



ALLOCATION &
IMPACT REPORT
31.12.2022

Deltaplast Zrt.

10th February 2023

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Management statement

Dear Stakeholders,

those who know us know that we at Deltaplast always aim to the 'Right for the First Time' and 'Zero error' in the long term in all aspects of our operation whether it's manufacturing, technical or administrative work. With the analysis of our Company's key performance indicators, we continuously monitor the most important quality, economic, and even environmental and social indicators, analyze their changes and use them to make improvements in our sustainability linked operation.

Among others that's what led us to our first corporate green bond issuance in February

2022 to finance expansion projects having substantial environmental benefits.

Issuing the bond happened at the right time, however, the unforeseen events over the next few weeks changed the world and general economic circumstances dramatically. It doesn't mean however that we gave up our goals. We are still insisted to carry out the planned investments, which helps us beyond economic advantages to improve our energy efficiency, reduce our GHG emission and waste production, and recycle even more waste supporting the transition to a circular economy.

*Best regards,
Csengery Zsolt*

We focus on:

- ✓ highest product quality, most modern quality control and quality management system,
- ✓ reducing energy consumption and GHG emissions in the entire business activity through modernization of factory hall, production line and machinery,
- ✓ minimization of waste production related to production,
- ✓ recycling of plastic waste to the highest extent possible,
- ✓ well-balanced attention both to environmental and social responsibility/sustainability issues,
- ✓ applying the principles of safe, accident-free work, avoiding the use of hazardous substances, and ensuring appropriate working conditions for our employees,
- ✓ training and raising the level of awareness of all employees in the field of environmental and social matters.

Deltaplast at a glance

Business overview

Deltaplast Zrt. is a 100% Hungarian owned company operating in the plastics industry with two main production divisions: the PET preform production (58% of total business activity) and technical parts manufacturing (42% of total business activity) for several markets, with the highest ratio to the automotive market (OEM), and electronic market (device parts). In addition to the two main activities, the Company also performs design and manufacture of tools, prototyping and testing, sampling according to PPAP pursuant to VDA2, colour adjustment, conditioning of plastic products, pre- and post-assembly, tampo printing, metal overmoulding, product measurement with 3D measurement technology, after sales services, project management.

The Company's annual statistical headcount is 176 persons and its net revenue exceeded HUF 10.0 bn in 2022.

Facts & Figures 2022

based on preliminary 2022 year-end figures



HUF 10.0+ bn sales turnover
(+21% compared to Y2021)



forecasted **EBITDA '22**: around
HUF 1.00 bn



export to **15+** countries



recycling **90%** of all plastic waste



176 employees



30+ years of experience

Certificates



Issuer rating of **BB+/Stable**, along with a long term bond rating of **BB+/Stable (2023)**

Sustainability at Deltaplast

The owners, both board and operative managers are highly committed to long term sustainability, especially to quality, information security and environmental protection. Therefore, our Company operates a quality, environmental and information security management system in accordance with the requirements of the current standards IATF 16949; ISO 9001; ISO 14001 and TISAX, and produces PET preform in compliance with HACCP guidelines.

Due to sector's characteristics, we must pay special attention to environmental protection and recycling. Since the foundation of our Company the driving principle in our activity was to operate in the most efficient way as possible. The company's closed-loop recycling process is unique compared to companies with similar activities, since we recycle 90% of all plastic waste.

Recognizing the importance of sustainability, we have continuously implemented modernization projects during the last years, and we shape our internal processes to ensure that social, ethical and human rights are taken into account in our business activities and in cooperation with stakeholders. In 2022 the following steps were taken concerning

- environmental issues:
 - A green bond was issued in alignment with the ICMA Green Bond Principles. The plant and production line extension financed from bond proceeds will comply with green environmental standards. In these development projects, the goal is to improve energy efficiency (e.g. insulation and waste heat recycling) and achieve waste reduction (new machinery, recycling).¹
 - The optimization of energy consumption of the machinery is continuous.
 - In our corporate culture, it is crucial that the production processes generate as little waste as possible and that all waste can be recycled somehow. The waste generated during production is primarily recycled back to the original product, using the in-line method. If this is not possible, the production will try to return the scrap to other products.
- social issues:
 - In alignment with our company's approach to social responsibility a new program for health protection has been launched in 2022 for the employees (containing among others comprehensive health screening, free of charge Covid tests, promotion of preventive measures done by the employees, etc.)

CSR activity is also crucial in our company's life of sustainability: beyond social responsibility for employees, we pay special attention to social responsibility issues outside the company as well. Most important CSR activities from 2022:

- Within the framework of the strategic agreement signed in 2013 with Neumann János University, we contribute to innovation and continuously take part in the dual vocational training system of the Faculty of Engineering and Computer Science.
- We keep up supporting local children's ice hockey teams (and also assure winter sport opportunities for the employees).

Green bond in a nutshell

We intend to realize new investments making steps towards environmental and social sustainability. Since our company's new development projects provide clear environmental benefits and are in alignment of owner's and management board's commitment to sustainability awareness in financial issues, we decided to issue a Green Bond to finance new **production plant extension projects**. Accordingly, our company, Deltaplast Zrt. issued a **Green Bond** amounting to HUF 3.3 billion in 2022 in the frame of Bond Funding for Growth Scheme (BGS) launched by The National Bank of Hungary.

¹ Green bond was issued in 2022, but investment projects have not been started yet.

To strengthen our commitment towards a sustainable development strategy we have established a **Green Bond Framework** to be able to issue Green Bond and attract dedicated funding for the business. Deltaplast Zrt's Green Bond Framework has been developed in line with **ICMA's Green Bond Principles (GBP) 2021** edition (updated as of June 2021). **Second Party Opinion** on the alignment of Green Bond Framework with the ICMA Green Bond Principles was provided by ISS ESG, one of the world's leading rating agencies in the field of sustainable investment.

Main terms of the Green Bond

Green Bond details	
Name	DELTAPLAST 2032/A Bond
ISIN	HU0000361332
Issuer	DELTAPLAST Kereskedelmi és Szolgáltató Zrt. (Deltaplast Zrt.)
Issuance date	15/02/2022
Maturity date	15/02/2032
Issued Amount	HUF 3.3 billion
Tenor in years	10
Interest rate	Fixed
Interest rate in%	5.50%

Investments financed from the green bond proceeds

In 2022 we issued a green bond to expand the capacity of our technical parts manufacturing division and optimise production processes, increase the energy efficiency and reduce the waste generated from the manufacturing. The planned projects include the implementation of a new factory hall with office building and spaces for employees and exterior paving. The new factory hall will feature the latest energy solutions (e.g. waste heat recycling), an up-to-date production line for the manufacture of technical parts.

The total proceeds of the Green Bond amounted to HUF 3.3 billion are planned to finance the below detailed eligible green projects, with which we aim at environmental sustainability objectives of

- achieving energy efficiency by applying new production technology,
- supporting transition to circular economy by recycling production waste and
- preventing and controlling pollution.

Targeted environmental benefits of the eligible projects:

Projects	Environmental benefits
New plastic production hall with offices, staff rooms and exterior pavings	<p>The energy demand for heating and hot water supply is planned to be reduced by 60%. Planned CO2 emission reduction: 20,94 tons/year.</p> <p>Reduction of energy demand for heating and hot water supply by 60% due to insulation and waste heat recycling.</p>





Technology, production line machinery	<p>Optimization of production process by reducing setup timing.</p> <p>10% reduction of final scrap.</p> <p>Technology is in the TOP 15% of available technologies.</p> <p>Electric energy consumption for raw material will be reduced by 5%/tons.</p>
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We evaluated that our eligible projects provide clear environmental advantages and those are aligned both with the relevant eligible Green Project categories of the ICMA Green Bond Principles (GBP) and with the relevant UN SDGs as described below.

Alignment with the **Green Bond Principles (GBP) categories:**

Eligible Project	Meeting GBP categories
New plastic production hall with offices, staff rooms and exterior paving	<ul style="list-style-type: none"> Energy efficiency
Technology, production line machinery	<ul style="list-style-type: none"> Energy efficiency Circular economy adapted products, production technologies and processes Pollution prevention and control

Our eligible projects are aligned with the following **Sustainable Development Goals of the United Nations (SDGs):**

Goal 7: Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all		Goal 9: Industry, innovation and infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	
Goal 12: Responsible consumption and production Ensure sustainable consumption and production patterns		Goal 13: Climate action Take urgent action to combat climate change and its impacts	

Allocation of green proceeds

We give an overview of the proceeds from Green Bond **as of 31.12.2022**. As stated in our Green Bond Framework, the amount of HUF 3.3 billion will be allocated to finance 2 projects considered as Eligible Green Projects.

Our Green Committee has approved the planned projects, the planned allocation and even the publishing this report.

Use of proceeds

As of 31.12.2022, we didn't use the funds due to negative general economic circumstances and their impacts on investments caused by Russian-Ukrainian war crisis or global inflation trends. Thus, the planned eligible projects have not started yet, entire bond proceeds are allocated on separate bank account and placed in guaranteed bank deposits. This investment generated extra deposit interest for our Company amounting to HUF 215,371,526 as of 31.12.2022.

Breakdown of allocated proceeds in relation to eligible projects

Eligible Project	Allocated Amount (thousand HUF)	Planned Date of Completion	Status
New plastic production hall with offices, staff rooms and exterior paving	0	2024-2025	0 %
Technology, production line machinery	0	2024-2025	0 %
Total	0		

Allocated and unallocated bond proceeds

ISIN	Total Bond Proceeds (thousand HUF)	Allocated Bond Proceeds (thousand HUF)	Unallocated Bond Proceeds (thousand HUF)
DELTAPLAST 2032/A Bond (HU0000361332)	3,300,000	0	3,300,000
	100.0 %	0.0 %	100.0 %

Proportion of green investments in the corporate portfolio: Green rated investments / Total investments = 0.0 %

From the date of issuance of the Green Bond (i.e. 15.02.2022) to 31.12.2022

Use of green bond proceeds by environmental purpose

Through the new investments we are considering categories of GBP and we are committed to the principles of the United Nation's Sustainable Development Goals (SDGs), too.

Distribution of green bond proceeds used between GBP Eligible Categories as per GBP 2021 defined in the green bond framework (%)

GBP Eligible Category as per GBP 2021	Green bond proceeds allocated (thousand HUF) (as of 31.12.2022)	%
Energy efficiency	0	0
Circular economy	0	0
Pollution prevention and control	0	0
Total	0	0

Distribution of green bond proceeds used between SDG's defined in the green bond framework (%)

SDGs	Green bond proceeds allocated (thousand HUF) (as of 31.12.2022)	%
Affordable and clean energy (Goal 7)	0	0
Industry, innovation and infrastructure (Goal 9)	0	0
Responsible consumption and production (Goal 12)	0	0
Climate Action (Goal 13)	0	0
Total	0	0

The planned investments will be expectedly completed in 2024-2025 depending on general market circumstances (e.g. development of construction costs, availability and price development of raw materials, etc).

We hereby declare that the allocation/earmarking of the Green Bond proceeds has been verified by our auditor and it is in line with Deltaplast's Green Bond Framework.

Impact report

Once the projects have been fully completed and activated, we will provide information on the environmental benefits of Eligible Green Projects based on the following relevant indicators and metrics.

Use of Green Bond proceeds	GBP Eligible Category as per GBP 2021	Impact indicators and metrics
New plastic production hall with offices, staff rooms and exterior paving	Energy efficiency	Saved energy consumption (kWh) Recycled waste heat (kWh) CO2 equivalent avoided or reduced (t CO2e)
Technology, production line machinery	Energy efficiency Circular economy Pollution prevention and control	Saved energy consumption (kWh) Recycling of waste (t) CO2 equivalent avoided or reduced (t CO2e)

As of 31.12.2022, none of the projects have been finished, therefore impact figures cannot be presented. However, we continue to consider the savings targets set in the Green Bond Framework to be achievable. The savings planned to be achieved are calculated and compared to a representative year.