



## **WING Green Bond Framework – August 18, 2021**

### **Green Bond Issuance of Wingholding Zrt.**

#### Introduction

WING Group (hereinafter referred to as WING) is a privately held leading Central-Eastern European real estate developer and investor. WING's primary activities are the construction, acquisition and refurbishment of real-estate assets, as well as property management and real-estate portfolio management. WING operates in a range of real-estate segments, though is mainly focused on offices, industrial and commercial buildings.

Although the company is based in Hungary, with most of its projects located in its home country, WING is actively looking for development and investment opportunities within the CEE region, particularly in Poland. In late 2019 WING acquired a majority interest in the leading Polish developer ECHO Investment, thus becoming a major regional player. Nevertheless, WING plans to continue its expansion across the region.

## Commitment to social and environmental values

WING believes in its role in creating a liveable and sustainable social and constructed environment for future generations. Therefore, the company actively participates in initiatives helping shape the future of the younger generations.

WING is one of the main sponsors of the SOS Children's Villages Foundation and has been a recurring gold sponsor of the National Conference of Science Students. In its internal operation the company places great emphasis on the well-being and professional support of talented junior employees.

As a part of its commitment to the well-being of future generations, WING is also strongly committed to environmental sustainability. WING intends to increase its contribution to climate change mitigation and adaptation. WING climate protection initiatives concentrate on energy efficiency and clean transportation.

WING is committed to contributing to the following UN SDG's:

Project Category	UN Sustainable Development Target Contributed To	
Green Buildings		7.3. By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency		7.3. By 2030, double the global rate of improvement in energy efficiency
Renewable energy		7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
Promotion of ecological value, biodiversity and organic agriculture		12.2 By 2030, achieve the sustainable management and efficient use of natural resources

### EU Taxonomy

WING has started to explore what the EU Taxonomy will mean for the company's activities. At this stage, the company is committed to the Taxonomy's environmental objectives and to align its policies and activities with those objectives.

In 2009 WING handed over its first BREEAM Very Good certified office building, the Allianz headquarters. In 2012 the company launched the first BREEAM Very Good certified sustainable shopping center in Hungary, Hegyvidék Shopping Centre.

Since 2017 all the company's newly developed office buildings are BREEAM and/or LEED certified, the minimum requirement level is BREEAM Good and/or LEED Silver certification. WING is highly committed to request its business partners to document their environmental protection measurements along their data service. In the selection process of partners, WING prefers those that are ISO 50 001 or ISO 14 001 certified. The company is committed to ensuring that the energy purchased for its new property developments and future refurbishments originates from certified green sources.

In line with the national regulation – which is based on the EU regulation – it is required that all buildings must be able to withstand extreme weather such as flooding and earthquake.

Besides green buildings, WING is continuously developing the infrastructure of older buildings to comply with higher energy efficiency standards, while it is playing a role in e-transportation infrastructure development. WING

aims to provide electric-vehicle chargers at new property developments or refurbishments. The proximity to public transport is a vital aspect in the Company's investment decisions.

WING increases the number of EV-chargers every year and installs one for at least 2% of parking lots in commercial buildings. Since its commencement, it has been measured that users have been carrying out approximately 200 charging sessions per charger per year, and they have drawn 3.4 kWh per charging sessions on average.

To safeguard sustainability, environmental and social protection, WING has established its Green Committee. The Committee overviews the assessment of the green bonds and green investments. The Committee also plays a key role in respect of the preparation, coordination, and governance of WING's green strategy and initiatives. From next year onwards, WING will report on environmental issues. The Green Committee will set medium and long-term sustainability targets and those will be monitored and tracked in the sustainability report.

The main objective of issuing Green Bonds is to increase WING's investment in green and sustainable projects, primarily in developing new buildings with improved energy efficiency and refurbishing existing buildings also to improve their energy efficiency.

To ensure alignment with market best practices, the current framework has been prepared in accordance with the guidelines of the ICMA - Green Bond Principles 2021. and includes the following sections:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**
- 5. External review**

This Framework will apply to any Green Bond issued by WING and will be applied if any such instrument is outstanding. This Framework may be updated in the future to ensure continued alignment with the Green Bond Principles or Taxonomy.

## 1. Use of Proceeds

An amount equivalent to the net proceeds of the Green Bonds will be used to finance, in whole or in part, existing and future eligible projects that meet the Eligibility Criteria as defined below.

GBP 2021 Eligible Project Category	Eligible Projects	Eligibility Criteria
Green Buildings	Investments for new projects	Preparation, design, and construction of buildings which meet recognized standards: <ul style="list-style-type: none"> <li>▶ BREEAM (Very good or above) or</li> <li>▶ LEED (Gold or above) and</li> <li>▶ Hungarian EPC rating of at least BB</li> </ul> Preparation, design, and construction of buildings where internationally recognized standards would not be used: <ul style="list-style-type: none"> <li>▶ Hungarian EPC rating of at least BB</li> </ul>
Energy Efficiency	Investments for refurbishment projects	<ul style="list-style-type: none"> <li>▶ Refurbishment of existing buildings to also achieve higher efficiency, lower energy consumption (solar panels and heat pumps) and lower GHG emissions (new heating system, thermal insulation)</li> <li>▶ design and installation of building management systems based on renewable energy sources</li> </ul>
Clean Transportation	Investments for the development of e-mobility	<ul style="list-style-type: none"> <li>▶ design and construction of electric vehicle charging stations related to real estate developments.</li> <li>▶ e-carsharing availability and support for real estate projects</li> </ul>
Biodiversity	Investments for new or refurbishment projects	<ul style="list-style-type: none"> <li>▶ Natural landscape restoration through the establishment of green roofs, green facades and roof gardens</li> </ul>

For the new development projects, WING will rely on district heating as the main source of heating and it will install equipment for renewable energy, such as solar collector panels, photovoltaic panels, heat pumps and heat recovery devices wherever it is allowed by applicable regulations and is economically feasible.

In every refurbishment process WING aims to reduce energy consumption with LED lighting fixtures, highly energy efficient mechanical systems (HVAC), by automated building management system with sensors and by using heat pumps and free cooling devices to save energy usage. Ultimately, WING aims to reach the best as possible Hungarian EPC rating for refurbishment activities, where and when is feasible.

WING always considers the access to transportation infrastructure with respect of its property projects. Therefore, the proximity of public transport, the prioritization of cyclist and pedestrian facilities are important considerations in the investment decisions.

## 2. Process for Project Evaluation and Selection

Within the context of the issuance of WING Green Bonds, the company has established a Green Committee with responsibility for governing selection and monitoring of the eligible projects. The Committee also plays a key role in respect of the preparation, coordination, and governance of WING green strategy and investment decisions. The project selection process is based on solely on the set of Eligibility Criteria in the section of Use of Proceeds.

The detailed tasks, responsibilities, members and mandates, status, organisation, and operation protocols are set in the Order of Business of the Green Committee, which will be available on the website of WING. The decisions of the Committee will be summarized and published as a part its green bond reporting. The selection processes and decisions will be subject to external audit.

The company undertakes that all evaluated and selected projects comply with official national and international environmental and social standards and local laws and regulations. Several members of the Green Committee will receive sustainability training this year.

An external sustainability expert with environmental competence will support the selection process, who won't be a permanent member of the Committee, however, will provide external professional advisory service for all eligible green investments. No eligible green investments will be carried out without the review of the expert. The expert won't hold a voting right in the Green Committee.

### Members of the Green Committee

- ▶ Chairman – leadership of the meetings. Chairman's vote decides in the case of vote equality.
- ▶ Secretary of the Committee – convening and administering the meetings.
- ▶ Permanent members – representation, proposal, voting right for each person (1 vote p.p.) Members can be delegated from the following departments:
  - ▶ Representative of finance / controlling
  - ▶ Representative of the risk management
  - ▶ Representative of technical engineering/design
  - ▶ Representative of development
  - ▶ Representative of legal
- ▶ Invited members to support the work of the Committee can be internal or external experts, without any voting rights.

The Chairman will be elected by the members of the Committee. The Green Committee meets on a pre-determined basis, but at least four times a year.

Decisions are made by open voting, by a simple majority of those present. In the event of a tie, the Chairman is permitted to break the tie by a casting vote.

## 3. Management of Proceeds

WING intends to allocate the proceeds from the Green Bonds to an Eligible Green Project portfolio, selected in accordance with the Use of Proceeds set of criteria detailed above.

The allocation of the proceeds will be executed and managed by the WING Finance Team, controlled by the CFO. The Finance Team incorporates financial experts of the company.

The allocation of the proceeds and such specific investment decisions are particularly based on the green strategy and green investment proposals contributed by the Green Committee.

The proceeds of each Green Bonds will be deposited in separate accounts and earmarked against the pool of eligible projects. All expenditures allocated to the Use of Proceeds shall be identified in the Green Register. WING is the ultimate owner of the project companies, where the individual building developments occur. WING will allocate proceeds from the green bonds. Through the financial and accounting processes, the CFO of WING ensures that proceeds will be allocated to individual disbursements.

The Green Register will contain relevant information to identify each Green Bond and the Eligible Green Projects relating to it, including the project category and country as well as relevant information of the financial instruments. The Green Register will contain such key information of the instruments as the following:

- ▶ ISIN number
- ▶ Coupon
- ▶ Maturity date
- ▶ Principal amount of proceeds
- ▶ Aggregated net amount of outstanding Green Bonds

The Green Register will be supervised by the Green Committee and will be reviewed on an annual basis by the Board of Directors. Nevertheless, such reviews shall be audited by an independent auditor annually and subsequently reported separately.

The company will strive, over time, to achieve a level of allocation for the Green Project portfolio which, after certain adjustments, matches or exceeds the balance of net proceeds from its outstanding green instruments.

It is WING's objective to allocate the proceeds of any Green Bond issuance within 24 months after issuance.

However, there may be periods when certain proceeds cannot be fully allocated to an eligible green project. Such cases could arise in the event of either the issuance of additional green bonds or the result of changes (project sold or divested) in the Eligible Green Project portfolio. In such cases, at the own discretion of the company, net proceeds will be allocated to temporary investments such as cash, cash equivalents or other liquid marketable investments.

### **Exclusions**

The proceeds of Green Bond Instruments will not be used to finance standalone projects connected to highly polluting activities, nuclear energy generation, weapons and defence purposes, gambling or tobacco uses, and potentially environmentally negative resource extraction. Also, WING will not finance standalone projects connected to activities that would cause a significant harm to the environmental objectives of the EU Taxonomy.

## **4. Reporting**

WING commits to publish on its website a Green Bond Report no later than one year after issuance of the financial instruments and annually thereafter or until full allocation of green finance instruments proceeds, as well as in the event of any material changes of the allocation since the Green Bond is outstanding. The Green Committee will be responsible for the reporting process. The Green Finance Report intends to be harmonized with the financial reporting process of the company. The company intends to have the report externally audited.

The company will provide, on a best effort basis, a list of the green projects to which Green Bond proceeds have been allocated as well as a brief description of the projects and the amounts allocated. However, it may occur that confidentially agreements, competitive considerations or a large number of underlying projects limit the amount

of detail can be made available. In the event of that information may be presented on an aggregated portfolio basis.

The company will align, on a best effort basis, the reporting with the portfolio approach described in the “GBP – Harmonized Framework for Impact Reporting, June 2021.”

### Allocation Reporting

WING will provide information on the allocation of the net proceeds of its Green Bonds. The information will contain relevant details as the following:

- ▶ Amount of net proceeds allocated to Eligible Project Categories as defined in the section of Use of Proceeds comparing to the aggregated portfolio amount, preferably in terms of percentage
- ▶ A list of Eligible Projects related to the proceeds; the number of projects accompanied with the net allocated amounts
- ▶ The remaining balance of unallocated net proceeds, if any
- ▶ The proportional allocation of net proceeds to existing projects and new projects;
- ▶ The geographical distribution of Green Projects
- ▶ Other industry-specific details of the allocation of the proceeds (e.g., status of the green project constructions).

WING will link each project to individual bond issues and will report on share of each eligible project which has come from green financing.

### Impact Reporting

The company will provide impact reporting at the level of each Eligible Project Category which has been defined at the section of Use of Proceeds. Impact reporting, where feasible, may contain metrics recommended the Harmonized Framework for Impact Reporting.

GBP Project Category	Eligible Projects	KPI's
Green Buildings	Investments for new projects	Number of buildings compared to the total real estate portfolio, which have meet at least one of the following standards: <ul style="list-style-type: none"> <li>▶ BREEAM (Very good or above)</li> <li>▶ LEED (Gold or above)</li> <li>▶ Hungarian EPC rating of at least BB</li> </ul>
Energy Efficiency	Investments for retrofitting projects	On an annual basis <ul style="list-style-type: none"> <li>▶ CO<sup>2</sup> emissions reduced/avoided in tCO<sup>2</sup></li> <li>▶ Energy saving in kWh/m<sup>2</sup></li> <li>▶ Water saving/reused in m<sup>3</sup>/m<sup>2</sup></li> <li>▶ Amount of waste minimized, reused, or recycled in tons</li> </ul>

Clean Transportation	Investments for the development of e-mobility	<p>On an annual basis</p> <ul style="list-style-type: none"> <li>▶ CO<sup>2</sup> emissions reduced/avoided in tCO<sup>2</sup></li> <li>▶ Number of EV charging stations</li> <li>▶ Geographical coverage of the EV charging stations in km<sup>2</sup></li> <li>▶</li> </ul>
Biodiversity	Investments for new or retrofitting projects	<p>On an annual basis</p> <ul style="list-style-type: none"> <li>▶ developed natural surface in m<sup>2</sup></li> </ul>

## 5. External Review

WING has appointed CICERO Shades of Green AS to provide a Second-Party Opinion on the Green Bond Framework, evaluating the environmental added value of WING Green Bonds and their alignment with the ICMA - Green Bond Principles 2021.

The External Review will be available public on WING's website.

WING may request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the Green Bonds proceeds to eligible green projects, provided by an external auditor.