



# Green Finance Framework

**PolSolar Kft.**

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## Table of content

1. Introduction.....	2
2. The Green Finance Framework.....	2
2.1. Use of Proceeds.....	3
2.2. Process for Asset Evaluation and Selection.....	5
2.3. Management of Proceeds.....	6
2.4. Reporting.....	6
2.5. External Review .....	7

## 1. Introduction

PolSolar Kft. (“PolSolar”) is an operator of solar power plants and was established in 2018. The company operates solely in Hungary and acts as a holding company for the five SPVs – Theia Solar Kft., Anton Splar Kft., Mithra Solar Kft., Boreas Solar Kft. and Alderaan Solar Kft. fully owned by PolSolar Kft. (see figure 1).

On SPV level PolSolar is building five photovoltaic power plants which will be completed in 2023. The projects are aligned with the International Capital Market Association (ICMA) standards. After the establishment of the PV plants PolSolar (via the SPVs) will act as an operator and provide renewable energy to its customers.

This activity of PolSolar is of particular importance when it comes to achieving the EU objectives to transition towards clean and renewable energy in order to reach the 1.5°C degree target of the Paris Agreement. Supplying green energy is a prerequisite for the sustainable positive economic development and PolSolar is contributing to this development by ensuring a secure supply of energy that is environmentally friendly and cost-effective.

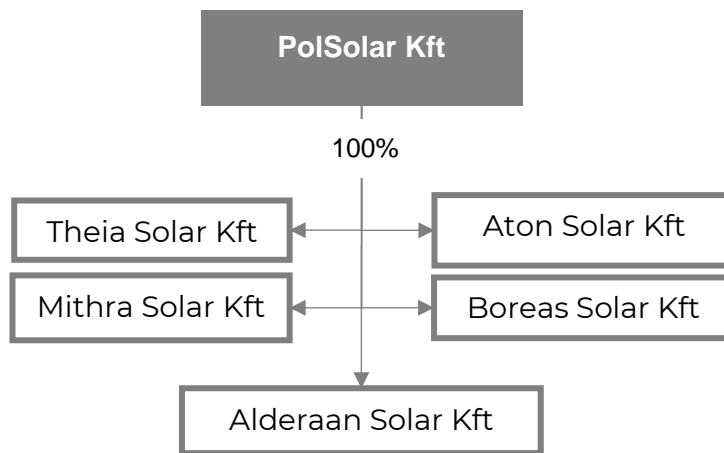


Figure 1: Organizational structure PolSolar Kft.

## 2. The Green Finance Framework

As part of its broad commitment to sustainability, PolSolar Kft. has established a Green Finance Framework (“Framework”) to strengthen its commitment to focus on assets with a clear environmental impact.

This Green Finance Framework has been developed in alignment with the ICMA Green Bond Principles 2021 (“GBPs”)<sup>1</sup> and the LMA Green Loan Principles 2021 (“GLP”)<sup>2</sup>. The Framework is applicable for issuance of Green Financing Instruments including green bonds and green loans.

The Green Finance Framework is aligned with the four recommended components of the GBPs:

- Use of Proceeds
- Process for Asset Evaluation and Selection
- Management of Proceeds
- Reporting

Furthermore, the Framework is reviewed by an external impartial firm, Sustainalytics, that has provided the Second Party Opinion (“SPO”) confirming the alignment of PolSolar’s Green Finance Framework with the GBPs. The Framework together with the SPO is available on the issuer’s webpage<sup>3</sup>.

## 2.1. Use of Proceeds

Green Financing Instruments issued under this framework will be used to finance the construction and operation of photovoltaic solar power plants (“PV plants”) in Mezőcsát, Hungary. The PV plants show distinct environmental benefits by providing renewable energy.

<b>Eligible Category</b>	<b>PV solar plants – project details</b>
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**Renewable Energy** PolSolar Kft will finance following PV solar power plants:

<b>Project name</b>	<b>Theia Solar</b>	<b>Boreas Solar</b>	<b>Anton Solar</b>	<b>Mithra Solar</b>	<b>Alderaan Solar</b>
Installed total generation capacity in MW (AC)	<b>46.7 MW</b>	<b>46.7 MW</b>	<b>46.7 MW</b>	<b>46.7 MW</b>	<b>46.7 MW</b>
Location	Mezőcsát, HU	Mezőcsát, HU	Mezőcsát, HU	Mezőcsát, HU	Mezőcsát, HU
Expected commissioning date	01.05.2023	01.05.2023	01.05.2023	01.05.2023	01.05.2023

<sup>1</sup> Green Bond Principles are voluntary process guidelines for issuing green bonds established by International Capital Markets Association (ICMA): <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>2</sup> The GLP build on and refer to the Green Bond Principles (GBP) of the International Capital Market Association, with a view to promoting consistency across financial markets: <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> [www.polsolar.eu](http://www.polsolar.eu)

The PV plants are constructed under five project SPVs – Theia Solar Kft., Boreas Solar Kft., Anton Solar Kft., Mithra Solar Kft. And Alderaan Solar Kft. – which are fully owned by PolSolar Kft.

The construction of the PV solar plants is in line with the Hungarian construction permit requirements which are aligned with EU standards.

Each project has received a KÁT license (feed-in tariff system license) issued by the Hungarian Energy and Public Utility Regulatory Authority according to which the produced electricity will be purchased by the transmission system operator MAVIR Zrt. at the regulated feed-in price until the end of the KÁT period (24 years from commissioning) or until the cap of the mandatory takeover quantity is reached (8.3m MWh).

PolSolar will report the progress of the project implementation as well as, when completed, the quantitative environmental impact of the PV plants in the annual allocation and impact report<sup>4</sup>.

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Furthermore, the projects described above comply with the technical screening criteria of the EU Taxonomy Climate Delegated Act<sup>5</sup> published by the European Commission, which represents a classification system of environmentally sustainable activities by setting out metrics and thresholds. Under the current version of the EU Taxonomy activities that generate electricity through solar PV technology are eligible and contribute to the climate change mitigation goal.

### Contribution to the Sustainable Development Goals (SDGs)

PolSolar Kft. supports and seeks to contribute to the United Nation’s Sustainable Development Goals. The financing of the PV solar plants is mainly contributing to the following UN SDGs:



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#### SDG 7 – Affordable and clean energy

*7.2  
By 2030, increase substantially the share of renewable energy in the global energy mix*

#### SDG 13 – Climate action

*13.1  
Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries*

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<sup>4</sup> For more information see “2.4. Reporting”

<sup>5</sup> EU Taxonomy Climate Delegated Act (June 2021): [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

## 2.2. Process for Asset Evaluation and Selection

PolSolar has established a Green Finance Committee (“GFC”), consisting of two managing directors of the company.

The Green Finance Committee is responsible for:

- Ensuring that the proceeds from Green Financing Instruments or an amount equivalent to the net proceeds from Green Financing Instruments is only allocated to the projects described in the use of proceeds section of this Framework
- Monitoring and approving any proposed changes to the PV plant projects
- Approving the annual Allocation and Impact Report

until the maturity of the Green Financing Instruments.

The PV plant projects are recorded in a Green Asset Register which will be managed by the committee. In case a project is no longer pursued, it will be removed from the Green Asset Register by the GFC.

For the construction of the PV plants, PolSolar fulfills all the necessary permits ensuring compliance with the Hungarian legal requirements in alignment with the relevant EU Directives. In this way PolSolar aims to cover the management of the possible environmental and social risks arising from the construction of the PV solar plants.

In addition to the legal requirements, PolSolar voluntarily committed a monitoring plan for the power plants to proactively assess and manage the environmental impact of the project. This activity has been approved by the relevant Hungarian environmental authority considering the maintenance plan for the nearby Natura 2000 areas. As part of this monitoring plan PolSolar committed to perform biomonitoring by an independent expert for the two years following the completion of the construction.

### Exclusions

PolSolar commits to use the proceeds of the Green Financing Instruments only for eligible projects described in the use of proceeds section above and explicitly excludes financing of fossil fuel generation, nuclear energy generation, weapons and defense industries, gambling or tobacco industries.

## 2.3. Management of Proceeds

PolSolar Kft. has introduced a Green Asset Register in relation to the Green Financing Instruments issued by PolSolar for the purpose of monitoring the PV solar power projects and the allocation of the net proceeds from green bonds or green loans to these projects. The Green Asset Register will form the basis for the impact reporting described in section 2.4.

Any portion of the net proceeds of the Green Financing Instruments that have not been allocated yet to the PV plants in the Green Asset Register will be held in accordance with PolSolar's normal liquidity management policies and guidelines in money market products, such as cash and/or cash equivalents and/or bank deposits, or sovereign bonds.

## 2.4. Reporting

To be fully transparent towards green investors and other market stakeholders, PolSolar commits to publish an Allocation and Impact Report (also "Green Finance Report") within 12 months of issuance and then annually until full allocation and on a timely basis in case of material developments. The first Green Finance Report will show the project implementation progress while in the second report the issuer intends to show the full allocation as well as the impact originated by the PV solar plants.

The reports will be publicly available on PolSolar's website and will cover the following areas:

### Allocation reporting

The allocation report will provide:

- ✓ Total amount and type of the Green Financing Instruments issued
- ✓ Share of proceeds allocated/ yet unallocated
- ✓ The project implementation progress of all five PV plants

### Impact reporting

Where feasible, and on a best effort basis, PolSolar will provide an impact report which may include below criteria indicating environmental impact for the five PV solar plants covering:

Eligible Categories	Example of Possible Key Performance Indicators
Renewable Energy	<ul style="list-style-type: none"><li>▪ Installed renewable energy capacity (MW)</li><li>▪ Renewable energy produced (MWh)</li><li>▪ Estimated annual GHG emission avoided (tCO<sub>2</sub>e)</li></ul>

Where impact data is reported, details of the methodology applied in compiling the data will be disclosed in the report.

## **2.5. External Review**

### **Second Party Opinion (pre-issuance)**

To confirm the transparency and robustness of PolSolar's Green Finance Framework the Framework has been reviewed by the external second party opinion provider Sustainalytics, confirming the Framework's alignment with the ICMA Green Bond Principles and the LMA Green Loan Principles. The second opinion is available on PolSolar's website together with this Framework.

### **Audit of the Allocation Report (post-issuance)**

Allocation of the proceeds will be subject for review by an independent auditor confirming that an amount equal to the net proceeds of the Green Financing Instruments has been allocated to the eligible projects, the PV plants. A verification report provided by the external auditor will be published on PolSolar's website.



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