



Cordia International Zrt.  
**Green Finance Framework**

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November 2021



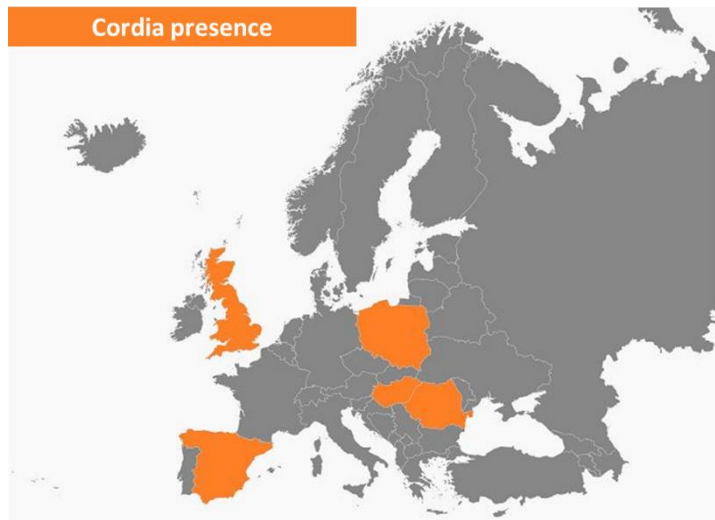
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## 1. Introduction

Cordia International Zrt. (hereinafter referred to as *Cordia* or *the Company*) has grown into an international residential real estate powerhouse in Central and Eastern Europe. Our core business is developing and selling medium and upper medium class residential properties across five countries and we are undergoing continuous expansion. We believe our success so far has been the result of certain key ingredients: our outstanding team, our innovative, honest, ethical and responsible market behaviour, our financial strength, our local knowledge and our global relationships. Our growth is founded on reliability and we are committed to fulfilling our tasks and purpose. Becoming a leading developer in growth markets is the result of our hard work and something that we are incredibly proud of.

Over the last 19 years, we have completed more than 7,000 apartments in Hungary, Romania and Poland, and we are currently developing an additional 4,000 units in 19 projects throughout the region, and have an additional 11,200 homes throughout Central and Eastern Europe, Spain and the United Kingdom in the development pipeline. Our apartments are more than just harmonious homes: they offer outstanding quality of life and are unique living spaces that organically fit the location and the surrounding community. Our properties represent an outstanding investment for sophisticated investors, as they provide long-term value and comfortable, secure rental yields that exceed market averages.



As a member of the Futureal Holding Group, one of the leading international real estate developers and investors in Central and Eastern Europe, Cordia's objective is to become the leading housing developer in the region.

The Futureal Holding Group is engaged not only in residential development but also in large-scale mixed-use urban renewal projects, office and retail development, redevelopment projects, and commercial property investments, as well as providing structured finance solutions. Since its foundation, Futureal Holding Group's portfolio has encompassed more than 180 real estate projects, with a total value of EUR 5 billion across 3 million square meters. Currently, the group is managing 39 projects simultaneously, with a total value of EUR 1.2 billion and a net area of over 400.000 square meters.

## 1.1. The projects of Cordia

So far, Cordia has completed 7,000 apartments in Hungary, Romania and Poland, with a total gross area of 525 000 square meters. Building on that track record, we are currently developing 4,000 additional units and we are also planning to build further 11,200 homes throughout Central and Eastern Europe, Spain and the United Kingdom in the coming years.



To date, we have sold more than 7,000 homes and we are currently constructing 2,180 apartments, with a total area of 117,000 sqm in Budapest. In addition, our company has 28 projects in the pipeline in different stages of preparation, representing approximately 5,500 units with a total area of approximately 366,000 sqm for future development in Budapest.



To date, in Poland (Warsaw and Kraków) we have built more than 2,100 properties. We are currently constructing close to 750 apartments with a total net area of 23,800 square metres. In addition, our company has some more projects in different stages of preparation, with approximately 4,500 units scheduled for future development in Warsaw, Cracow, Gdansk, Sopot and Poznań.



Cordia entered the UK market by acquiring the Birmingham-based PRS (Private Rental Sector) specialist developer Blackswan Property in September 2020. The UK company now operates under the Cordia Blackswan brand. Blackswan's projects currently include The Lampworks, a 124 home build-to-rent apartment scheme and The Gothic, an ambitious reanimation of listed and heritage buildings with 30 homes and more than 1,100 sqm commercial space, which will create a new residential and leisure destination. Both of the projects are located in Birmingham's Jewellery Quarter, on the edge of Birmingham City Centre.



Cordia Romania, announced its second residential project in Romania at the end of October 2018. Parcului20 is a 469-apartment condominium located in the Expoziției area, North Bucharest. The condominium is among the first smart residential projects in Romania, with all of its 469 apartments equipped with integrated state-of-the-art smart home systems. Cordia Romania has a portfolio of land plots located in Northern and Central Bucharest, the most desirable residential areas of the city, which allow for the development of another 1,500 apartments.



Cordia Spain has started its operation under a pilot project. Within this project the company intends to build 90 large nearly 100 sqm luxury homes on a newly purchased sea-view property in the heart of Fuengirola, the most elegant resort on the Spanish Riviera, the Costa del Sol. This 7-hectare sea-view development, which is close to the city centre and just a 5-minute drive from the beach, will also feature playgrounds and community areas.

Cordia bonds are listed on the Budapest Stock Exchange (BSE) and on the Warsaw Stock Exchange (WSE) as well, which means that the Company intends to operate in line with the ESG strategy of each stock exchange, including environmental aspects such as climate risk, resource management and clean energy, greenhouse gas (GHG) emissions and waste management. The Company would like to incorporate the sustainability principles in its business strategy to achieve long-term efficiency and success.<sup>1</sup> This Green Finance Framework is also part of this effort and it fits well into the holistic sustainability strategy of the Company. In addition, this commitment creates not only a higher shareholder value but also benefits the stakeholders of Cordia.

## 1.2. The sustainability strategy of Cordia

In 2019, the European Union initiated the Green Deal to cut emissions by at least 55% by 2030. Moreover, the EU aims to become the first climate-neutral continent by 2050. In July 2021, the Commission presented several proposals on how it intends to achieve climate neutrality by 2050, including greenhouse gas emission targets for sectors such as buildings.<sup>2</sup>

According to the European Commission, buildings are responsible for 36% of Europe's GHG emissions in 2020, mainly coming from construction, usage, renovation and demolition.<sup>3</sup> In addition, 40% of the European energy consumption can be attributed to buildings, which makes buildings the single largest energy consumer in the continent. About 35% of the EU building stock is 50 years old or more, and almost ¾ of them are not energy efficient, meanwhile, only about 1% of the buildings are renovated each year. The European Commission estimates that the renovation of existing buildings can lead to significant energy savings, as it could reduce the EU's total energy consumption by 5-6% and lower CO<sub>2</sub> emissions by about 5%, and it can also stimulate the construction industry, which provides 18 million direct job opportunities within the EU.<sup>4</sup>

In the EU in 2020, 5.3 % of GDP was invested in housing. This share varies among the Member States: the highest is in Cyprus with 7.8%, while the lowest is Greece with 0.9%. Hungary is below the average with a 4% share, which shows that there is still a lot of room for real estate developments.<sup>5</sup>

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<sup>1</sup> BSE ESG

<https://www.bse.hu/Issuers/corporate-governance-recommendations/bse-esg>

<sup>2</sup> EU climate action and the European Green Deal

[https://ec.europa.eu/clima/policies/eu-climate-action\\_en](https://ec.europa.eu/clima/policies/eu-climate-action_en)

<sup>3</sup>In focus: Energy efficiency in buildings

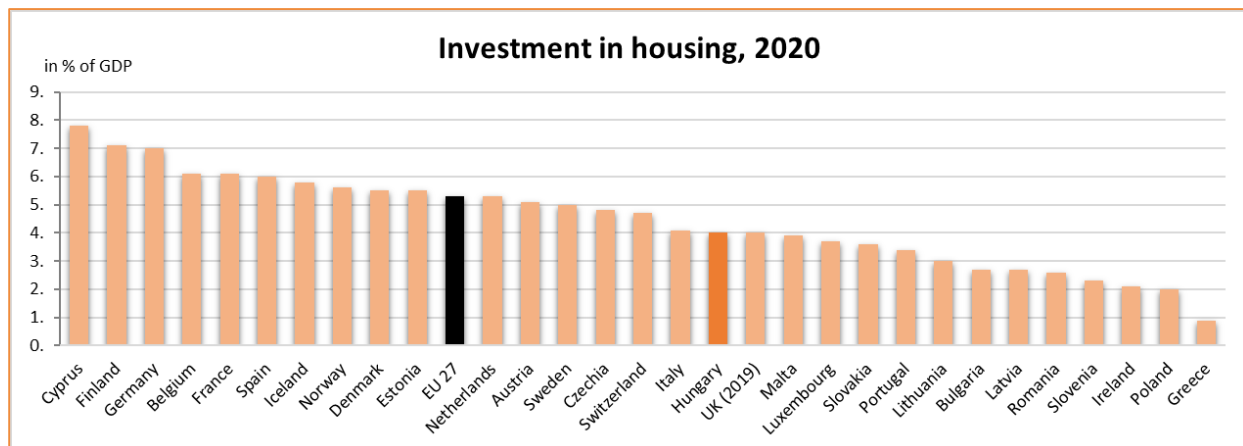
[https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17\\_en](https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-feb-17_en)

<sup>4</sup> European Commission: Energy performance of buildings directive

[https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)

<sup>5</sup>European Commission: Construction

<https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-3a.html?lang=en>



Source: Eurostat

As a major CEE real estate developer, Cordia can significantly contribute to the goals of the EU's Green Deal to decrease the GHG emission of buildings in the region.

Cordia endorses all of the 17 Sustainable Development Goals ("SDG"s)<sup>6</sup> as defined by the United Nations for the period 2015 -2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The Company can contribute to the fulfillment of the following SDGs in its operations:



### 1.3. Compliance with the EU Taxonomy<sup>7</sup>

The EU taxonomy is a classification system that lists environmentally sustainable economic activities. The standardised approach can play an important role in helping the EU scale up sustainable investment and implement green initiatives in Europe. The clear definitions help companies, investors and policymakers in considering environmentally sustainable activities.

<sup>6</sup> United Nations: The 17 Goals

<https://sdgs.un.org/goals>

<sup>7</sup> EU Taxonomy

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en)

The Taxonomy Regulation established 6 environmental objectives, for some of which the activities can contribute to while Doing No Significant Harm (DNSH) to the other objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Cordia especially monitors the Construction and real estate activities sector of the EU Taxonomy, and aims to incorporate the relevant recommendations into its sustainability policy.

#### 1.4. The Green Finance Framework

Cordia established a Green Finance Framework in line with the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP). The Framework's commitments are applied to green bonds used or issued, or green loans obtained by Cordia, where proceeds will be allocated to finance/refinance – with a look-back period of 24 months for refinancing activities – , in part or in full, new and/or existing Eligible Projects and Assets with clear environmental benefits.












The Framework contains all of the components recommended by the GBP:

- Section 2: Use of Proceeds
- Section 3: Process for Project Evaluation and Selection
- Section 4: Management of Proceeds
- Section 5: Reporting

Future changes in the Green Bond Principles and the EU Taxonomy may be implemented in updated versions of this Green Finance Framework. Any updated version of this framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.





## 2. Use of Proceeds

The use of green finance proceeds for the Cordia issuances within this Framework are intended to be in line with the ICMA GBP, therefore all Green Assets and Projects should provide clear environmental benefits and promote the transition to a low-carbon, climate-resilient and sustainable economy.

GBP Eligible Category	Eligibility Criteria	SDG Contribution	EU Taxonomy Contribution
<p><b>Green Buildings</b></p> 	<p>Acquisition or construction of residential buildings that meet the following, recognized standards, such as:</p> <ul style="list-style-type: none"> <li>• BREEAM (Excellent or above), or</li> <li>• LEED (Gold or above), or</li> <li>• At least 10% better than the minimum criteria for nearly zero energy buildings, or</li> <li>• CBS Residential building criteria for the target country<sup>8</sup></li> </ul> <p>Financing of renovation or otherwise completed low-energy properties that have, or will, achieve at least a 30% decrease in overall energy consumption or achieve the required energy efficiency in line with the applicable national building code for newly-built properties, or a two-grade upgrade in the local energy performance label, if it results at least 20% improvement in emissions/energy performance/PED</p>	     	<ul style="list-style-type: none"> <li>• Construction of new buildings;</li> <li>• Installation, maintenance and repair of energy efficiency equipment;</li> <li>• Renovation of existing buildings;</li> <li>• Acquisition and ownership of buildings</li> </ul>
<p><b>Energy Efficiency</b></p> 	<p>Investment in/expenditures on the R&amp;D, operation, distribution and maintenance of equipment or technology helping reduce energy consumption and increase energy savings, such as:</p> <ul style="list-style-type: none"> <li>• energy storage,</li> <li>• district heating,</li> <li>• smart grids,</li> <li>• efficient lighting.</li> </ul>	  	<ul style="list-style-type: none"> <li>• Construction of new buildings;</li> <li>• Renovation of existing buildings;</li> <li>• Installation, maintenance and repair of energy efficiency equipment;</li> </ul>

<sup>8</sup> Location Specific Criteria for Residential Buildings & Calculator  
<https://www.climatebonds.net/standard/buildings/residential/calculator>



	<p>New or existing buildings belonging to the top 15% most energy-efficient buildings in the target country.</p> <ul style="list-style-type: none"> <li>• Hungary: EPC BB or better;</li> <li>• Poland: Polish technical condition TC2014 or TC2017/2021, or single-family houses with &lt;110.3 kWh/m<sup>2</sup>/a and multi-family houses with &lt;96.5 kWh/m<sup>2</sup>/a Primary Energy demand;</li> <li>• UK: EPC B or better;</li> <li>• Spain: EPC C or better.</li> </ul>		<ul style="list-style-type: none"> <li>• Renovation of existing buildings;</li> <li>• Acquisition and ownership of buildings;</li> <li>• Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings</li> </ul>
<p><b>Renewable Energy</b></p> 	<p>Investments in or expenditures on the installation of solar power or heat pump or stand-alone solar farms, and related infrastructure investments (e.g. grid connections, electric substations or networks)</p>		<ul style="list-style-type: none"> <li>• Installation, maintenance and repair of renewable energy technologies</li> </ul>
<p><b>Clean Transportation</b></p> 	<p>Financing of/investments in supportive infrastructure services (charging stations for electric vehicles, bicycle storages or other investments supporting low-carbon transportation methods)</p>		<ul style="list-style-type: none"> <li>• Installation, maintenance and repair of charging stations for electric vehicles in buildings</li> </ul>

## 2.1. Excluded projects and assets

Cordia will not allocate the green finance proceeds to fossil-based energy generation, nuclear energy generation, R&D within weapons and defence industries, potentially environmentally negative resource extraction (e.g. rare-earth elements or fossil fuels), gambling or tobacco.

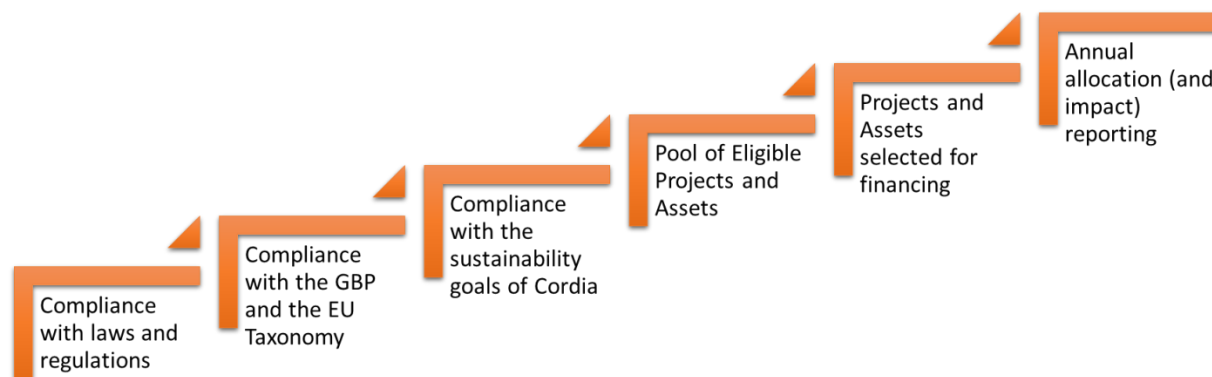
## 3. Process for Project Evaluation and Selection

Cordia's project evaluation and selection process ensures that the green bond proceeds will be allocated only to Eligible Projects and Assets that meet the criteria of the GBP and this Framework.

The Cordia Green Finance Committee (CGFC) will be established to monitor the sustainability finance processes of the Company. The GFC meets at least annually. The CGFC will consist of the following members:

- CEO of Cordia
- CFO of Cordia
- Technical Director of Cordia
- Head of Sustainability of Cordia
- Chief Architect of Cordia

The nominated Eligible Projects and Assets are selected based on the Section 2 (Use of Proceeds) of the Framework, such as external certifications (such as the green building certifications, the EPC label of the new or refurbished/renovated property) or the alignment with the GBP and the EU Taxonomy to ensure that the Eligible Projects and Assets contribute to at least one of the UN SDGs, and EU Taxonomy activities also considering the Do No Significant Harm (DNSH)<sup>9</sup> principle.



The CGFC will monitor the development of the relevant green KPIs and targets. The Committee can also involve an external sustainability expert.

Regarding Environmental and Social (ES) risk management, Cordia considers the interest of stakeholders in the selection of Green Projects and Assets. The ES risks are managed by the CGFC. If a meaningful ES risk is identified, the Committee provides a mitigation proposal during the project evaluation and selection process.

<sup>9</sup> Activities that do no significant harm to the following six environmental objectives: Climate change mitigation, Climate change adaptation, Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems.

## 4. Management of Proceeds

Cordia intends to allocate the green finance proceeds to a dedicated Green Account, or otherwise tracked in the Green Portfolio of the Company. The Company will track the proceeds in a spreadsheet, maintained by the CGFC. This Green Account will contain information on the selected Eligible Projects and Assets and the Green Bonds, such as the project category, location, ISIN, maturity, amount outstanding. The Green Account will serve as a basis for the annual reporting.

The CGFC is responsible for the allocation of green bond and other green financing instrument proceeds in line with the criteria mentioned above. If a Project or Asset no longer qualifies as eligible during the life of the green bond and other green financing instruments, the Project/Asset will be replaced by another Eligible Project or Asset as stated by this Framework.

While the Green Portfolio has a positive balance, the net proceeds may be invested or utilised following the sustainability policy of Cordia and the investment criteria. Such unallocated funds may for instance be invested in short-term, liquid interest-bearing securities or cash/cash equivalents.

## 5. Reporting

To be fully transparent, Cordia will publish an annual report on its website ([www.cordiahomes.com](http://www.cordiahomes.com)) within 12 months of the green bond issuance and then annually until full allocation.

The report will contain information on the Eligible Projects and Assets that have been financed with green bonds and other green finance instruments, a summary of the activities of Cordia in the past year relevant to green bonds as well as information, including examples, of the financed Eligible Projects' and Assets' adherence to the relevant criteria.

The planned annual green finance report will include

- the Allocation Report; and
- the Impact Report on a best effort basis (based on the availability of relevant data and KPIs).

### 5.1. Allocation Report

Allocation of green finance proceeds will be provided at a project level, unless confidentiality agreements, competitive considerations, or a large number of underlying qualifying projects limit the amount of detail that can be made available. In that case, the information will be provided at





an aggregated level, with an explanation of why project-level information is not given. The Allocation Report will contain the following data:

- Total amount of green finance instrument proceeds allocated
- Remaining balance of unallocated bond and other green finance instrument proceeds
- The remaining balance of the Green Portfolio
- Share of financing/refinancing of new/existing projects
- Geographical distribution of the Eligible Projects/Assets

## 5.2. Impact Report

Cordia will provide impact reporting at the level of each Eligible Project Category which has been defined in the section of Use of Proceeds on a best effort basis. Impact reporting – if the relevant data are available – may contain metrics recommended by the 2021 Harmonised Framework for Impact Reporting.<sup>10</sup>

The following metrics are examples of indicators that are likely to be used by the Cordia in the Impact Reporting:

GBP Eligible Category	Impact Indicator
<b>Green Buildings</b> 	<ul style="list-style-type: none"> <li>• Type of certification and degree of certification for buildings (e.g. LEED, BREEAM, EPC)</li> <li>• Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> <li>• Annual energy savings (MWh) – if any</li> </ul>
<b>Energy Efficiency</b> 	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions reduced/avoided in tCO<sub>2</sub></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>
<b>Renewable Energy</b> 	<ul style="list-style-type: none"> <li>• Expected annual renewable energy generation (MWh)</li> <li>• Installed renewable energy capacity (MW)</li> <li>• Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li> </ul>
<b>Clean Transportation</b> 	<ul style="list-style-type: none"> <li>• Number of clean (e.g. electric) vehicle chargers deployed</li> <li>• Annual Absolute (gross) GHG emissions in (tCO<sub>2</sub>e)</li> <li>• EV charging station total power (MWh)</li> <li>• Geographical coverage of the EV charging stations in km<sup>2</sup></li> </ul>

<sup>10</sup> Harmonised Framework for Impact Reporting June 2021

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

## 6. External Review

In line with the 2021 GBP recommendations, Cordia appointed an external reviewer to assess through a pre-issuance external review (SPO) the alignment of the Company's Green Finance Framework with the four core components of the GBP.

Both the Framework and the SPO will be published on the website of the Company.

### 6.1. Allocation report audit

Cordia also aims to obtain an annual review from an external auditor, based on the allocation of green bonds and other green finance instruments' proceeds to the Eligible Projects and Assets on an annual basis.