



**BUDAPART**

**Green Finance Framework**  
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**Issuer: Kopaszi Gát Kft.**



## Introduction

Kopaszi Gát Kft. (“Kopaszi Gát”) is a Hungarian real-estate company owned indirectly by private individuals, which has been established with purpose of owning the BudaPart project. The BudaPart project is a large-scale real-estate development project in Budapest, Hungary, covering an area of about 54 hectares and with plans to develop 15 residential buildings, 13 office buildings and a hotel over a ten-year investment period.

Kopaszi Gát has contracted Property Market Kft, a subsidiary of Market Group, as developer of the BudaPart project. Market Group is a leader in the Hungarian construction industry, with a focus on high-rise construction projects, and is Hungary’s third largest real estate developer measured by square meters under construction.

## The BudaPart project

BudaPart is the one of the largest real estate developments in the modern history of Budapest, significant on an international scale, covering an area of about 54 hectares. By the end of the development, almost half of BudaPart will remain, 26 hectares of green space, which includes one of the largest public parks in Budapest, the Kopaszi Dam. However, the investment zone is larger than this, as several utilities and transport infrastructure developments are being carried out in connection with it, which fall on the public areas surrounding the city quarter.

Accompanied with the BudaPart project, some of the biggest public transportation development projects are undergone in the modern history of the capital city. Those projects will indirectly support the property developments as well as the well-being of the residents in BudaPart including the second phase of Budai Fonodó train project (2<sup>nd</sup> Interconnecting Tramline), the Southern Circular Railway project, and the new Danube-bridge project. However, the BudaPart project and the eligible green projects are not connected to those city developments.

The property developer and its projects have so far been awarded 8 prestigious international and 6 domestic real estate market awards, including the Best Developer of the Year and Best Building Concept awards. Some of the most prestigious awards of BudaPart projects:

- Construction & Investment Journal (CIJ) Awards Hungary 2019: Best Residential Development
- Construction & Investment Journal (CIJ) Awards Hungary 2019: Grand Prix for the Best Project
- European Property Awards 2018: Best mixed-used Development Hungary

## Project area of Kopaszi Gát:



During the approximately ten-year investment, which will be implemented in a maximum of six phases, a total of 15 residential and 13 office buildings and a hotel can be developed, which is expected to create nearly 3,000 apartments, 250,000 square meters of office space and 15,000 square meters of retail space. 30,000 city residents could live and work soon.

The development area is encircled by commercial properties as it can be seen in the picture below. This solution has several advances in part and in whole, as the commercial buildings would reduce and block the noise- and air-pollution from the residents.

So far, seven buildings (five residential and two office) have been completed.

For all new office projects, Kopaszi Gát strives to reach at least Gold rating in LEED-certification method. Hence, the min. LEED Gold rating is an eligibility project criteria for new office projects. Nonetheless, Kopaszi Gát is proud that the first office building (GATE) has already been obtained the LEED Gold certification and the currently handed over second office building (City) is bound to receive the LEED Gold certification soon (under ongoing certification process).



According to the residential developments, BudaPart BRA, BRC, BRB, BRD and BRE have been handed over. The proceeds from the Green Instruments partly will be used to fund the **remaining developments** (BRF, BRG, BRH, BRI, BRJ, BRK, BRL, BRM, BRN, BRO) in the residential area depicted in the image below.



The project has been divided into six development phases. Phase I-II. are ready. Phase III. is under currently development or will be started within few weeks, while the further development of BudaPart otthonok G-O will be partly financed by the proceeds from Green Instruments.



## Green Strategy guidelines

Kopaszi Gát is undergone to define its vision and mission accompanied with green objectives. The company believes that these commitments will truly reflect the company green values and a high level of transparency for investors and the public also.

According to green values, the company

- consciously takes responsibility for contributing to climate goals,
- is committed to sustainability and social awareness and
- committed to reduce carbon-footprint

Responsibilities and main objectives linked to green strategy. Kopaszi Gát will set up a Green Strategy by the end of November, which will be publicly available. The strategy will contain the main areas of

- applying an environmentally awareness business model
- being environmentally and socially responsible
- strategic cooperation partnerships based on SDGs or other sustainability aspects
- consumer centrality and awareness of well-being

## Green and sustainability solutions in BudaPart

Yet, Kopaszi Gát has placed certain measures to reduce air pollution and therefore reduce or avoid CO<sub>2</sub> emission connected to the development. The company has established a local concrete plant and a soil depot within the project area. Hence, the company can avoid transportation movements for landscaping and construction activities over the period of the project lifetime. As a result, Kopaszi Gát will avoid at

least 6 tons of CO<sub>2</sub> p.a.<sup>1</sup> from lower transportation emission from Phase II. onwards, increasing to around 20 tons CO<sub>2</sub> avoided per annum by the end of Phase V.

According to surface and pavement construction, Kopaszi Gát uses ground tire rubber (GTR) modified SMA, resulting improved pavement life, ride quality and reduced pavement noise levels. As a result, a 2 db(A) noise reduction can be measured at certain speed level (50 km/h) compared to other SMAs without GTR. In Phase IV. appr. the half of total pavement surface will be filled with GTR modified SMA.

To support improvement to auxiliary infrastructure in terms of improved luminance, Kopaszi Gát uses certificated (for LEED certification processes), and laboratory tested material such as concrete paving stones all over the project area.

Kopaszi Gát encourages the General Contractor to reuse or recycle certain materials during the construction, especially in the case of office developments. Materials with high recycled content are also preferred such as reinforced steel, curtain walls, insulation, and gypsum board.

Kopaszi Gát is dedicated to promoting public transportation and other mobility shared services. Over the project lifetime appr. more than 1400 bicycle and electric scooter racks will be installed, while roughly 400 EV charging stations will be placed. Moreover, 6 bus stations have been installed, while a 200-meter-long bicycle lane has been laid. In Phase IV. the total length of bicycle lanes will be increased by appr. 540 meters.

In respect of public transportation, Kopaszi Gát has been actively involved in the development of public transport connections to the BudaPart project, with the aim of making the BudaPart project easily accessible without the use of private vehicles. For example, Kopaszi Gát was responsible for commissioning the designs of and obtaining permits for the ‘2nd Interconnecting Tramline’ which will serve the BudaPart project. It has transferred the right to use the plans to the Municipality of Budapest and the tramline is expected to be completed by 2024.

Since the BudaPart development project, the surrounding area of the peninsula was partly suffered from the negative result of urban sprawl. The area was used for construction disposal activities, while a mixture of abandoned industrial building were lined up over the field. During the BudaPart development process, Kopaszi Gát strives to increase and restore natural landscape in the area. A green surface equivalent to 21 000 square meters has been totally restored, while a further 52 000 square meter landscape will be recovered as green by the end of Phase VI.

In line with the national regulation – which is based on the EU regulation – it is required that all buildings must be able to withstand extreme weather such as flooding and earthquake. During the development of BudaPart, the company has established a flood control system to strengthen the climate resilience of the project.

## Sustainability approach

Kopaszi Gát is convinced that green finance instruments are an effective tool for channelling investments to projects that have environmental benefits and thereby contribute to achievement of the SDGs and the Paris Agreement.

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<sup>1</sup> The measurement of CO<sub>2</sub> emissions is based on the following EU Regulation: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R0631>

Kopaszi Gát undertakes all the UN 2030 Sustainable Development Goals (SDGs) to share joint responsibility for the environment and the planet. Kopaszi Gát has defined those SDGs where it can have the greatest impact based on a materiality approach. These include:

- Goal 7: Affordable and clean energy
- Goal 9: Industry, innovation and infrastructure
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action

Simultaneously with the strategy guidelines has been determined, the company intends to obtain the following actions:

- The company intends to reduce the climate impact, to analyse and reduce the harmful environmental effects.
- In the business and investment decisions the company will consider certain metrics and indicators to mitigate environmental and social risks to align with the goals of the Paris Agreement and contribute to the UN Sustainable Goals.

## **Green Finance Framework**

As a part of the company's sustainability strategic view, Kopaszi Gát has established the Green Finance Framework with a purpose of having a single robust methodology in place for all future issuances of Green Instruments. To ensure alignment with market best practices, the current framework has been prepared in accordance with the guidelines of the ICMA - Green Bond Principles 2021 June and the Green Loan Principles 2021 February and includes the following sections:

- 1. Use of Proceeds**
- 2. Process for Project Evaluation and Selection**
- 3. Management of Proceeds**
- 4. Reporting**
- 5. External review**








The proceeds planned to be complied with the following financial goals:

- Finance and refinance new and completed projects in part

This Framework will apply to any Green Instruments issued or borrowed by Kopaszi Gát Kft. and will be applied if any such instrument is outstanding. The company is closely monitoring the developments of the EU Taxonomy. It is the company's intention to follow best practises as market standards develop and as the EU Taxonomy enter into force. If deemed necessary and applicable, Kopaszi Gát may adjust its Framework to harmonise with the metrics and thresholds set in the EU Taxonomy.

### **1. Use of Proceeds**

According to the use of proceeds and the sustainability, environmental goals of the company, the use of proceeds will be categorised in the following eligible project categories. The following project categories are corresponded with the guidance of GBP June 2021 and GLP February 2021. The eligible use of proceeds also contributes to the SDGs as listed below.

Eligible Project Category	Eligible Projects	Contribution to the SDGs	Eligibility Criteria
Clean transportation	Development of e-mobility	 	<ul style="list-style-type: none"> <li>• Design and construction of electric vehicle charging stations related to real estate developments.</li> <li>• Support E-carsharing availability for real estate projects</li> <li>• Design and construct bicycle and electric scooter racks</li> </ul>
Clean transportation	Improvement of public transport and auxiliary infrastructure	 	<ul style="list-style-type: none"> <li>• Construction to core infrastructure by new bicycle lanes and promotion of public transport</li> <li>• Construction to auxiliary infrastructure to reduce ambient noise and improve surface luminance</li> <li>• Avoid or reduction of transport use</li> </ul>
Biodiversity	Investments for new projects		<ul style="list-style-type: none"> <li>• Natural landscape restoration through the establishment of green areas</li> </ul>
Green Buildings	Investments for new projects	 	<p>Preparation, design, and construction of buildings which meet recognized standards:</p> <ul style="list-style-type: none"> <li>• LEED (Gold or above) and Hungarian EPC level BB</li> </ul> <p>Preparation, design, and construction of residential buildings:</p> <ul style="list-style-type: none"> <li>• Hungarian EPC level BB</li> </ul>

#### Exclusions:

The proceeds of Green Instruments will not be used to finance standalone projects connected to high-polluting activities, nuclear energy generation, weapons and defence, gambling or tobacco, and potentially environmentally negative resource extraction. Also, Kopaszi Gát will not finance standalone projects connected to activities that would cause a significant harm to six objectives of the EU Taxonomy.



## 2. Process for Project Evaluation and Selection

The evaluation and selection process ensures that the proceeds from Green Instruments are solely allocated to projects that meet the set of criteria defined in the section of Use of Proceeds. Within the context of the issuance of Green Instruments, Kopaszi Gát will establish a Green Committee which will be solely responsible for the project evaluation and selection process. Main tasks of the Committee are the following:

- Evaluation the compliance of proposed projects with the Eligibility criteria.
- Examining the competence of the Green Finance Framework for specific investment proposals.
- Approving the inclusion of pre-selected Eligible Projects in the Green Project Portfolio.
- Monitoring the management of the Green Project Portfolio, i.e., managing the registering and the reporting process of the use of proceeds.
- Replacing projects that no longer meet the Eligibility criteria or due to any divestments.
- Initiating the development of the Green Finance Framework, the professional supervision, and the formulation of amendments.
- Monitoring the implementation of the Green Strategy.
- Proposing the involvement of an external expert on issues requiring special sustainability expertise.

Members of the Green Committee

- Chairman - leadership of the meetings. Chairman's vote decides in the case of vote equality.
- Members are elected by the Executive Directors.
- Permanent members – representation, proposal, voting right for each person (1 vote p.p.)  
Members can be delegated from the following departments:
  - Representative of finance
  - Engineering/Design representative
  - CFO of Kopaszi Gát

The Green Committee meets on a pre-determined basis but intends to do so at least semi-annually. The Committee will be supervised by the Executive Directors of Kopaszi Gát. Voting will be by simple majority. The methodology and decisions of the Green Committee will be made public unless it would contain private business matter.

The evaluated eligible projects are subject to comply with the set of Eligibility Criteria declared at the section of Use of Proceeds. The company undertakes that all evaluated and selected projects comply with official national and international environmental and social standards and local laws and regulations on a best effort basis.

### Exclusions:

The proceeds of Green Instruments will not be used to finance standalone projects connected to high-polluting activities, nuclear energy generation, weapons and defence, gambling or tobacco, and potentially environmentally negative resource extraction. Also, Kopaszi Gát will not finance standalone projects connected to activities that would cause a significant harm to six objectives of the EU Taxonomy.

### 3. Management of Proceeds

Kopaszi Gát will allocate the net proceeds from the Green Instruments to the Eligible Green Project Portfolio, selected in accordance the pre-defined set of criteria in the section of Use of Proceeds. All eligible project has to be approved by the Green Committee. The finance team of the company will be responsible for the management of proceeds, supervised by the CEO.

In accordance with market practices, Kopaszi Gát aims to allocate the net proceeds within a timeframe of 48 months of issuance.

Kopaszi Gát will strive to maintain a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Instruments.

Pending the full allocation to the Eligible Green Project Portfolio, the company will invest the balance of the net proceeds, at its own discretion, in cash or in other liquid marketable instruments. Kopaszi Gát will invest such instruments that will not support any activities connected to significant harm to the environment, so the exclusions for the use of proceeds apply equally to unallocated proceeds.

### 4. Reporting

In accordance with the recommendations from the GBP and the GLP, Kopaszi Gát intends to make and keep readily available reporting on the Eligible Green Project Portfolio and Green Instruments outstanding. The company will report on the allocation of net proceeds and associated environmental benefits until the proceeds of each Green Instruments have been fully allocated, and as necessary in the event of material changes of the eligible green projects.

The company will align, on a best effort basis, the reporting with the portfolio approach described in “ICMA – Harmonised Framework for Impact Reporting Handbook, June 2021”.

The company is firmly committed to high-level of transparency and will produce an annual Green Finance Report. The Kopaszi Gát Green Finance Report will be available on the company’s webpage. The report will be externally reviewed and verified.

#### Allocation Reporting

Kopaszi Gát Kft. will report one year after the issuance and on an annual basis thereafter, until full allocation. The allocation report may provide, on a portfolio basis, the following:

- The total aggregated proportion of net proceeds used per Green Project Category
- A list of Eligible Projects related to the proceeds (the number of projects accompanied with the net allocated amounts)
- The balance of unallocated proceeds

Kopaszi Gát will link each project to individual bond and loan issues and will report on share of each eligible project which has come from Green Instruments.

#### Impact Reporting

On a best effort basis, where and when feasible, the company intends to report on the environmental impacts of the projects funded with the proceeds from Green Instruments through annual impact reporting.

Kopaszi Gát intends to align its reporting with the Handbook for Harmonised Framework for Impact Reporting – June, 2021, on a best effort basis. The impact assessment may, where applicable, be based on the metrics listed below.

Eligible Project Category	Eligible Projects	KPIs
Clean transportation	Development of e-mobility	<ul style="list-style-type: none"> <li>• Number of electric charging stations for EVs installed</li> <li>• Number of bicycle and electric scooter racks installed</li> </ul>
Clean transportation	Improvement of public transport and auxiliary infrastructure	<ul style="list-style-type: none"> <li>• Improved luminance for surfaces by performance materials in m<sup>2</sup></li> <li>• New dedicated bicycle lanes in meter</li> <li>• Ambient noise reduction from the transport infrastructure in db(A)</li> <li>• Annual GHG reduced or avoided in tCO<sub>2</sub></li> </ul>
Biodiversity	Investments for new projects	<ul style="list-style-type: none"> <li>• Increase of natural landscape area in m<sup>2</sup> and/or in % for increase</li> </ul>
Green Buildings	Investments for new projects	<p>Preparation, design, and construction of buildings which meet recognized standards:</p> <ul style="list-style-type: none"> <li>• LEED (Gold or above)</li> <li>• EPC level achieved and the energy usage in KWh/m<sup>2</sup> per annum</li> </ul> <p>For residential properties:</p> <ul style="list-style-type: none"> <li>• EPC level achieved and the energy usage in KWh/m<sup>2</sup> per annum</li> </ul>

## 5. External Review

### Second Party Opinion (pre-issuance)

The Kopaszi Gát Green Finance Framework will be reviewed by CICERO who will issue a Second Party Opinion. Sustain Advisory will review the Eligible Green Projects, as well as the alignment of Kopaszi Gát Green Finance Framework with ICMA’s 2021 Green Bond Principles and Green Loan Principles. CICERO will provide a Second Party Opinion (SPO) that will be made available on the website of the company.

The process to establish this Green Finance Framework for Kopaszi Gát was conducted by **MKB Consulting**, acting as an adviser in the creation of the Green Finance Framework.

## **Verification (post-assurance)**

Kopaszi Gát intends to obtain a Limited Assurance report by its auditor or any other qualified party on the allocation of the Green Instruments proceed. Such report will be published starting year one after issuance and until full allocation.