

Vajda-Papír Kft Green Bond Framework

Limited Assurance Report to Vajda-Papír Kft

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Introduction

Vajda-Papír Kft ('Vajda-Papír' or 'Issuer' or 'Company') is proposing to issue a green bond and has appointed SustainAdvisory S.r.l. to provide an independent limited assurance report on Vajda-Papír Group'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 2018) and is attached to this document in Section 2.

Company Profile

Vajda-Papír is a family-owned business founded in 1999. The Company operates in the production and trading of household hygiene and sanitary paper products under its own brand name as well as for retail chains' private labels. The Company is market leader in Hungary and exports in more than 20 countries in Central and Eastern Europe, the Baltics and Scandinavia. Group annual net sales in 2020 amounted to HUF 24 billion (approximately 67 million euro).

The Vajda-Papír Group consists of two companies: Vajda-Papír Kft, the manufacturing and trading company and Vajda Real Estate Kft ('VRE'), the real estate company. VRE provides leasing services to the Issuer and is involved in the production of base paper (semi-finished goods) and finished goods sold by Vajda-Papír.

Vajda-Papír purchases raw material (cellulose) from Scandinavia (80%) and South America (20%). The semi-finished product (base paper) manufacturing capacity currently provides for 50% of base paper needs while it procures the remaining quantity is procured through foreign producers.

Certifications

The Group operates using modern technology in all its processes with high standards of quality, safety and personnel protection while enhancing its operational efficiency under the following certifications:

- ISO 9001 (Quality management) valid until November 2023;
- ISO 14001 (Environmental management) valid until November 2023;
- ISO 50001:2012 (Energy management) valid until August 2021;
- IPPC (Integrated Pollution Prevention and Control), valid until September 2027;
- HAPCC (Hazard Analysis and Critical Control Point, system to control the entire manufacturing process of food contact products), valid until August 2021;
- FSC® (Forest Stewardship Council) COC (Chain of Custody) (timber traceability system from extraction through paper production to the finished product), valid until December 2021 for Vajda-Papír valid until June 2023 for Vajda Real Estate;
- NORDIC ECO-LABEL: (products with a low environmental impact in northern European countries, Norway, Sweden, Finland, Denmark and Iceland) valid until December 2022;
- BRC Global Standard Consumer Products (in category 4).

Green Bond Rationale

Vajda-Papír is proposing to issue a Green Bond of HUF 9 billion (circa EUR25 million equivalent).

Vajda Real Estate Kft will act as guarantor of the Issuer. All the proceeds of the bonds will finance the Phase II of the investment plan started in 2017 and directed to achieve a full vertical integration of the semi-finished products to improve the quality and security of the supply chain of the base paper. Phase I was completed at the end of 2018 with the first hygienic base paper production plant built in Dunaföldvár that provides 50% of base paper. In order to reach 100% of base paper needs and expand the total production capacity of final products (from 35k tons to 105k tons), Phase II of the plan envisages the purchase of a new, additional tissue paper machinery for the production of base paper. The machine (Conventional Wet Press Tissue machine) has already been selected and contracted with Toscotec, the Italy-based paper machinery designer and manufacturer, now part of the German group Voith GmbH & Co. KGaA. Thanks to the highly efficient technical specifications of the machine, Vajda-Papír will be able to mitigate the environmental impacts of the production process and contribute towards the objectives of the Company's Green Strategy.

Contribution of framework to the Issuer's Green Strategy and CSR

Vajda-Papír's mission and vision is to make people's everyday lives easier by offering effective solutions to personal and households' hygiene with paper products. The Group is committed to manufacture and sell hygiene and sanitary paper products in a sustainable manner, contributing to the economic and social development of local communities and minimizing environmental impacts through careful selection of paper pulp suppliers, energy and water consumption reduction through investments in energy and water efficient machinery, green energy procurement strategies, investments in renewal energy sources, recycling of industrial heat waste and wastewater, green building and other recycling efforts.

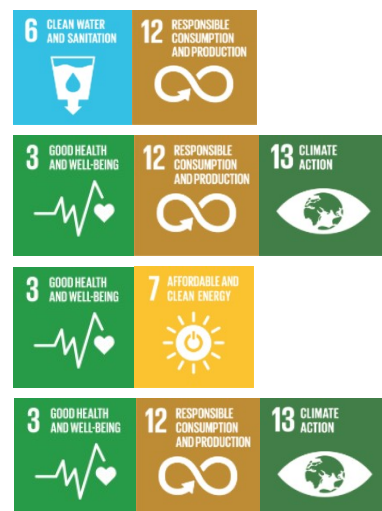
Furthermore, the Group acknowledges the importance of the United Nations' Sustainable Development Goals (SDGs) and commits to observe the United Nations (UN) Sustainable Development Goals (SDGs) and directs its actions and investments in support of its objectives (specifically SDG3 Good Health and Well-being, SDG6 Clean Water and Sanitation, SDG7 Affordable and Clean Energy, SDG12 Responsible Consumption and Production and SDG13 Climate Action).

The Green Bond issue contributes towards specific environmental targets established as part of the Group's environmental green strategy, including:

Green Strategy Targets

- reduction of freshwater consumption to reach a limit of less than 5,5m³/ tons of produced paper
- reduction of energy consumption to reach limit of less than 2800kWh/tons of produced paper
- increasing use of renewable energy to 50%
- decreasing CO₂ emissions and saving of fuel consumption related to the avoided transport from the suppliers' locations by producing the base paper in house

SDGs



Company Green Bond Framework

The Green Bond Framework created by Vajda-Papír Group will facilitate transparency, disclosure, and integrity of planned Green Bond issuance as recommended in the Green Bond Principles 2018 published by the International Capital Markets Association (ICMA). The four

pillars of the Framework are the following:

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

The Green Bond proposed by the Issuer falls in the category of 'Standard Green Use of Proceeds Bond', as defined by the Green Bond Principles.

Green Bond Core Component Assessment

Use of Proceeds

All proceeds from Vajda-Papír bond financing will be used to finance the purchase of a new base paper production machine to produce the raw materials for kitchen paper rolls, paper tissues and paper napkins. The machinery will improve efficiency in production, the quality and the supply chain security of the raw materials. The self-sufficient production will ensure a uniform quality of processed base paper, the technology used by the new machinery will allow a lower energy and freshwater consumptions and raw material inputs, lower emission of GHG, and/or lower emission of pollutants. Furthermore, the in-house base paper production will reduce the energy consumption and CO₂ emissions produced by the transport from the base paper supplier to the Vajda-Papír's production plants. This investment is considered in line with the categories of eligibility for Green Projects recognised by the Green Bond Principles (2018). More specifically the categories of Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally sustainable management of living natural sources and land use (including environmentally-sustainable forestry), Clean transportation, Sustainable water and wastewater management. The environmental benefits are clear, assessed and quantified in the Green Bond Framework.

Process for Evaluation and Selection

According to the Green Bond Principles categories identified (above) the project to which the use of proceeds will be allocated contributes to the specific environmental objectives of Climate change mitigation, Natural resources conservation and Pollution prevention of Vajda-Papír Group's environmental strategy and management approach. The project is in compliance with the certification and licenses under which the Company already operates. The Issuer has established a Green Committee chaired by the Deputy CEO, that includes the company's CFO and the Chief Environmental Expert. The Green Committee is responsible for: the development of the Company's Green strategy and its objectives; the monitoring of the implementation of the Green Strategy and application of sustainable development targets in all processes of the Company; supervises the selection of projects, the alignment of the use of the proceeds to the framework; the allocation of funds; and the development of green KPIs and the achievement of the set goals. Vajda-Papír 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 currently provide for exclusion criteria.

Management of Proceeds

The proceeds from the Green Bond will be managed by Vajda-Papír management and allocated to approved Eligible Green Projects following the recommendations by Green Bond Committee. The Vajda-Papír's Finance Department will be establishing an internal record keeping system that will track the allocation of proceeds to the project. Pending allocation, the net proceeds from the bond will be invested in cash or cash equivalents in accordance with the Group cash management policies not harming any of the environmental objectives. As the investment is planned to be completed within a short period of time, the unallocated proceeds will be kept in

a bank account in line with this Framework.

Reporting

Vajda-Papír will disclose annually to investors the use of proceeds and provide an annual update of information on the allocation of the use of proceeds as well as relevant impact metrics. The information will be provided to investors until full allocation of the proceeds in the Allocation Report and in the Impact reporting and will be made publicly available via Vajda-Papír website.

The Allocation Report will include main indicators:

- Proportion of green investments in the corporate portfolio: Green rated investment / Total investments (%)
- Green proceeds utilization: Green bond proceeds used / Total green bond proceeds (%)
- Use of green proceeds by environmental purpose: Distribution of green proceeds used between categories defined in the Green Bond Framework (%)

The Green Bond Framework describes the methodology used by Vajda-Papír in the impact quantitative determination. The expected impacts are based on ex-ante estimates (developed prior to project implementation) considering previous status for a representative year before the project is completed and operating at normal capacity.

Disclaimer

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This Report was produced following the Green Bond Principles ("GBP") of the International Capital Markets Association ("ICMA") which were in effect at the time the Report was prepared.

This Report is produced "as is" and as a point-in-time product. The Report is based on the information that was provided by the Recipient during the time of production. Neither the Report, nor the information therein is updated by SustainAdvisory. Neither this Report nor the information therein constitute a representation or warranty of any kind. The Report does not contain investment advice of any kind and explicitly does not assess the Recipient's economic performance, nor its financial obligations, nor its creditworthiness.

No reliance may be placed solely on the Report and any person or party viewing the Report must consult the Recipient or ICMA for any queries relating thereto.

Independent Limited Assurance Report to Vajda-Papír Kft ("Vajda-Papír" or the "Issuer")

1. Assurance Conclusion

Based on our limited assurance procedures as described in this statement as of 10 May 2021, nothing has come to our attention to suggest that Vajda-Papír Group 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 2018).

2. Scope

SustaindAdvisory S.r.l. ("we" or "SA Srl") have performed a limited assurance engagement in relation to the pre-issuance of Vajda-Papír's Green Bond (the "Bond" or the Green Bond") 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 10 May, 2021.

3. Subject matter

| SUBJECT MATTER | CRITERIA |
|--|--|
| The scope of assurance included information on material aspects of Vajda-Papír Green Bond Framework based on the requirements of the Green Bond Principles | <p>Green Bond Principles (June 2018) ("GBP") on:</p> <ol style="list-style-type: none"> 1. Use of proceeds 2. Process for Project Evaluation and Selection 3. Management of Proceeds 4. Reporting <p>Green Bond criteria can be found at this link: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</p> |

4. Vajda-Papír's Management Responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and their green bond comply with the requirements of the Green Bond Principles (June 2018). 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 key staff of Issuer responsible for the green bond 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 project proposed to be associated with the green bond and its conformance with the eligible green project categories specified in the Green Bond Principles, June 2018.

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 Vajda-Papír 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
10 May 2021

APPENDIX A: ASSESSMENT OF THE GREEN BOND FRAMEWORK AGAINST GREEN BOND PRINCIPLES (GBP), JUNE 2018

| 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"> ▪ Standard Green Use of Proceeds Bond ▪ Green Revenue Bond ▪ Green Project Bond ▪ Green Securitised Bond | <p>The reviewed evidence confirms that the Vajda-Papír Green Bond falls in the category Green Use of Proceeds Bond.</p> | <p>Vajda-Papír Group Green Bond Framework</p> |
| Green Bond Principles 1 - Use of proceeds | | |
| <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 the proceeds of Vajda-Papír’s Group Green Bond issuance will be used to finance a single project considered as Eligible Green Project in line with the categories for green projects recognised by GBP, 2018.</p> <p>The purpose of the bond is to use all the proceeds to finance the purchase of a new base paper manufacturing plant (a cutting-edge technology paper machine). The contract supplied by one of the main worldwide players (Toscotec) has already been signed. The supplier also participated in the previous investment (Phase I). This project falls under the following categories:</p> <ul style="list-style-type: none"> ▪ Renewable Energy, ▪ Energy Efficiency, ▪ Pollution prevention and control, ▪ Environmentally sustainable management of living natural resources and land use, ▪ Clean transportation, ▪ Sustainable water and wastewater management. | <p>Vajda-Papír Group Green Bond Framework Vajda-Papír Bond Presentation_II_phase Discussions with Vajda-Papír’s Management</p> |
| <p>The legal documentation for the bond appropriately described the use of the proceeds for Green Projects</p> | <p>The reviewed evidence confirms that the Vajda-Papír Green Bond Framework appropriately describes the use of the proceeds for the Green Project, in terms of relevant information, completeness, clarity, understanding. It also includes the decision-making process to determine the projects evaluation and selection.</p> | <p>Vajda-Papír Group Green Bond Framework Vajda-Papír Bond Presentation_II_phase Discussions with Vajda-Papír’s Management</p> |
| <p>All designed Green Projects provide clear environmental benefits</p> | <p>The reviewed evidence confirms that the Vajda-Papír Green Bond Framework describes the environmental benefits of the green project identified and assessed by the Issuer.</p> | <p>Vajda Papír Group Green Bond Framework Discussions with Vajda-Papír’s Management</p> |

| REQUIREMENTS | SUSTAINADVISORY FINDINGS/ASSESSMENT | SUPPORTING DOCUMENTATION |
|--|---|---|
| The environmental benefits are assessed by the issuer | <p>The qualitative assessment presents the main environmental benefits of the green project. The new machinery will improve the quality and the supply chain security of the raw materials, the efficiency in production and will increase sustainability:</p> <ul style="list-style-type: none"> the full self-sufficient production will ensure an uniform quality of processed base paper (currently 50% is sourced externally), the new technology used by the machinery will allow a lower energy and freshwater consumptions and raw material inputs (the new machinery will use only renewable energy sources from 2023 and will operate with lower energy consumption and/or lower emission of GHG, and/or with lower emission of pollutants), in-house base paper production will reduce the energy consumption and CO₂ emissions produced by the transport from the base paper supplier to the Vajda-Papír's production plants. | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |
| The environmental benefits are quantified by the issuer | <p>The Issuer also describes the quantitative assessment of these environmental benefits:</p> <ul style="list-style-type: none"> reduction of the freshwater consumption to reach limit less than 5,5m³/ tons of produced paper, reduction specific energy consumption to reach limit less than 2800KW/tons of produced paper, increase of the utilisation of renewable energy to 50%, decrease of the transport needs related CO₂ emission of the group by producing the base paper locally in house. | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |
| 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 | The proceeds of the Bond will be used to finance the purchase of the new base paper machine. This green project represents 100% of the Green Bond Proceeds | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |
| Which investments or project portfolios may be refinanced are clarified (where appropriate) | No projects to refinance | |
| The expected look-back period for refinanced Green Projects is clarified (to the extent relevant) | No projects to refinance | |
| Green Bond Principles 2 - Process for Project Evaluation and Selection | | |
| The issuer has clearly communicated to investors the environmental sustainability objectives | <p>According to the Green Bond Principles categories identified and the Group's green sustainability strategy and the Group's CSR goals, the eligible green project contributes to the specific environmental objectives of:</p> <ul style="list-style-type: none"> Climate change mitigation, Pollution prevention and control, and Natural sources conservation (including sustainable forest management). | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |

| REQUIREMENTS | SUSTAINADVISORY FINDINGS/ASSESSMENT | SUPPORTING DOCUMENTATION |
|---|---|---|
| <p>The green bond objective is positioned in the context of the issuer's overarching objectives, strategy, policy and/or processes relating to its environmental sustainability</p> | <p>Although the Issuer does not draft an official non-financial report, Vajda-Papír pursues CSR goals and observes the United Nations Sustainable Development Goals (SDGs) taking actions and investments in support mainly of objective SDG 3 (Good Health and Well-being), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).</p> <p>The Group commits to actions targeted to achieve zero impact environmental footprint, for avoiding and preventing pollution and minimising its environmental impacts related to wastewater, solid wastes and GHG emissions by continuously improving energy-efficiency and energy use from renewables. The environmental approach is also dedicated to sustainable forest management, supporting trees plantation in local communities and national parks in Hungary. In addition, Vajda-Papír actively works to entirely switch the packaging of their products from plastic to paper. Moreover, the Group holds and follows some environmental certifications on a voluntary basis.</p> <p>The Group commits also to create a positive social impact especially in the Communities where it operates, through several partnerships already established, with international not for profit organizations, which firstly help people in need and environment.</p> <p>The eligible investment in the new base paper machinery is aligned with the objectives of sustainability defined by Vajda-Papír Group and in compliance with the certification and licenses under which the company already operates.</p> <p>Information provided by the company does not show the presence of environmental controversial issues.</p> | <p>Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management Certificates (ISO 9001, ISO 14001, ISO 50001, FCS, BRC, HACCP, Eco-labelling, IPPC) Company website (Sustainability page)</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 evaluation and selection of green projects eligibility and defined transparent criteria. A Green Committee chaired by the Deputy CEO of the Issuer has been established. The Green Committee is composed of Deputy CEO, CFO and Chief Environmental expert. The reviewed evidence indicates its responsibilities and activities. For example, but not limited to, the Green Committee is responsible for:</p> <ul style="list-style-type: none"> ▪ the development of the Company's Green strategy and its objectives, ▪ the monitoring of the implementation of the Green Strategy and application of sustainable development targets in all processes of the companies, and ▪ supervises the selection of projects, the alignment of the use of the proceeds to the framework, the allocation of funds, the development of green KPIs and the achievement of the set goals. <p>The Committee will meet at least quarterly.</p> | <p>Vajda-Papír Group Green Bond Framework Green Committee establishment directive Discussions with Vajda-Papír's Management</p> |
| <p>The issuer has clearly communicated to investors the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the projects</p> | <p>The Vajda-Papír establishes environmental criteria to be used for the process of evaluation and selection of eligible project. The selection process of the eligible projects does not include exclusion criteria. The Green Bond Framework disclose publicly these criteria.</p> <p>Vajda-Papír Group is committed to ensure transparent, written record of internal procedures and</p> | <p>Vajda-Papír Group Green Bond Framework</p> |

| REQUIREMENTS | SUSTAINADVISORY FINDINGS/ASSESSMENT | SUPPORTING DOCUMENTATION |
|---|---|---|
| | practices for the use of green proceeds. | |
| Issuer discloses any green standards or certifications referenced in project selection | The criteria used in the selection and evaluation process include the compliance with domestic environmental regulations, in particular the existence of single permit of environmental use (IPPC, Integrated Pollution Prevention and Control, Industrial Emissions Directive – IED). | Vajda-Papír Group Green Bond Framework |
| The issuer's process for project evaluation and selection is supplemented by an external review | The evaluation and selection criteria are subject to an in-house assessment. In matters requiring special sustainability expertise, the Green Committee will require the involvement of an external expert. | Vajda-Papír Group Green Bond Framework Green Committee establishment directive |
| Green Bond Principles 3 - Management of Proceeds | | |
| The net proceeds of the Green Bond is credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner | <p>The proceeds from the Green Bond will be managed by Vajda Papír management and allocated to approved Eligible Green Projects following the recommendations by Green Bond Committee.</p> <p>Pending allocation, the net proceeds from the bond will be invested in cash or cash equivalents in accordance with the Group cash management policies not harming any of the environmental objectives.</p> | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |
| There is a formal internal process attested to by the issuer linked to the issuer's lending and investment operations for Green Projects | The Vajda-Papír's Finance Department will be establishing an internal record keeping system that will track the allocation of proceeds to the project. | Vajda-Papír Group Green Bond Framework |
| The balance of the tracked net proceeds is periodically adjusted to match allocations to eligible Green Projects made during that period | <p>Vajda-Papír 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.</p> <p>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>The information about updated allocation will be published to investors and to be updated annually until full allocation.</p> | Vajda-Papír Group Green Bond Framework |
| The issuer makes known to investors the intended types of temporary placement for the balance of unallocated net proceeds | <p>The net proceeds of the Vajda-Papír Green Bond will be invested in cash or cash equivalents, according to the Group cash management policies not harming any of the environmental objectives until the disbursement to the project as per the Vajda-Papír Green Bond Framework.</p> <p>As the investment is planned to be completed within a short period of time, the unallocated proceeds will be kept in a bank account.</p> | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |

| REQUIREMENTS | SUSTAINADVISORY FINDINGS/ASSESSMENT | SUPPORTING DOCUMENTATION |
|--|---|---|
| <p>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</p> | <p>As part of the Group's annual audit process, an external auditor will verify the allocation of proceeds to eligible green projects and the remaining balance of unallocated proceeds until full allocation of the funds</p> | <p>Vajda-Papír Group Green Bond Framework</p> |
| <p>Green Bond Principles 4 - Reporting</p> | | |
| <p>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> | <p>Vajda-Papír will disclose annually to investors the use of proceeds and provide an annual update of information on the allocation of the use of proceeds as well as relevant impact metrics. The information will be provided to investors until full allocation of the proceeds, in the Allocation Report and in the Impact reporting and will be made publicly available via Vajda-Papír website.</p> | <p>Vajda-Papír Group Green Bond Framework</p> |
| <p>The annual report includes a list of the projects to which Green Bond proceeds have been allocated and a brief description of the projects and the amounts allocated</p> | <p>Being the proceeds all invested in a sole project (the purchase of machinery for the base paper production), Vajda-Papír will disclose in the annual report a description of the activities financed, the value of the proceeds invested, the amount of unallocated proceeds and a breakdown of proceeds by eligible categories. The Allocation Report will also include some main indicators:</p> <ul style="list-style-type: none"> ▪ Proportion of green investments in the corporate portfolio: Green rated investment / Total investments (%), ▪ - Green proceeds utilisation: Green bond proceeds used / Total green bond proceeds (%), ▪ Use of green proceeds by environmental purpose: Distribution of green proceeds used between categories defined in the Green Bond Framework (%). <p>The Allocation report could be integrated with other relevant indicators.</p> | <p>Vajda-Papír Group Green Bond Framework</p> |
| <p>The annual report presents the expected impact of projects, qualitative performance indicators and, where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, decrease in water use, reduction in the number of cars required, etc.)</p> | <p>Vajda-Papír will provide annually to investors the Impact reporting until full allocation of the proceeds. This report will provide a description of qualitative and quantitative expected environmental impacts associated to the green project in which the green bond proceeds have been allocated.</p> <p>The Issuer plans to report on a number of project performance specific measures as listed in the last table of the Vajda-Papír Green Bond Framework.</p> | <p>Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management</p> |
| <p>The regular reporting discloses the key underlying methodology and/or assumptions used in the quantitative determination</p> | <p>The Green Bond Framework describes the methodology used by Vajda-Papír in the "impact quantitative determination" section in related to the produced paper and transport. The expected impacts are based on ex-ante estimates (developed prior to project implementation) considering previous status for a representative year before the project is completed and operating at normal capacity. For the quantitative impact determination of the produced paper, the impacts are related to energy and freshwater consumptions, sewage effluents, FSC raw materials. For the transport, instead, the impact considers the needs in fuel consumption and in net transport distance, as well as fuel and pollutant emissions (CO₂ emission, No_x emission, dust emission). Vajda-Papír calculations are based on 2020 full year procurement and all figures will be reported on a "per ton of base paper produced". A comparison with Vajda-Papír's current supplier's performance indicators is also considered.</p> | <p>Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management</p> |

| REQUIREMENTS | SUSTAINADVISORY FINDINGS/ASSESSMENT | SUPPORTING DOCUMENTATION |
|--|---|---|
| The regular reporting includes the achieved impacts | The Impact reporting will provide the indication of the achieved impacts as well, in term of consumption savings and avoided emissions. As the environmental performance of Vajda-Papír Group is well above the sector average the Issuer is ready to undertake to target the lowest level of indicators, avoiding increase of negative impacts. | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |
| The impact reporting is based on voluntary guidelines aiming at a harmonised framework for impact reporting for energy efficiency, renewable energy, water and wastewater projects | <p>For its Impact reporting, Vajda-Papír proposes some elements/indicators/measures suggested as impact reporting metrics for 'Sustainable Water and Wastewater Management Projects', and 'Clean Transportation Projects', as:</p> <ul style="list-style-type: none"> ▪ reduction in water consumption of economic activities, ▪ wastewater avoided, reused or minimised at source, ▪ annual GHG emissions reduced/avoided in CO₂ emission, ▪ reduction of air pollutants: nitrogen oxides (NO_x) ▪ particulate matter. | Vajda-Papír Group Green Bond Framework Discussions with Vajda-Papír's Management |