

UniCredit Sustainability Bond Framework Implementation in UniCredit Jelzalogbank Hungary

Budapest, 2023

Green and Social Eligible Criteria

Green Buildings



Housing purpose retail mortgage loans

UniCredit Sustainability Bond Framework & EU Taxonomy alignment



For houses built before 2020YE

TOP15% of local properties

- EPC label
 - ,B' or better (*EPC -2016*) or
 - ,CC' (built 1991-) or better (*EPC 2016-*)
- PED is 118 kWh/sqm/year or better
- Built year 2013 or newer but before 2020YE

Min ,A' EPC labels

For houses built after 2021YB

NZEB - 10% (until 2023: NZEB=100kWh/sqm/y):

- PED<90kWh/sqm/y
- EPC: ,A' or better, due to ,B'= 80-100 kWh/sqm/y

Renovation of existing buildings

At least 30% reduction of primary energy demand or at least two steps improvement in EPC label



Measuring Benchmark



Benchmark: Average of total Hungarian residential building stock (*annually re-calculated*)

Benchmark's final energy demand

- Total Hungarian end energy consumption
- Total Hungarian household property's area

Benchmark's Primary energy demand

- Final energy demand
- Weighted primary energy factors by energy types
- Households' total consumption by energy carrier types

Benchmark's CO₂ consumption

- Final energy demand
- Weighted CO₂ intensity by energy carrier types
- EU typical emission factors by energy carrier types



Energy Saving Calculation



Property's Primary
energy demand

vs.

Benchmark's Final
Energy demand



Final Energy
saving of green
property

CO₂ intensity
factor

Carbon emission
saving of
building



Transparency

Public Reports



UniCredit Sustainability Bond Framework

- **Framework**
- **SPO (ISS ESG)**



Local publications

- **Group Criteria for Hungary and UniCredit Jelzalogbank** - Green asset eligibility criteria
- **UniCredit Sustainability Bond Framework Implementation in UniCredit Jelzalogbank (Hungary)** - Methodology summary
- **Sustainability Bond Report & Independent Auditor's report** – Audited annual allocation and impact report
- **Quarterly ESG Bond Report** – Quarterly allocation and impact summary



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Impact calculation

Quantifying emissions related to the funded portfolio presents a number of difficulties: amongst other reasons, data scarcity is typical where data quality and reliability is low, and in the absence of good practices, there is no consensus on how much of the output of the clients they finance. When evaluating the sustainability metrics, it is advisable to take into account the outdated condition of the Hungarian real estate portfolio, and also the fact that without dedicated energy modernization programs, only moderate successes can be achieved in the field of energy renewal of the used residential real estate portfolio.





GREEN BOND METHODOLOGY MANAGEMENT SUMMARY

UNICREDIT JELZÁLOGBANK ZRT

2021-12-14

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SUSTAINABLE FINANCE

Green Finance – Eligibility Criteria – Residential assets in Hungary

		Single family houses	Multi family houses
New + existing building	1)	Nearly Zero Energy Building for buildings built in 2021 and later	The primary energy demand is at least 10% lower than the “Nearly Zero Energy Building”-Standard (NZEB)’s threshold. Based on „Energy Performance of Buildings Directive (EPBD)“, the NZEB is set in „7/2006 (V.24)“ with amendments from 2018. New Construction and major renovation: NZEB-10%: Primary energy PE ≤ 90 kWh/m ² a
Building Acquisition & Ownership	2)	Nearly Zero Energy Building for buildings built before 2021	Nearly Zero Energy Building”-Standard (NZEB)’s threshold based on „7/2006 (V.24) “ with amendments from 2018: New Construction and major renovation: NZEB: Primary energy PE ≤ 100 kWh/m ² a
	3)	Energy performance certificate for buildings built before 2021	Energy performance certificate with energy efficiency rating of AA (61-80% of reference value) or better (rating since 2016) or EPC rating A (rating before 2016: 56-75% of reference value)
	4)	Top15%-Building Energy code primary energy requirement based on year of construction for buildings built before 2021	Primary energy demand based on building energy code 7/2006 (V.24) amendment as of 8/2012 or better with either PED < 110...230 kWh/m ² a based on the A/V ratio of the building with year of construction 2013 or newer or Primary energy demand based on Energy performance certificate with energy efficiency rating of CC (100-130% of reference value) or better (rating since 2016) is lower than PED < 110...230 kWh/m ² a based on the A/V ratio of the building
Renovation	5)	Property upgrade	Major renovation meets cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Buildings Directive (EPBD). Requirements for primary energy demand as referenced in 7/2006 (V.24)“ with amendments from 2018. Relative improvement in primary energy demand ≥ 30% in comparison to the performance of the building before the renovation.

Drees & Sommer low carbon building criteria are based on EU Taxonomy (Delegated Act – June 2021). Criteria are valid for assets located in Hungary. Status: July 2021 The NZEB building energy code 7/2006 V.24 with amendments from 2021 will be effective from June 2022 and subject to change (status: December 2021). The A/V-ratio is the area-to-volume-ratio for residential assets. Stated values for A/V-ratios are to be seen as typical building usage references, and subject to change.


		Residential buildings in Hungary (Single-Family & Multi-Family)	
-	6)	Low carbon buildings for buildings built from 2016	Residential buildings are eligible for certification if their specific primary energy consumption (Fajlagos Primer Energiafogyasztás) published on an Energy Performance Certificate (Energetikai tanúsítvány) dated after Jan 1 2016, lies below the hurdle rate established for the midpoint of the term of the bond.

Climate Bonds Initiative – Eligibility criteria, Status: December 2021 ,thresholds are subject to change.



SUSTAINABLE FINANCE – ENERGY & CO₂-BENCHMARKS

Energy & CO₂-Benchmarks – Residential buildings in Hungary

 Ø-Reference values: Energy		Ø-Reference values: CO ₂	
Building stock weighted reference benchmarks: End energy: Ø207.3 kWh/m ² a Primary energy factor: Ø1.16 Primary energy: Ø245 kWh/m ² a	EPC-class since 01/2016	% of required value	Building stock weighted reference benchmark: CO ₂ -Intensity: Ø 0.185 kgCO ₂ /kWh Building stock weighted reference benchmark: Ø 38.4 kgCO ₂ /m ² a
	AA++	< 40%	
	AA+	40 – 60%	
	AA	61 – 80%	
	BB	81 – 100%	
	CC	101 – 130%	
	DD	131 – 160%	
	EE	161 – 200%	
	FF	201 – 250%	
	GG	251 – 310%	
	HH	311 – 400%	
II	401 – 500%		
JJ	> 500%		

Reference values for energy and carbon emissions are thresholds and subject to change, as of status December 2021.



SUSTAINABLE FINANCE

Green Bond methodology – Eligibility criteria – Summary

New or existing residential buildings built after December 31st,2020:

- complying with 10% reduction in Primary Energy Demand (PED) of Nearly-Zero-Energy-Building (NZEB) Standard in Hungary.

New or existing residential buildings built before December 31st, 2020:

- complying with the requirements in Primary Energy Demand (PED) of Nearly-Zero-Energy-Building (NZEB) Standard in Hungary with $PED \leq 100 \text{ kWh/m}^2\text{a}$
- Energy performance certificate with a rating of AA or better (rating since 2016) or with a rating of A or better (rating before 2016)
- complying with the requirements in Primary Energy Demand (PED) from building energy code 7/2016 incl. amendments of 8/2012 with year of construction 2013 or newer as belonging to top 15% low carbon residential buildings in Hungary.

Refurbished existing residential buildings:

- Refurbished existing buildings or renovations designed to fulfill the cost-optimal minimum energy performance requirements of national or regional requirements for ‘major renovation’ in Hungary as defined in the Energy Performance of Buildings Directive
- Refurbished existing residential buildings with primary energy savings of at least 30% against the building performance before the renovation.

Threshold is subject to change, based on EU Taxonomy delegated act (July 2021)

SUCCESSFUL BUILDINGS

LIVEABLE CITIES

HIGH-YIELD PORTFOLIOS

POWERFUL INFRASTRUCTURE

FUTURE-ORIENTED CONSULTING



DREES &
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