

# GREEN BOND FRAMEWORK

**STAVMAT®**  
**ÉPÍTŐANYAG KERESKEDELEM**

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The Green Bond Framework prepared by: Credit Management Group



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# 1. Company Overview

**Stavmat PLC ('Stavmat' or 'Company')** is the **biggest building material trading company in the Central European region** with a chain store network of **32 sites and two stores in Hungary**.

## Sites of Stavmat PLC in Hungary



The Company has been **operating over 26 years** on the local market with nearly 360 employees.

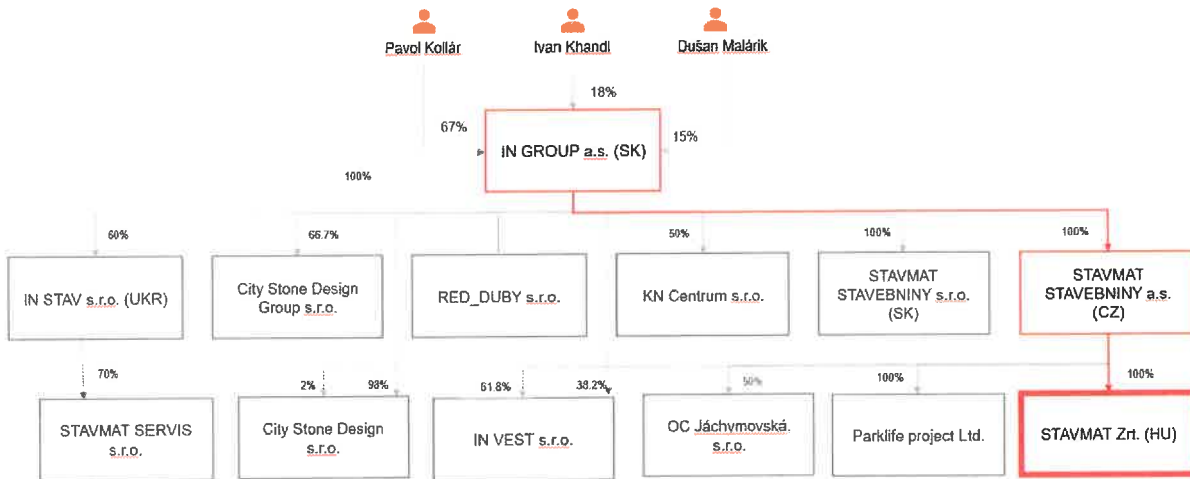
## Company History



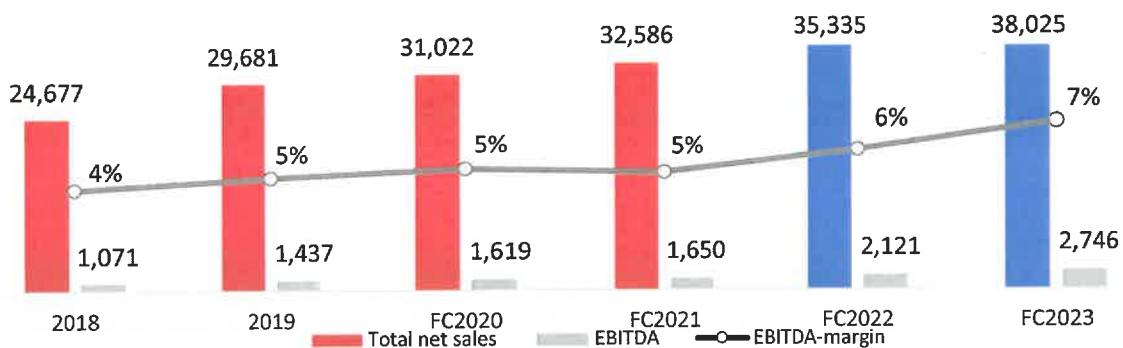
Since 2016 it belongs 100% to the **Slovakian IN GROUP, a top player on the construction market in the Region SK / CZ / HU**, having a consolidated net sales in 2019 of over 437 ml EUR and over 2000 employees.

Thanks to the new professional owner, and the focused and dedicated management the Company managed to **double its net sales since 2016 from 15,7 bn HUF to 31 bn HUF in 2020** and significantly improved its profitability (5% EBITDA margin on 2020 from 4% in 2018).

## Ownership Structure of IN Group



## Sales, EBITDA and EBITDA margin of Stavmat PLC (ml HUF, %)



## Stavmat PLC certifications and credit rating



The Business Superbrands is a well-known international brand that symbolizes high quality and outstanding performance in its category. Participation in Superbrands is by invitation only and is granted by a committee of independent experts. Following a multi-stage pre-screening STAVMAT PLC received the Business Superbrands Seal in 2020. The award is given to the most successful brands in the market therefore it is a positive feedback that highlights the best brands on a professional basis. Stavmat PLC is proud of the results achieved thanks to its excellent colleagues' commitment.

Bisnode is rating companies in view of their financial stability, business and credit reliability on the basis of a rating system developed by international experts that assure continuous monitoring and reliable data. In 2020 Stavmat PLC was selected for the second time as one of the financially most stable companies in Hungary. Stavmat PLC deserved Bisnode AAA (triple A) certificate, that only 0.63% of the companies in Hungary have. It indicates that the financial risk of establishing a business relationship with STAVMAT PLC is extremely low.



Scope Ratings GmbH (Scope) has assigned a first-time issuer rating of B+/Stable to Stavmat Zrt., along with a senior unsecured debt rating of BB-.



## 2. Business Overview

The Company has a **broad product portfolio of over 57,000 different products** covering the full range of the **classical / heavy and light building materials** for the structural construction works of outdoor and interior design solutions. In shaping its product portfolio Stavmat continuously monitors the developments of trends regarding energy efficiency features of construction materials. Furthermore the Decree No. 7/2006. (V. 24.) TNM defining mechanisms and criteria of energy performance for buildings drives market demands and construction material producer's specifications.

Stavmat PLC provides a full range of high-quality building material assortments, and solutions for both outdoor and interior design works, renovations and house construction in a uniform way through its chain store (sites/stores) covering the whole country (Hungary). In 2020 the Company set up an on-line shop facility to increase web-based sales opportunities.

In 2017 STAVMAT has introduced **private label products** in the group (SK, CZ, HU) under the brand name „**ST Line**“. In 2020 the „**ST Line**“ contributed approximately 10% of total sales while the product range has broadened year by year. The „**ST Line**“ showed a positive effect on profitability, as gross margin on private label products is above 16%.

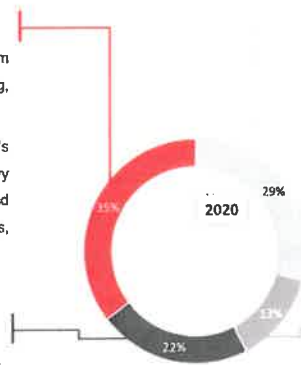
## Business breakdown of Stavmat PLC

### Building materials

- The biggest share of the company's revenue come from materials used for: construction, Civil engineering, Interior solution, plastering and Building steel materials.
- The biggest share, more than 24% of the Company's turnover comes from the sales related to HBM (=Heavy building materials), which includes selling wire, steel and reinforcement, bricks and blocks, concrete products, ceiling systems, breeze blocks

### Woodenware, pavement

- The company sells materials for paving-blocks, construction timber, decorative timber, joinery, doors and windows.



### Insulation, plasterboard and roofer materials

- The company works with a wide variety of materials used for: Roofing, insulation, and Powder products.

### Other goods

- The company provide a wide variety of different products near its core business including LBM (=Light building materials), Ceramic tiles , Chemicals, HBM, Loose materials, Sanitary-heating-plumbing, Furniture, Cooling.

The client base is highly diversified with nearly 60,000 partners, having beside corporate clients (63%) also retailers (12%) and private individuals (25%).

## 3. Stavmat's Market and Strategy

Stavmat is planning to expand its domestic building material trading business in the production of paving stones. This integration strategy, already implemented by Stavmat's sister company in Slovakia, is driven by the positive market dynamics of the construction sector in Hungary recorded between 2016-2019. In 2020 despite a general slowdown of activities caused by COVID-19, demands for construction materials continued to increase.

The Hungarian construction sector is recording strong growth performances thanks to the economic action plan introduced by the Government over the last four/five years and reinforced in 2020, to support the recovery of the Hungarian economy; the measures introduced over time include:

- **New housing program:** the aim of the program is to improve the housing conditions of families with at least one child and encourage the renewal of the domestic housing. The amount of the support is 50% of the costs (max. HUF 3 ml / family) of the renewal. The support is available until the end of 2022, this program is expected to boost the private real estate investments.
- **VAT cut (from 27 to 5%)** for residential properties that will further fuel the demand for new flats.
- **Non-refundable subsidies** or interest rate subsidized loan opportunities for families (CSOK) to boost baby boom with over 20ml HUF level / families.
- **Modern Cities Program:** launched in 2017, is a large-scale development of the county-level cities of Hungary, which aims to support the significant projects of the cities with important

infrastructure elements. The Program contains more than 250 projects worth about HUF 4,000 billion. The developments are implemented with domestic Government funds as well as European Union subsidies. The Program runs until 2022.

## 4. Stavmat's CSR and Sustainability Strategy

Stavmat's investments strategy is fully aligned with its Group's Corporate Social Responsibility policies. In the Group's CSR report it is stated that: *'Our strategy is to be a company that cares about the environment in order to minimize the impact of our activities on the environment'*.

The strategy pillars are:

- minimization of waste production and waste processing in the production of building materials,
- reducing electricity consumption in each project,
- reducing the carbon footprint by optimizing and precisely planning transport,
- training and raising the level and awareness of all employees, suppliers and contractors in the field of the environment.

At the Group level:


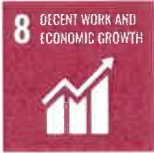



- in 2020 a pilot project of a photovoltaic branch was launched, where solar electricity was used to power trucks and supplement a significant part of consumption;

- in 2021, a joint venture with GREENCON International was established in Hungary, which will process waste based on a unique technology. The resulting product will be boards usable in construction, a product that is a highly ecological alternative to classic boards used in construction and at the same time is one of the solutions for waste processing that significantly burdens the environment. The plant for the production of ecological waste boards will be located in the town of Kaposvár.

In the Group development projects, the goal is to minimize the carbon footprint during construction, and projects are planned under the BREEAM EXCELLENT standard. Projects include green roofs and urban greenery designed according to the principles supporting the plant and animal diversity of urban countries. Green infrastructure makes a significant contribution to mitigating the effects of climate change.

In the coming years, 1/3 of the Group planned investments will be in projects related to environmental improvements.

In line with the Group's CSR strategy and in addition to the Group environmental objectives, Stavmat is committed to support a sustainable development within its own market. Stavmat sustainability strategy is designed along the commitment towards some of the **United Nations' Sustainable Development Goals (SDGs)**, including:

<p><b>Consolidating employment</b></p>	<p><b>local</b></p> <p>the new production facility will be established in a region identified as a priority development zone by the Government and Stavmat will contribute to the creation of 40 new jobs, while protecting the job opportunities for the 354 employees of the Company.</p>	
<p><b>Improving work conditions and innovation</b></p>	<p>the company is running a renovation project of the distribution stores by increasing automation, modernization of lighting and heating, doors and window systems in 2-3 sites per year*. This measure is contributing to improving employees working conditions and safety as well as the energy efficiency of the stores.</p>	
<p><b>Building of resilient infrastructure</b></p>	<p>Stavmat PLC is committed to contribute to the <b>building of resilient infrastructure</b>, promote inclusive and sustainable industrialization and foster innovation. The new paving stones factory will be built within an existing industrial park, reducing the need for additional infrastructures; the project contributes to sustainable industrialization without further impact on the environment and human settlements.</p>	
<p><b>Sustainable Cities and Communities</b></p>	<p>Stavmat PLC is engaged in <b>local initiatives</b> like tree planting launched by the local self-governments in various cities and <b>support local communities</b>.</p>	
<p><b>Responsible consumption and production</b></p>	<p>the new production of pavement stones wishes to ensure <b>responsible consumption and production</b> contributing to the climate change mitigation effort by: applying the latest technology available on the market; maximization of electrification and automation processes to reduce workers' exposure to hazardous materials and processes; minimization of transportation needs; reducing the use of fresh water consumption from the public water supply</p>	



	system**. The final product is a recyclable and easy to disassemble paving stone for domestic and urban spaces that will substitute asphalt and help water drainage.	
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\* examples for energy saving obtained due to site modernizations

\*\* The latest technology makes precise raw material introduction in the production process: raw material according to a gram-based dosing range.

Hereafter are examples of the environmental benefits associated with Stavmat's Distribution Stores renovation program:

**Energy saving indicators before and after modernization in the site of Stavmat in MARCALI**

<b>Unit</b>	<b>Before modernization</b>	<b>After modernization</b>
<b>Heating system gas consumption [m3/year]</b>	<b>39 302</b>	<b>15 369</b>
<b>Heating system pumps electricity consumption [kWh/year]</b>	<b>518</b>	<b>227</b>

**Energy saving indicators before and after modernization in the site of Stavmat in MISKOLC**

<b>Unit</b>	<b>Before modernization</b>	<b>After modernization</b>
<b>Consumption costs (net HUF/year)</b>	<b>1 813 182</b>	<b>547 175</b>
<b>Saved electric energy (kWh/year)</b>	<b>-</b>	<b>31 144</b>

## 5. Stavmat's Green Bond Framework

To strengthen the company's commitment towards a sustainable development strategy Stavmat has established a Green Bond Framework to be able to issue Green Bonds and attract dedicated funding for the business.

Stavmat's Green Bond Framework has been developed in line with ICMA's Green Bond Principles 2021 edition (GBP), and as such follows the GBP core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

In order to heightened transparency Stavmat PLC clarifies the elements of the Green Bond in the present Green Bond Framework and appoints Sustain Advisory as the external reviewer to provide the Second Party/Assurance Opinion on the Green Bond Framework. The Green Bond Framework will be publicly available on Stavmat PLC's website.





## 6. Use of Proceeds

Stavmat intends to use the proceeds of the Green Bond to finance “Eligible Green Projects” including the new paving stones production facility.

Details on the Eligible Green Project associated to Stavmat’s first Green Bond issuance are presented in **Appendix**.

All Eligible Green Projects have been or will be built according to European Union and national legislation that requires specific environmental screening / quality certification before receiving the building permit.

Stavmat’s Eligible Green Projects provide clear environmental benefits and contribute to environmental objectives connected to climate change mitigation and natural resources conservation. Eligible Green Projects’ categories include:

	ENVIRONMENTAL OBJECTIVES		Project Content	SDGs
	Climate Change Mitigation	Natural Resources Conservation		
<b>PROJECT CATEGORIES</b>	Renewable energy		Installation of solar panels on plant roof to provide heating/conditioning of administrative offices	
	Energy efficiency		Use of modern equipment and machinery operating with lower energy consumption*  Electrification/ automation of processes	
	Eco-efficient and / Circular economy adapted products, production technologies and processes		Water and cement waste can be reused in the production process reducing the final waste to 0 %	
		Sustainable water	Use of modern equipment and machinery operating with drilled water, contributing to a lower	

			freshwater consumption*	
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\* the calculation of the impact will be performed through a benchmark assessment with a paving stones production plant owned and operated by Stavmat’s sister company in Slovakia.

## 7. Process for Project Evaluation and Selection

Stavmat PLC has established a Green Committee within the Management Board of the Company to manage the evaluation and selection of Eligible Projects. The Green Committee will operate along the lines of the Company’s CSR policy and Sustainable strategy indications communicated and updated in the Company’s annual report and /or CSR report.

The Committee will be chaired by the CEO of the Company and will be composed of Chief Financial Officer and the Head of Credit and Risk Management.

The Committee will be in charge of monitoring the selection and allocation of funds to Eligible Green Projects with an ‘in house’ assessment and will be responsible for the following:

- Identifying potential Eligible Green Projects;
- Identifying and managing perceived social and environmental risks associated with the relevant projects;
- Reviewing and approving the selection against the eligibility criteria stated in the Use of Proceeds Section;
- Monitoring the Eligible Green Project portfolio;
- Managing any future update of the Green Bond Framework.

Eligible Green Projects are selected according to criteria and objectives coherent with the environmental sustainability strategy of the Company. The Green Committee will evaluate Eligible Projects considering risks and opportunities stemming from Stavmat’s overarching sustainability strategy that incorporates climate change mitigation and natural resources conservation objectives that the company is committed to achieving with investments in the following categories:

- Use of renewable energy;
- Improving energy efficiency of production process / sales stores;
- Minimize use of freshwater resources;
- Maximize the reuse of waste in the production process.

Stavmat will select raw material suppliers with the highest green qualifications and with the necessary authorizations.

Stavmat’s commitment to the UN Sustainable Development Goal 2030 agenda will be the focus of the investment strategy, whenever possible future Eligible Green Projects will also **contribute to SDGs 1** (“No Poverty”), **8** (‘Decent Work and Economic Growth’) **9** (‘Industry, Innovation and Infrastructures’) **11** (“Sustainable Cities”) **12** (“Responsible Production”).

## 8. Management of Proceeds

Stavmat's Green Committee of PLC will be responsible for the implementation of the Green Bond Framework, selects and evaluates the green project in alignment of the sustainability objectives and makes a decision about the external reviewer of the Green Bond Framework. Following the issuance of the green bond the Green Committee will monitor and supervise the use of proceeds in alignment with its allocation to the Eligible Project.

Green Bond proceeds will be segregated into a dedicated account. Stavmat commits to trace the proceeds from the bond from the time of issuance to the time of disbursement and reduce the net balance of proceeds by amounts invested.

By the end of each calendar year, the net proceeds of the issuance will be reduced by the amounts invested in eligible investment projects in the given annual period. At the end of each financial period, the outstanding balance of the bond will be reviewed. Use of proceeds from the Green Bond will be published for the benefit of investors and to be updated annually until full allocation.

The Committee will review and approve allocations of bond proceeds to Eligible Green Projects on a regular basis (quarterly meetings), and details of the disbursements and the outstanding value will be tracked using Stavmat's internal financial reporting system.

Stavmat PLC has always been using the most up-to-date integrated system, the SAP for financial monitoring. The controlling system is SAP, BI and Power BI system. All the plans are documented in detail and incoming invoices are compared to those authorized.

Use of proceeds from the Green Bond will be reported on an annual basis in a dedicated document. Unallocated funds, if any, will be invested in liquid securities or short term investment funds with a sustainable destination or in temporary investments that do not contrast with ESG factors.

## 9. Reporting

The Green Committee of Stavmat PLC, in close collaboration with the Management Board of the Company and in alignment with the GBPs will provide an annual report. The annual report will provide up-to-date information about the use and allocation of proceeds, implementation and impact of the projects.

In particular, this report will include the following information:

*Allocation information:*

- The total amount of investments and expenditures in Eligible Green Projects;
- The balance of unallocated proceeds;
- A brief description of the projects financed with the Green Bond.

*Impact metrics:*

Stavmat will also provide information on the environmental benefits of Eligible Green Projects. The relevant metrics will include:

GREEN PROJECT CATEGORIES	OUTPUT and IMPACT INDICATORS								
	Renewable energy (MW installed)	(%)	Energy savings in kWh/ton of production	(%)	Water reuse and/or freshwater use avoided (m <sup>3</sup> )	(%)	Waste reuse in the production process (tones p.a.)	Freshwater consumption reduction (m <sup>3</sup> )	(%)
Renewable energy									
Energy Efficiency									
Circular economy production									
Sustainable water									

The above-listed indicators are subject to the availability of information and baseline data and are based on methodologies that will be made publicly available.

The information will be provided annually to investors. Until full allocation of the proceeds Stavmat will issue an Allocation Report and once proceeds have been fully allocated Stavmat will issue an Impact Report that will be also made publicly available on Stavmat’s website.

In order to further strengthen Stavmat PLC sustainability strategy and its pragmatic implementation the Company is committed to *considering* joining the Science Based Target initiative (SBTi) and to align the Business Ambition for 1.5°C. By setting a long-term science based target to reduce GHG emission Stavmat Hungary intends to give a strong commitment toward its partners and stakeholders regarding of climate action awareness and to driving science-based targets to become part of IN Group Sustainability Strategy in addition to the long standing scientific research cooperation with universities.

## 10. External review and assurance

Stavmat will procure a pre-issuance external review of its Green Bond Framework, which will be made available to investors on Stavmat’s website at [www.stavmat.hu](http://www.stavmat.hu).

### *Annual Assurance Report*

An auditor appointed by Stavmat will review that the allocation of the Green Bond is done in accordance with Stavmat’s Green Bond Framework and will provide, starting one year after issuance and on an annual basis until all the proceeds of the Green Bond have been allocated, a limited assurance report.

## 11. Appendix

Stavmat expects to use the net proceeds from its first Green Bond issuance for the following Eligible Green Project:

- 1) Capital and operational expenditures related to design, construction and development of **new paving stone production facility**.

### **Environmental benefits of the final product**

In recent construction projects paving stones became a highly required solution for outdoor paving in public and private areas instead of asphalt pavement not only for esthetic reasons rather for its high adaptability and flexibility to consumers' needs and ideas. Eventually paving can be realized also with green plant covering. Paving stones are easily dismantlable, reusable and recyclable leaving behind no impact in nature. In case of any reparation work underneath paved areas the intervention process becomes eased in case of paving stones compared to asphalt. Paving stones can be easily removed without the need of heavy machinery and significant noise. Also modification of the already laid paved surface becomes possible without leaving behind any damage on the top surface as in case of asphalt.

Paving stone elements can be produced almost without any waste; water, gravel and cement run-off can be reutilized in the production. The final product is an important tool in environment protection as it makes natural drainage and airing of soil possible and it has an expectable product lifespan longer than 10 years.

### **PROJECT DETAILS**

Due to the positive trends of the Hungarian construction market, Stavmat's strategy focuses on strengthening the Hungarian entity's role within the group with the expansion of paving stone production facility in the country. The Company intends to realize the new investment making a step toward environmental and social sustainability. In alignment of the owner's commitment to sustainability awareness in financial issues Stavmat decided to issue a Green Bond to finance the new project.

#### **Project funding**

- The total investment budget is appr. 5.7 Bn HUF, which will partly (25%) be financed by an **already received nonrefundable state subsidy. HUF 1.4 Bn HUF**, partly by the Company (future bond issue) 4.3 Bn HUF.
- The production activity will have an extra inventory need (raw material and opening stock) which has also to be financed from the bond issue.



### Planned investment:

New Investment	Value (ml HUF)
Intangible assets	100
Land and properties	2 600
Plant, machinery and vehicles	3 000
<b>SUM</b>	<b>5 700</b>



### Visualization of the planned new plant:



The 4.000 m<sup>2</sup> production hall will be built on a 40.000 m<sup>2</sup> site where the latest developed German machinery line will be installed for the production of 800.000 m<sup>2</sup> of paving stone per year.

### Purpose of the investment:

- Development of a high-quality paving stone manufacturing plant similar to the already existing two in Slovakia. (Sala, Geča) in order to serve the Hungarian market through the existing sales channels of Stavmat PLC (HU).
- Potential output of the factory per year should be 800,000 m<sup>2</sup> paving stones. It means in value appr. 2,4 Bn HUF net sales / year and additional 200 Mio HUF gross profit yearly.

### Development details

- The new plant will be set up in Dabas lot Nr. 7837. (Pest county, near Budapest with very good location), the plot has already been acquired in 2020 for 335.8 ml HUF. The plot is 40,000 sqm, the plant will be 4,000 sqm.
- The investment significantly contributes to the modernization of the paving stone production process as it will set up a previously not existing production capacity by the installation of the latest technology line in the sector.
- The investment will create 40 new jobs; employees will work in two shifts, thus, it will be a highly automatized factory.

### Raw Material Suppliers / Certifications

– Cement: Lafarge, is one of Stavmat’s long standing suppliers and will provide all the cement supplies for the paving stones production process. Lafarge adherence to Net Zero pledge and the action taken in,

certified by Science Based Target Initiative, guarantees the employment of the highest environmental management risk standards in the production of building materials. According to Vigeo Eiris Sustainability Rating April 2021 LafargeHolcim ranks within the top 2% of all companies rated by the rating company and first out of 25 within the sector Building Materials Europe. The company's overall score has increased by 22 points since the last review in 2020, mainly thanks to an improved reporting, to new commitments, and to a lower impact of controversies. LafargeHolcim displays advanced willingness and capacity to integrate ESG factors into its strategy, operations and risk management.

– Gravel suppliers are KK Kavicsbeton Kft., T Mineral Kft. and DKB Godspeed Kft. which are companies in possess of mineral extraction right and acting according the strict legal regulations of mineral extraction activity in Hungary: Act No. 48 of 1993 on Mining came into force in 1993, amended several times, the most important one is the Government Decree No. 203 of 1998. The Mining Act covers the complete mining-related activity chain in Hungary, as: geological survey, mining exploration, exploitation, break in operation, mineral processing, closure, remediation. Hungary, as owner of mineral resources manages mining-related activity through a concession procedure and in this way can plan and control minerals exploitation on a longer-term by deciding whether to open certain areas for exploitation. Risk assessment in the mining sector is a common practice with respect to environmental impact assessment and the legislation contains general provisions concerning the accomplishment of environmental protection criteria. Therefore Companies acting with right of extraction also contribute to the required maintenance of healthy ecosystem of rivers and lakes in line with the legislative regulations.



Example of Eligible Green Project Performance Metrics and Indicators  
PAVING STONE PLANT EQUIPMENT

NEW Technology Dabas (HU)	Existing Technology Geča (SK)	Energy Consumption/t	Water Consumption/t	Sewage effluent m <sup>3</sup> /t	Expected Savings
TRANSUNIT concrete mixer and dosing machine PEMAT PMP 500		--	--	0 m <sup>3</sup> /t	Min 20%
	Schlosser Pfeiffer SM 750	31kW/t	0,04 m <sup>3</sup> /t	0 m <sup>3</sup> /t	
TRANSUNIT concrete mixer and dosing machine PEMAT PMP 1875		--	--	0 m <sup>3</sup> /t	Min 20%
	Schlosser Pfeiffer SM 2250-2	47,55 kW/t	0,04 m <sup>3</sup> /t	0 m <sup>3</sup> /t	
HESS MULTIMAT RH 2000-4 Concrete Block Machine		--	--		Min 20%
	MULTIMAT RH 1500-3 VA	540 kW/m <sup>2</sup>	10 m <sup>3</sup> /day		
SR SCHINDLER Bushhammering and aging technology 1050		--	NA		Min 10%
	SR SCHINDLER Bushhammering and aging technology 1200	11,0 kW/m <sup>2</sup>	NA		
ITES KRAFT® RACK with integrated QUADRIX® CURING SYSTEM		--	--		Min 20%
	ROTHO TDAP 400-2	NA	75 m <sup>3</sup> /m <sup>2</sup>		
ELECTRIC FORKLIFTS	DIESEL FORKLIFTS				

