

**ALFA**  
CSOPORT

**Alfa Proxima-X**  
**Green Finance Framework**

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## Introduction

Alfa Proxima-X (hereinafter referred to as “Alfa”) is the parent company of Alfa Group which is a dynamically growing group of companies with 12 subsidiaries. The Group’s headquarter is located in Téglás, Hungary. All other members of the Group are Alfa Proxima-X’s direct subsidiaries.

The Alfa Group has a broad profile that includes adult education, food logistics and property management. Among future plans, there are intentions for investing in robotics, renewable energy, agriculture as well as in a self-development application for emotional intelligence. Currently, Alfa and the Alfa Group operate only in Hungary, however one of the subsidiaries will start its operations in the US market in the future.

Four of the subsidiaries are included under this framework to become eligible for green funding. Royal Win Food’s main activity is food logistics services, including supplying raw material and daily meal delivery. Stabil Alap Ingatlankezelő (hereinafter referred to as “Stabil Alap”) is involved in property management and development. Vertical Future Garden is in the planning phase of establishing a greenhouse with innovative precision farming and the use of hydroponic systems for vegetable cultivation. Solution Technologies’ main focus will be a new geothermal energy project development.

## Commitment to social and environmental values

Alfa Proxima-X’s subsidiary, Royal Win Food, operates in the least developed regions of Hungary (sums up five Eastern counties of Hungary). Its delivery service provides access to affordable daily meals for elderly and disadvantaged people. To use locally sourced materials and to work with local partners is an explicit goal for the company in the raw materials supply activities (which is included in Alfa Group’s ESG strategy). Most of its business partners are from Hajdú-Bihar and Szabolcs-Szatmár-Bereg County.

Alfa Proxima-X has started to explore the possibilities of building renovation. One of the subsidiaries has already completed a refurbishment project on one building in Debrecen, improving its energy efficiency from GG to BB level of Hungarian EPC. Similar renovation projects are expected for Stabil Alap’s buildings.

In 2022 Alfa Group published its first non-financial report for the year 2021 and it plans to report annually thereafter. That report follows the current EU directive for non-financial reporting (NFRD). It mainly focuses on Alfa Group’s past activities, however with the Group’s new ESG strategy (published at the end of 2022), they set ESG targets for the following 3-5 years. Supporting its transparent and traceable ESG performance, the Group completed an ESG materiality assessment to discover its most important ESG topics. From 2022, Alfa Group

established a monitoring system for assisting the collection of relevant ESG data and includes the results in its annual ESG report.

The goal of issuing Green Bonds or obtaining Green Loans is to provide financial instruments for Alfa Proxima-X's future sustainable investments. Alfa plans to develop four green projects through its subsidiaries in the upcoming years. Based on Alfa's objectives, the current car fleet (which contains around 80 private vehicles and supports the daily meal delivery service) is going to be replaced by a fully electric car fleet with charging infrastructure. A development plan for renovating its whole real estate portfolio was prepared with assistance from energy experts. The renovation will focus on upgrading insulation, mechanical equipment, and replacement of doors and windows. Fossil fuel heating systems' improvement will not be part of the eligible projects.

As a further sustainable project, Alfa will develop a new geothermal energy plant in Egyek, Hajdú-Bihar County which will be the base of its sustainable agriculture project in the future. With this greenhouse project Alfa will offer innovative hydroponic solutions (without any wastewater generation) and use the by-products of the geothermal power plant. Alfa plans to produce vegetables (e.g., cucumber, pepper), although the end-use will depend on future partners and buyers (it is possible that the partners will be involved in producing canned vegetables). The plans of the future greenhouse are created together with a Dutch company, the Debets Schalke Greenhouse. Once the greenhouse will be able to operate, its operating workforce will be sourced from the local municipality, thus offering jobs for underprivileged residents.

To ensure alignment with market best practices, the current framework has been prepared in accordance with the guidelines of the ICMA Green Bond Principles 2022, and Green Loan Principles 2023, which include the following sections:

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

This Framework will apply to any Green Bond issued or any Green Loan obtained by Alfa Proxima-X.

### 1. Use of Proceeds

An amount equivalent to the net proceeds of the Green Bonds and Loans will be used to finance, in whole or in part, existing and future eligible projects that meet the Eligibility Criteria as defined below. The green funding will be used mostly to finance new developments and re-finance parts of the previously introduced projects.








During the allocation of the proceeds five project categories will be applied. Among these project categories, green proceeds will be distributed approximately in the following:

- Clean transportation - 7%
- Energy Efficiency – 2%
- Renewable Energy – 49%
- Environmentally sustainable management of living natural resources and land use – 42%

GBP 2022 Eligible Project Category	Eligible Projects	GBP Environmental Objectives	Eligibility Criteria
Clean transportation	Deploying EV fleet	climate change mitigation, pollution prevention and control	<ul style="list-style-type: none"> <li>• Deploying fully electrical vehicles</li> <li>• Developing EV charging stations</li> </ul>
Energy Efficiency	Building renovation	climate change mitigation, climate change adaptation, pollution prevention and control	<ul style="list-style-type: none"> <li>• Refurbishment of existing buildings, achieving higher energy efficiency and lower energy consumption (e.g.: thermal insulation)</li> <li>• Improving by one Hungarian EPC category <u>or</u></li> <li>• 30% primary energy savings</li> </ul>
Renewable energy	Building renovation	climate change mitigation, pollution prevention and control	<ul style="list-style-type: none"> <li>• Using renewable energy (e.g. heat pump system, solar PV)</li> </ul>
Environmentally sustainable management of living natural resources and land use	Development of green house	climate change mitigation, pollution prevention and control	<ul style="list-style-type: none"> <li>• Using geothermal energy</li> <li>• Designing sustainable water management system (lower water consumption)</li> </ul>
Renewable energy	Development of new renewable energy project	climate change mitigation, pollution prevention and control	<ul style="list-style-type: none"> <li>• Developing geothermal power plant</li> </ul>

Alfa has examined the possibilities of alignments with UN Sustainable Development Goals and contributions to EU Taxonomy. As a result, seven possible UN SDG connections were

identified. The lack of coverage of agricultural sector by EU Taxonomy results in missing EU Taxonomy activities in the fourth row.

Project Category	UN Sustainable Development Target Contributed To	EU Taxonomy regulation activities
Clean transportation	 <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p>	<p>6.6 Freight transport services by road</p> <p>7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</p>
Energy Efficiency	 <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p>	7.2 Renovation of existing buildings
Renewable energy	 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p>	4.18 Cogeneration of heat/cool and power from geothermal energy
Environmentally sustainable management of living natural resources and land use	    <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p> <p>12.2 By 2030, achieve the sustainable management and efficient use of nature resources</p> <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	-

### Applying the Do No Significant Harm Criteria

At the current phase of project development, it can not be established that all the developments will meet the Do No Significant Harm criteria on the remaining EU Taxonomy

environmental objectives, according to the technical screening criteria. Although during further planning and implementation phases, Alfa will pursue to increase the alignment with the EU Taxonomy DNSH to the highest possible level.

## 2. Process for Project Evaluation and Selection

Alfa Proxima-X has established a Green Committee to ensure the separated allocation, use and control of the green proceeds. The Committee is monitoring the use of proceeds for the eligible green projects and compliance with the set of criteria of the Green Finance Framework for further and ongoing investment decisions. The Committee covers the process from the project identification towards to evaluation, approval, implementation and provide transparency.

The project selection and evaluation are based on:

- expected eligible amounts
- pre-defined set of eligibility criteria described earlier in the Use of Proceeds chapter

Only such assets and projects that comply with the set of criteria are eligible to be financed with green finance instruments. The Committee advises on decisions, supervises the selection of projects, acquisitions, and investments, and reviews the allocation of funds. It identifies and manages the social and environmental risk associated with the Projects, taking measures to reduce negative environmental impacts.

The Green Committee includes members from various parts of the company, including Mile Ferenc (owner and executing director of Alfa), Barta Sándorné (executive director of Royal Win Food) and Feleki Tamás (managing director of Alfa). The Committee is organizationally directly subordinated to the Alfa Group's owners. The Committee can ask an external expert for assistance with certain questions, who is not a permanent member of the Committee. If needed, the external expert with special professional competence (e.g. environmental or engineering expertise) will support the selection and decision process without the right to vote.

The Committee will contribute to the evaluation and selection process of the eligible green projects for the use of proceeds and supervise the Management of Proceeds - allocation and re-allocation of the eligible use of proceeds, if necessary. The Committee will examine the eligibility of the Green Finance Framework for specific investment proposals.

Members of the Committee will monitor the development of KPIs, benchmarks, other selected and targeted environmental impact indicators, and the alignment with Alfa Group's ESG Strategy. The Committee will contribute and supervise the potential further development of the Green Finance Framework as well as initiating the revision, amendment and renewal of the Framework, if necessary. They will also assist the Green Finance reporting activity, ensure the documentation preparation for external audit, and focus on the Allocation and Impact Reporting. They will contribute to the selection of entities for the audit and other external

verification processes. The Green Committee will propose the involvement of an external expert on issues requiring special sustainability expertise.

### 3. Management of Proceeds

Alfa intends to allocate the net green proceeds to the Eligible Green Project Portfolio, selected in accordance with the pre-defined set of criteria in the section of Use of Proceeds. All eligible projects have to be approved by the Green Committee. The allocation of the proceeds is based on the ESG Strategy and green investment proposals contributed by the Green Committee.

The proceeds will be kept under a separate ledger number and will be the subject of a separate accounting procedure. Proceeds will be allocated to eligible green assets within a timeframe of 0-36 months of issuance, depending on the size and timeline of the project. There will be no refinancing of projects through the entire duration of the bond or loan financing.

There may be periods when certain proceeds cannot be fully allocated to an eligible green project. In such cases, at the own discretion of the company, net proceeds will be allocated to temporary investments such as bank deposits or government bonds. Investments in fossil fuel related assets are excluded. The committee is to periodically adjust the proceeds to match allocations to eligible projects during the time the instrument is outstanding. Alfa will include its earnings from unallocated proceeds' interest gains if there are interest gains.

The information about actual allocation will be published for investors and updated annually until full allocation, on Alfa's website. To ensure a high level of transparency, the use of proceeds can be potentially audited by an external auditor, to verify the internal tracking method and the allocation of funds from Green Finance proceeds.

#### Exclusions

The proceeds of Green Bond or Loan Instruments are not going to be used to finance standalone projects that do not satisfy the eligibility criteria, or are connected to highly polluting activities, nuclear energy generation, weapons and defence purposes, gambling, and potentially environmentally harmful resource extraction.

### 4. Reporting

Alfa commits to publish a Green Bond or/and Loan Report (Green Finance Report) on its website one year after borrowing or issuance of financial instruments and annually thereafter or until the full allocation of green finance instruments proceeds. The Green Committee is responsible for the reporting process. The Green Finance Report is intended to be harmonized with the financial reporting process of the company. The company intends to have the report externally audited.

The company will provide a list of the green projects to which Green Bond or Loan proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and the environmental impact of projects. Furthermore, Alfa will share the proportion of the green proceeds within the whole project portfolio and the current amount of unallocated green proceeds.

However, it may occur that confidentially agreements, competitive considerations or a large number of underlying projects limit the amount of detail that can be made available. In such instances, information may be presented on an aggregated portfolio basis. The company will align the reporting with the portfolio approach described in the “GBP – Harmonised Framework for Impact Reporting, June 2022.”

### Allocation Reporting

Alfa will provide information on the allocation of the net proceeds of its Green Bond or Loan. The information will contain relevant details including the following:

- Amount of net proceeds allocated to Eligible Project Categories as defined in the section of Use of Proceeds compared to the green proceeds, preferably in percentage terms
- A list of Eligible Projects related to the proceeds; the number of projects accompanied with the net allocated amounts
- The remaining balance of unallocated net proceeds, if any
- The proportional allocation of net proceeds to existing projects and new projects;

The company will link each project to individual bond issues or borrowings and will report the share of each eligible project which has come from green financing.

### Impact Reporting

The company will provide impact reporting at the level of each Eligible Project Category which has been defined at the section of Use of Proceeds. Impact reporting, where feasible, may contain metrics recommended by the Harmonized Framework for Impact Reporting. The report will include estimation methodologies where it is necessary. Publishing of an impact report is necessary at least annually. Impact Reports are planned to be harmonized with other reporting processes of the company.

GBP 2022 Eligible Project Category	Eligible Projects	KPIs
Clean transportation	Deploying EV fleet	<ul style="list-style-type: none"> <li>• Liter of gas/year</li> <li>• Number of new EVs</li> <li>• % EVs, number of EV charging stations</li> <li>• Avoided CO<sub>2</sub>t/year</li> </ul>
Energy Efficiency	Building renovation	<ul style="list-style-type: none"> <li>• EPC categories</li> <li>• Energy saving in kWh/m<sup>2</sup></li> </ul>



Renewable energy	Building renovation	<ul style="list-style-type: none"> <li>• Installed MW</li> <li>• MWh/year</li> </ul>
Environmentally sustainable management of living natural resources and land use	Development of green house	<ul style="list-style-type: none"> <li>• % of renewable energy</li> <li>• MWh/kg vegetable yield</li> <li>• m<sup>3</sup> water/kg vegetable yield</li> <li>• m<sup>3</sup> of water saving</li> </ul>
Renewable energy	Development of new renewable energy project	<ul style="list-style-type: none"> <li>• Installed MW</li> <li>• MWh/year</li> </ul>