

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Stavmat Kft

Green Bond ISIN: HU0000360714

Independent External Review provider's name: SustainAdvisory S.r.l.

Completion date of this form: 29/07/2021

Publication date of review publication: NA

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input checked="" type="checkbox"/> Other (please specify): External third party limited assurance | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Stavmat Kft ('Stavmat' or 'Issuer' or 'Company') appointed SustainAdvisory S.r.l. to provide an independent limited assurance report on Stavmat's Green Bond Framework (the 'Framework'). The Limited Assurance Report contains SustainAdvisory S.r.l.'s opinion on the conformance of the Framework with ICMA's Green Bond Principles (June 2021). SustainAdvisory's Limited Assurance Report is at the following link: [SPO Assurance Report Stavmat Executed 08072021 SA Srl.pdf](#). 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. 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 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 m² paving stones per year. Paving stones are increasingly used for domestic and urban spaces, significantly reducing the use of asphalt (high CO₂ content) while improving pavement water drainage qualities.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable): The reviewed evidence confirms that all the proceeds from the 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). The project will contribute to the high-level environmental objectives of 'Climate change mitigation' and 'Natural resources conservation' and falls under the following categories:

- Renewable Energy: installation of solar panels on plant roof to provide heating/air conditioning;
- Energy Efficiency: use of the latest equipment and machinery operating with lower energy consumption and electrification/ automation of processes;
- Circular economy adapted products, production technologies and processes and/or certified eco-efficient products: water and cement waste re-use in the production process;
- Sustainable water and wastewater management: use of the latest equipment and machinery operating with lower freshwater consumption.

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.

The Framework also discloses the quantitative assessment of these environmental benefits in term of expected energy savings.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable): The Issuer has set out a process for the evaluation and selection of Green Projects eligibility and defined transparent criteria. According to the Framework, Eligible Green Projects shall contribute to environmental objectives connected to 'Climate change mitigation' and 'Natural resources conservation' and support the UN SDGs: SDG6 (Clean water and sanitation), SDG 7 (Affordable and clear energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). Eligible Green Projects are selected according to the objectives coherent with the environmental sustainability strategy of the Company: use of renewable energy; improving energy efficiency of production process and sales stores; minimize the use of freshwater resources; use of certified natural resources (certified raw material for the production process); 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. The Green Bond Framework disclose publicly these criteria. 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. The reviewed evidence indicates its responsibilities and activities.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): Involvement of an external expert | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable): 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). Green Bond proceeds will be segregated into a dedicated account. 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).

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other *(please specify)*:

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*: 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). The information will be provided annually to investors until full allocation of the proceeds in the Allocation Report and will be made publicly available via Stavmat's website. Stavmat will also provide annually to investors information on the environmental impacts of Eligible Green Projects until full allocation of the proceeds. The Impact Report will provide a description of qualitative and quantitative environmental impacts associated to the Green Projects in which the Green Bond proceeds have been allocated. The performance indicators will be reported in relation to baseline data and the methodologies applied for their calculation will be made publicly available (also on the Company's website).

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other <i>(please specify)</i> : | |
| <ul style="list-style-type: none"> - brief description of the projects financed - amount of allocated proceeds - balance of unallocated proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
|--|---|

☐ Linkage to individual bond(s)

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings

☒ Energy Savings

☒ Decrease in water use

☒ Other ESG indicators (please specify):

- waste reuse in the production process in tonnes per annum

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☒ Information published in ad hoc documents

☒ Other (please specify): company website: <https://www.stavmat.hu/>

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

[sustainability | STAVMAT BUILDING MATERIALS TRADE \(https://www.stavmat.hu/fenntarthatosag\)](https://www.stavmat.hu/fenntarthatosag)

https://www.stavmat.hu/files/page/161/Green_Bond_Framework_2021.pdf

https://www.stavmat.hu/files/page/161/SPO_Assurance_Report_Stavmat_Executed_08072021_SA_Srl.pdf

https://www.stavmat.hu/files/page/161/Enviro-strategy-2020-2025_ENGversion.pdf

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☐ Scoring/Rating

☐ Other (please specify):

Review provider(s): SustainAdvisory S.r.l.

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.