



HELL ENERGY
**GREEN BOND
FRAMEWORK**
JULY 2021

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1. INTRODUCTION

HELL ENERGY is one of the fastest growing FMCG brands in the world, as proven by its exponential export expansion and growing global popularity. The 100 percent Hungarian owned non-alcoholic drink producer brand was crafted in 2006. It became the market leader in Hungary in just 4 years and our first filling plant was set up by 2011.

HELL has also become a key international player, with an export market of more than 50 countries. Our vision is to become the market leader in every country in which we operate. In addition to Hungary, it is the market leader in Bulgaria, Romania, Bosnia and Herzegovina, Slovakia, Croatia, Greece, Azerbaijan, Macedonia, and Cyprus. According to estimations, we are now the third-biggest international energy drink brand in the world.



1.1 INVESTMENTS IN INNOVATION

Our offered product portfolio was first extended in 2013 with XIXO iced teas with real fruit extract and natural tea extract and XIXO carbonated soft drinks sweetened by stevia, which represent the new generation of soft drinks made with premium ingredients while being preservative-free.

We opened one of Europe's most modern and Hungary's first aluminium beverage can making plant in 2017. Through this investment, the company started manufacturing 1.5 billion 250ml can bodies and tops yearly by using state-of-the art and eco efficient technologies. This project represents a true milestone in the history of the company. By having a can manufacturing plant within its operation, HELL could further decrease its reliance on external suppliers. We tirelessly work on becoming the industrial benchmark in can making and filling while offering premium products. The same is true for warehouse management system and logistics.

In 2019, we invested in a fully automated high-bay warehouse that can store 31,000 pallets, which is connected to our can making and filling factories to ensure wall-to-wall production. Industry 4.0 is a key standard for us, and we are constantly exploring how machines can connect and communicate with each other via manufacturing execution systems to increase efficiency, automate our production processes and make them leaner and more reliable.

Our latter introduced brand, ENERGY COFFEE, was introduced to the market in the same year. Excellent quality, real milk, and coffee extracts, besides harmony of flavours, quickly became popular among consumers. Barely a year later, the product line jumped to the head of the market of ready-to-drink iced coffees in domestic retail during the examined period both as regards value and the number of items sold. Due to the huge popularity of our ice coffee, HELL factory complex has been expanded with an all-new filling factory which is suitable for manufacturing milk-based drinks in aluminium cans. It is a 13,000 square-meter factory with an annual nominal capacity of 300 million cans for our energy coffees that contain milk. We now fully in control of the supply chain and can ensure the high quality of our products. It also gives us flexibility in innovation and development while our production capacities can support our continued annual growth.

The success of HELL is due to its excellent quality, good value for money, wide availability, and world-class marketing communication activities. The company is a unique player in the energy drink sector, having a market-leading and established brand in several countries, our own ultramodern filling plant and aluminium beverage can factory, automatic warehouse and own logistic fleet giving us an unparalleled strategic position globally.

Innovation and continuous product development are crucial aspects in the life of the company and a lot of novelties can be expected from the corporate group in the coming years as well. Although continuing to build and consolidate our share in our existing markets, HELL is ambitious for further dynamic expansion.

1.2 CORPORATE RESPONSIBILITY

HELL offers a good example of a company that increases a brand's international presence in a sustainable way to gain and retain leadership in multiple markets. Its successful strategy for maximizing exports of its affordable premium-quality products has seen the company's revenues grow by double-digit figures year after year. Major part of our turnover comes from abroad, while at the same time we invest our net profit in underdeveloped parts of Hungary to create valuable workplace as a part of our corporate social responsibility action plan.

On the other hand, our environment-conscious thinking determines our actions, and we aim to demonstrate best practice in the circular economy. As a responsible manufacturer, we must set an example for the protection of our natural environment in all areas of life. For us, it is important to be a company that is environmentally aware and sustainable, as well as one that gives to charities and helps its local communities.¹



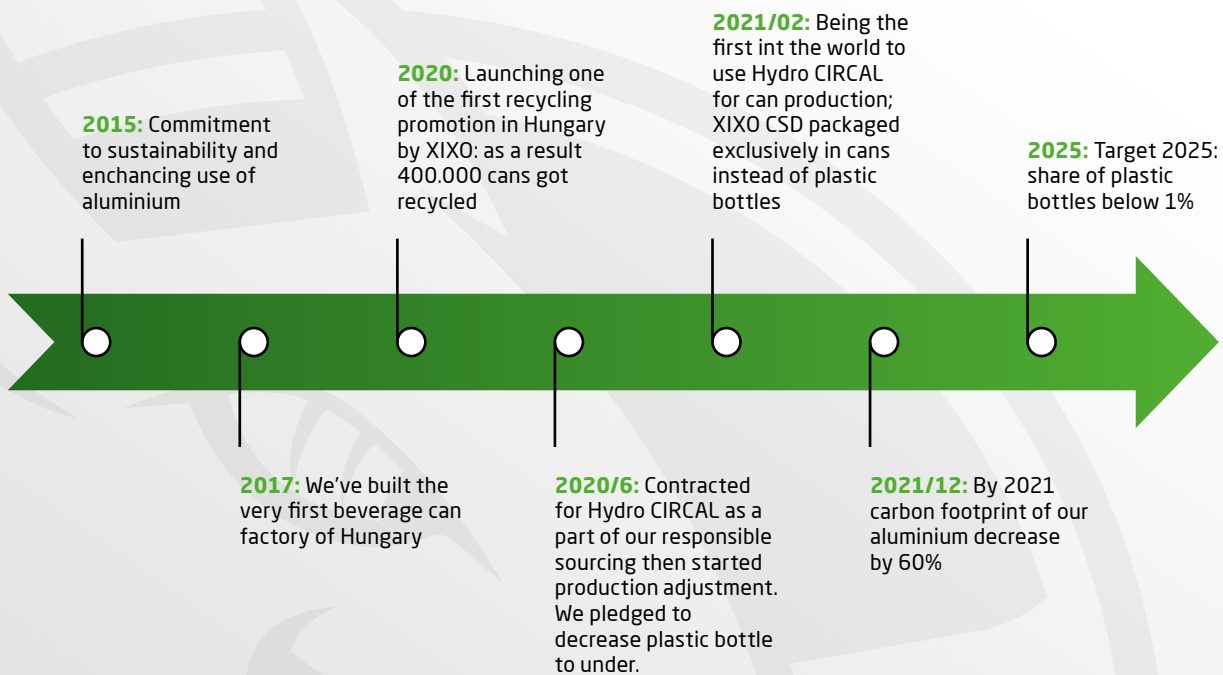
¹ HELL ENERGY website: Introduction <https://www.HELLenergy.com/en-about-us/>

2. THE SUSTAINABILITY APPROACH OF HELL

2.1 SUSTAINABILITY AS CORE STRATEGY

HELL. is one of the few Hungarian companies that treats sustainability as a significant part of its core strategy that shows itself in real actions. We have been constantly investing in finding the most sustainable solutions for our beverage packaging throughout the years what makes us lead the sector toward circular economies and sustainability.

We aim to become the greenest energy and soft drink producer in the world



2.2 SUSTAINABLE INVESTMENT

One of our most significant investments was building our own and Hungary's first and only aluminium beverage can 42,000 square-meter plant, Quality Pack in 2017. HELL is considered as a totally unique player in the industry with its highest level of vertical integration given its well-known brand, its modern filling factories and of course its state-of-the-art aluminium beverage can factory. The factory enabled a so-called wall-to-wall production: not even a fork-lift is needed to move unfilled cans between the can factory and the filling plant. Producing aluminium beverage cans in Hungary instead of foreign locations could help save approximately 4500 truck freights - and about 2700t CO₂ - a year.

HELL has been downgauging the wall thickness of manufactured cans since 2018. It aims to reduce the thickness of the cans by 10% by 2025 which allows to produce the same product by higher material efficiency, in order to achieve a more sustainable process for manufacturing.



2.3 CANS ARE THE FUTURE

As aluminium is a permanent material that can be recycled repeatedly with no loss of inherent characteristics, cans stand out in terms of their recyclability and contribution to the circular economy. Around 75 percent of all the aluminium ever produced is still in use and available for future generations. Plastic on the other hand degrades after only limited recycling, while recycling glass uses significantly more energy than recycling aluminium. Aluminium cans are already the planet's most recycled container and can be considered a renewable resource in themselves. About 3 out of 4 cans used in Europe are being recycled. Recycling the aluminium into new sheet also requires only 5 percent of the energy required to make virgin aluminium. Trade body European Aluminium has set a target of 100 percent recycled aluminium cans by 2030 amid rising collection rates. Aluminium also has the highest value of all scrap materials in circulation and goes some way to cover the cost of recovering less economical materials.

In line with the company's long-term sustainability strategy, HELL has been making ongoing improvements in the percentage of its portfolio that is packaged in aluminium cans. We have managed to gradually reduce the share of plastic bottles in our portfolio, so that we reached a significant 60 percent reduction only in 5 years. By 2020, less than 5 percent of our products were sold in plastic bottles and 95 percent were packaged in aluminium beverage cans, which are infinitely recyclable. The company has also pledged to reducing further its total number of plastic bottles to below 1 percent by 2025. As a part of this commitment, we have permanently stopped packaging in plastic bottles across the entire product line of our carbonated soft drinks, which is the largest global product category, in February 2021.

We offer an alternative packaging to plastic bottles and by converting large volumes of plastic bottled product to aluminium cans, we are able to avoid tremendous plastic waste that potentially would pollute our environment.

2.4 SUPPORTING RECYCLING

HELL ENERGY Group has been recycling 100 percent of its own industrial aluminium process scrap since the very beginning as a part of its responsible governance. We consider our aluminium process scrap as secondary material due to being fully recycled, therefore, no waste is generated during production.

Achievements show that HELL works tirelessly to make its sustainability a reality and move towards a closed material loop. As a part of our campaign with XIXO soft drink brand, promoting recycling, we managed to re-collect more than 400,000 aluminium cans in the summer of 2020. Recycling plays a crucial part in the process, when aluminium gets recycled it requires 95 percent less energy to produce the recycled beverage can.

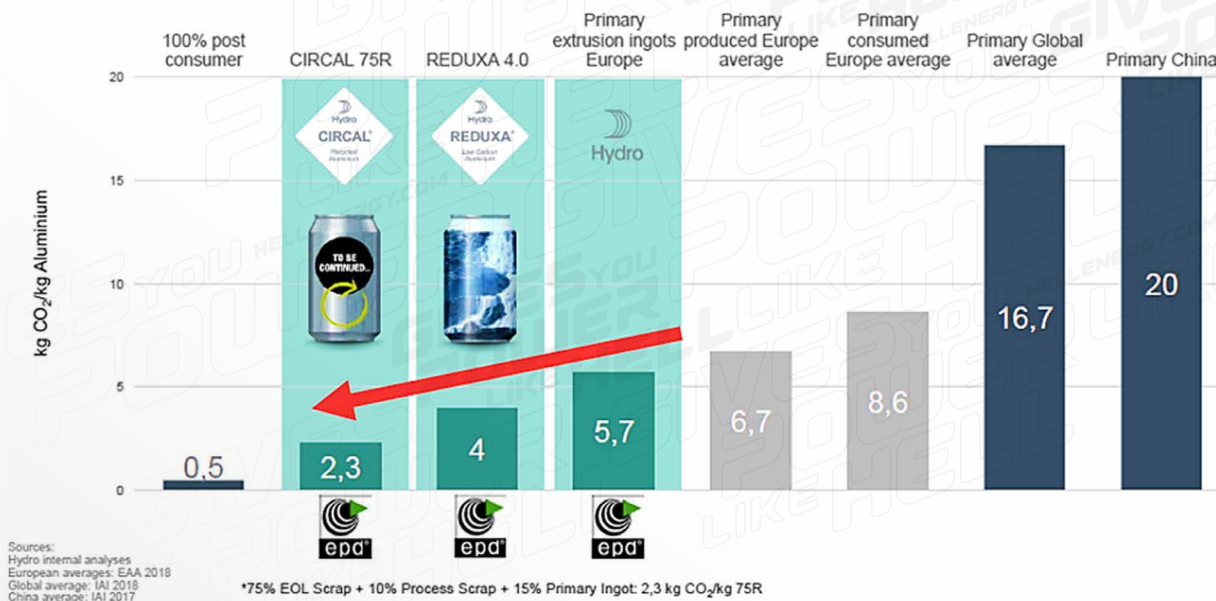
2.5 SOURCING GREEN ALUMINIUM

One of the biggest industry challenges today is the recycling of packaging once they are no longer in use. HELL has proudly announced to cooperate with Norsk Hydro to address these challenges by producing aluminium cans that have some of the highest level of recycled content in the world.

Our strategic partnership with Hydro is another major step in our bold sustainability strategy and climate action. Through our collaboration, we are glad to be the first energy and soft drink manufacturer to launch one of the greenest aluminium beverage can packaging ever with a certified content of minimum 75 percent recycled aluminium, that is by far the most sustainable solution in our industry. When guaranteeing 75 percent or more recycled content, it means aluminium cans that has reached its end of life as a product in use, brought back into the loop in the same form of beverage cans. The remaining 25 percent includes mainly further recycled consumer and industrial waste and a small fraction of primary metal produced by renewable energy. The real recycled content is around 90% that we use for our entire portfolio meaning all of the 1.5 billion cans we produce in a year.



Carbon intensity of sourced aluminium decreased by 60% within one year



As a result, the sourced green aluminium has an exceptionally low carbon footprint worldwide, six times less than the primary global average, setting an example for the entire industry. Aluminium has a vital role to play in creating a truly circular economy. The higher the recycled content, the lower the carbon footprint, the better for the environment. While consumers seek more environmentally friendly products, HELL pursued solutions to reduce their carbon footprint. Wherever more climate-conscious consumers can find HELL products, they can be assured they will be receiving some of the most environmentally friendly aluminium beverage packaging in the world. We see our 1.5 billion cans sold each year as 1.5 billion green messages sent in all the world.

Responsible sourcing

HELL's strategy is based on responsible sourcing of aluminium with a low carbon footprint to contribute reducing global emissions by creating products for a low carbon future. HELL achieved to cut its carbon footprint of used aluminium by 60 percent when compared to packaging in the past. The achievement is a major sustainability milestone for the whole industry and HELL is currently the only known beverage manufacturer who can offer such low carbon aluminium can packaging to their worldwide customers and consumers. The aluminium production process is fully traceable, and the product is certified by an independent third party.

Regarding the secondary packaging, both the foils and paper trays that we are using for product packaging are made from 100 percent recyclable material with the highest recycled content available on the market.

2.6 RENEWABLE ENERGY USAGE

Due to our modern can manufacturing and filling complex, we are proud to be one of the most energy efficient beverage producers in Europe that was also awarded for its achievements. We use 100 percent renewable energy for our entire production process from January 2021 and committed ourselves to maintain production using exclusively renewable energy. This is another huge step forward. As the one of latest milestone in our sustainability strategy, the introduction of ISO 14001 earlier this year, which is an effective environmental management system standard, will help us conserving resources and improving our operation through efficient energy management.

2.7 SUSTAINABILITY BENCHMARK

We would like to set an example to other industry players and encourage our consumers to engage with the initiative by choosing our products and recycle its packaging to support circular economy. Overall, we aim to be the new benchmark as the greenest energy and soft drink producer in the world as a result of our commitment and sustainable actions.²

² HELL ENERGY: Sustainability <https://sustainability.HELLenergy.com/#>

3. ALIGNMENT WITH THE UN SDGs

While HELL endorses all of the 17 Sustainable Development Goals („SDG“s) 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 sustainable activity of the Company especially contributes to the following SDGs:



3.1 ALIGNMENT WITH THE EU TAXONOMY

As the EU Taxonomy states, the manufacturing of aluminium is a highly energy-intensive process, therefore aluminium manufacturing is aligned with the EU Taxonomy only if the process relies on low carbon electricity and reduced direct emissions. In addition, all aluminium recycling is eligible because of significantly lower emissions than primary production.

The Taxonomy lists 3 eligibility criteria for primary aluminium manufacturing:

1. Direct emission for primary aluminium production is at or below the value of the related EU-ETS benchmark: 1.514tCO₂e/t.
2. Electricity consumption for electrolysis is at or below: 15.29MWh/t
3. Average carbon intensity of the electricity that is used for primary aluminium production (electrolysis) is at or below: 100g CO₂e/kWh

Manufacturing of secondary aluminium (i.e. production of aluminium from recycled aluminium) is eligible in the EU Taxonomy. No additional mitigation criteria need to be met, since recycling makes a substantial contribution to climate change mitigation because of its association with much lower emissions than primary production.³

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

³ EU: Sustainable Finance
https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf pp.197-198

4. USE OF PROCEEDS

The ICMA⁴ GBP state that all Green Assets and Projects should provide clear environmental benefits, which should be assessed and - when feasible - quantified by the Green Bond Issuer.

Based on the eligible Green Projects, HELL intends to contribute to the following categories and the related UN SDGs:

GBP Eligible Project/Asset Category	Eligibility Criteria	Aligned with SDGs
Pollution Prevention & Control	Expenditures related to the acquisition, production, construction, maintenance, operation, improvements, and R&D of circular economy processes that enable the reduction of primary metal aluminum usage, collection and aluminum scrap closed-loop recycling centers. Investing in the expansion of the can manufacturing and filling complex that aims to use either Hydro CIRCAL or other type of aluminium that made of minimum 75 percent recycled aluminium, and it has a maximum carbon intensity of 2.3kg of CO₂e per 1 kg of aluminium that meets the specifications of HELL, also taking into account the need for a diversified supplier base of aluminium coil. Aiming to source aluminium coils made of minimum 75 percent recycled aluminium, and it has a maximum carbon intensity of 2.3kg of CO₂e per 1 kg of aluminium that meets the specifications of HELL, also taking into account the need for a diversified supplier base of aluminium coil. Aiming to run the complex on 100% renewable energy and have zero waste manufacturing. Weighted share of investment under this category: minimum 90 percent.	
Eco-efficient and/or circular economy adapted products, production technologies and processes	Expenditures related to manufacturing of sustainable packaging such as: - Procurement of recycled aluminum to support increased recycling and use of recycled content in the manufacturing of beverage cans - R&D of secondary packaging to eliminate plastic usage by implementing packaging free technologies for secondary packaging, e.g. snap pack solution.	 
Sustainable Water and Wastewater Management	Expenditures related to water efficiency projects, such as efficiency in water used at our plants, installation of new efficient water-related equipment, water replenishment, sustainable drainage systems, excluding any equipment primarily powered by fossil fuel.	 
Renewable Energy	Installation of solar power or standalone solar farms, related infrastructure investments (e.g. grid connections, electric substations or networks). Sourcing and usage of 100 percent of renewable energy from 2021 onwards.	
Energy Efficiency	Expenditures related to energy efficiency projects including equipment, systems, operational improvements and maintenance. For example: Finance and/or refinancing buildings that achieved an Energy Performance Certificate ("EPC") label AA in Hungary	   

⁴ International Capital Market Association

5. PROCESS FOR PROJECT EVALUATION AND SELECTION

To be aligned with the ICMA GBP, HELL creates a Green Bond Committee (GBC) to evaluate the eligible Green Projects and Assets. The GBC has the following members:

- Head of M&A and Financing
- Corporate Social Responsibility (CSR) Manager
- A technical expert of the Company

The GBC is headed by the CSR Manager. The Committee evaluates the nominated projects and assets to ensure they are in line with the eligible Green Project and Asset categories of the Company's Green Bond Framework. The eligible Green Projects and Assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines of HELL.

The GBC will also monitor the development of green KPIs and the achievement of the set sustainability goals. If special sustainability expertise is required, the GBC can use the services of an external consultant.

The GBC makes a consensus decision on the allocation of bond proceeds. The decisions made by the GBC are documented in each case. The Committee evaluates the eligible Green Projects and Assets on an ongoing basis, and it meets at least annually until the full allocation of bond proceeds. The management of proceeds will also be reviewed by the GBC.

5.1 EXCLUSION OF PROJECTS AND ASSETS

HELL excludes the use of bond proceeds to gambling, coal-fired power generation, nuclear energy generation, pornography, tobacco, weapons and defense industries and potentially negative resource extraction operations.

6. MANAGEMENT OF PROCEEDS

The bond proceeds of the Green Bond will be allocated to a Green Bond Register (GBR), and it will be tracked and managed by the GBC of HELL by using a spreadsheet.

Deductions will be made from the bond proceeds by an equivalent amount corresponding to the financing, refinancing, investment or expenditure of Eligible Green Projects and Assets or at repayment of any Green Bond financing. Repayment is not linked to any fossil fuel activities. Until the full allocation of the Green Bond proceeds, the proceeds not allocated yet or divested will be held in cash, cash equivalents or other short-term, liquid interest-bearing securities in line with the Company's investment policy.

The allocated funds will be re-credited to the GBR, if an Eligible Project or Asset cease to qualify or is divested/canceled.

As the GBP encourage, ex-post verification of funds will be performed by the Company's external auditor to maintain a high level of transparency.⁵

⁵ ICMA group: Green Bonds Principles: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

7. REPORTING

HELL intends to create and maintain up to date information on the use of Green Bond proceeds, renewing annually until full allocation. The Company will publish its annual green bond report on its website that will include the Allocation Report and - where feasible - the Impact Report.

7.1 ALLOCATION REPORT

The Allocation Report will contain the following information:

- Total amount of Green Bond proceeds
- Remaining balance of unallocated bond proceeds
- Sum of the Green Bond Register balance
- Geographical distribution of the projects
- Share of financing/refinancing
- Status of the eligible Green Projects and Assets
- Verification by the Company's external auditor

7.2 IMPACT REPORT

Since transparency has a particular high value according to the GBP, HELL will apply qualitative performance indicators - and where feasible - quantitative performance measures, following the guidance of the Harmonised Framework of Impact Reporting.⁶

GBP Eligible Project/Asset Category	Impact Indicator
Pollution Prevention & Control	• Product waste which is recycled in % • Reduction in pollutants in %
Eco-efficient and/or circular economy adapted products, production technologies and processes	• Recycled aluminium content used in % • The % and/or absolute amount in tons p.a. of aluminium that are substituted by secondary raw materials and by-products from manufacturing processes • Low Carbon aluminium used in tons or % • Carbon footprint of aluminium used in production in kgCO₂/kg Aluminium
Sustainable Water and Wastewater Management	• Annual absolute (gross) water use before and after the project in m³/a, reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³/a and p.e./a and as % • Annual absolute (gross) amount of raw/untreated sewage sludge that is treated and disposed of (in tonnes of dry solids p.a. and in %)
Renewable Energy	• Estimated renewable energy produced annually on the asset or off the asset (MWh) • Estimated annual GHG emissions avoided (tCO₂e) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	• Estimated annual energy savings in kWh/MWh/GWh (electricity) and GJ/TJ (other energy savings)/a) • Estimated annual GHG emissions avoided because of energy savings (kCO₂e/CO₂e/tCO₂e)

⁶ ICMA Group: Green Bonds Principles <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

8. EXTERNAL REVIEW

HELL has engaged an External Reviewer to provide an External Review in the form of a Second Party Opinion (SPO) on the Green Bond Framework of the Company and confirm the alignment with the Green Bond Principles (GBP) of ICMA. The Green Bond Framework and the Second Party Opinion are published on the website of HELL.

The Green Bond Report of the Company will be part of the Annual or Sustainability Report of HELL.

