



MAS REAL ESTATE



Green Financing Framework

January 2021

Introduction

MAS Real Estate Inc ('MAS', 'the Group', 'the Company') is an internally managed property investor and operator focused on retail properties in Central and Eastern Europe ('CEE').

Capital currently invested in Western Europe ('WE') will be redeployed directly into income property in CEE and indirectly, on a downside protected basis, into developments via further preference shares in the Development Joint Venture ('DJV') with co-investor, developer, and general contractor Prime Kapital. The Group is operated by a multidisciplinary team of 200 professionals that combine investment, acquisition, leasing, asset and property management, marketing, and finance skills. When required, development and construction skills can be provided by joint venture partner Prime Kapital.

During the 2020 financial year, MAS focused on its existing platform and operations, and has analysed in detail its impact on social, environmental and economic factors, redefining these as Sustainability Core Marks (Environment, Community and Organisation Probity). In line with Group strategy, including the disposal of Western European property and capital redeployment in Central and Eastern Europe, a Sustainability Framework, focused on Central and Eastern European investments, is being produced in conjunction with partner Prime Kapital. MAS' Board promotes, and is committed to, the highest standards of ethical behaviour, and acknowledges the benefits, and value, in establishing and maintaining such a framework. MAS aspires to increase its portfolio of sustainable properties over time, which have a green building certificate issued by leading institutions such as BREEAM or LEED.

In line with best practice, the Sustainability Framework is aligned with the United Nations Sustainable Development Goals (UN SDG), as defined in the 2030 Agenda for Sustainable Development (2030 Agenda). These seventeen global goals cover a broad range of topics and seek to drive action to end poverty and strengthen universal peace through economic, social, and environmental change (the three pillars of sustainability). The Group supports the 2030 Agenda and recognises its business is able to bring valuable contribution on a limited number of these and is focusing its efforts on the most relevant goals. Those relevant are presented in the table below.

UNSDG		Description	Sustainability Core Marks
	Good health and well-being	Goal 3. Ensure healthy lives and promote well-being for all at all ages	Community, Organisation Probity
	Quality education	Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Community, Organisation Probity
	Clean water and sanitation	Goal 6. Ensure availability and sustainable management of water and sanitation for all	Environment, Organisation Probity
	Affordable and clean energy	Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	Environment, Organisation Probity
	Decent work and economic growth	Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Community, Organisation Probity
	Industry, innovation and infrastructure	Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Community, Environment, Organisation Probity
	Sustainable cities and communities	Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	Community, Environment, Organisation Probity
	Responsible consumption and production	Goal 12. Ensure sustainable consumption and production patterns	Community, Environment, Organisation Probity
	Life on land	Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Community, Environment

Green Financing Framework

As part of the broader sustainability strategy, MAS has established this Green Financing Framework (the “Framework”). The purpose of this Framework is to have a single robust methodology in place for all future issuances of Green Financing Instruments, ensuring that for each instrument issued the principles of this Framework apply. Generally, the Framework is aligned with the ICMA Green Bond Principles (“GBP”, 2018 edition)¹, and LMA Green Loan Principles (“GLP”, 2020 edition)² which are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the sustainable finance market.

The Framework is presented through the following key pillars:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

MAS is closely monitoring the developments of the EU Taxonomy. After their finalisation, MAS will take these into account whenever feasible. If deemed necessary and applicable, MAS may adjust its Framework to harmonise with the metrics and thresholds set in the EU Taxonomy.

Potential changes to any of the principles governing the content of this Framework will be reflected in future frameworks, whereby MAS will either keep or improve the current level of disclosure and stringency when selecting eligible projects.





¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² <https://www.lma.eu.com/documents-guidelines/documents/category/green--sustainable-finance#>




Use of Proceeds

An amount equivalent to the net proceeds of any MAS Green Financing Instrument will be used to finance or re-finance projects which support the transition to a low-carbon economy and the United Nations Sustainable Development Goals.

The “Look-back Principle” gives MAS the flexibility to allocate net proceeds to investments and expenditures incurred within 36 months prior to the respective allocation decision. Eligibility Criteria are outlined in the table below. MAS can have an interest in the Eligible Projects directly or indirectly through its subsidiaries and joint ventures.

GBP/GLP category	Eligible Projects	SDG mapping
Green Buildings	<p>Acquisition, construction and/ or refurbishments of buildings which fulfil or will fulfil regionally, nationally, or internationally recognised standards of certification:</p> <ul style="list-style-type: none"> – BREEAM with a minimum certification of “Very good” or above – LEED with a minimum certification of “Gold” or above – Any other green building certification that is an equivalent standard of the ones mentioned above 	 
Energy Efficiency	<p>Modernisation of existing buildings meeting either one of the following thresholds:</p> <ul style="list-style-type: none"> – Major renovation as defined by the Energy Performance of Buildings Directive (EPBD)³: meeting cost-optimal minimum energy performance requirements in accordance with the EPBD – Building renovations are also eligible if energy savings of at least 30% in comparison to the baseline performance of the building prior the renovation will be achieved. The initial energy performance and the estimated improvement shall be based on a specialised building survey and validated by an Energy Performance Certificate, an energy audit conducted by an 	 

³ Building renovation where: (a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated; or (b) more than 25% of the surface of the building envelope undergoes renovation.

	accredited independent expert or any other transparent and proportionate method	
Renewable Energy	<ul style="list-style-type: none"> Investments and expenditures in onsite solar energy generation projects and dedicated support infrastructure 	
Clean Transportation	<ul style="list-style-type: none"> Installation of infrastructure for zero tailpipe emission vehicles, such as electric charging points for electric vehicles, and for personal mobility devices 	 

MAS explicitly excludes projects that are involved in the following operations from being eligible for the Green Project Portfolio:

- Fossil fuel related activities
- Mining related activities
- Nuclear and nuclear related technologies
- Weapons, alcohol, tobacco, gambling and adult entertainment
- Deforestation and degradation of forests

Process for Project Evaluation and Selection

The evaluation and selection process ensures that the proceeds of the Green Financing Instruments are allocated to projects that meet the criteria set out in the “Use of Proceeds” section. MAS has established a Green Financing Committee (the “Committee”) which governs the process and is responsible for:



Evaluating the compliance of proposed projects with the Eligibility Criteria, including the Look-back Principle upon issuance of a Green Financing Instrument, outlined in the “Use of Proceeds” section.



Approving the inclusion of pre-selected Eligible Projects in the Green Project Portfolio (the Committee has full discretion to object the inclusion of any project).



Monitoring and managing the Green Project Portfolio and corresponding Green Financing Instruments. MAS will maintain a virtual register, which captures the initial and continued assignment of Eligible Projects to the Green Project Portfolio.



Replacing projects that no longer meet the Eligible Criteria or due to any divestments.



Observing developments in the Sustainable Financing markets and approving updates to this Framework accordingly to reflect relevant changes in the corporate strategy or market developments.

The Committee consists of representatives from the Sustainability, Treasury and Investments teams and will meet as often as required, but at least twice a year, for the assessment of Eligible Projects. It is the responsibility of the Committee to monitor the evolution of the Sustainable Finance market practices for future updates of the Green Financing Framework.

Management of Proceeds

The Treasury team will establish a Green Project Portfolio and track the allocation of net proceeds from the issuance of any Green Financing Instruments to Eligible Projects. All Eligible Projects must meet the Eligible Criteria throughout the term of the Green Financing Instrument and the Look-back Principle upon issuance of a Green Financing Instrument. If Eligible Projects cease to fulfil the Eligibility Criteria or exit the owned portfolio, MAS will, on a best effort basis, substitute these projects as soon as reasonably practicable.

Eligible Projects financed by net proceeds of any Green Financing Instruments will not be affected by ex-ante changes to the Green Financing Framework and will remain in the Green Project Portfolio for as long as they meet the eligibility criteria prevailing at the time of issuance of the Green Financing Instruments and are internally/virtually allocated to an outstanding instrument. The Committee will review the Green Project Portfolio annually.

It is MAS' intention to maintain a level of allocation to Eligible Projects, which matches or exceeds the total net proceeds of all Green Financing Instruments outstanding. MAS strives to fully allocate the net proceeds of any Green Financing Instrument within 24 months. Prior full allocation, proceeds will be held in line with the general liquidity guidelines in cash, cash equivalents, and/or other liquid marketable instruments.

The Green Project Portfolio will be routinely monitored by the Treasury and the Green Financing Committee to detect any potential shortfall in a reasonably short period.

Reporting

MAS is committed to publish a transparent Green Financing Report, on an annual basis, until allocation has been fully completed. On a best effort basis, MAS will align the reporting with the portfolio approach described in “Green Bonds – working towards a Harmonized Framework for Impact Reporting (December 2020)”⁴. This reporting is to be based on the Group’s Green Project Portfolio and the outstanding Green Financing Instruments. Starting one year from issuance, the reporting will be made publicly available on the Company website (www.masrei.com).

Allocation reporting

- Total amount of outstanding Green Financing Instruments and the share of proceeds used for financing vs. re-financing purposes
- The size of the common Green Project Portfolio as well as a split by Project Categories
- Any shortfall or amount of assets unallocated
- Illustrative examples describing Eligible Projects to which Green Financing net proceeds have been allocated (subject to confidentiality commitments)

Impact reporting

MAS will strive to report on the environmental impact of Eligible Projects financed by Green Financing Instruments. On a best effort basis and subject to the availability of suitable data, the impact reporting may include, but not limited to, impact metrics as outlined in the table below. Assumptions on units in use as well as the relevant benchmark emissions and will clearly be stated in the reporting:

GBP/GLP category	Potential impact indicators
Green Buildings	<ul style="list-style-type: none">– Level of certification by building– Energy performance for buildings (in kWh per m² and year)– Annual GHG emission avoided (in tCO₂eq)– Annual energy savings (in MWh)
Energy Efficiency	<ul style="list-style-type: none">– Annual energy savings (in MWh)– Annual GHG emission avoided (in tCO₂eq)
Renewable Energy	<ul style="list-style-type: none">– Renewable energy capacity installed (in MW)– Renewable energy generated annually (in MWh)– Annual GHG emission avoided (in tCO₂eq)
Clean Transportation	<ul style="list-style-type: none">– Number of electric charging stations for electric vehicles installed– Number of bicycle and electric scooter racks installed within the portfolio

⁴ <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

External Review

MAS has engaged an external verifier to review the Green Financing Framework. The independent Second Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles has been received by Sustainalytics. The independent SPO is published on the Company website (www.masrei.com) and available on the website of the external reviewer.

MAS will seek to obtain a limited assurance report from an independent auditor, which will be issued annually until full allocation of proceeds, confirming that an amount equal to the net proceeds of the Green Financing Instruments has been allocated in compliance with all material respects of the eligibility criteria set forth in this Green Financing Framework.

Disclaimer

[This document does not constitute an offer, or an invitation to offer, or a recommendation to purchase or subscribe Green Financing Instruments as described in this Framework. Before entering into any transaction concerning Green Financing Instruments (a **'Transaction'**) any investor is expected to have read the Prospectus or other documentation provided by MAS Real Estate Inc. in this context of the Transaction, including but not limited to loan document or master agreement or general terms of business as they related to the Transaction in Green Financing Instruments (the **'Documentation'**), and having taken steps to ensure that he or she understands the Transaction and has made an independent assessment of the appropriateness of the Transaction in the light of his or her own objectives and circumstances, including the possible risks and benefits of entering into such Transaction. Any potential investor should also consider seeking advice from her or his own advisers in making this assessment.

The Documentation relating to any specific tranche of Green Financing Instruments may provide that it will be MAS Real Estate Inc.'s intention to finance and refinance projects and/or activities that promote climate-friendly, energy-efficient and other environmental purposes (**'Eligible Projects'** as described in this Framework).

Prospective investors should have regard to the information set out in the Documentation and the Framework regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Green Financing Instruments together with any other investigation such investor deems necessary. In particular no assurance is given by MAS Real Estate Inc. that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects. Also the criteria for what constitutes an Eligible Project may be changed from time to time.

Section 2 of the Framework describes the principles MAS Real Estate Inc. intends to adhere to in issuing Green Financing Instruments; no assurance or representation is given that MAS Real Estate Inc. will continue to adhere to such principles as they may evolve.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by MAS Real Estate Inc.) which may be made available in connection with the issue of any Green Financing Instruments and in particular with any Eligible Projects to fulfil any environmental, sustainability and/or other criteria (**'Green Evaluation'**). Any such Green Evaluation may not address risks that may affect the value of Green Financing Instruments or any Eligible Project. For the avoidance of doubt, any such Green Evaluation is not, nor shall be deemed to be, incorporated in and/or form part of the Documentation. Such Green Evaluation provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in Green Financing Instruments including without limitation market price, marketability, investor preference or suitability of any security. Such Green Evaluation is a statement of opinion, not a statement of fact. Any such Green Evaluation is not, nor should be deemed to be, a recommendation by MAS Real Estate Inc. or any other person to buy, sell or hold any Green Financing Instruments. Any such Green Evaluation is only current as of the date that opinion was initially issued and may be updated, suspended or withdrawn by the relevant provider(s) at any time. Prospective investors must determine for themselves the relevance of any such Green Evaluation and/or the information contained therein and/or the provider of such Green Evaluation for the purpose of any investment in Green Financing Instruments.

Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Holders of Green Financing Instruments will have no recourse against the provider(s) of any Green Evaluation.

While it is the intention of MAS Real Estate Inc. to apply the proceeds of any Green Financing Instruments so specified for Eligible Projects in, or substantially in, the manner described in the Documentation, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule or at all or with the results or outcome (whether or not related to the environment) as originally expected by MAS Real Estate Inc. and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Any such event or failure by MAS Real Estate Inc. or any failure by the MAS Real Estate Inc. to provide any reporting or obtain any opinion will not constitute an event of default under the Green Financing Instruments.]