



KOMETÀ

A N N O 1 9 9 9

KOMETÀ 99 Zrt.

Green Bond Framework

January 2022

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1. Introduction

KOMETÀ 99 Zrt. (hereinafter referred to as *KOMETÀ* or *the Company*) is one of the largest pork-processing companies in Hungary and the biggest employer with over 800 employees in the county of Somogy. Our core business is processing pork meat and our products can be found across more than forty countries. The Company has a unique operation model since the whole process – slaughtering, processing, aging of salamis and packaging of meat – is done under one roof in our plant located in Kaposvár. This approach guarantees the highest quality control to us which is one of the core values of our Company. We believe our success is the product of our philosophy that is summed up in our slogan: Nourishment for all generations. As a business, we have immense responsibilities stretching over the generations since our actions today define what we leave behind for future generations yet to come. Therefore, our Company devotes enormous efforts to have high-quality environmental protection, extensive corporate social responsibility program and exceptional quality products. We are undergoing continuous expansion with always our core values in mind.

Our roots date back to 1969 when with the merger of multiple companies operating in the meat and animal transportation industries the Kaposvár Meat Factory was founded. The year 1994 brought about one of the most important milestones in our company's history. KOMETÀ was purchased by Italian families and our CEO, Giacomo Pedranzini, moved to Hungary to start his work at the Company. His parents were alpine shepherds in Italy, and that is where his passion and love come from for animal husbandry and producing high-quality food. In 1999, after another change in the ownership structure, the Company was renamed as KOMETÀ '99 Kft. The past decade was all about innovation and expansion. Thanks to our constant technological developments our electricity, natural gas and water consumption per sold kg of meat have significantly decreased in the past 15 years, respectively by 37%, 59% and 30%. As part of our product developments,

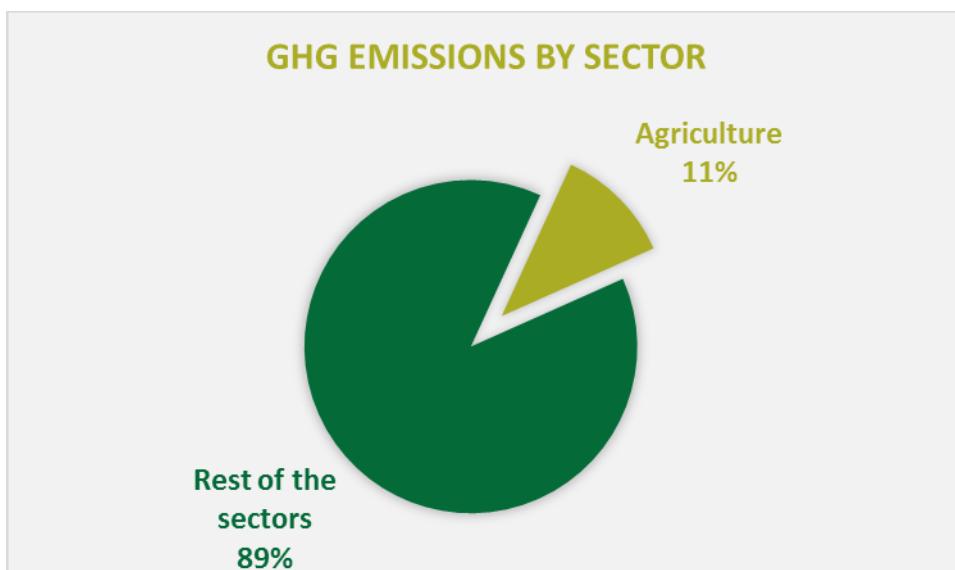


we have made our products to be allergen-free, free of any additional glutamate, and started our salt reducing program which enables us to produce all of our products with 25% less salt.

1.1.External environment affecting the strategy of KOMETÀ

The European Union is one of the most significant contributors to global emissions, releasing vast quantities of greenhouse gases and air pollutants every year. In 2019, the European Union initiated the Green Deal to cut emissions by at least 55% by 2030. Moreover, the EU aims to become the first climate-neutral continent by 2050.¹ In July 2021, the Commission presented several proposals on how it intends to achieve climate neutrality by 2050, including greenhouse gas emission targets for sectors such as agriculture. 1.8 trillion-euro investments after the COVID-19 pandemic from Next Generation EU Recovery Plan and a 7-year budget will finance the European Green Deal.²

Agriculture is one of the key contributors to climate change, accounted for 11% of the total GHG emissions in the EU-28 in 2019, consumes large amounts of natural resources, resulting in biodiversity loss and negative health impacts (due to both under- and over-nutrition).³ Livestock production makes up about 82-86%⁴ of GHG emissions in the agriculture sector where methane is the primary contributor to the GHG emission. Moreover, livestock production systems occupy around 28%⁵ of the land surface of the European Union, equivalent to 65% of the agricultural land, making it one of the most important sectors to be reformed by 2050.



Source data: Eurostat, European Environment Agency (EEA)⁶

¹ https://ec.europa.eu/clima/eu-action/european-green-deal_en

² https://ec.europa.eu/info/strategy/recovery-plan-europe_en

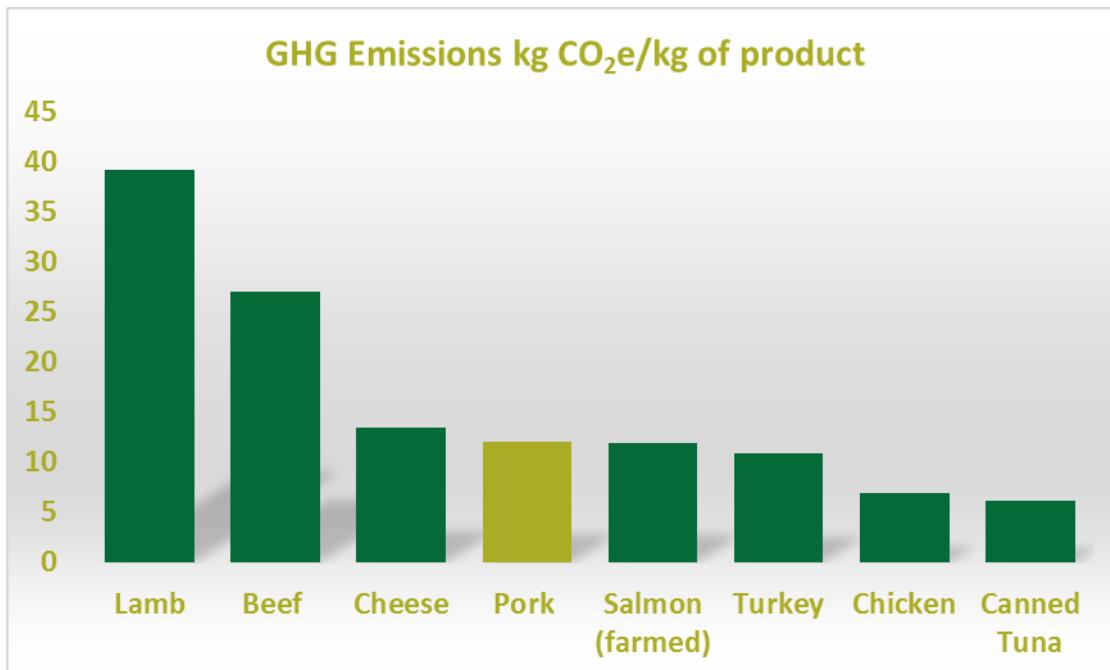
³ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Agri-environmental_indicator_-_greenhouse_gas_emissions&oldid=374989

⁴ https://ec.europa.eu/info/news/commission-publishes-external-study-future-eu-livestock-2020-oct-14_en

⁵ <https://publications.jrc.ec.europa.eu/repository/handle/JRC96622>

⁶ <https://www.eea.europa.eu/>

The emissions from pork and poultry meat production are lower than those from ruminant production like beef or sheep meat due to the more efficient digestion process and the absence of enteric fermentation. On a product level, the total GHG intensities of ruminants amount to 19–28 kg CO₂-equiv. per kg of meat on EU average, while the production of pork (7–10 kg) creates significantly less net emissions.⁷



Source: Environmental Working Group⁸

The European Farm to Fork Strategy is the cornerstone of the European Green Deal, moving towards a healthier and sustainable EU food system. The key focus areas for the Farm to Fork Strategy are to have a neutral environmental impact, mitigate climate change, reverse the loss of biodiversity, ensure food security, nutritious, sustainable food and preserve affordable food while fostering competitiveness.⁹



⁷https://www.researchgate.net/publication/257015742_Greenhouse_gas_emissions_from_the_EU_livestock_sector_A_life_cycle_assessment_carried_out_with_the_CAPRI_model

⁸ http://static.ewg.org/reports/2011/meateaters/pdf/methodology_ewg_meat_eaters_guide_to_health_and_climate_2011.pdf

⁹ https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en#documents

1.2. The sustainability strategy of KOMETÀ

The EU agricultural sector makes significant steps towards a more sustainable future while sustaining its capacity for quality food. Global meat consumption has more than doubled in the past 20 years. The increased global population and income contributed to the increased demand for meat. World hunger, malnutrition, overweight and obesity, food-related health problems are challenging. There is an increased need for food, but for nutritious, safe and healthy food that is affordable, accessible. The climate impact of food should consider the nutritional value of both the products themselves and diets generally. To tackle some of the causes at present, KOMETÀ has already started applying sustainable methods on a large scale.¹⁰

The European Green Deal will improve the well-being and health of citizens and future generations. KOMETÀ can significantly contribute to these goals by supporting the Sustainable Development Goals ("SDG"s)¹¹ as defined by the United Nations for the period 2015-2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The Company can contribute to the fulfillment of the following SDGs in its operations by producing high-quality meat with a sustainable business model:



Sustainability is at the core of our Company's strategy and operation. We are building our Company step-by-step to minimize its environmental impact, to be aware of its social responsibilities and to produce high-quality food. This journey has started many years ago and our most important projects and achievements are the following.

¹⁰ <https://eu.boell.org/en/MeatAtlas?dimension1=ecology>

¹¹ United Nations: The 17 Goals

<https://sdgs.un.org/goals>

| Sustainability areas | Initiatives |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Energy efficiency | <p>KOMETÀ has a long-proven track record of continuous improvements when it comes to energy consumption. Our organization operates ISO 50001:2012 and 50001:2018 energy management systems providing the firm with a systematic approach to energy efficiency. This commitment is incorporated in our Company's DNA and highlighted in significant efficiency projects in recent years:</p> <p>We have built a closed-loop energy recovery heating-cooling system, and as a result, our energy consumption has reduced by 17% and is constantly under the industry average.</p> <p>In 2020, we built a boiler room, which significantly reduced our per unit consumption. Due to this innovative approach, the energy consumption per produced kg of meat was decreased by about 25%. In nominal terms, this technological development enabled us to use 10% less natural gas compared to the year prior, even though we had 10% more slaughters than in the previous year.</p> |
| Wastewater management | <p>As a meat processing company, we consume a considerable amount of water. We secure the water need of the plant from our water wells and clean more than 350 000 m³ of water every year in our sewage treatment plant (physical, chemical and biological treatments), founded in 2015. The clean water is given back to the environment, by being released into the Kapos river.</p> |
| Waste management | <p>We are especially proud of being the first meat processing and producing company in Hungary to have a by-product plant. This factory, established in 2020, allows us to use by-products from the slaughterhouse enabling the on-site disposal and processing of up to 15 000 tons of waste per year. We currently produce approximately 2300 tons of bone meal and 1300 tons of animal fat/oil (that can be used to make fodder for animals). We constantly thrive to further minimize our waste footprint and plan to utilize the last element (animal blood) of the slaughtering process.</p> |
| HonestFood | <p>The HonestFood concept, founded by our CEO, proposes a reconsideration of the existing traditional food production chain, searching for a new equilibrium between the over-industrialized agriculture and the organic one, which is still far too costly, while suffering uncertainties in the output. Overproduction, environmental pollution and horrid living conditions for the animals are all frequent side effects of industrialized agriculture. In terms of organic farming, on</p> |

| | |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>the other hand, we face the exact opposite of these problems; yield is highly limited and uncertain, products are too expensive, and are only available for a small, wealthy group of people.</p> <p>By creating the HonestFood initiative, companies dedicate their operations to pay extra attention to human health, protection of nature and the environment, including animal welfare and to be fair to every member of the supply chain. This spirit permeates the whole operation of KOMETÀ, and is under continuous development.</p> |
| Partnership with producers | <p>Another important aspect of our partnership with farmers is their location. Decreasing transportation-related emissions is a vital part of the European Union's 2050 transition strategy. We financially incentivize our partners to have their farms as close to our plant as possible, by paying extra fees per kg of meat, for farms within a 200 km radius.</p> <p>In the spirit of the Farm to Fork strategy, we are developing long-lasting, mutually beneficial partnerships with our livestock farmers. Preserving biodiversity is an important objective for our Company and the whole European Union. Currently, the majority (67%) of our meat producers can verify that their animal feed comes from a sustainable source. We continuously engage with our partners to increase the coverage.</p> |
| Environment management system | <p>ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. In addition, the ISO 15001:2010 is designed to guarantee the oxygen compatibility of materials, components and devices for anesthetic and respiratory applications. These standards specify the requirements for an environmental management system and material selection which were met by KOMETÀ in 2020 and certified by an external party (EMT Zrt.).</p> |
| Social responsibility, community engagement | <p>We believe that every company should support the community it operates in. Our Company has become a regular Food Bank donor and is among the three biggest Food Bank donors in Hungary and also supports local schools, various mass sports events across the country. We are humbled to have the opportunity to donate more than 18 thousand kg of food in 2020. We also support clean transportation and the health of citizens, therefore KOMETÀ is a major sponsor of the Hungarian Cycling Federation and other nationwide and local mass sports events. KOMETÀ also tries to promote clean transportation among workers, by paying an additional bonus every day when the workers come to work via bicycle, walking or running. This initiative</p> |

| | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>proved to be a success story since the majority of our workforce chooses this option on a daily basis.</p> |
| Occupational safety and health | <p>Being one of the largest meat processing companies in Hungary, we are a vital part of the Hungarian economy and society. This role can only be maintained if we provide a safe and healthy work environment for our employees. We continuously meet the strict national and international regulations applied in Hungary, which is a European Union member state. In a response to the pandemic that unfolded last year, we put in place a thorough COVID-protocol to protect our employees.</p> |
| Governance and transparency | <p>We place a great emphasis on good governance practices at KOMETÀ. Our corporate governance system considers the interests of every stakeholder, delivers long-term sustainable economic growth and puts in place the necessary control systems. We are proud to have a well-qualified board of directors and management with a diverse business background. The control functions are primarily ensured by our risk management and internal audit teams but we employ independent, external verifiers whenever it is possible.</p> <p>A good governance framework includes transparent communication about sustainability matters therefore we publish our annual sustainability reports starting from 2019 and our annual energy reports created by an external, independent party from 2020 on our website.</p> |
| Awards and certifications | <p>As a recognition of our pursuit of environmental protection, the Somogy Commerce and Industry Chamber has awarded us with the Somogy for Environmental Protection prize in 2020.</p> <p>Food safety is not just a regulatory requirement for our Company, but it is a guarantee of customer satisfaction. By going beyond official regulatory standards, KOMETÀ constantly delivers high-quality products to its customers. Our commitment in the area of food safety is attested by external certifications provided by BRC and IFS.</p> <p>Our work for creating a work environment that puts our employees first was awarded the prize of Employer of the Year by the city of Kaposvár in 2015. KOMETÀ was nominated for the award by the local trade union and the Chamber of Commerce and Industry of Somogy independently from each other.</p> |

We are proud of our past achievements and the journey we have started but we still have a long way to go. We are planning to significantly expand our operations in a way that will use state-of-the-art technologies in the production, energetics and service units. Our sustainability strategy has two cornerstone objectives:

- reduce the GHG emission intensity of our products by 30%, measured by CO₂-equivalent emission per kg of meat produced;
- further minimize the waste produced during our operations.

With these goals in mind, we are aiming to significantly contribute to the transformation of our food system. Our company believes that the key to successfully facing the challenges of our society is to consume more meat that comes from a sustainable source and is healthier than the traditional meat industry products. Our future investments will serve these objectives.

1.3.Compliance with the EU Taxonomy¹²

KOMETÀ mainly monitors the Agricultural activities sector of the EU Taxonomy, and aims to incorporate the relevant recommendations into its sustainability policy.

The EU taxonomy is a classification system that lists environmentally sustainable economic activities. The standardised approach can play an important role in helping the EU scale up sustainable investment and implement green initiatives in Europe. The clear definitions help companies, investors and policymakers in considering environmentally sustainable activities.

The Taxonomy Regulation assigned 6 environmental objectives, for some of which the activities can contribute to while Doing No Significant Harm (DNSH) to the other objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

1.4.The Green Bond Framework

KOMETÀ established a Green Bond Framework in line with the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP). The Framework's commitments are applied to green bonds, where proceeds will be allocated to finance/refinance – with a look-back

¹² EU Taxonomy
https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

period of 24 months for refinancing activities –, in part or in full, new and/or existing Eligible Projects and Assets with clear environmental benefits.

The Framework contains all of the components recommended by the GBP:

- Section 2: Use of Proceeds
- Section 3: Process for Project Evaluation and Selection
- Section 4: Management of Proceeds
- Section 5: Reporting

Future changes in the Green Bond Principles and the EU Taxonomy may be implemented in updated versions of this Green Bond Framework. Any updated version of this framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.

2. Use of Proceeds

The use of green bond proceeds for the KOMETA issuances within this Framework are intended to be in line with the ICMA GBP, therefore all Green Assets and Projects should provide clear environmental benefits and promote the transition to a low-carbon, climate-resilient and sustainable economy, determined by the Company. Bond proceeds can be used to finance Eligible Projects and Assets described in this section.

2.1. Excluded projects and assets

KOMETA will not use the green bond proceeds for fossil-based energy generation, nuclear energy generation, R&D related to weapons and defense industries, potentially environmentally negative resource extraction (e.g. rare-earth elements or fossil fuels), gambling or tobacco. KOMETA will also exclude the use bond proceeds for projects that would contradict the Company's aim to achieve a 30% carbon emission reduction in the processed pork (CO₂/kg).

2.2. Green Buildings

Acquisition or construction of buildings that are in line with one of the standards, such as:

- BREEAM (Excellent or above), or
- LEED (Gold or above), or
- At least 10% better than the minimum criteria for nearly zero energy buildings (NZEB), or
- CBS building criteria¹³

Financing of renovation of low-energy properties that

- achieve at least a 30% decrease in overall energy consumption, or
- achieve the required energy efficiency in line with the applicable national building code for newly-built properties (and at least a 20% energy efficiency improvement), or
- achieve a two-grade upgrade in the local energy performance label, resulting in at least a 20% decrease in emissions, or 20% improvement in energy performance

| SDG contribution | EU Taxonomy contribution |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.  |
| TARGET 9·4  UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY | By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. <ul style="list-style-type: none"> • Construction of new buildings; • Installation, maintenance and repair of energy efficiency equipment; • Renovation of existing buildings; • Acquisition and ownership of buildings |

¹³ CBS: Low Carbon Buildings Criteria Documents
<https://www.climatebonds.net/low-carbon-buildings-criteria>

2.3. Environmentally Sustainable Food Production

Sustainable meat processing

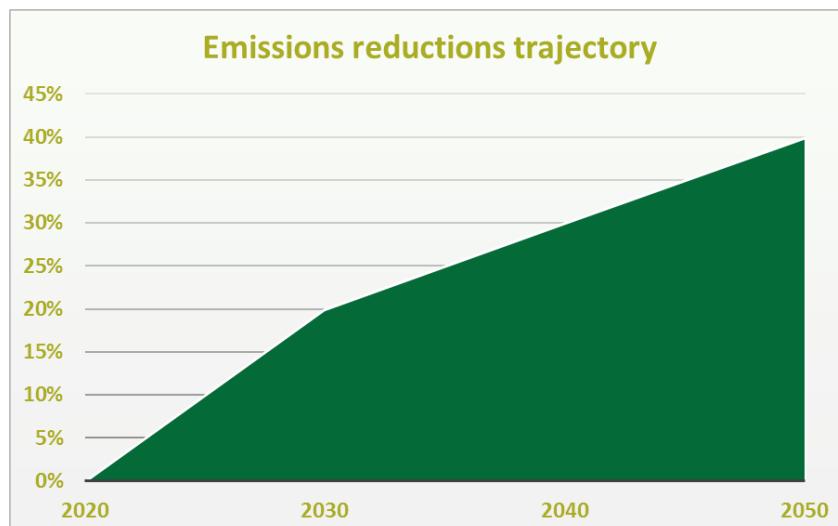
KOMETÀ operates processing facilities with a strong focus on energy consumption, water usage, plastics management and waste management:

Energy efficiency investments in the meat processing technology and processing facilities of the Company's slaughterhouse and production capacity which can result at least 30% improvement in energy consumption/sqm. Facilities buy animals by using a 200 km radius cut-off.

| SDG contribution |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>End hunger, achieve food security and improve nutrition and promote sustainable agriculture.</p> |
|  <p>By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p> |

This approach is fully in line with the EU Taxonomy mitigation criteria.

Although agriculture is not part of the EU Taxonomy Climate Delegated Act yet, the Taxonomy's Technical Annex¹⁴ lists mitigation criteria for Livestock production that can contribute to the creation of sustainable agriculture. Reduction or substantial avoidance of GHG emissions from Livestock production is one of the principles that KOMETÀ also intends to follow, therefore the Company's sustainable agriculture projects and assets can help achieve the GHG emissions reduction trajectory defined by the Technical Annex:



¹⁴ EU Taxonomy Report – Technical Annex

https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

2.4. Renewable Energy

New or existing investments in or expenditures on the acquisition, development, construction and/or installation of the following renewable sources:

- Solar PV (including, but not limited to, rooftop and wall solar projects)

Renewable Energy projects are expected to be parts of the upgrade, renovation and expansion of the Company's production facilities.

This category also includes the transmission, distribution, and electrical storage infrastructure (solar PVs) related to renewable energy production.

| SDG contribution | EU Taxonomy contribution |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
|  <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p> |  |
|  <p>By 2030, increase substantially the share of renewable energy in the global energy mix.</p> | <ul style="list-style-type: none"> • Installation, maintenance and repair of renewable energy technologies |

2.5.Sustainable Water and Wastewater Management

Expenditures related to the water and wastewater management system such as:

- **Capacity:** investing in the expansion of the wastewater recovery facility in line with the planned operation's scale, and in the automation of cleaning to optimize-minimize the chemicals used.
- **Infrastructure developments:** expenditures to finance efficiency projects for the current plant, such as creating a new water center, installing new technological solutions to recycle water and minimize water loss, and expanding the by-product processing to sewage sludge.

| SDG contribution | EU Taxonomy contribution |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>Ensure availability and sustainable management of water and sanitation for all.</p> |  |
|  <p>By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> | <ul style="list-style-type: none"> • Construction, extension and operation of water collection, treatment and supply systems; • Renewal of water collection, treatment and supply systems; • Construction, extension and operation of wastewater collection and treatment • Renewal of wastewater collection and treatment |
|  <p>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> | |

2.6. Pollution Prevention and Control

Expenditures related to the by-product facility such as:

- **Capacity:** increasing the processing capacity of the by-product facility to facilitate the low-waste/zero-waste management of the expanded production.
- **Infrastructure developments:** expenditures to finance efficiency projects for the current by-product plant, and expand the by-product processing to blood, to make it harmless.

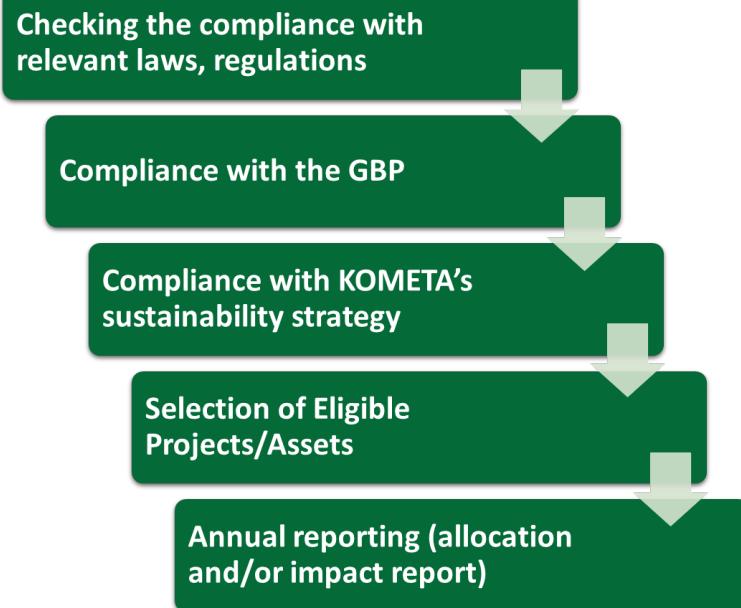
| SDG contribution | EU Taxonomy contribution |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.  |
| TARGET 9·4  UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY | By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. <ul style="list-style-type: none"> • Collection and transport of non-hazardous waste in source segregated fractions; • Material recovery from non-hazardous waste |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION  | Ensure sustainable consumption and production patterns. |
| TARGET 12·5  SUBSTANTIALLY REDUCE WASTE GENERATION | By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. |

3. Process for Project Evaluation and Selection

The project evaluation and selection process of KOMET ensures that the green bond proceeds will be allocated only to Eligible Projects and Assets that meet the criteria of the GBP and this Framework.

As KOMET already has a Restricted Board (RB), this body will also be responsible to monitor the sustainability finance processes of the Company. The Board meets monthly. The RB consists of the following members:

- CEO
- COO – responsible for energetics and technology
- Deputy - CEO
- CFO
- Two of the independent Board Members



The RB selects the nominated Eligible Projects and Assets based on the criteria defined in Section 2 (Use of Proceeds) of the Framework, making sure it aligns with the GBP and the relevant parts of the EU Taxonomy. The selection process also confirms that the Eligible Projects and Assets contribute to at least one of the UN SDGs, considering the Do No Significant Harm (DNSH)¹⁵ principle as well.

The RB is also responsible for monitoring the relevant green KPIs and sustainability targets. The Board will also involve an external sustainability expert.

KOMET has strong and widespread labor protection and COVID protocol, which is part of the Environmental and Social (ES) risk management. The Company also considers the interest of stakeholders in the selection of Green Projects and Assets. The ES risks are managed by the RB. If a meaningful ES risk is identified, the Committee provides a mitigation proposal during the project evaluation and selection process.

¹⁵ Activities that do no significant harm to the following six environmental objectives: Climate change mitigation, Climate change adaptation, Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems.

4. Management of Proceeds

KOMETÀ intends to credit the green bond proceeds to a dedicated Green Portfolio of the Company. The Company will track the proceeds in a spreadsheet, maintained by the RB. This Green Portfolio will contain information on the selected Eligible Projects and Assets and the Green Bonds, such as the project category, location, ISIN, maturity, amount outstanding. The Green Portfolio will serve as a basis for the related annual reporting.

The RB is responsible for the allocation of green bond proceeds in line with the criteria mentioned above. If a Project or Asset no longer qualifies as eligible during the life of the green bond, the Project/Asset will be replaced by another Eligible Project or Asset as stated by this Framework.

Regarding temporary holdings, unallocated funds may for instance be invested in short-term, liquid interest-bearing securities or cash/cash equivalents.

5. Reporting

To be fully transparent, KOMETÀ will publish an annual report on its website¹⁶ within 12 months of the green bond issuance and then annually until full allocation.

The report will contain information on the Eligible Projects and Assets that have been financed with green bonds, a summary of the sustainability-related activities of KOMETÀ in the past year as well as information, including examples, of the financed Eligible Projects' and Assets' adherence to the relevant criteria.

The planned annual green bond report will consist of

- the Allocation Report; and
- the Impact Report on the best effort basis (based on the availability of relevant measurable data and KPIs).

5.1. Allocation Report

Allocation of green finance proceeds will be provided at a project level, unless confidentiality agreements, competitive considerations, or a large number of underlying qualifying projects limit the amount of detail that can be made available. In that case, the information will be provided at an aggregated level, with an explanation of why project-level information is not given. The Allocation Report will contain the following data:

- A summary of green bond Projects/Assets

¹⁶ <https://www.kometà.hu/>

- Total amount of green bond instrument proceeds allocated
- Remaining balance of unallocated bond and other green bond proceeds
- The remaining balance of the Green Portfolio
- Share of financing/refinancing of new/existing projects
- Geographical distribution of the Eligible Projects/Assets

5.2. Impact Report

KOMETA intends to provide impact reporting at the level of each Eligible Project Category which has been defined in the section of Use of Proceeds on a best effort basis. Impact reporting – if the relevant data are available – may contain metrics recommended by the 2021 Harmonised Framework for Impact Reporting,¹⁷ to provide comparability for the market.

The following metrics are examples of indicators that are likely to be used by the KOMETA in the Impact Report:

| Eligible Category | Impact Indicator |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Green Buildings | <ul style="list-style-type: none"> • Type of certification and degree of certification for buildings (e.g. LEED, BREEAM, EPC) • Estimated annual GHG emission avoided (tCO₂e) • Annual energy savings (MWh) |
| Environmentally Sustainable Agriculture | <ul style="list-style-type: none"> • Carbon emission reduction in the processed pork (CO₂/kg) • Volume of certified animal feed purchased |
| Renewable Energy | <ul style="list-style-type: none"> • Expected annual renewable energy generation (MWh) • Installed renewable energy capacity (MW) • Estimated annual GHG emission avoided (tCO₂e) |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> • Volume/share of solid sludge collected and treated for re-use (in tons and %) • Percentage of water recycled from freshwater facilities • Freshwater savings (% and/or million m³ per year) |
| Pollution Prevention and Control | <ul style="list-style-type: none"> • Volume/share of by-products reused (in tons and %) |

¹⁷ Harmonised Framework for Impact Reporting June 2021

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

6. External Review

KOMETÀ appointed CICERO to assess through a pre-issuance external review (SPO) the alignment of the Company's Green Bond Framework with the four core components of the 2021 GBP recommendations.

The Green Bond Framework and the SPO will be published on the website of the Company.

6.1 Allocation report audit

KOMETÀ also aims to obtain an annual review from an external auditor, based on the allocation of green bond proceeds to the Eligible Projects and Assets on an annual basis.

Annex

The water use system of KOMETÀ

