

Second-Party Opinion

Univer Product Zrt.

Hungarian Food Producer



Scope ESG Analysis has assessed the alignment of the Green Bond Framework (Framework) of Univer Product Zrt. (Univer) with the 2021 Green Bond Principles (GBP) of the International Capital Markets Association. Scope ESG’s assessment reveals that Univer’s Framework is fully aligned with the GBP.

This second-party opinion is based on the four GBP components: use of proceeds, process for project evaluation and selection, management of proceeds and reporting. In addition, our methodology supplements the use of proceeds element with an assessment of alignment with the EU Taxonomy’s criteria on climate change mitigation, an impact of proceeds assessment and a review of impact risks. The Framework has received two green leaves, which is the second highest score in our leaf score system.

Issuance assessment

GBP components	Fulfilment	Overall assessment
Use of proceeds	<ul style="list-style-type: none"> Renewable energy Energy efficiency Sustainable water and wastewater management 	
Process for project evaluation and selection	<ul style="list-style-type: none"> Establishment of Green Bond Committee comprising three members of the company to manage process evaluation and the selection of projects 	
Management of proceeds	<ul style="list-style-type: none"> Proceeds are documented and updated in a green finance register. An external auditor reviews the management of proceeds each year. 	
Reporting	<ul style="list-style-type: none"> Annual reporting of allocation of proceeds until full allocation Impact metrics include reporting on greenhouse gas emissions savings, energy savings and wastewater recycling. 	

Head of ESG

Bernhard Bartels
 +49 69 6677389-19
b.bartels@scopeesg.com

Analyst

Wendy Fernandez
 +33 182 885-557
w.fernandez@scopegroup.com

Figure 1: Alignment with United Nations Sustainable Development Goals



Figure 2: Engagement with EU Taxonomy draft regulation



Scope ESG Analysis GmbH

Lennéstraße 5
 10785 Berlin

Phone +49 30 27891 0
 Fax +49 30 27891 100

esg@scopegroup.eu
www.scopegroup.com



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Methodology

The issuer commissioned us to provide a second-party opinion on its Framework. We based our opinion on:

- Univer's internal documents
- Interviews with Univer's relevant stakeholders
- Documents on external market/regulatory research
- Data from our internal database

The leaf score summarises our evaluation and verification of the environmental impact of Univer's Framework. The described targets within each of the green project categories lead to individual leaf scores. In the case of multiple project categories, the aggregate of the scores yields the overall score of our second-party opinion report.

Our minimum requirement for GBP alignment is that each green project category in the Framework have a positive environmental impact, as represented by one green leaf.

Scoring	Description	GBP category	Sector criteria
	Transformative environmental contribution and strong alignment with relevant market standards	Renewable energy	Production of solar panels complies with highest market standards in sustainable production and power generation during use phase.
		Energy efficiency	Energy Performance Certificate of AA+ to AA++; full transparency on expected targets and substantial savings on energy efficiency in the sector
		Sustainable water and wastewater management	Total wastewater generated by manufacturing processes is completely irrigated to agricultural lands.
	Significant environmental contribution and alignment with selected market standards	Renewable energy	Full transparency provided on country of origin, environmental footprint of production of solar panels and power generation during use phase
		Energy efficiency	Energy Performance Certificate of CC to AA; full transparency on expected targets and representative savings on energy efficiency in the sector
		Sustainable water and wastewater management	Most of the wastewater generated by manufacturing processes is completely irrigated to agricultural lands.
	Environmentally friendly but limited long-term transformation	Renewable energy	Partial information provided on country of origin and environmental footprint of production of solar panels.
		Energy efficiency	Energy Performance Certificate of EE to DD; partial transparency on expected energy efficiency targets
		Sustainable water and wastewater management	A very small amount of wastewater generated by manufacturing processes is reused and irrigated to agricultural lands.
	No significant environmental contribution	Renewable energy	No information provided on country of origin or environmental footprint of production of solar panels.
		Energy efficiency	Energy Performance Certificate of HH to FF; expected energy efficiency targets not disclosed.
		Sustainable water and wastewater management	Wastewater generated by the manufacturing processes is discharged into public sewer without pre-treatment regulations.
	Negative environmental impact	Renewable energy	Negative impacts from production of solar panels relative to market practices
		Energy efficiency	Energy Performance Certificate of JJ to II; energy demand in food production supplied completely by fossil fuels
		Sustainable water and wastewater management	Lack of process and technology to reuse grey wastewater

Business model consists of selling food products through retail and wholesale partners

Introduction

Founded in 1948, Univer Group is 100% Hungarian-owned, based in Kecskemét, and Hungary's leading food, retail, and wholesale company. Univer Group achieved consolidated net sales of approximately HUF 47bn in 2021 with more than 1,300 employees.

Univer Product Zrt., the issuer, is one of the four subsidiaries of the Univer Group. It manufactures and distributes traditional Hungarian food products in several categories:

- wet condiments (mayonnaise, mustard, ketchup, salad dressings and table sauces such as chili and barbecue)
- Hungarian-style condiments (red gold paprika cream, strong steve minced hot pepper, mad steve minced extra hot pepper, goulash cream, garlic cream and onion cream, etc.)
- tomato concentrates
- baby food
- premium jams
- bakery products
- gastronomic products

The company's Hungarian condiments, mayonnaise, mustard, and baby food are market leaders in Hungary, while the other categories are among the top players in their product categories.

The issuer closed financial year 2021 with a net turnover of HUF 30.5bn, which represented 64% of the group's consolidated sales. For 2022, the issuer estimates turnover will grow by 18% to HUF 36.1bn.

The issuer's products are available in more than 15 countries around the world. The main export markets in Europe are Romania, Germany and Slovakia. The main overseas markets are the US, Canada and Australia. Hungary is the main destination country for sales, and the export share is 24.8% based on revenue.

Most of Univer's brands are vegetable-based condiments, so ensuring the quality of vegetables as its raw materials is particularly important. The most important raw materials are tomatoes, sweet and hot spice peppers, pritamin peppers, onion, garlics, vegetable oil and horseradish. To satisfy growing demand, Univer developed a supply system that relies exclusively on Hungarian producers and has been based on strict quality management and producer loyalty since 1975. In addition, through its 196-ha reference farm some 20 km from Kecskemét, which is operated by subsidiary Univer-Agro Kft., the issuer helps tomato and red pepper producers expand their knowledge about the latest cultivation and irrigation technologies.

Univer's business model consists of selling its products to end consumers primarily through retail and wholesale partners. It markets its products under the Univer brand name, but it also produces reseller private label products in several product categories. The most relevant markets for the company are the hospitality industry followed by manufacturing and industrial user partnerships. The most important product category for further processing by food industry partners is tomato concentrate, where Univer has an important relationship with McDonald's.

Planned green bond issuance worth HUF 6.78bn to finance primarily new technology

Univer plans to issue a green bond in Hungary to finance green investments of HUF 6.780bn. Proceeds from the bond will cover various categories and projects, such as renewable energy via solar parks, energy efficiency in office buildings, production technology, agricultural machines and equipment, and sustainable water and wastewater management via grey water utilisation.

Corporate strategy focuses on regional sourcing

Overall sustainability strategy

Univer's corporate strategy centres around regional sourcing of raw materials from local suppliers. So, while the corporate strategy is based on producing healthy, high-quality branded food products, it also includes a sustainability perspective by reducing waste and energy consumption, protecting water resources, developing employee awareness of environmental issues and sustainability, and helping local communities through local operations, domestic raw materials production, building community among producers and short logistical chains.

In addition, Univer has designed two project portfolios to incorporate different projects related to their sustainability strategy. The first one is called Blue Ocean Project Portfolio, where the mission is for internal projects to reduce waste and energy consumption during working hours to improve environmental awareness. A second project portfolio, Pack Project Portfolio, aims to create a new generation of sustainable packaging materials. The target is to have fully recyclable packaging materials by 2025. Univer aims to provide a wide range of non-plastic packaging materials to achieve its sales targets while also reducing plastic without compromising quality, freshness and product safety.

Issuance

Green Bond Principles: assessment of issuance

I. Use of proceeds

Green project category	Fulfilment	Leaf score
Renewable energy	<ul style="list-style-type: none"> Financing new solar park projects with a capacity of 50-500 kW <ul style="list-style-type: none"> 140 tCO₂e annual greenhouse gas emissions avoided 400,000 kWh of annual renewable energy generation 400 kW capacity of renewable energy in installed plant(s) 	
Energy efficiency	<ul style="list-style-type: none"> Modernisation of production halls, which will result in an Energy Performance Certificate improvement from FF (average) to BB (in compliance with zero-energy requirements) Financing new production technology on applicable sites resulting in the following metrics: <ul style="list-style-type: none"> Relative gas consumption reduction of 0.8 m³ per tonne of product, resulting in 10% gas savings Relative water consumption reduction of 0.3 m³ per tonne of product, resulting in a 20% relative water savings Relative electric energy consumption of 3.5 kWh per tonne of product, resulting in 10% electricity savings 234,611 kWh annual energy consumption savings 82 tCO₂e avoided per year Financing agricultural machinery and equipment <ul style="list-style-type: none"> 1,300 l annual fuel savings 5,187 tCO₂e avoided 	
Sustainable water and	<ul style="list-style-type: none"> Financing of technology installation for grey water utilisation with expected targets of: 	

wastewater management	<ul style="list-style-type: none"> ○ Wastewater reuse of 3 m³ per tonne of raw tomato ○ 2.1 kWh less electricity consumption per tonne of raw tomato ○ 58.8 tCO₂e avoided per year 	
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The green bond proceeds will be invested as follows:

Green project category	Green project	Green bond proceeds (HUF bn)	Implementation deadline
Renewable energy	Financing new solar park with a capacity of 50-500 kW	0.476	2021-2023
Energy efficiency	Modernisation of production halls	2.070	2021-2023
	Financing new production technology	3.667	2021-2024
	Financing agricultural machinery and equipment	0.067	2022-2023
Sustainable water and wastewater management	Technology installation for grey water utilisation	0.500	2023-2024

Univer's Framework scores two green leaves overall

Our assessment: Univer's aggregate score of two leaves indicates alignment with selected sector criteria. The Framework's provisions on the use of proceeds comply with the GBP.

The renewable energy category has received two green leaves led by Univer's intention to invest in developing a solar park with a renewable energy generation capacity of approximately 400 kW. The energy derived from the solar park will be used strictly by the issuer's own production sites. The environmental impact from production is driven up by the country of origin of the materials, where the national energy mix is dominated by non-renewables. We provide further information on the environmental impact and risks on page 9 of this document.

Transparency in establishing specific absolute reduction targets

The energy efficiency category has received two green leaves because the projects within the category contribute to lower emissions yet still remain energy-intensive activities. Modernisation of production halls will take place at two production sites: Szolnoki út and Hetényegyháza. Offices, social and manufacturing areas at the Hetényegyháza site will be equipped with air-source heat pump heating and cooling systems. At the Szolnoki út site, the extension of the plant building will be equipped with an adiabatic cooling system. This is projected to improve the building's energy performance rating from FF (average) to BB (in compliance with zero-energy requirements). The part of the project that deals with financing new production technology will encompass several sites. It will include a list of processes to improve and increase production capacity as well as replace old equipment to increase energy efficiency. While it is difficult to set expected thresholds for manufacturing processes, we highlight the issuer's transparency on establishing specific absolute targets, including doubling its production capacity for the new technology development. The production capacity is estimated to increase linearly 10% each year reaching full capacity in a 10-year period by 2032. It is our understanding that the set targets are the minimum achievable savings for the company. While the solar park project will provide renewable energy to the production sites, the energy efficiency targets are set

independently from the provided solar energy for the modernisation of production sites and the incorporation of new technologies. This removes double counting from the Framework. Lastly, the agricultural machinery and equipment will include new tomato harvesting machinery, which is projected to save at least 1,300 l of fuel, equivalent to 5,187 t of CO₂ emissions, annually.

The sustainable water and wastewater management category has received two green leaves. The Szolnoki út site generates a significant amount of wash water for tomato processing. It is recycled and reused four to five times and then reused as grey water for irrigation. In light of this, the issuer plans to finance technology such as transporting channels to transport all generated wastewater to the surrounding agricultural areas 14 km around the production site. Previously, this water was discharged into the municipal sewer and treated by communal water treatment systems, which produced 2.1 kWh of electricity consumption per tonne of raw tomato and 58.8 t of CO₂ emissions annually. Thanks to the new technology, the water will not be treated further but rather moved completely from the production sites to the agricultural areas. It is our understanding that this project will not reduce Univer's water footprint, but it will reduce wastewater by transporting water for irrigation. Of the 3.32 m³ of wastewater per tonne of raw tomato produced at Szolnoki út, the technology will achieve a reduction of 3 m³. Considering that Univer produces 72,000-80,000 t of raw tomato there, the total wastewater savings will therefore be around 216,000-240,000 m³.

Establishment of a green committee

II. Process for project evaluation and selection

Univer will establish a Green Committee to develop the green strategy and its objectives, which include greening the company's internal operations and green strategic cooperation, among other things. It will also monitor implementation of the sustainability strategy and application of general aspects of sustainable development targets in all processes as well as identify, manage, and mitigate the social and environmental risks associated with the projects.

The Green Committee will supervise compliance with the Green Bond Framework, advise in the case of specific investment proposals and supervise the selection of projects, acquisitions, investments and the review of funds allocation. For the selected projects, the Green Committee is responsible for ensuring compliance with requirements for the use of proceeds, preparing audit documents and gathering evidence to facilitate the external audit check.

The Green Committee is composed of three members: the Sustainability and Communications Director who oversees packaging recyclability at the operational level; the Financial Director and the Chief Production & Technical Officer who leads the team in charge of the energy, waste, and emissions reduction aspects of production. The Committee reports directly to the CEO and will meet on a bi-annual basis.

Our assessment: Univer's project evaluation is aligned with the GBP.

Establishment of green finance register

III. Management of proceeds

Proceeds from the green bond will be managed by the Green Committee in a separate green register kept by the Finance department. The green register will track how an amount equal to the green bond's net proceeds is allocated to green projects and assign all projects an identification code and work number for transparent tracking of investments.

Before allocation, Univer commits to communicate to investors of the intended types of temporary placement. ESG-related selection criteria for the deposits are important factors in the decision-making process but are not ultimately decisive for the temporary allocation of funds. An external auditor will review the management of bond proceeds annually.

Univer will publish annual allocation and impact reports with project outcomes

Our assessment: Univer's management of proceeds complies with the GBP.

IV. Reporting

Univer has committed to provide an annual update on activities related to its green bond issuance. These updates will describe the allocation of proceeds and the relevant impacts on the company. The figures will be reviewed and presented to the auditor, and the results will be available in Univer's annual report and published on its website.

The allocation report will include the following metrics and could include the following proposed indicators:

Allocation report: metrics
Total amount of eligible projects/assets in the green portfolio
Breakdown of bond proceeds
Description of activities financed
Balance of unallocated bond proceeds

Allocation report: proposed indicators
Proportion of green investments in the corporate portfolio: Green-rated investments/total investments (%)
Green proceeds utilisation: Green bond proceeds used/total green bond proceeds (%)
Use of green proceeds by environmental purpose: Distribution of green proceeds used across categories defined in the Framework (%)
Other relevant indicators

In accordance with the 2021 Harmonised Framework for Impact Reporting, Univer will annually report the impact indicators listed in the table below. The indicators will be measured, monitored regularly and published to assure the transparency of Univer's commitment to sustainable activities.

Category	Impact report
Renewable energy	Annual greenhouse gas emissions avoided (tonnes of CO ₂ emissions)
	Annual renewable energy generation (kWh)
	Capacity of renewable energy plant(s) installed in kWh
Energy efficiency	Improvement on the audited energy category
	Percentage of gas savings
	Percentage of water savings
	Percentage of electricity savings
	Annual energy savings (kWh)
	Annual greenhouse gas emissions reduced/avoided (tonnes of CO ₂ emissions)
Annual fuel consumption savings (litres)	
	Reuse of wastewater (m ³ per tonne of raw tomato)



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Sustainable water and wastewater management	Electricity consumption savings (kWh per tonne of raw tomato)
	Avoided emissions per year (tCO ₂ e/y)

Our assessment: The reporting proposed by Univer is aligned with the GBP.

Our opinion

Alignment with SDGs

The SDGs adopted by all UN member states in 2015 are a collection of 17 global targets comprising an agenda for achieving sustainable development by 2030. We deem the following SDGs to be relevant for Univer¹:

2. Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

6. Clean water and sanitation: Ensure availability and sustainable management of water and sanitation for all.

7. Affordable and clean energy: Ensure access to affordable, reliable, sustainable, and modern energy for all.

9. Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

12. Responsible consumption and production: Ensure sustainable consumption and production patterns.

13. Climate action: Take urgent action to combat climate change and its impacts.

Appendix III lists the relevant indicators for measuring Univer's contribution to each SDG. The contribution to the SDGs can be quantified in post-issuance impact reporting.

Alignment with EU Taxonomy

The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes a basis for the EU Taxonomy by setting four overarching conditions that a particular economic activity must meet to qualify as environmentally sustainable. The regulation establishes six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. A first delegated act on sustainable activities for climate change adaptation and mitigation was approved on 21 April 2021 and formally adopted on 4 June 2021 for scrutiny by co-legislators. A second delegated act for the remaining objectives will be published in 2022.

Univer's activities as a food processor are currently not covered by the EU Taxonomy as eligible activities. Therefore, this assessment is not applicable to the issuer.

Impact of proceeds

Univer's impact: renewable energy

The EU is setting energy targets that aim to derive at least 32% of energy from renewables by 2023². In 2021, the European Commission raised the target to 38%-40%³. Hungary's

Univer's Framework tied to six relevant UN SDGs

Univer's activities as a food processor are not covered by the taxonomy

Share of renewable energy in Hungary

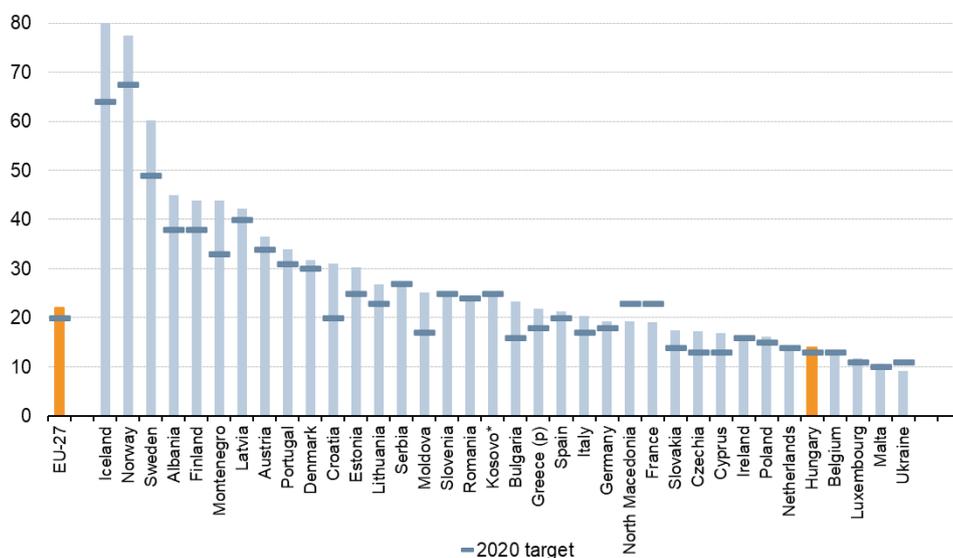
¹ In its Green Bond Framework, Univer refers to all SDGs cited in this SPO as material to its projects, except for SDG 2. In its SPOs, Scope maps the eligible GBP categories with a high relevance for the SDGs rather than those with a high degree of alignment or positive achievement.

² https://ec.europa.eu/clima/policies/strategies/2030_en

³ https://ec.europa.eu/info/sites/default/files/amendment-renewable-energy-directive-2030-climate-target-with-annexes_en.pdf

Energy Strategy aims for approximately 20% of primary energy to be derived from renewables by 2023⁴. The importance of renewable energy is driven by the significant volume of energy production and consumption. These are the largest source of greenhouse gas emissions in the EU, accounting for more than 75% of the total⁵. However, obtaining a larger share of electricity from renewable sources remains a challenge for Hungary, and although the share is increasing, at approximately 13.9% it remains significantly below the European average of 22.1% in 2020⁶ and 34% in 2021⁷. Furthermore, the EU attaches great importance to solar power as it already provides an important contribution to the European energy mix at 14% of EU-27 electricity generation in 2020. In Hungary, solar power represents 44% of the renewable energy mix⁸.

Figure 3: Share of energy from renewable sources, EU countries, 2020



Source: Renewable energy statistics, Eurostat⁹

Univer's ambitions in the renewable energy sector promote renewable energy generation in the country by reducing energy-related greenhouse gas emissions. Furthermore, this goal will contribute to lower reliance on country's energy imports, which accounts for around 90% of its oil and natural gas, most of it imported from Russia¹⁰. In addition, an increase in renewable energy is necessary to maintain agricultural development¹¹.

Apart from the positive downstream impact from producing renewable energy, Univer's activity may also pose impact risks. These are summarised below.

Upstream impact

Solar power is the Earth's third major renewable energy source after hydropower and wind¹². Solar is an important alternative for producing electricity with a significantly lower carbon footprint than fossil-based technologies over the life cycle. China is the largest producer of solar technology, dominating the solar PV market with a 76% and 71% share

Chinese origin of PV components dominates upstream impact

⁴ <https://www.iea.org/policies/5913-2030-energy-strategy-of-hungary>

⁵ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/energy-and-green-deal_en

⁶ <https://www.eea.europa.eu/ims/share-of-energy-consumption-from>

⁷ https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_3544

⁸ https://ec.europa.eu/info/research-and-innovation/research-area/energy-research-and-innovation/solar-energy_en

⁹ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics#Wind_and_water_provide_most_renewable_electricity.3B_solar_is_the_fastest-growing_energy_source

¹⁰ OECD. 2020. *Fossil fuel support country note- Hungary*. s.l. : OECD, 2020.

¹¹ Baján, B., Łukasiewicz, J., & Mrówczyńska-Kamińska, A. (2021). Energy consumption and its structures in food production systems of the visegrad group countries compared with eu-15 countries. *Energies*, 14(13), 3945.

¹² <https://www.iea.org/fuels-and-technologies/renewables>

Univer aims to reach high energy efficiency standard after modernisation

of the world's total production of solar cells and PV modules respectively¹³. China's primary source of electricity generation is coal at 64% of total energy production¹⁴. PV modules manufactured in China are still predominantly supported by coal-fired power stations. As a result, the PV systems manufactured in China have a global warming potential that is 29% higher on average than panels made in Europe⁹.

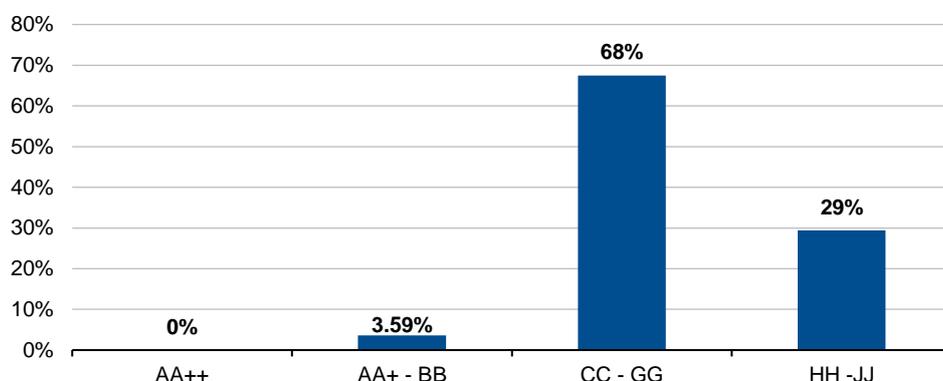
Univer has already contracted two production sites: Mindszenti krt. and Szolnoki út. The solar panels at these sites are tier 1 class, manufactured in China and sourced in Austria, as well as the inverters made in China. The third production site, Hetényegyháza, is in the process of contracting using the same specifications as the previous two sites.

The main environmental impact of Univer's activity stems from the production of solar PV modules in China, given the country's heavy reliance on fossil fuels. At the same time, Univer's net environmental impact remains positive through the emissions saved by replacing fossil sources with solar panels during the use phase (downstream impact).

Univer's impact: energy efficiency

The EU intends to improve energy efficiency among its member states by 32.5% by 2030⁹. Hungary's energy efficiency target is to remain below its final energy consumption level of 785 PJ for 2005 in 2030. If energy consumption exceeds 2005 levels, it must come from carbon-neutral energy sources⁷. In addition, the Hungarian Long-Term Renovation Strategy aims to achieve 90% near-zero energy buildings by 2050¹⁵. **Figure 4** shows that only 3.59% of certified properties in Hungary were rated AA+ to BB¹⁶ as of 2020.

Figure 4: Properties with Energy Performance Certificates in Hungary, 2020



Source: Masterplast Nyrt., 2020

The modernisation of two of Univer's production sites to improve its Energy Performance Certificate from FF (average) to BB (zero-energy requirements) contributes to the Hungarian Long-Term Renovation Strategy by 2050 as well as to EU targets for energy efficiency.

High dependence on resource-reliant agricultural production and subsequent food chain

The Food and Agriculture Organization of the United Nations (FAO) estimates that food production must increase by 70% to feed a world population of nearly 10 billion people by 2050¹⁷. Energy efficiency is one of the main requirements for sustainable agriculture, and it has become more important as the world's population growth requires an increase in food

¹³ Rambey, M. F. R. H., Setiawan, E. A., & Madsuha, A. F. (2022, February). PV industry in China and three Southeast Asia countries: A systematic literature review using PRISMA. In *IOP Conference Series: Earth and Environmental Science* (Vol. 997, No. 1, p. 012021). IOP Publishing.

¹⁴ <https://www.iea.org/countries/china>

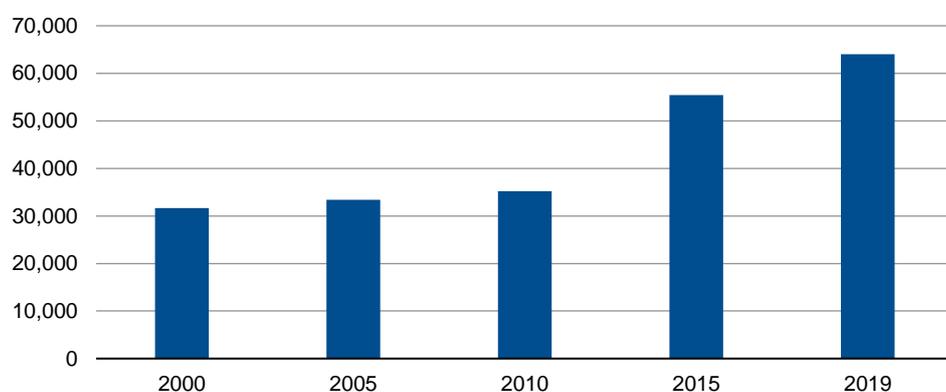
¹⁵ https://energy.ec.europa.eu/system/files/2021-08/hu_2020_ltrs_en_0.pdf

¹⁶ <https://www.masterplastgroup.com/en/2020/02/13/only-four-percent-of-the-hungarian-properties-meet-the-tightening-requirements-for-building-energetics/>

¹⁷ https://www.fao.org/fileadmin/user_upload/Ion/HLEF2050_Global_Agriculture.pdf

production, which relies on the use of energy sourced mainly from fossil fuels¹⁸. The entire food supply chain is energy-intensive, from the production and use of agricultural inputs to processing, packaging, and distribution to the final consumer¹⁹. In the EU, estimates show that the entire food chain accounted for 17% of total energy consumption in 2013²⁰. One of the main issues causing high energy consumption in the food industry is inefficient processing technologies and/or the use of fixed capital, such as buildings and machines²¹. Therefore, the literature shows that in the case of the food industry, optimising technological processes is considered a key solution for reducing energy consumption²⁰. **Figure 5** shows that electricity consumption in Hungary's industry sector has doubled since 2000, contributing to the country ranking highest in terms of energy consumption amongst food producers in Visegrad countries²². Univer continues to focus on expanding its production by concentrating on continued sourcing from local food chain suppliers. This allows for more effective control of sustainable sourcing and limits the transportation footprint.

Figure 5: Industrial sector electricity consumption in Hungary, 2019



Source: <https://www.iea.org/countries/hungary>

¹⁸ Bajan, B., Łukasiewicz, J., Poczta-Wajda, A., & Poczta, W. (2021). Edible Energy Production and Energy Return on Investment—Long-Term Analysis of Global Changes. *Energies*, 14(4), 1011.

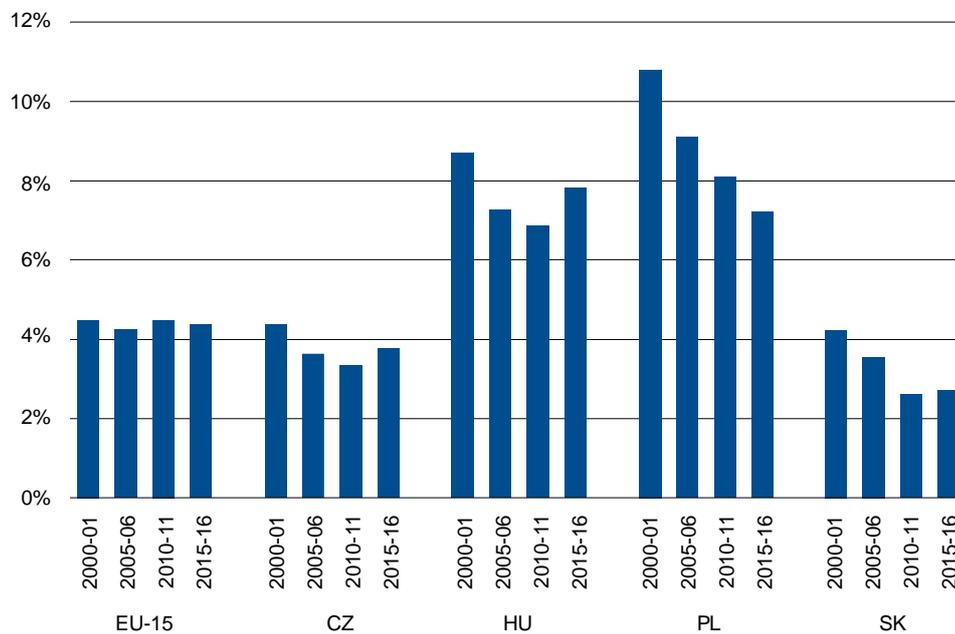
¹⁹ Canning, P. N. (2010). *Energy use in the US food system* (No. 94). Diane Publishing

²⁰ Motola, V., Banja, M., Scarlet, N., Medarac, H., Castellazzi, L., Labanca, N., ... & Pennington, D. (2015). *Energy use in the EU food sector: State of play and opportunities for improvement*. F. Monforti-Ferrario, & I. P. Pascua (Eds.). Luxembourg: Publications Office.

²¹ Voigt, S., De Cian, E., Schymura, M., & Verdolini, E. (2014). Energy intensity developments in 40 major economies: structural change or technology improvement?. *Energy Economics*, 41, 47-62.

²² Czech Republic, Hungary, Poland, and Slovakia

Figure 6: Share of energy consumption in food production systems in total energy consumption, Visegrad and EU-15 countries, 2016



Source: Bajan et al., 2021⁹

Univer aims to help increase sustainability in the food industry by financing new production technology for its manufacturing processes and financing new agricultural machinery with absolute and specific targets. In addition, Univer's ambitions in energy efficiency and renewable energy show a commitment to and progress towards increasing energy efficiency in the sector.

Univer's impact: sustainable water and wastewater management

Water is the most used raw material in the food industry, from farming to operation processes. The largest use of water is in crop production, where it is used for irrigation purposes²³. Irrigated agriculture is the largest user of water globally. It accounts for 70% of water use²⁴ and contributes 40% of total food produced worldwide²⁵. Estimates indicate the world will require a 50% increase in agricultural production and a 15% increase in water withdrawals by 2050 to feed a projected population of nearly 10 billion people²⁶.

The issuer uses approximately 322 l of water per kg of vegetables grown²⁷, while for tomatoes specifically, the number can vary between 4-300 l per kg due to different climates and growing systems. For example, in an open field, fresh tomatoes require between 100-300 l per kg, but if they are grown in a high-tech greenhouse that figure could drop to as little as 4 l per kg²⁸.

Univer will allocate a percentage of bond proceeds to finance new technology for reusing and reutilising grey water. The Szolnoki út site produces a significant amount of wash water during tomato processing that is not fit for human consumption, although it contains ingredients that are beneficial for agriculture. Tomato concentrate production represents more than 20% of Univer's total production volume. Each year, it processes between

Exposure to agricultural and labour risks mitigated by focus on local sourcing

²³ Kirby, R. M., Bartram, J., & Carr, R. (2003). Water in food production and processing: quantity and quality concerns. *Food control*, 14(5), 283-299.

²⁴ <https://www.oecd.org/agriculture/topics/water-and-agriculture/#:~:text=Agriculture%20irrigation%20accounts%20for%2070,on%20the%20sector%20and%20beyond>.

²⁵ <https://www.worldbank.org/en/topic/water-in-agriculture>

²⁶ <https://blogs.worldbank.org/opendata/chart-globally-70-freshwater-used-agriculture>

²⁷ <https://waterfootprint.org/en/water-footprint/product-water-footprint/water-footprint-crop-and-animal-products/>

²⁸ <https://edepot.wur.nl/156932#:~:text=Between%204%20and%20300%20litres,300%20to%204%20litres%20Fkg>.

72,000-80,000 t of tomato raw material from an open field. Szolnoki út generates 3.32 m³ of wastewater per tonne of raw material, resulting in 239,040 to 265,600 m³ of wastewater. With this project, Univer will reuse 3 m³ of this wastewater per tonne of raw tomato, resulting in 216,000-240,000 m³ of reused wastewater. The technology will include transportation channels for water irrigation, pumping stations and tunnels that lead to the agricultural land.

Risks

Dedicated risk-monitoring process

While Univer's Framework will finance projects with a positive environmental impact, the eligibility criteria entail social and environmental risks. Univer considers the projects' environmental and social risks as a bottom-up process where management strives to establish an employer-employee relationship. Directors are responsible for monitoring daily processes to identify any emerging problems and report them to Univer's management. If risks are identified, the green committee provides a mitigation proposal for the selected project. The Framework provides further details on the specific associated project risks, such as waste, air, water and wastewater, and soil. The issuer has not measured greenhouse gas emissions along the different scope 1-3 dimensions to date. However, it falls under the ETS regulation and complies with requirements for the Szolnoki út site.

Regarding social risks, Univer works mostly with Hungarian farmers, producers, and consumers, thereby contributing to building local communities.

Associated project risks	Univer's risk mitigation measures
Biodiversity risk	<p>The EU has implemented the 2030 Biodiversity Strategy²¹ that aims to protect at least 30% of the EU's land area and 30% of its seas. The strategy aims to provide more space for nature with at least 10% of agricultural areas transformed into high diversity landscapes by reducing the use of chemicals, pesticides and fertilizers, encouraging organic farming, and increasing the uptake of agro-ecological practices.</p> <p>Univer sources most of its raw materials (tomatoes, peppers, garlic and onions) from Hungary. Some of the raw materials for baby food, such as bananas, are sourced from abroad at a very small scale.</p> <p>As the main supplier of ketchup processed of tomato concentrate to McDonald's in Hungary, Univer must comply with certain regulations. For example, for tomato concentrate, Univer is certified under GLOBALG.A.P., an internationally recognised set of farm management standards for safety, quality and sustainability. However, Univer stated that this certification only applies to the tomato raw materials supplied to McDonald's. Hence, there is no information on agricultural practices from the rest of the supply chain.</p> <p>In addition, Univer does not produce any organic products yet, although it has started an experimental phase for baby food at the reference farm.</p>
Greenhouse gas emissions	<p>The projects Univer has selected do contribute to reduced emissions, but they are still energy-intensive activities. Univer shared a list of equipment, systems and technologies it plans to implement, yet their materials could pose an environmental risk by emitting more CO₂ emissions due to their country of origin, manufacturing processes and operations.</p>
Waste management	<p>Waste arising from end-of-life clean energy infrastructure is projected to greatly increase over the next 10 years. Waste from solar PV cells is expected to grow from 50,000 tonnes in 2020 to more than 1.5 million tonnes by 2030 (up 3,000%).</p> <p>The issuer's production sites generated 2528 kg of hazardous waste in 2020, mainly oily wipes, laboratory chemicals, paint metal, and plastic rolls. Univer ensures collection of non-polluting municipal, industrial and hazardous waste. Collection and storage are carried out in line with relevant legal requirements, and disposal is handled by specialised companies with valid permits for the type of waste concerned. Waste from the manufacture of products is sent to Agrowatt Kft. as industrial waste.</p> <p>We have no information on Univer's procedures or involvement in recycling solar PV cells after the use phase in its solar parks. Hence, this SPO cannot assess the degree of Univer's contribution to waste reduction or recycling for solar PV systems.</p>



Second-Party Opinion

Univer Product Zrt. Green Bond Framework

Health and safety risks

Workers are covered by Hungary's Act on Occupational Safety and Health (1993)²⁹. In addition, there are EU-level regulations and minimum standards protecting the health and safety of workers³⁰.

Univer's production sites have IFS Food Version 6.1, which replaces ISO 9001. In addition, due to its close partnership with McDonald's, Univer is subject to Supplier Workplace Accountability (SWA). This helps ensure fair and ethical workplace standards through engagement, training, and on-site verification.

An additional risk for health and safety stems from purchased PV components, which may rely on the use of forced labour in the production region.

²⁹ <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/38155/64930/E93HUN01.htm>

³⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=EN>



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Appendix I: Documents provided by Univer

Documents	Document description
Market research on sector/regional standards	EU progress on climate action – Hungary (Oct 2021)
	National Energy and Climate Plan – Hungary
	National Energy Strategy 2030 – Hungary
	EU Biodiversity Strategy 2030
	Hungary Energy Profile, April 2021
	Hungarian building regulation EPC
General information provided by Univer	Univer Group Presentation
	Univer Supplier Workplace Accountability Assessment
	Univer SWA Closing Meeting Summary, December 2021
Green bond-specific documentation provided by Univer	Green Bond Framework
	Information on use of proceeds
	Energy efficiency calculations of financing new production technology

Appendix II: Energy certification schemes and regulation

	Energy Performance Certificate (EPC)	Hungarian Energy Performance Certificate
Description	The Energy Performance Certificate is an official certificate that describes the energy performance of a structure or an individual functional unit (retail, outlet, apartment). It is used to predict the annual power consumption of the property.	The Energy Performance of Buildings Directive in Hungary sets requirements in terms of energy generation and efficiency that buildings need to fulfil to qualify for public funding.
Certification levels	<ul style="list-style-type: none"> • AA++ • AA+ • AA • BB • CC • DD • EE • FF • GG • HH • II • JJ 	Yes/No
Areas of assessment	<ul style="list-style-type: none"> • Energy efficiency • Renewable share • Energy generation 	<ul style="list-style-type: none"> • Energy efficiency • Renewable share • Energy generation
Requirements	Energy rating of at least CC	<ul style="list-style-type: none"> • Energy efficiency of at least BB • Minimum renewable share of 25% • Thresholds for U-values of building elements
Accreditation	Mandatory European regulation	Mandatory European regulation

Appendix III: SDG alignment

GBP category	SDG alignment	Indicators to be evaluated
Renewable energy	 	<ul style="list-style-type: none"> • Annual energy production on site, in MWh or GWh • Annual greenhouse gas intensity of energy consumption
Energy efficiency	   	<ul style="list-style-type: none"> • Resource productivity • Energy intensity • Annual gross greenhouse gas emissions in tonnes of CO₂ equivalents
Sustainable water and wastewater management	  	<ul style="list-style-type: none"> • Urban wastewater treatment • Waste generated • Waste treated



Second-Party Opinion

Univer Product Zrt. Green Bond Framework

Scope SE & Co. KGaA

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 62 31 42

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 113

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Poland

Władysława Andersa 7
61-894 Poznań PL

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

Scope Hamburg GmbH

Ferdinandstraße 29-33
D-20095 Hamburg

Phone: +49 40 60 77 812 00

esg@scopegroup.eu
www.scopegroup.com

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