%
Part II	5 (overall)		30% (overall)
General information on the entity	5	Excellent alignment with relevant UN SDG.	20%
Alignment and impact of usual business activities	5	Usual business activities in very good alignment with environmentally friendly objectives.	50%
ESG profile of entity	n/a		30%
Final score	GR5	Issuer with total alignment with the GBP. Certain achievement of goals if nothing extraordinary emerges. Very large positive impact on the environment.	

Green Bond Framework Analysis

➤ Use of proceeds

SkyGreen Buildings Ltd. intends to use all raised funds for financing or re-financing of selected new or existing “Eligible Green Assets” which prove to have a positive environmental impact.

The use of proceeds is primarily split into two broad categories:

- 1) New and existing buildings acquisition, satisfying either of the following criteria:
 - Certification by either certifier with the respective lowest level of certification – LEED Gold, BREEAM Very Good or BREEAM In-Use Very Good;
 - An Energy Performance Certificate (EPC) of class “A” in Hungary.
- 2) Significant renovations to existing building with the goal of improving overall energy and resource usage efficiency with a minimum of 30% or at least two-grade upgrade in local energy performance grading.

In case of misalignment of an asset with the criteria set out, such as denied certification or insufficient certification grade, the asset will be excluded from the Eligible Assets list.

From the standpoint of the proposed EU Green Bond Standards and ICMA Green Bond Principles, the designated usage of proceeds for “green buildings” acquisition and/or renovation is an eligible sector. The activities in this sector are related to the following environmental objectives: climate change mitigation, natural resource conservation, pollution prevention and control and climate change adaptation.

The use of proceeds also indirectly contributes to environmentally friendly actions in the transportation sector through SkyGreen’s selection of “green buildings” in close proximity to public means of transportation, thus reducing the usage of personal mobility solutions.

In BCRA’s view, the use of proceeds is in full alignment with the GBP and the EUGBS as the two main objectives that SkyGreen has are part of the sectors and activities defined in the relevant taxonomies as having a significant impact on the environment.

The company scores 5 out of 5 in this segment.

➤ Project evaluation and selection

The company has created a Green Finance Committee (GFC) which has the responsibility of project evaluation and selection, as well as:

- Ensure allocation alignment with the company’s policies and ESG strategy;
- Ensure alignment of potential eligible green assets with the eligibility criteria set out in the “use of proceeds” section, as well as approve changes to the eligible assets list;
- Monitor the list of eligible assets regularly, ensuring proper proceeds allocation.

The GFC will meet at least annually to discuss and decide on these relevant matters. This is planned to go on until the full allocation of proceeds.

Excluded projects are those related to nuclear energy, weapons and defence, gambling, tobacco, environmentally harmful activities and so on.

BCRA is of the opinion that the developed methodology for project selection is straightforward and covers a broad enough spectrum of environmental objectives. The company scores 5 out of 5.

➤ Proceeds management

The full raised amount will be allocated exclusively to projects, satisfying the above-described criteria. The proceeds from the Green Bond will be tracked by employing spreadsheets, containing information on all issued amounts, as well as a list of eligible projects. This allows for a straightforward comparison of the receiving of proceeds and allocation. This information will also serve as the basis for reporting purposes.

SkyGreen employs a policy of managing proceeds on a portfolio basis, meaning that a given Green Bond will not be specifically linked to a pre-determined list of eligible assets. This allows for a more flexible allocation of proceeds, ensuring that all eligible assets receive the required funding and that all funded assets are eligible in the first place.

Due to the nature of business, it is possible that some part of the proceeds remains unallocated temporarily. In such a case, the unallocated proceeds will be managed in accordance with the company's internal treasury policies.

The management of proceeds is overseen by one of the managing directors at SkyGreen Buildings.

The adopted policy is robust enough, while providing transparency and reliable allocation. The company scores 5 out of 5 in this segment.

➤ Reporting quality and degree of transparency

SkyGreen commits to report on proceeds allocation and projects' impact annually as long as there is a Green Bond outstanding.

The allocation report will contain the following:

- Total amount of Green Bonds issued
- Share of proceeds used for the categories, described in the "use of proceeds" section
- Disclosure of identified eligible green assets
- Geographic distribution of eligible green assets
- Share of proceeds allocation
- Share of proceeds used for financing or re-financing.

The impact reporting will contain:

- Type and degree of certification of selected real estate
- Energy performance certificate
- The following KPI
 - Information on energy usage in kWh/m²/year
 - Estimated reduction of greenhouse gas emissions.

BCRA is of the opinion that the reporting timeframe is suitable for the line of business that the company operates in. Furthermore, the allocation report content is sufficient to provide both clarity and transparency to investors and other stakeholders. In BCRA's view, the content of the impact reporting could be further expanded to include more KPI's. That would give a better understanding of the benefits of developing and operating green buildings.

Thus, the company scores 4 out of 5 in this segment.

➤ Usual business activities

SkyGreen Buildings has directed its main business activity towards the acquisition and operation of modern office buildings, which are built to standard. At the core of the company policy lies the strive for environmental challenges overcoming. As a result, the whole operation

of the company has a positive impact on the environment. An example of this environmentally-friendly policy is the rain-water collection system, as well as underground water usage for restroom water supply in one of its buildings.

Given the nature of SkyGreen's policy, the company scores 5 out of 5 in this segment.

➤ **Other considerations**

SkyGreen's Green Bond framework does not explicitly comment on possible controversies and does not describe any type of action plan to mitigate these controversies. Having in mind the line of business the company is in, there is a possibility for certain issues arising such as occupational health and safety considerations. SkyGreen, however, is not directly involved in the construction of the buildings it rents out, so this type of risk does not have a direct impact on its operations.

SkyGreen's Green Bond framework elaborates on the company's aim on contributing to the UN's Sustainable Development Goals with a primary focus on the following:

- Clean water
- Affordable and clean energy
- Innovation and infrastructure
- Sustainable cities and communities
- Responsible consumption and production
- Climate action

The company scores 5 out of 5 in this segment.

General Conclusion: BCRA considers that SkyGreen Buildings Green Finance Framework is in full alignment with the internationally recognised Green Bond Principles and EU Green Bond Standards. The company achieves a final Green Score of 5 out of 5.

** **Please note:** This document is prepared for methodology development purposes, thus, this second-party opinion is unsolicited as neither the green bond issuer, nor a related third party has participated in the evaluation process. BCRA uses only publicly available information from reliable sources but cannot guarantee their accuracy, adequacy, or completeness.*