

# Stavmat Zrt Green Bond Framework

## Limited Assurance Report to Stavmat Zrt

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### Introduction

Stavmat Zrt. (‘Stavmat’ or ‘Issuer’ or ‘Company’), a building material trading company based in Hungary, is proposing to issue a green bond and has appointed SustainAdvisory S.r.l. (‘SustainAdvisory’) to provide an independent limited assurance report on Stavmat’s Green Bond Framework (the ‘Framework’). The Limited Assurance Report contains SustainAdvisory’s opinion on the conformance of the Framework with ICMA’s latest Green Bond Principles edition (June 2021) and is attached to this document in Section 2.

### Company Profile

Stavmat operates in the trading of building products and construction materials of major international brands and recently with private label products, through a network of 32 sites and 2 department stores in Hungary. Since 2016 Stavmat Zrt is part of IN Group a.s. (‘Group’) a major Slovakian player in general construction, trading of building material, and real estate business development, operating in the CEE region (Slovakia, Czech Republic and Hungary). In 2019 the Group reported consolidated sales of EUR437m and 2000 employees.

In 2020 Stavmat’s turnover reached HUF31bn (EUR88m equivalent). The customer base includes SMEs (37%), private individuals (29%), large corporations (22%) and retailers (12%). The domestic market is going through a strong growth cycle, driven by Government subsidies and fiscal measures to support the recovery of the Hungarian economy by strengthening, among others, the construction sector. Stavmat is planning to build a paving stones manufacturing plant to cope with the increasing demand for this product. Paving stones are increasingly used for domestic and urban spaces, significantly reducing the use of asphalt (high CO<sub>2</sub> content) while improving pavement water drainage qualities.

### Issuer’s Sustainability Strategy and CSR

Stavmat’s investment strategy is fully aligned with its Group’s Corporate Social Responsibility policies. The pillars of the Group’s CSR are:

- the minimization of waste production and processing in the production of building materials;
- the reduction of electricity consumption in each task/work;
- the reduction of carbon footprint through the optimization of transports;
- the training of employees, suppliers and contractors in the field of the environmental impact and risks.

In the coming years, the Group is planning to spend 1/3 of its total investment budget on projects contributing to mitigating environmental impacts.

In line with the Group’s CSR strategy Stavmat is committed to supporting sustainable development within its own market and to reduce carbon emission in line with the targets set by the Paris Climate Agreement, by increasing its commitment to investments with energy efficiency benefits and maintaining full compliance with environmental regulation.

Stavmat’s sustainability strategy objectives are aligned with some of the United Nations’ Sustainable Development Goals (SDGs), including:

## Green Strategy Objectives

## SDGs

### Improving work conditions and innovation

The Company is running a renovation project of its distribution premises network by increasing automation, modernization of lighting and heating, doors and window systems. The plan is to renovate 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.



### Industry, Innovation and Infrastructures

Stavmat is committed to contribute to the building of resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation and employment. 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.



### Responsible consumption and production

Stavmat's new pavement stones facility is designed by applying the latest technology available on the market; maximizing electrification and automation processes to reduce workers' exposure to hazardous materials and processes; minimizing transportation needs; reducing the use of freshwater consumption from the public water supply system. The final product will be a recyclable and easy to disassemble paving stone for domestic and urban spaces that will substitute of asphalt and concrete.



### Sustainable Cities and Communities

Stavmat is engaged in local initiatives like tree planting launched by the local self-governments in various cities and support local communities



## Green Bond Rationale

Stavmat is proposing to issue a Green Bond of HUF5billion (c. EUR15 million equivalent) to expand its domestic building material trading business in the production of a high-quality paving stones with the development of a modern and energy efficient manufacturing plant with a capacity of 800,000 m<sup>2</sup> paving stones per year. The Group operates a similar facility in Slovakia (Sala, Greca) that will serve as benchmark to measure the energy efficiency and freshwater savings performance indicators in the annual Impact Report of the project. Basic material suppliers for the production of paving stones will be selected on the basis of a rigorous assessment of their compliance with environmental regulations and sustainability commitments.

## Company 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 new Green Bond Principles (June 2021), 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

To heightened transparency Stavmat Zrt has appointed SustainAdvisory as external reviewer to provide a second party /assurance opinion on the Green Bond Framework. The Green Bond Framework and the Assurance Report will be publicly available on Stavmat Zrt’s website.

## Green Bond Core Component Assessment

### Use of Proceeds

Stavmat’s Eligible Green Project provide environmental benefits and contribute to environmental objectives connected to climate change mitigation and natural resources conservation.

ENVIRONMENTAL OBJECTIVES				
	Climate Change Mitigation	Natural Resources Conservation	Project Content	SDGs
<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 minimum freshwater consumption	

### Process for Evaluation and Selection

Stavmat established a Green Committee (‘GC’ or Committee’) within the Management Board of the Company to manage the evaluation and selection of Eligible Projects. The Committee’s members have been identified as well as the Committee’s tasks and responsibilities, which include:

- 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.

The Eligibility Selection process for projects relies on eligibility criteria and eligible categories defined in the Use of Proceeds (Renewable Energy, Energy Efficiency, Sustainable Water, Circular Economy production process) and Stavmat's sustainability strategy including objectives aligned with the UN Sustainable Development Goals 2030 agenda:

- SDG 1 ("No Poverty"),
- SDG 8 ('Decent Work and Economic Growth')
- SDG 9 ('Industry, Innovation and Infrastructures')
- SDG 11 ("Sustainable Cities")
- SDG 12 ("Responsible Production").

The process applied to project selection relies on 'in house' assessments, therefore no external expert will be involved in the process.

### **Management of Proceeds**

The responsibility for the Management of Proceeds sits with Stavmat's Green Committee. Following the issuance of a green bond the Committee will monitor and supervise the Use of Proceeds and its allocation to the Eligible Project.

Green Bond proceeds will be segregated into a dedicated account and allocation of funds will be traced until full allocation of proceeds. The Committee will review and approve allocations of bond proceeds to Eligible Green Projects on a regular basis, and details of the disbursements and the outstanding value will be tracked using Stavmat's internal financial reporting system.

Unallocated funds will be invested in liquid securities or short-term investment funds with a sustainable destination or in temporary investments (eg. ESG or Sustainable funds).

### **Reporting**

Stavmat's Green Committee, in close collaboration with the Management Board of the Company, will provide an annual report until full allocation (for the Allocation Reporting) and until maturity of the bond (for the Impact Reporting).

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 project 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:

- Use of renewable energy (% of the total)
- Actual annual energy savings in kWh/ton of production
- Actual annual water reuse and/or freshwater use avoided in m<sup>3</sup>/ton of production
- Actual waste reuse in the production process in absolute amount in tonnes p.a.

The above-listed indicators will be calculated with reference to the performances of a similar plant operated within the Group (baseline data) and which is available in the framework

appendix.

In order to provide transparency to the green bond reporting Stavmat will appoint an external auditor to certify the allocation of proceeds alignment with the eligible project expenditures and the achievement of expected environmental targets.

### **Disclaimer**

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# Independent Limited Assurance Report to Stavmat Zrt ("Stavmat" or the "Issuer")

## 1. Assurance Conclusion

**Based on our limited assurance procedures as described in this statement as of 08 July 2021, nothing has come to our attention to suggest that Stavmat Green Bond Framework to be used for issuance of a Green Bond, is not, in all material respects, conforming to the requirements of the ICMA Green Bond Principles (June 2021).**

## 2. Scope

SustaindAdvisory S.r.l. ("we" or "SA Srl") have performed a limited assurance engagement in relation to Stavmat's Green Bond Framework (the "Framework") in order to provide a conclusion as to whether anything has come to our attention that causes us to believe that the subject matter detailed below ("Subject Matter") does not meet, in all material respects, the criteria presented below as at 08 July, 2021.

## 3. Subject matter

SUBJECT MATTER	CRITERIA
The scope of assurance included information on material aspects of Stavmat Green Bond Framework based on the requirements of the Green Bond Principles	<p>Green Bond Principles (June 2021) ("GBP") on:</p> <ol style="list-style-type: none"> <li>1. Use of proceeds</li> <li>2. Process for Project Evaluation and Selection</li> <li>3. Management of Proceeds</li> <li>4. Reporting</li> </ol> <p>Green Bond criteria can be found at this link:  <a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</a></p>

## 4. Stavmat's Management Responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and their Framework comply with the requirements of ICMA's Green Bond Principles (June 2021). This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds. The Management of the Issuer is also responsible for preventing and detecting fraud and for identifying and ensuring that Issuer complies with laws and regulations applicable to its activities.

## 5. Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance opinion as to whether the Subject Matter is presented in accordance with the Criteria, in all material respects. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of the International Standard on Assurance Engagements 3000 (Revised) standard, *Assurance Engagements other than the Audits or Reviews of Historical Financial Information* ("ISAE 3000").

## Level of Assurance

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance we will obtain in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. A limited assurance engagement consists of making enquires and applying analytical or other limited assurance procedures. Our procedures were designed to provide a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance.

## 6. SustainAdvisory's Approach

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above Subject Matter. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies and agreement or reconciliation with underlying records. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

To reach our conclusion we:

- Conducted interviews with Management and its Advisors responsible for the Green Bond Framework to obtain an understanding of the processes, systems and controls in place for management of bond proceeds;
- Checked the Issuer's Green Bond Framework that includes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds; and
- Checked the projects proposed to be associated with the green bond and its conformance with the eligible green project categories specified in the Green Bond Principles, June 2021.

The detailed list of testing procedures carried out are provided in Appendix A.

## 7. Limitations

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards that require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE 3000 and GBP is subjective and will be interpreted differently by different stakeholder groups.

Our assurance process was limited to Stavmat's Green Bond Framework and did not include statutory financial statements.

## 8. Use of Report

This assurance report is made solely to the Issuer in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to the Issuer those matters we have been engaged to state in this assurance report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Issuer for any purpose or in any context. Any party other than Issuer who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any.

## 9. Independence

The work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, in relation to the scope of this assurance engagement. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our team has the required competencies and experience for this assurance engagement.

A handwritten signature in black ink that reads 'Maurizio Cavarai'.

### **SustainAdvisory S.r.l.**

Maurizio Cavarai  
Amministratore Unico  
Prato  
08 July 2021



## APPENDIX A: ASSESSMENT OF THE GREEN BOND FRAMEWORK AGAINST GREEN BOND PRINCIPLES (GBP), JUNE 2021

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
<p>The Bond falls in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> <li>▪ Standard Green Use of Proceeds Bond</li> <li>▪ Green Revenue Bond</li> <li>▪ Green Project Bond</li> <li>▪ Green Securitised Bond</li> </ul>	<p>The Stavmat Green Bond falls in the category 'Standard Green Use of Proceeds Bond'.</p>	<p>Stavmat Green Bond Framework</p>
<p>The Issuer explains in the Green Bond Framework and/or in the legal documentation the alignment with the four core components of the GBP (i.e. Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting). The Green Bond Framework and/or in the legal documentation are available in a readily accessible format to investors</p>	<p>Stavmat's Green Bond Framework follows the ICMA's Green Bond Principles (GBP), 2021 and includes the alignment with the four components of GBP:</p> <ol style="list-style-type: none"> <li>1. Use of Proceeds</li> <li>2. Process for Project Evaluation and Selection</li> <li>3. Management of Proceeds</li> <li>4. Reporting.</li> </ol> <p>The Green Bond Framework will be publicly available on Stavmat PLC's website.</p>	<p>Stavmat Green Bond Framework</p>
<p>The Issuer has appointed (an) external review provider(s) to assess through a pre-issuance external review the alignment of its Green Bond or Green Bond programme and/or Framework with the four core components of the GBP. External review is publicly available on the Issuer's website and/or through any other accessible communication channel as appropriate</p>	<p>Stavmat has appointed an independent advisor to assess through a pre-issuance Second Party/Limited Assurance Opinion the alignment of its GBP. The result is documented in a Second Party/Limited Assurance Opinion which will be publicly available on the Stavmat's website.</p> <p>Stavmat will also appoint an independent advisor to assess through a Second Party/Limited Assurance Opinion the compliance of the allocation of the Green Bond with Stavmat's Green Bond Framework, starting one year after issuance and on an annual basis until all the proceeds of the Green Bond have been allocated.</p>	<p>Stavmat Green Bond Framework</p>
<p><b>Green Bond Principles 1 - Use of proceeds</b></p>		
<p>The utilisation of the proceeds of the bond is for Green Projects, as defined into the list of ICMA Eligible Green Project categories</p>	<p>The reviewed evidence confirms that all the proceeds of Green Bond will be used to finance the development of a new high-quality paving stone manufacturing plant using the latest technology (reducing Co2 and waste) available to the sector and including energy efficiency features (eg solar panels and electric fork lifts).</p> <p>The project falls under the following 4 ICMA categories:</p> <ul style="list-style-type: none"> <li>▪ renewable Energy: installation of solar panels on plant roof to provide heating/conditioning of administrative offices,</li> <li>▪ energy Efficiency: use of the latest equipment and machinery operating with lower energy consumption and electrification/ automation of processes,</li> <li>▪ circular economy adapted products, production technologies and processes and/or certified eco-efficient products: water and cement waste re-use in the production process,</li> <li>▪ sustainable water and wastewater management: use of the latest equipment and machinery</li> </ul>	<p>Stavmat Green Bond Framework</p> <p>Discussions with Stavmat's Management</p>

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
	<p>operating with drilled water, contributing to a lower freshwater consumption.</p> <p>The project will contribute to the high-level environmental objectives of 'Climate change mitigation' and 'Natural resources conservation'.</p>	
<p>The Framework for the Bond appropriately described the use of the proceeds for Green Projects</p>	<p>The reviewed evidence confirms that the Stavmat Green Bond Framework appropriately describes the use of the proceeds for the Green Projects, in terms of relevant information, completeness, clarity, understanding. It also includes the decision-making process to determine the projects evaluation and selection, the management of proceeds and the periodical reporting.</p>	<p>Stavmat Green Bond Framework</p>
<p>All designed Green Projects provide clear environmental benefits</p>	<p>The reviewed evidence confirms that the Stavmat Green Bond Framework describes the environmental benefits of the Green Projects identified and assessed by the Issuer.</p>	<p>Stavmat Green Bond Framework</p>
<p>The environmental benefits are assessed by the Issuer</p>	<p>The Stavmat Green Bond Framework includes the assessment of main environmental benefits of the Green Projects. The new paving stone manufacturing plant will improve the energy and freshwater efficiency performance and waste production in paving stones manufacturing and will increase sustainability in the use of natural resources:</p> <ul style="list-style-type: none"> <li>▪ the installation of solar panels on plant roof to provide heating/conditioning of administrative offices will allow a lower energy consumption,</li> <li>▪ the use of the latest equipment and machinery operating with drilled water contributes to a lower freshwater consumption and will allow a lower energy consumption,</li> <li>▪ the electrification/automation of processes will reduce workers' exposure to hazardous materials and processes,</li> <li>▪ water and cement waste re-use in the production process reducing the final waste.</li> </ul> <p>Moreover, the Framework explains the environmental benefits also in term of final product manufactured: paving stones are substitute products of asphalt pavements, a more sustainable solution for outdoor paving in public and private areas. Paving stones are easily dismantlable, reusable and recyclable and in case of any reparation work can be easily removed with a lower waste generation. Paving stone elements can be produced using waste materials and without any waste; water, gravel and cement run-off can be reutilized in the production.</p>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management</p>
<p>The environmental benefits are quantified by the Issuer</p>	<p>The Framework also discloses in the Appendix the quantitative assessment of these environmental benefits in term of expected savings:</p> <ul style="list-style-type: none"> <li>▪ the reduction of the energy consumption is estimated at least 20% of kWh/ton of production,</li> <li>▪ the reduction of the freshwater consumption is estimated to reach the 20% of the freshwater m<sup>3</sup>/ ton of production,</li> <li>▪ the re-use of water and cement in the production process will reduce the production waste to 0%.</li> </ul> <p>The evaluation of these expected savings has been defined through a benchmark assessment with a paving stones production plant owned and operated by Stavmat's sister company in Slovakia. The quantitative assessment of the savings achieved will be reported in the annual reporting.</p>	<p>Stavmat Green Bond Framework</p>

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
In the event that all or a proportion of the proceeds are or may be used for refinancing, an estimate of the share of financing vs. re-financing is provided	All the proceeds of the Bond will be used to finance the development of the new paving stone manufacturing plant. This green project represents 100% of the Green Bond Proceeds	Stavmat Green Bond Framework
Which investments or project portfolios may be refinanced are clarified (where appropriate)	No existing project will be refinanced.	
The expected look-back period for refinanced Green Projects is clarified (to the extent relevant)	No existing project will be refinanced.	
<b>Green Bond Principles 2 - Process for Project Evaluation and Selection</b>		
The Issuer has clearly communicated to investors the environmental sustainability objectives of the Eligible Green Projects	<p>According to the Green Bond Principles categories identified and the Stavmat's CSR and Sustainability Strategy, the Eligible Green Projects contribute to environmental objectives connected to 'Climate change mitigation' and 'Natural resources conservation'.</p> <p>This new project allows to support the SDG6 (Clean water and sanitation), SDG 7 (Affordable and clear energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action).</p>	<p>Stavmat Green Bond Framework</p> <p>Discussions with Stavmat's Management</p>
Information communicated is positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to its environmental sustainability and included reference to the five high level environmental objectives	<p>Stavmat and its parent (In Group a.s.) pursue Corporate Social Responsibility goals, focused on minimizing the impact of its activities on the environment, taking actions and investments to achieve this objective:</p> <ul style="list-style-type: none"> <li>▪ implementation of eco-efficient production technologies and products, minimization of waste production and waste processing in the production of building materials,</li> <li>▪ reduction of electricity consumption in each project and offering of energy efficiency solutions to customers,</li> <li>▪ guarantee employees, customers and suppliers' safety and healthy working conditions,</li> <li>▪ reduction of the carbon footprint by optimizing and planning transport,</li> <li>▪ training and raising the level and awareness of all employees, suppliers and contractors in the field of the environment.</li> </ul> <p>According to the Group's environmental strategy 2020-2025, in the last years the Group has been developing several environmental projects and in the coming years plan to implement 1/3 of its investments in environmental projects:</p> <ul style="list-style-type: none"> <li>▪ improvement of the energy efficiency of the stores through renovation projects of the distribution premises in 2-3 sites per year, achieving after the modernization activities for example saving in the heating system gas consumption around the 60% and in energy around the 70%,</li> <li>▪ in 2020, the group launched a pilot project of a photovoltaic branch, finalized to use electricity to power trucks,</li> <li>▪ in 2021, a joint venture with GreenCon Kft (a company of the Group) has been established;</li> </ul>	<p>Stavmat Green Bond Framework</p> <p>Stavamat's CRS document</p> <p>Discussions with Stavmat's Management</p> <p>Controversies declaration (absence of Controversies)</p>

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
	<p>this newly company in Hungary is currently building a plant specialized in the production of a wide range of ecological building materials which will be sold by Stavmat (such as structural insulated panels, acoustic elements and boards) manufactured using building materials that would otherwise become harmful waste,</p> <ul style="list-style-type: none"> <li>in 2022, the Group plans to build a similar plant in the Czech Republic.</li> </ul> <p>Moreover, in order to further strengthen Stavmat 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. setting a long-term science-based target to reduce its GHG emission.</p> <p>Information provided by the company does not show the presence of environmental controversial issues.</p>	
<p>The Issuer has clearly communicated to investors the process by which the Issuer determines how the projects fit within the Eligible Green Projects categories</p>	<p>The Issuer has set out a process for the evaluation and selection of Green Projects eligibility and defined transparent criteria.</p> <p>A Green Committee ('GC') within the Management Board of the Company has been established, with the purpose to support the Board in the development, implementation and monitoring of the sustainable environmental policy and CRS strategy. The GC is chaired by the CEO of the Company and is composed of Chief Financial Officer and the Head of Credit and Risk Management.</p> <p>The reviewed evidence indicates its responsibilities and activities. For example, but not limited to, the GC will be responsible for:</p> <ul style="list-style-type: none"> <li>the assessment, selection and evaluation of the green projects in compliance with this Framework and the eligible criteria,</li> <li>the identification and management of the perceived social and environmental risks associated with the relevant projects;</li> <li>the monitoring the allocation of the use of proceeds to Eligible Green Projects with an 'in house' assessment,</li> <li>the management, supervision of its implementation and modification (as deemed necessary and appropriate) of this Framework.</li> </ul>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management Green Committee establishment deliberation</p>
<p>The Issuer has clearly communicated to investors complementary information on processes for the identification, mitigation and management of perceived social and environmental risks associated with the relevant project(s)</p>	<p>The Green Committee is responsible for the identification and the management of social and environmental risks associated with the relevant projects.</p> <p>The Green Committee will evaluate Eligible Projects considering risks and opportunities stemming from Stavmat's overarching sustainability strategy according to the climate change mitigation and natural resources conservation objectives that the company is committed to achieve.</p>	<p>Stavmat Green Bond Framework</p>
<p>The Issuer has communicated to investors the related eligibility criteria, including exclusion criteria (if applicable)</p>	<p>Stavmat establishes environmental criteria to be used for the process of evaluation and selection of Eligible Projects. The selection process of the eligible projects does not include exclusion criteria. Eligible Green Projects are selected according to the objectives coherent with the environmental sustainability strategy of the Company:</p>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management</p>

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
	<ul style="list-style-type: none"> <li>▪ use of renewable energy;</li> <li>▪ improving energy efficiency of production process and sales stores;</li> <li>▪ minimize the use of freshwater resources;</li> <li>▪ use of certified natural resources (certified raw material for the production process);</li> <li>▪ maximize the reuse of waste in the production process.</li> </ul> <p>Moreover, Stavmat will select raw material suppliers with the highest green qualifications and with the necessary authorizations.</p> <p>The Green Bond Framework disclose publicly these criteria.</p>	
<p>Issuer discloses any green standards or certifications referenced in project selection</p>	<p>The evaluation and selection process also includes green standard and certification. Stavmat will select raw material suppliers with the highest green qualifications and with the necessary authorizations (see Lafarge for the cement, KK Kavicsbeton Kft., T Mineral Kft. and DKB Godspeed Kft for the gravel).</p>	<p>Stavmat Green Bond Framework</p>
<p><b>Green Bond Principles 3 - Management of Proceeds</b></p>		
<p>The net proceeds of the Green Bond, or an amount equal to these net proceeds, is credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner per bond (bond-by-bond approach) or an aggregated basis (portfolio approach)</p>	<p>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. The Committee will review and approve allocations of bond proceeds to Eligible Green Projects on a regular basis (quarterly meetings).</p> <p>Green Bond proceeds will be segregated into a dedicated account. The Green Bond proceeds will be managed to individual disbursement.</p>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management</p>
<p>There is a formal internal process attested to by the issuer linked to the issuer's lending and investment operations for eligible Green Projects</p>	<p>Stavmat will establish an internal record keeping system that will track the allocation of proceeds to the project. The details of the disbursements and the outstanding value will be tracked using Stavmat's internal financial reporting system (the integrated system SAP) for financial monitoring. All the plans are documented in detail and incoming invoices are compared to those authorized.</p>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management</p>
<p>The balance of the tracked net proceeds is periodically adjusted to match allocations to eligible Green Projects made during that period (so long as the Green Bond is outstanding)</p>	<p>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.</p> <p>Use of proceeds from the Green Bond will be published to investors and to be updated annually until full allocation.</p>	<p>Stavmat Green Bond Framework</p>
<p>The Issuer makes known to investors the intended types of temporary placement for the balance of unallocated net proceeds</p>	<p>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.</p>	<p>Stavmat Green Bond Framework Discussions with Stavmat's Management</p>

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
Issuer's management of proceeds is supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds to eligible Green Projects	Starting one year after issuance and on an annual basis until all the proceeds of the Green Bond have been allocated, 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 a Second Party/Limited Assurance Opinion to that effect.	Stavmat Green Bond Framework
<b>Green Bond Principles 4 – Reporting</b>		
Up to date information on the use of proceeds is renewed annually until full allocation, and on a timely basis in case of material developments	<p>The Green Committee of Stavmat PLC, in close collaboration with the Management Board of the Company and in alignment with the GBPs Stavmat PLC will disclose annually to Investors the use of proceeds and will provide an annual update on the use and allocation of proceeds as well as relevant environmental impacts of the projects.</p> <p>The information will be provided annually to investors until full allocation of the proceeds in the Allocation Report and in the Impact reporting that will be made publicly available via Stavmat's website.</p>	Stavmat Green Bond Framework
The annual report includes a list of the projects to which Green Bond proceeds have been allocated as well as a brief description of the projects and the amounts allocated	<p>Stavmat will disclose in the annual report the following information on allocation of proceeds:</p> <ul style="list-style-type: none"> <li>▪ a brief description of the projects financed with the Green Bond,</li> <li>▪ the amount of the proceeds invested in Eligible Green Projects,</li> <li>▪ the balance of unallocated proceeds.</li> </ul>	Stavmat Green Bond Framework
The annual report presents the expected and/or achieved impact of projects	Stavmat will also provide annually to investors information on the environmental impacts of Eligible Green Projects until full allocation of the proceeds. The Impact Reporting will provide a description of qualitative and quantitative environmental impacts associated to the Green Projects in which the Green Bond proceeds have been allocated.	Stavmat Green Bond Framework
The annual report includes qualitative performance indicators and, where feasible, quantitative performance measures	<p>The Issuer plans to report on a number of project performance specific measures as listed in the table of Green Bond Framework. The relevant metrics will include information on:</p> <ul style="list-style-type: none"> <li>▪ renewable energy (MW installed and %),</li> <li>▪ energy savings (kWh/ton of production and %),</li> <li>▪ water reuse and/or freshwater use avoided (m3 and %),</li> <li>▪ waste reuse in the production process (tones per annum),</li> <li>▪ freshwater consumption reduction (m3).</li> </ul> <p>An example of Eligible Green Project Performance Metrics and Indicators is proposed in the Reporting Section.</p>	Stavmat Green Bond Framework Discussions with Stavmat's Management
The annual report discloses the key underlying methodology and/or assumptions used in the quantitative determination	The performance indicators will be reported in relation to baseline data. The methodologies applied for their calculation will be made publicly available. As showed in the table included in the Appendix of the Framework, the environmental performance achieved will be calculated in comparison with the environmental performance of the existing technology.	Stavmat Green Bond Framework

REQUIREMENTS	SUSTAINADVISORY FINDINGS/ASSESSMENT	SUPPORTING DOCUMENTATION
<p>The impact reporting is based on voluntary guidelines aiming at a Harmonised Framework for Impact Reporting</p>	<p>For its Impact reporting, the indicators proposed by Stavmat are related to the categories and the expected benefits identified for the projects.</p> <p>Stavmat proposes some indicators suggested as Impact Reporting metrics as suggested by ICMA in the 'Handbook for Harmonized Framework for Impact Reporting', June 2021' for the category 'Renewable energy', 'Energy efficiency' and 'Circular economy, adapted products, production technologies and processes':</p> <ul style="list-style-type: none"> <li>▪ annual energy savings,</li> <li>▪ reduction in water consumption of economic activities,</li> <li>▪ wastewater avoided, re-used or minimised at source,</li> <li>▪ waste re-use in the production of new materials.</li> </ul>	<p>Stavmat Green Bond Framework</p>