

Second-Party Opinion

Hungary Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Hungary Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation; Land Use and Living Natural Resources; Energy Efficiency (incl. Green Buildings); Renewable Energy; Pollution Prevention and Control; Sustainable Water and Wastewater Management; Climate Adaptation; and Research, Innovation and Awareness Raising – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9, 11, 12, 13 and 15.



PROJECT EVALUATION AND SELECTION The Government Debt Management Agency Private Company Limited by Shares (“ÁKK”), in co-operation with the Ministry of Finance, has established a Steering Committee and an Inter-Governmental Working Group responsible for the project evaluation and selection process. Hungary has comprehensive laws and control procedures in place to mitigate environmental and social risks associated with the eligible green expenditures under the Hungary Green Bond Framework. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Hungary’s Ministry of Finance, supported by the Steering Committee and the Inter-Governmental Working Group, will be responsible for the management of proceeds. Hungary aims to fully allocate net proceeds to the expenditures i) made within the two budget years preceding the year of issuance; ii) made in the same year as the issuance; and iii) future budget expenditures up to two years after issuance. Pending full allocation, unallocated proceeds will be managed according to the Treasury Department’s general liquidity management policy. This is in line with market practice.



REPORTING Hungary commits to publicly report on the allocation of proceeds and corresponding impact through an Integrated Green Bond Report on ÁKK website on an annual basis until full allocation. The allocation report will include information on the total amount of proceeds allocated to eligible projects, the balance of unallocated proceeds and information on any updates to the eligibility criteria of the green expenditures. In addition, Hungary intends to report on relevant impact metrics. This is in line with market practice.

EU Taxonomy

Sustainalytics has assessed the Hungary Green Bond Framework for alignment with the technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy and the “do no significant harm” (DNSH) criteria for 20 activities. The criteria in the Framework’s use of proceeds categories map to 37 activities in the EU Taxonomy. Sustainalytics is of the opinion that 25 activities align with the applicable SC criteria, four were assessed as partially aligned and eight were assessed as not aligned. Of the 20 activities assessed for alignment with the DNSH criteria, 18 activities were determined to be aligned and two activities were determined to be partially aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards. The Framework was not assessed for alignment with the DNSH criteria of the EU Taxonomy in this report with the exception of selected activities in the Clean Transportation category, selected activities under the Energy Efficiency (incl. Green Buildings) category and Renewable Energy category.

Second-Party
Opinion



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Evaluation Date July 19, 2023

Issuer Location Budapest, Hungary

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Introduction

Hungary is a country in central Europe with a population of 9.7 million and a 2022 GDP of EUR 170.1 billion.¹ The country's capital and largest city is Budapest, which has a population of 1.8 million.² Hungary has been an EU member state since 1 May 2004.³

Hungary (the "Issuer") has developed the Hungary Green Bond Framework⁴ dated July 2023 (the "Framework"), under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that accelerate Hungary's transition to a low-carbon economy. The Framework defines eligibility criteria in eight green areas:

1. Clean Transportation
2. Land Use and Living Natural Resources
3. Energy Efficiency (incl. Green Buildings)
4. Renewable Energy
5. Pollution Prevention and Control
6. Sustainable Water and Wastewater Management
7. Climate Adaptation
8. Research, Innovation and Awareness Raising

Hungary engaged Sustainalytics to review the Hungary Green Bond Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁵ The Framework will be published in a separate document.⁶

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the technical screening criteria for substantial contribution to the environmental objectives of the EU Taxonomy, alignment with DNSH criteria for 20 EU Taxonomy activities for which the Issuer has provided sufficient information for an assessment and the Minimum Safeguards of the EU Taxonomy;⁸
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various representatives of Hungarian Government to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. The Government representatives have confirmed (1) they understand it is the sole responsibility of the Government to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics

¹ World Bank, "Hungary", at: <https://data.worldbank.org/country/HU>

² Budapest, "General information about Budapest", at: <https://budapest.hu/sites/english/Lapok/General-informations-about-Budapest.aspx>

³ European Union, "Hungary", at: https://european-union.europa.eu/principles-countries-history/country-profiles/hungary_en

⁴ Hungary launched an inaugural green bond framework in 2020. The current Framework updates and replaces the 2020 Hungary Green Bond Framework.

⁵ The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁶ The Hungary Green Bond Framework is available on ÁKK's website at: <https://www.akk.hu/content/path=green-bond-framework-2023-item-en>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

⁸ Sustainalytics has assessed the Framework's alignment against the EU Taxonomy's DNSH criteria for activities where the Issuer has provided sufficient information for the assessment.

with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hungary.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Hungary is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Hungary has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Hungary Green Bond Framework

Sustainalytics is of the opinion that the Hungary Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Hungary Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation; Land Use and Living Natural Resources; Energy Efficiency including Green Buildings; Renewable Energy; Pollution Prevention and Control; Sustainable Water and Wastewater Management; Climate Adaptation; and Research, Innovation and Awareness Raising – are aligned with those recognized by the GBP.
 - The Issuer has communicated to Sustainalytics that it will apply a look-back period of two years for refinancing opex, which Sustainalytics considers to be in line with market practice.
 - Under the Clean Transportation category, the Issuer may finance or refinance the promotion, development, expansion, improvement and maintenance of passenger rail and road transport and dedicated infrastructure aimed at promoting the use of low-carbon transport according to the following criteria:
 - Zero direct CO₂ emissions passenger rail transportation assets, including trains and passenger coaches and related infrastructure, such as railway tracks, traction power stations and signalling networks.
 - Tram-trains that have zero direct CO₂ emissions when operated on a track with necessary infrastructure and use a conventional engine where such infrastructure is not available. The Issuer has communicated to Sustainalytics that public passenger tram-trains are expected to meet an emissions threshold of lower than 50 gCO₂e/pkm.
 - Passenger buses that have zero direct tailpipe CO₂ emissions or until 2025 belong to categories M2 and M3 with bodywork classified as CA, CB, CC and CD and comply with the latest Euro VI emissions standard, as well as supporting infrastructure.⁹ The Issuer has communicated to Sustainalytics that passenger buses financed until 2025 under the Framework are expected to meet an emissions threshold of lower than

⁹ European Union, "Regulation (EU) 2018/858 of the European Parliament and of the Council", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0858>

- 50 gCO₂e/pkm, which Sustainalytics considers to be good practice for the financing of passenger buses. Examples of supporting infrastructure may include bus stops, bus stations and charging infrastructure for electric vehicles.
- Light-duty vehicles that have zero direct tailpipe CO₂ emissions, or until 2025, vehicles that meet an emissions threshold of lower than 50 gCO₂e/km.
 - Infrastructure dedicated for promoting active mobility, including cycling lanes and enabling networks.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Land Use and Living Natural Resources category, the Issuer may finance or refinance dedicated programmes and projects that aim to support sustainable agriculture, forestry, land restoration and biodiversity conservation.
- Investments related to sustainable agriculture may include those under the the CAP Strategic Plan. Sustainalytics notes that the CAP Strategic Plan encompass a broad range of activities across various themes, including environmental, climate-related interventions, organic farming, support for young farmers, water efficiency and animal husbandry, classified under eight types of interventions for rural development. The Issuer has communicated to Sustainalytics that financing will be limited to the types of interventions classified under Article 70 (Environmental, climate-related and other management commitments) and Article 72 (Area-specific disadvantages resulting from certain mandatory requirements) of Regulation (EU) 2021/2115.¹⁰ Under Article 70, the Issuer may finance specific interventions and activities towards animal welfare and conservation of animal genetic resources. Sustainalytics notes that livestock systems are often associated with significant impacts on the environment, including air, land, soil, water and biodiversity, and such financing may provide a limited environmental impact to these operations. Sustainalytics acknowledges that such activities will adhere to relevant EU regulations but considers the Framework criteria as a deviation from what it considers to be a credible approach for green finance.
 - Regarding specific activities aimed at conserving genetic resources, the Issuer has communicated its intention to focus on the protection of indigenous and endangered agricultural animals characterized by limited genetic mixing and small population sizes. Sustainalytics acknowledges the negative impact of livestock systems and recognizes the necessity of reducing the demand for animal-based food products, as well as increasing the proportion of plant-based foods in diets as crucial adaptation measures. Nevertheless, Sustainalytics notes the significance of these conservation measures and interventions in ensuring long-term food security.
 - Forestry activities may involve providing financing for afforestation, reforestation, conservation of native tree species and specific interventions for the adoption of sustainable forestry practices beyond regulatory requirements. Additionally, financial support may be granted to facilitate the attainment of credible third-party forestry certifications, such as FSC, PEFC and SFI.
 - In relation to biodiversity conservation, the Issuer may provide compensation payments for agricultural and forest areas within Natura 2000 areas. These payments are granted to compensate farmers and forest holders for the implementation of conservation measures and ensuring the preservation of protected areas for threatened species and rare natural habitat types. Additional expenditures towards biodiversity conservation may include financial support and grant payments to National Park Directorates and institutions dedicated to biodiversity and nature conservation and co-financing of area-based conservation and restoration projects. Sustainalytics considers these investments to be in line with market practice.
- Under the Energy Efficiency including Green Buildings category, the Issuer may finance or refinance programmes, for the promotion and development of energy-efficient buildings and measures for increasing energy efficiency.
- Construction and renovation of buildings that have received or are expected to receive BREEAM Very Good, LEED Gold or equivalent certifications. Sustainalytics encourages the Issuer to select BREEAM-certified buildings that score high enough in the energy category (which Sustainalytics regards as the most important one) to fulfil the requirements for BREEAM Excellent in that category. Furthermore, Sustainalytics notes that it is good practice to specify all eligible schemes and certifications and

¹⁰ European Union, "Regulation (EU) 2021/2115 of the European Parliament and of the Council", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2115>

- encourages the Issuer to report on any specific schemes and certifications it intends to use.
- Construction of new buildings where the primary energy demand (PED) is at least 10% lower than Hungary's national threshold set for nearly zero-energy building (NZEB) requirements.¹¹
 - Acquisition of existing buildings: i) built after 31 December 2020 with PED at least 10% lower than the threshold set for NZEB requirements; or ii) built before 31 December 2020 that either have an EPC rating of A or belong in the top 15% of the national or regional building stock based on PED.
 - Renovation of existing buildings that leads to at least a 30% reduction in PED.
 - Installation, maintenance and repair of energy efficiency equipment, including: i) LEDs; ii) HVAC; and iii) water heating systems.
 - Installation, maintenance and repair of equipment and systems for measuring, regulating and controlling energy performance of buildings, including: i) zoned or smart thermostats; ii) lighting control and energy management; and iii) smart meters for gas, heating, cooling and electricity. Sustainalytics further notes that financing of smart meters for gas is aligned with the Technical Screening Criteria of the EU Taxonomy for the "Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings". Sustainalytics considers smart gas meters to be suitable for transition finance as such financing may prolong fossil fuel consumption.
 - Installation maintenance and repair of renewable energy technologies, including: i) solar photovoltaic systems; ii) solar hot water panels; iii) heat pumps; iv) thermal or electric energy storage systems; and v) ancillary technical equipment. Regarding the installation of heat pumps, Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems, and the Issuer has confirmed that refrigerants used for heat pumps will have a global warming potential (GWP) below 675, which is in line with the EU Taxonomy. Sustainalytics encourages the Issuer to promote robust refrigerant leak control, detection and monitoring while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life. Sustainalytics considers this expenditure to be aligned with market practice.
- Under the Renewable Energy category, the Issuer may finance or refinance the development, transmission and distribution and storage of renewable energy technologies and projects, including solar, wind geothermal, bioenergy hydropower which are part of its KEHOP Plusz programme.¹² Sustainalytics notes the following thresholds:
- Regarding concentrated solar power (CSP) and solar thermal plants, the Issuer has not disclosed the portion of fossil fuel back-up on which it relies. For CSP and solar thermal projects, Sustainalytics considers reliance on non-renewable energy back-up limited at 15% of the facility's electricity production as good practice and recommends the Issuer to report on the extent of non-solar energy back-up usage, particularly from fossil fuel sources.
 - Geothermal energy with life cycle GHG emissions lower than 100 gCO₂e/kWh.
 - Bioenergy projects where the GHG emissions savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. The Issuer has communicated to Sustainalytics that agricultural biomass and forest biomass used in the activity will comply with Article 29, paragraphs 2 to 7, of Directive (EU) 2018/2001.¹³ Sustainalytics notes the uncertainty around the specific feedstock that may be used by the production facilities, and that the environmental and social impacts associated with the feedstock, including those related to direct and indirect land use change, vary based on the type of feedstock. Sustainalytics encourages the Issuer to report, to the extent possible, on the types of feedstocks used by the facilities and projects financed.

¹¹ NZEB requirements according to the national measures implementing Directive 2010/31/EU. European Union, "Directive 2010/31/EU of the European Parliament and of the Council", (2010), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:en:PDF>

¹² KEHOP Plusz, at: <https://www.palyazat.gov.hu/download.php?objectId=1096839>

¹³ European Union, "Regulation (EU) 2018/2001 of the European Parliament and of the Council", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001>

- Hydropower projects with i) life cycle emissions below 100 gCO₂e/kWh; ii) run-of-river facilities without artificial reservoir; or iii) power density above 5 W/m². The Issuer has confirmed to Sustainalytics that hydropower projects will be subject to an environmental and social risk assessment. Considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for an extended period, favouring lower thresholds for new facilities. Sustainalytics encourages the Issuer to favour new projects with a lower life cycle GHG emissions intensity or higher power density.
 - Construction and operation of electricity storage, hydrogen storage facilities and thermal energy storage. Sustainalytics recognizes the critical need to expand utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected. Sustainalytics notes that more than 67% of new power generation capacity in Hungary has come from renewables since 2016.¹⁴ Sustainalytics recognizes that storage systems are expected to be integrated into grids that are connected to renewables or follow a credible decarbonization pathway.¹⁵
 - Transmission and distribution infrastructure for electricity where: i) the system is part of the interconnected European system; or ii) more than 67% of newly enabled generation capacity in the system is below 100 gCO₂e/kWh over a rolling five-year period; or iii) the average system grid emissions factor is below 100 gCO₂e/kWh over a rolling five-year period. For investments in transmission and distribution systems, the Issuer intends to finance systems that comply with the criteria of the EU Taxonomy. Sustainalytics notes that in Hungary, over 67% of new power generation capacity has come from renewables since 2016. Sustainalytics considers the expansion and maintenance of resilient electricity grids to broadly be supportive of positive environmental outcomes and recognizes the Issuer's intention to align with the EU Taxonomy.
 - Transmission and distribution infrastructure for low-carbon gases that meet one of the following criteria: i) infrastructure dedicated to hydrogen or other low-carbon gases; ii) conversion of existing natural gas networks to 100% hydrogen; or iii) retrofits of gas transmission and distribution networks that enable the integration of hydrogen and other low-carbon gases in the network. Sustainalytics notes that the networks may still distribute fossil fuels, such as natural gas. Sustainalytics considers that such investments may prolong fossil fuel consumption and are more suitable for transition finance.
- Under the Pollution Prevention and Control category, the Issuer may finance or refinance waste management infrastructure for waste collection, sorting and recycling, and soil remediation projects. Investments related to waste management may include those under the KEHOP Plusz programme,¹⁶ and subsidies to municipalities and local utilities for the development of such infrastructure. Sustainalytics notes the following:
- The Issuer has confirmed to Sustainalytics that waste management projects will include source segregation of waste.
 - Sustainalytics acknowledges the Issuer's commitment to creating a positive environmental impact through soil remediation and restoration activities. However, it is important to note that recipients of financing under this activity, including state-owned companies, may be responsible for environmental damage resulting from their own operations. Sustainalytics considers it good practice to restrict financing to projects that do not involve soil remediation and restoration activities directly linked to contamination caused by the issuer's and recipients' own activities. Furthermore,

¹⁴ IRENA, "Energy Profile – Hungary", at: https://www.irena.org/-/media/Files/IRENA/Agency/Statistics/Statistical_Profiles/Europe/Hungary_Europe_RE_SP.pdf

¹⁵ Sustainalytics considers a transmission and distribution grid to be aligned with a credible decarbonization pathway if it meets either of the following criteria: i) more than 67% of the newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period; or ii) the average system grid emissions factor is below the threshold of 100 gCO₂e/kWh over a rolling five-year period.

¹⁶ Government of Hungary, KEHOP Plusz 2021-2027, at: <https://www.palyazat.gov.hu/download.php?objectId=1096839>

- Sustainalytics encourages the Issuer to prioritize projects that go beyond the restoration of the damaged environment caused by the recipients' harmful activities.
- Under the Sustainable Water and Wastewater Management category, the Issuer may finance or refinance infrastructure and technologies for the prevention of water pollution and water losses, as well as treatment. Investments related to sustainable water infrastructure may include dedicated support for local municipalities and service providers and activities under the State Reconstruction Fund for Water Utilities according to the following criteria:
 - Wastewater treatment excluding the treatment of wastewater from fossil fuel operations.
 - Water collection systems and urban drainage, such as storm water management and sewer separation
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Climate Adaptation category, the Issuer may finance or refinance measures for climate resiliency and monitoring, including the following projects and activities:
 - Infrastructure to enhance resiliency against flooding, extreme weather events and wildfires, including weirs, floodgates and building of flood banks. The Issuer has communicated to Sustainalytics that infrastructure for climate adaptation will be supported by a vulnerability assessment and adaptation plan.¹⁷
 - Climate monitoring technologies and information support systems that enable planning for climate adaptation.
 - Community monitoring of climate change, outreach and capacity-building for increased preparedness through IT infrastructure, including alert systems, and awareness raising.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Research, Innovation and Awareness Raising category, the Issuer may finance or refinance programmes and initiatives that promote training and knowledge transfer for the adoption of sustainable agriculture and forestry practices, as well as the utilization of renewable energy and energy-efficient technologies in farming operations. The Issuer has communicated to Sustainalytics that the initiatives under this category focus on various themes, including antimicrobial resistance, nutrient pollution, pesticides reduction, emissions reduction in livestock agriculture, animal welfare, genetic resources, water efficiency, waste by-products, food safety and carbon sequestration. Sustainalytics recognizes that the projects selected for financing primarily serve educational purposes and aim to support the implementation of the activities outlined in the Framework categories. However, Sustainalytics acknowledges that some of the initiatives are intended towards livestock operations, which often have significant environmental impacts on air, land, soil, water and biodiversity. Therefore, Sustainalytics considers financing directed towards these operations to have limited environmental benefits while noting the indirect nature of the activities.
 - Project Evaluation and Selection:
 - The Issuer has established a Steering Committee (SC) and an Inter-Governmental Working Group (IWG) for the project evaluation, selection and approval process. The SC and IWG were set up in co-operation with the Ministry of Finance and the Government Debt Management Agency (ÁKK).
 - The SC and IWG is comprised of senior officials and representatives from the Ministry of Finance, Ministry of Energy, Ministry of Construction and Transport, Ministry of Economic Development, Ministry of Agriculture, Ministry of Interior and Ministry of Culture and Innovation, as well as the Prime Minister's Office and ÁKK.
 - The environmental and social laws and regulations of Hungary and the Issuer's risk assessment processes are applicable to all allocation decisions made under the Framework. Furthermore, the IWG monitors the selected projects' environmental and social risk management practices and controversies on an annual basis. Sustainalytics considers these environmental and social

¹⁷ IssuerHungary has communicated to Sustainalytics that for adaptation infrastructure with an expected lifetime of at least five years, the climate assessment will be conducted in line with European Commission's technical guidance on climate proofing. European Commission, "Technical guidance on the climate proofing of infrastructure in the period 2021-2027", (2021), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0916\(03\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0916(03)&from=EN)

- risk management systems to be adequate. For more detail on the Issuer's environmental and social risk mitigation processes, please refer to Section 2.
- Based on the cross-functional oversight for the project evaluation and selection process and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Hungary's Ministry of Finance, supported by the SC and IWG, will be responsible for monitoring, tracking and overall management of proceeds on an annual basis until full allocation.
 - The IWG will collect the data and monitor the level of eligible expenditures, which may include expenditures: i) made within the two budget years preceding the year of issuance (with a priority given to expenditures within the n-1 budget year, to the extent possible); ii) made in the same year as the issuance; and iii) future budget expenditures up to two years after issuance (with a priority given to expenditures within the n+1 budget year, to the extent possible). Pending full allocation, unallocated proceeds will be managed according to the Government's Treasury Department's general liquidity management policy.¹⁸
 - Based on the use of a tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Hungary commits to report on the allocation of proceeds and corresponding impact through an Integrated Green Bond Report, which will be published on ÁKK's website on an annual basis until full allocation.
 - The allocation report will include information about the issuance, the amount of proceeds allocated to eligible green projects, the balance of unallocated proceeds and the updates on the green eligibility criteria.
 - Impact reporting may include, subject to the availability, relevant impact metrics, such as annual energy savings (measured in MWh), annual GHG emissions avoided (measured in CO₂ equivalent) and annual water savings (measured in m³/a). For a complete list of impact indicators, please refer Appendix 4.
 - Based on the annual allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Hungary Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Alignment with the EU Taxonomy Climate Delegated Act

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant technical screening criteria in the EU Taxonomy. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy (SC)
 - The criteria in the eight eligible categories defined in the Framework were mapped to 37 activities of the EU Taxonomy. 25 activities were assessed as aligned, four were assessed as partially aligned and eight were assessed as not aligned with the applicable SC.
2. "Do No Significant Harm" (DNSH) Criteria
 - Two activities under the Clean Transportation category, three activities under the Energy Efficiency (Incl. Green Buildings) and the Renewable Energy categories were assessed for alignment with the applicable DNSH criteria. The Issuer has communicated to Sustainalytics that these are the activities where it is able to provide sufficient information in relation to the DNSH criteria. A total of 69 individual DNSH criteria apply to the 20 assessed activities. Of the 20 activities assessed for alignment with the DNSH criteria, 18 activities were determined to be aligned and two activities were determined to be partially aligned.
3. Minimum Safeguards

¹⁸ Similar criteria are followed in case of international issuances, such as Green Panda Bonds.

- Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
- For Sustainalytics’ assessment of alignment with the Minimum Safeguards see Section 2 below.

Table 1: Summary of Alignment of Framework criteria with the applicable SC and DNSH criteria of the EU Taxonomy for certain activities under Clean Transportation, Energy Efficiency (incl. Green Buildings) and Renewable Energy use of proceeds categories.

EU taxonomy Activities corresponding to Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
6.1 Passenger interurban rail transport	■	□		□	–	■	☒	–
6.3 Urban and suburban transport, road passenger transport	■	*		*	*	*	*	*
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	■	*		*	*	*	*	*
6.13 Infrastructure for personal mobility, cycle logistics	■	*		*	*	*	*	*
6.14 Infrastructure for rail transport	■	□		□	■	□	■	■
6.15 Infrastructure enabling low-carbon road transport and public transport	■	*		*	*	*	*	*
1.2 Rehabilitation and restoration of forests, including reforestation and natural forest	□	*		*	*	*	*	*
1.3 Forest management	□	*		*	*	*	*	*
1.4 Conservation forestry	□	*		*	*	*	*	*
7.1 Construction of new buildings	☒	*		*	*	*	*	*
7.2 Renovation of existing buildings	☒	*		*	*	*	*	*
7.7 Acquisition and ownership of buildings	☒	*		*	*	*	*	*
7.3 Installation, maintenance and repair of energy efficiency equipment	■	■		■	–	–	■	–
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	■	■		■	–	–	–	–
7.6 Installation, maintenance and repair of renewable energy technologies	■	■		■	–	–	–	–
4.1 Electricity generation using solar photovoltaic technology	■	■		■	–	■	–	■
4.2 Electricity generation using concentrated solar power (CSP) technology.	■	■		■	■	■	–	■
4.21 Production of heat/cool from solar thermal heating	■	■		■	–	■	–	■
4.3 Electricity generation from wind power	■	■		■	■	■	–	■

4.5 Electricity generation from hydropower	■	■		■	■	-	-	■
4.6 Electricity generation from geothermal energy	■	■		■	■	-	■	■
4.22 Production of heat/cool from geothermal energy	■	■		■	■	-	■	■
4.8 Electricity generation from bioenergy	■	■		■	■	-	■	■
4.24 Production of heat/cool from bioenergy	■	■		■	■	-	■	■
4.9 Transmission and distribution of electricity	■	■		■	-	■	■	■
4.10 Storage of electricity	■	■		■	■	■	-	■
4.11 Storage of thermal energy	■	■		■	■	■	-	■
4.12 Storage of hydrogen	■	■		■	-	■	■	■
4.14 Transmission and distribution networks for renewable and low-carbon gases	■	■		■	■	-	■	■
4.15 District heating/cooling distribution	■	■		■	■	-	■	■
5.5 Collection and transport of non-hazardous waste in source segregated fractions	■	*		*	*	*	*	*
5.9 Material recovery from non-hazardous waste	▣	*		*	*	*	*	*
5.1 Construction, extension and operation of water collection, treatment and supply systems	☒	*		*	*	*	*	*
5.2 Renewal of water collection, treatment and supply systems	☒	*		*	*	*	*	*
5.3 Construction, extension and operation of wastewater collection and treatment	☒	*		*	*	*	*	*
5.4 Renewal of wastewater collection and treatment	☒	*		*	*	*	*	*
5.6 Anaerobic digestion of sewage sludge	☒	*		*	*	*	*	*

Legend	
Aligned	■
Partially aligned	▣
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	
Not assessed by Sustainalytics	*

Note: The EU Taxonomy has not yet defined SC criteria for environmental objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

Section 2: Sustainability Strategy of Hungary

Contribution to Hungary's sustainability mandate

Sustainalytics is of the opinion that Hungary demonstrates a commitment to environmental sustainability through the National Clean Development Strategy 2020-2050 (NCDS),¹⁹ which outlines Hungary's long-term plan for climate neutrality and outlines sector-specific pathways, policies and measures for: i) energy; ii) industrial processes; iii) agriculture; iv) land use, use change and forestry; and v) waste management. Hungary is a signatory to the Paris Agreement and has committed to becoming climate neutral by 2050, with an interim target to reduce GHG emissions by 40% compared to 1990 levels by 2030.²⁰ Hungary's climate commitments are strengthened by the enactment of Law No. XLIV 2020 on climate protection.²¹

Hungary's climate and environmental strategy are further underpinned by a variety of dedicated programmes and plans focused on specific sectors and areas, including: i) National Energy Strategy 2030; ii) National Energy and Climate Plan; iii) Climate and Environmental Protection Action Plan; iv) Long-Term Renovation Strategy; v) National Water Strategy 2017-2030; vi) National Hydrogen Strategy; vii) Second National Climate Change Strategy; viii) National Forest Strategy (2016-2030); and ix) the National Biodiversity Strategy (2021-2030).^{22,23,24} To decarbonize its energy sector, Hungary intends to phase out coal by 2025 and increase the share of renewables to 21% of gross final energy consumption by 2030.²⁵ To support the country in achieving its cumulative energy savings target for 2021-30 of 0.8%, the Issuer introduced the Energy Efficiency Obligation Scheme in 2021, encouraging residential and corporate energy efficiency investments.²⁶ Specific to reducing the buildings sector's emissions, the Hungarian Long-Term Renovation Strategy aims to achieve a renovation rate of 3% per year for its housing stock by 2030, leading up to its long-term goal to reach 90% of near-zero energy buildings by 2050.²⁷ Hungary's National Water Strategy is a framework strategy for water management up to 2030 which outlines the nation's objectives for the sustainable management of water and resources, targeting improved water demand and management, rainwater harvesting, reduced risk of flood and drought, and rehabilitation of wetlands, among other areas.^{28,29}

Based on the above, Sustainalytics is of the opinion that the Hungary Green Bond Framework is aligned with Hungary's overall sustainability strategy and initiatives and will further the country's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity issues associated with large-scale infrastructure development; emissions, effluents and waste generated in construction; and occupational health and safety.

Sustainalytics is of the opinion that the Issuer is able to manage and mitigate potential risks through implementation of the following:

- The EU directive on the assessment of the effects of projects on the environment mandates member states to take preventive measures and appropriate actions to avoid adverse impacts on the environment.³⁰ Hungary's decree on environmental impact assessments and unified environmental use licensing requires large infrastructure projects to undergo an environmental impact study to

¹⁹ Ministry for Innovation and Technology, "National Clean Development Strategy 2020-2050", at:

https://cdn.climatepolicyradar.org/navigator/HUN/1900/national-clean-development-strategy-2020-2050_46a57a263ef794f9a5a1c53632c7b962.pdf

²⁰ IEA, "Hungary 2022: Energy Policy Review", at: <https://iea.blob.core.windows.net/assets/9f137e48-13e4-4aab-b13a-dcc90adf7e38/Hungary2022.pdf>

²¹ Ibid.

²² Hungary, "Hungary Green Bond Framework", (2023), at: <https://akk.hu/green-bond>

²³ Government of Hungary, "Hungary's National Hydrogen Strategy", (2021), at:

<https://cdn.kormany.hu/uploads/document/a/a2/a2b/a2b2b7ed5179b17694659b8f050ba9648e75a0bf.pdf>

²⁴ Ministry of Innovation and Technology, "Second National Climate change Strategy", (2018), at:

https://nakfo.mbfisz.gov.hu/sites/default/files/files/N%C3%89S_Ogy%20%C3%A1ltal%20elfogadott.PDF

²⁵ IEA, "Hungary 2022: Energy Policy Review", at: <https://iea.blob.core.windows.net/assets/9f137e48-13e4-4aab-b13a-dcc90adf7e38/Hungary2022.pdf>

²⁶ Ibid.

²⁷ European Commission, "Long Renewal Strategy on the basis of Directive EU 2018/844 with a view to fulfilling eligibility conditions for the payment of cohesion funds for the period 2021-2027", at: https://energy.ec.europa.eu/system/files/2021-08/hu_2020_ltrs_en_0.pdf

²⁸ Government of Hungary, "2018 National Water Strategy", at: <http://eduvizig.hu/sites/default/files/nemzeti-vizstrategia.pdf>

²⁹ Government of Hungary, National Water Strategy, (2017), at: <https://www.vizugy.hu/vizstrategia/documents/997966DE-9F6F-4624-91C5-3336153778D9/Nemzeti-Vizstrategia.pdf>

³⁰ European Commission, "Directive 2011/92/EU of the European Parliament and of the Council", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011L0092>

identify and mitigate potential risks associated with land use and biodiversity before commencement of the project.³¹ Furthermore, Hungary's environmental protection law promotes the conservation of natural resources and their sustainable management and renewal.³²

- Regarding biodiversity loss, Hungary adheres to the EU's Habitats Directive³³ and Birds Directive,³⁴ which are part of the EU's biodiversity strategy for 2030.³⁵ These directives mandate EU member states to conserve the diversity of their wild flora and fauna, with a special focus on threatened and endemic species. In addition, they require member states to report on the conservation status of habitats and species and provide compensation measures in relation to projects that have a negative impact on protected areas. Additionally, Hungary is a signatory to the 1992 Convention on Biological Diversity since 1994, pledging to conserve biodiversity and support sustainable use of natural resources.³⁶
- To mitigate risks related to emissions, effluents and waste generated in construction, Hungary has transposed the EU directive's legislative framework for the handling of construction and demolition waste, which details requirements for waste management, including measures for the prevention, recovery and disposal of waste.³⁷ Hungary has established legislation on waste management, which sets out waste management rules, including procedures for the treatment, utilization and recovery of hazardous waste.³⁸ Moreover, Hungary's General Rules on Environmental Protection promote the protection and sustainable use of natural resources, including water protection, and lists requirements for the development of an environmental management plan.³⁹
- To address risks related to occupational health and safety, Hungary has transposed the EU directive on occupational health and safety, which mandates employers to take necessary measures to prevent occupational health and safety risks.⁴⁰ The directive also requires employers to provide essential training, information, tools and means needed to ensure health and safety at the workplace.⁴¹ Hungary's labour code establishes protocols for the protection of workers' occupational health and safety and lists requirements to eliminate risks related to forced labour, child labour, discrimination and freedom of association.⁴²
- Hungary is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities.⁴³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hungary has implemented adequate measures and is well positioned to manage and mitigate environmental risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that Issuers have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, Issuers should comply with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human Rights

Hungary has implemented the following policies and procedures regarding human rights:

³¹ Hungary, "314/2005. (XII. 25.) Korm. rendelet", at: <https://njt.hu/jogszabaly/2005-314-20-22><https://njt.hu/jogszabaly/2005-314-20-22>

³² Hungary, "1995. évi LIII. törvény", at: <https://njt.hu/jogszabaly/1995-53-00-00>

³³ European Council, "Council Directive 93/43/EEC", (1992), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:31992L0043>

³⁴ European Council, "Council Directive 2009/147/EC", (2009), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32009L0147>

³⁵ European Commission, "Biodiversity strategy for 2030", at: https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en

³⁶ Convention on Biological Diversity, "Country Profiles: Hungary", at: <https://www.cbd.int/countries/?country=hu>

³⁷ European Union, "Directive 2008/98/EC of the European Parliament and of the Council", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32008L0098&from=EN>

³⁸ Hungary, "2000. évi XLIII. törvény", at: <https://njt.hu/jogszabaly/2000-43-00-00>

Hungary, "1995. évi LIII. törvény", at: <https://njt.hu/jogszabaly/1995-53-00-00>

⁴⁰ European Council, "Directive 89/391/EEC", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>

⁴¹ Ibid.

⁴² Hungary, "Törvény I/2012 a munka törvénykönyvéről", (2011), at:

https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=89886&p_country=HUN&p_classification=01.02

⁴³ Equator Principles, "About the Equator Principles", (2022), at: <https://equator-principles.com/about-the-equator-principles/>

- Hungary's Law on occupational health and safety mandates conditions for establishment of safe work environments, protection of health and working ability of organized workers, prevention of work accidents and occupational diseases and lays out requirements for monitoring of implementation of safety and health rules by the respective authority.⁴⁴ Additionally, Hungary intends to submit a comprehensive report every five years to the ILO on the practical implementations of the following EU directives on: i) the introduction of measures to encourage improvements in the worker's safety and health,⁴⁵ ii) protection of young people at work,⁴⁶ iii) dietary foods for special medical purposes,⁴⁷ iv) protection of workers from the risks related to exposure to asbestos at work.⁴⁸
- In 2016, Hungary developed a National Occupational Safety and Health Policy, in accordance with the EU's occupational safety strategy, which commits to developing practices to protect worker's ability to work, maintaining safety standards, providing appropriate working conditions and manage risks related to health hazards.⁴⁹
- Hungary's Act on social participation in the preparation of legislation ensures stakeholder participation and promotes involvement of the broadest sections of the society in the law-making process.⁵⁰ Furthermore, the Issuer has also established a forum, Permanent Consultative Forum of the Business Sector and the Issuer (VKF)⁵¹ to enable tripartite dialogue among the Issuer, employee representatives and the employers with an aim for continuous consultation on day-to-day disputes of workers and people in the country.

Sustainalytics has, based on the work of its research services, evaluated the performance of Hungary in the area of human rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the framework.

Labour Rights

Hungary has implemented the following policies and procedures regarding labour rights:

- In accordance with the provisions of the Labour Code, the Government Decree on mandatory minimum wage and the guaranteed minimum wage ensures compliance with the minimum wage requirements for all the employees in the country.⁵² The Government's Act on the promotion of employment and unemployment benefits ensures provisions of subsidies to the unemployed, to the employers in case of employment of the disadvantaged workers.⁵³
- The Fundamental Law of Hungary establishes right to working conditions which ensures respect, health, safety and dignity for all employees.⁵⁴ Additionally, Hungary has signed nine fundamental ILO conventions and 60 out of the 176 ILO technical conventions, indicating the Issuer's commitment to set labour standards and promote a decent work environment by developing policies and devising programmes on labour issues.⁵⁵

Sustainalytics has, based on the work of its research services, evaluated the performance of Hungary in the area of labour rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks.

⁴⁴ Hungary, "1993. évi XCIII. törvény", at: <https://njt.hu/jogszabaly/1993-93-00-00>

⁴⁵ European Agency for Safety and Health at Work, "Directive 89/391/EEC – OSH Framework Directive", at: <https://osha.europa.eu/en/legislation/directives/the-osh-framework-directive/1>

⁴⁶ European Agency for Safety and Health at Work, "Directive 94/33/EC – young workers", at: <https://osha.europa.eu/en/legislation/directives/18>

⁴⁷ European Union, "Commission Directive 1999/21/EC", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31999L0021s>

⁴⁸ European Union, "Directive 2009/148/EC of the European Parliament and of the Council", at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:330:0028:0036:EN:PDF#:~:text=Article%2014-1.,2.>

⁴⁹ Hungary, "National Occupational Safety and Health Policy 2016-2022", at: http://www.ommf.gov.hu/letoltes.php?d_id=7146

⁵⁰ Hungary, "2010. évi CXXXI. törvény" at: <https://njt.hu/jogszabaly/2010-131-00-00>

⁵¹ Hungary, "Aláírták a megállapodást a versenyszféra és kormány konzultációs fórumának létrehozásáról", (2012), at: <https://2010-2014.kormany.hu/hu/nemzetgazdasagi-miniszterium/foglalkoztataspolitikaert-elelos-allamtitkarsag/hirek/alairtak-a-megallapodast-a-versenyszfera-es-kormany-konzultacios-forumanak-letrehozasarol>

⁵² Hungary, "A Kormány 430/2016. (XII. 15.)", (2016), at:

https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=105129https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=105129

⁵³ Hungary, "Act 113/2006 amending Act 4/1991 on the promotion of employment and unemployment benefits", (2006), at:

https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=77380&p_classification=08

⁵⁴ Ministry of Justice, "The Fundamental Law of Hungary", (2011), at: <https://www.parlament.hu/documents/125505/138409/Fundamental+law/>

⁵⁵ International Labour Organization, "Ratifications for Hungary", at:

https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102679

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on labour rights in relation to the activities of the framework.

Anti-bribery and anti-corruption

Issuer of Hungary has implemented the following policies and procedures regarding anti-bribery and anti-corruption:

- In 2012 the Issuer adopted Public Administration Corruption Prevention Programme to eliminate corruption within public administration as well as its public sphere.⁵⁶ Hungary's National Anti-Corruption Programme undertakes various objectives including raising awareness, increasing resilience to corruption in the business community and public at large, implementing actions and measures.⁵⁷ The Issuer's National Anti-corruption Strategy (NKS) focuses on prevention of corruption as well as on increasingly effective application of legal instruments for investigating corruption offences, and raising awareness among individuals and organizations along with utilizing technological potential to curb corruption. Further, the Issuer plans to develop an action plan for the period 2023-2025 for further implementation of anti-corruption measures.
- Further, Hungary's Criminal Code mandates public officers to report on potential incidents related to bribery and corruption and lays out investigation procedures along with provisions of penalty and punishments in case of offenses.⁵⁸

Sustainalytics has, based on the work of its research services, evaluated the performance of Hungary in the area of anti-bribery and anti-corruption rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the policies, guidelines and commitments of Hungary are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Impact of clean transportation towards climate change mitigation in Hungary

In 2022, the transportation sector accounted for approximately 25% of GHG emissions in the EU.⁵⁹ In Hungary, it was the second-largest carbon emitter, contributing 22% of country's overall emissions.⁶⁰ Furthermore, emissions from Hungary's transport sector have increased by 31.4% since 2013,⁶¹ which can be attributed to factors such as the higher level of motorization due to income growth and economic development in central Europe, as well as the larger volume of freight transit through Hungary.⁶² Consequently, the rising emissions from the transportation sector have contributed to the overall increase in Hungary's GHG emissions in recent years, even though in a larger 30-year window, national GHG emissions decreased by 33% in 2021 compared to 1990.⁶³ To foster climate-friendly transportation, the Government of Hungary aims to rely on cleaner energy consumption and promote changes in transport modes.⁶⁴ However, Hungary still faces challenges in tackling the continuous growth of GHG emissions from the transport sector and requires further investment to achieve its goal of net zero emissions by 2050.⁶⁵

⁵⁶ Hungary, "Corruption Prevention Programme", at: <https://corruptionprevention.gov.hu/corruption-prevention-programme>

⁵⁷ Ibid.

⁵⁸ Hungary, "2012. évi C. törvény", at: <https://njt.hu/jogszabaly/2012-100-00-00>

⁵⁹ European Environment Agency, "Greenhouse gas emissions from transport in Europe", (2022), at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-transport>.

⁶⁰ Békés, M. et al. (2022), "Carbon-neutral Hungary", McKinsey and Company, at: <https://www.mckinsey.com/capabilities/sustainability/our-insights/carbon-neutral-hungary>

⁶¹ Hungary, Ministry for Innovation and Technology, "National Clean Development Strategy 2020-2050", (2021), at: https://unfccc.int/sites/default/files/resource/LTS_1_Hungary_2021_EN.pdf

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Ibid.

In 2020, the Government introduced the Climate and Environmental Protection Action Plan, under which the Government outlines its strategy for the procurement of low- and zero-emission public transport vehicles through its Green Bus Programme, with an investment of HUF 36 billion (EUR 97.5 million) between 2020 and 2030.⁶⁶ The Green Bus Programme aims to stimulate domestic bus production and increasingly replace the existing local public bus fleet with electric buses. To promote the decarbonization of its railway infrastructure, the Government plans to invest EUR 1.2 billion towards the modernization and electrification of its significant railway lines and the suburban railway line in the Budapest region.⁶⁷

Considering the above, Sustainalytics is of the opinion that Hungary's investment in clean transportation projects will facilitate the transition to low-carbon transportation and contribute to Hungary's climate-related goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Hungary Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Land Use and Living Natural Resources	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Energy Efficiency incl. Green Buildings)	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

⁶⁶ Ministry for Innovation and Technology, "Climate and Environmental Protection Action Plan", (2020), at: https://2015-2019.kormany.hu/download/5/07/c1000/Climate%20and%20environmental%20protection%20action%20plan_EN.pdf

⁶⁷ European Commission, "Questions and answers: European Commission endorses Hungary's €5.8 billion recovery and resilience plan subject to meeting rule of law milestones", (2022), at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_7274

Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Climate Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Research, Innovation and Awareness Raising	13. Climate Action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

Conclusion

Hungary has developed the Hungary Green Bond Framework, under which it will issue green bonds and use the proceeds to finance or refinance projects intended to accelerate Hungary’s transition to a low-carbon economy. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impacts.

The Hungary Green Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Hungary Green Bond Framework is aligned with the overall sustainability strategy of Hungary and that the green use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 2, 6, 7, 9, 11, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that Hungary has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed the Hungary Green Bond Framework for alignment with the technical screening criteria for substantial contribution (SC) to the environmental objectives of the EU Taxonomy and the “do no significant harm” (DNSH) criteria for 20 activities. The criteria in the Framework’s use of proceeds categories map to 37 activities in the EU Taxonomy. Sustainalytics is of the opinion that 25 activities align with the applicable SC criteria, four were assessed as partially aligned and eight were assessed as not aligned. Of the 20 activities assessed for alignment with the DNSH criteria, 18 activities were determined to be aligned and two activities were determined to be partially aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards. The Framework was not assessed for alignment with the DNSH criteria of the EU Taxonomy in this report with the exception of selected activities in the Clean Transportation category, selected activities under the Energy Efficiency (incl. Green Buildings) category and Renewable Energy category.

Based on the above, Sustainalytics is confident that Hungary is well positioned to issue green bonds and that the Hungary Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed the criteria in the Framework against the technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy that apply to each corresponding activity in the EU Taxonomy.⁶⁸ This appendix describes Sustainalytics' process and presents the outcome of its assessment on the alignment of the criteria in the Framework with the EU Taxonomy's applicable technical screening criteria. Sustainalytics has assessed the Framework's alignment against the applicable DNSH criteria for activities for which the Issuer has provided sufficient information for an assessment. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy because some economic activities are not yet covered by the EU Taxonomy. In other cases, categories of activities which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria in this report.

Table 2 below displays Sustainalytics' mapping process for this report.

2. Determining Alignment with the EU Taxonomy Technical Screening Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion in the Framework with the relevant technical screening criteria for substantial contribution to an environmental objective for the corresponding activity in the EU Taxonomy. Alignment with the SC criteria is usually based on the specific criteria defined in the Framework and may in many cases also be based on management systems, processes or regulatory compliance. The DNSH criteria are usually based on management systems and processes or regulatory compliance. Sustainalytics has assessed the Framework's alignment against the applicable DNSH criteria for activities for which the Issuer has provided sufficient information for an assessment. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2, above.) To assess alignment with the EU Taxonomy's Minimum Safeguards, Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2 above.)

The EU Taxonomy only provides SC criteria for activities intended to contribute to the environmental objectives of climate mitigation and climate adaptation.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Primary EU Environmental Objective	Refer to Table
Clean transportation	Railway passenger transportation	6.1. Passenger interurban rail transport	H49.10, N77.39	Mitigation	Table 3
	Road passenger transportation	6.3. Urban and suburban transport, road passenger transport	H49.31, H49.3.9, N77.39 and N77.11		Table 4

⁶⁸ The EU Taxonomy establishes a list of "environmentally sustainable economic activities" which, where possible, follows the classification of economic activities laid down in the NACE system of economic activities (established by Regulation EC 1893/2006).

	Light duty vehicles	6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39 and N77.11		Table 5
	Active mobility infrastructure	6.13. Infrastructure for personal mobility, cycle logistics	F42.11, F42.12 and F43.21		Table 6
	Rail transport infrastructure	6.14. Infrastructure for rail transport	F42.12, F42.13, M71.12, M71.20, F43.21 and H52.21		Table 7
	Public and low-carbon road transport infrastructure	6.15. Infrastructure enabling low-carbon road transport and public transport	F42.11 and F42.13		Table 8
Land use and living natural resources	Sustainable forest management	1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event	A2	Mitigation	Table 9
		1.3. Forest management	A2		Table 10
		1.4 Conservation forestry	A2		Table 11
Energy Efficiency (incl. Green Buildings)	New construction, major renovations and acquisition of energy efficient buildings	7.1 Construction of new buildings	F41.1 and F41.2	Mitigation	Table 12
		7.2. Renovation of existing buildings	F41 and F43		Table 13
		7.7. Acquisition and ownership of buildings	L68		Table 14
	Installation, maintenance and repair of energy efficiency equipment of the following: energy efficient light sources, heating, ventilation and air conditioning and water heating systems);	7.3. Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12		Table 15
	Devices for measuring, regulation and controlling energy performance of buildings (e.g., zoned or smart thermostats, lighting control systems, energy management systems and smart meters for gas, heat, cool and electricity)	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		Table 16
	Renewable energy technologies (e.g., solar photovoltaic systems, solar hot water panels, heat pumps, or thermal or electric energy storage systems as well as the ancillary technical equipment)	7.6. Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		Table 17
Renewable Energy	Solar energy	4.1. Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	Table 18
		4.2. Electricity generation using concentrated solar power (CSP) technology.	D35.11 and F42.22		Table 19
		4.21. Production of heat/cool from solar thermal heating	D35.30		Table 20

	Onshore and offshore wind energy	4.3. Electricity generation from wind power	D35.11 and F42.22		Table 21
	Hydropower energy	4.5. Electricity generation from hydropower	D35.11 and F42.22		Table 22
	Geothermal energy	4.6. Electricity generation from geothermal energy	D35.11 and F42.22		Table 23
		4.22. Production of heat/cool from geothermal energy	D35.30		Table 24
	Bioenergy	4.8. Electricity generation from bioenergy	D35.11		Table 25
		4.24. Production of heat/cool from bioenergy	D35.30		Table 26
	Transmission systems that transport electricity	4.9. Transmission and distribution of electricity	D35.12 and D35.13		Table 27
	Storage of energy	4.10. Storage of electricity	No dedicated NACE code		Table 28
		4.11. Storage of thermal energy	No dedicated NACE code		Table 29
		4.12. Storage of hydrogen	No dedicated NACE code		Table 30
	Networks for the transmission and distribution of renewable and low-carbon gases	4.14. Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21 and H49.50		Table 31
Energy infrastructure for production of heating/cooling	4.15. District heating/cooling distribution	D35.30	Table 32		
Pollution prevention & control	Infrastructure and technologies for waste processing and recycling (for non-hazardous waste only)	5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11	Mitigation	Table 33
	Infrastructure and technologies for material recovery of recyclables including waste collection and sorting	5.9. Material recovery from non-hazardous waste	E38.32 and F42.99		Table 34
Sustainable water & wastewater management	Infrastructure and technologies for clean water, water efficiency and wastewater treatment	5.1. Construction, extension and operation of water collection, treatment and supply systems	E36.00 and F42.99	Mitigation	Table 35
		5.2. Renewal of water collection, treatment and supply systems	E36.00 and F42.99		Table 36
		5.3. Construction, extension and operation of wastewater collection and treatment	E37.00 and F42.99		Table 37
		5.4. Renewal of wastewater collection and treatment	E37.00		Table 38
	Construction or maintenance of water collection and urban drainage infrastructure including storm water management and sewer separation	5.6. Anaerobic digestion of sewage sludge	E37.00 and F42.99		Table 39

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution (SC) to an environmental objective for each relevant EU Taxonomy activity and DNSH for selected activities.

Table 3

Framework Activity assessed		Railway passenger transportation	
EU Taxonomy Activity		6.1. Passenger interurban rail transport	
Corresponding NACE Code		H49.10 and N77.39	
SC Criteria		Alignment	
Mitigation	The activity complies with one of the following criteria: a) the trains and passenger coaches have zero direct (tailpipe) CO ₂ emissions; b) the trains and passenger coaches have zero direct (tailpipe) CO ₂ emission when operated on a track with necessary infrastructure and use a conventional engine where such infrastructure is not available (bimode).	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 40		Partially Aligned
Transition to a circular economy	Measures are in place to manage waste in accordance with the waste hierarchy, in particular during maintenance.	The Issuer has confirmed to Sustainalytics that the Hungarian national railway company has implemented policies to ensure that waste management practices are in accordance with the waste hierarchy. Please refer to the specific policies below: (1) 32_2019. (07.05 MÁV Ért. 11.) EVIG sz. utasítás anyag, eszköz és hulladék (2) 36_2014- (VIII 15 MÁV Ért. 16.) EVIG sz. utasítás Folyamatszabályozás hull	Aligned

Pollution prevention and control	Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) comply with emission limits set out in Annex II to Regulation (EU) 2016/1628 of the European Parliament and of the Council ⁶⁹	<p>Apart from zero direct (tailpipe) CO₂ emission locomotives, the Issuer intends to finance train-trams which are expected to meet an emissions threshold of lower than 50 gCO₂e/passenger-km.</p> <p>Given that the Issuer is unable to confirm compliance with emission limits according to Annex II to Regulation (EU) 2016/1628 for tram-trains, Sustainalytics has assessed this criterion as Not Aligned</p>	Not Aligned
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Table 4

Framework Activity assessed	Road passenger transportation		
EU Taxonomy Activity	6.3. Urban and suburban transport, road passenger transport		
Corresponding NACE Code	H49.31, H49.3.9, N77.39 and N77.11		
SC Criteria		Alignment	
Mitigation	<p>The activity complies with the one of following criteria:</p> <ul style="list-style-type: none"> a) the activity provides urban or suburban passenger transport and its direct (tailpipe) CO₂ emissions are zero;⁷⁰ b) until 31 December 2025, the activity provides interurban passenger road transport using vehicles designated as categories M2 and M3⁷¹ that have a type of bodywork classified as 'CA' (single-deck vehicle), 'CB' (double-deck vehicle), 'CC' (single deck articulated vehicle) or 'CD' (double-deck articulated vehicle),⁷² and comply with the latest EURO VI standard, i.e. both with the requirements of Regulation (EC) No 595/2009 and, from the time of the entry into force of amendments to that Regulation, in those amending acts, even before they become applicable, and with the latest step of the Euro VI standard set out in Table 1 of Appendix 9 to Annex I to Regulation (EU) No 582/2011 where the provisions governing that step have entered into force but have not yet become applicable for this type of vehicle.⁷³ Where such standard is not available, the direct CO₂ emissions of the vehicles are zero. 	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned

⁶⁹ Regulation (EU) 2016/1628 of the European Parliament and of the Council of 14 September 2016 on requirements relating to gaseous and particulate pollutant emission limits and type-approval for internal combustion engines for non-road mobile machinery, amending Regulations (EU) No 1024/2012 and (EU) No 167/2013, and amending and repealing Directive 97/68/EC.

⁷⁰ This includes Motor buses with type of bodywork classified as 'CE' (low-floor single-deck vehicle), 'CF' (low-floor double-deck vehicle), 'CG' (Articulated low-floor single-deck vehicle), 'CH' (Articulated low-floor double-deck vehicle), 'CI' (open top single deck vehicle) or 'CJ' (open top double deck vehicle), as set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.

⁷¹ As referred to in Article 4(1), point (a), of Regulation (EU) 2018/858.

⁷² As set out in point 3 of part C of Annex I to Regulation (EU) 2018/858.

⁷³ Until 31/12/2021, the EURO VI, step E as set out in Regulation (EC) No 595/2009.

Table 5

Framework Activity assessed		Light duty vehicles	
EU Taxonomy Activity		6.5. Transport by motorbikes, passenger cars and light commercial vehicles	
Corresponding NACE Code		H49.32, H49.39 and N77.11	
		SC Criteria	Alignment
Mitigation	<p>The activity complies with the following criteria:</p> <ul style="list-style-type: none"> a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: <ul style="list-style-type: none"> i. until 31 December 2025, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO₂/km (low- and zero-emission light-duty vehicles); ii. from 1 January 2026, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. b) for vehicles of category L, the tailpipe CO₂ emissions equal to 0g CO₂e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013. 	<p>The eligibility criteria defined in the Framework is aligned with criteria a) under the EU Taxonomy. The Issuer does not intend to finance vehicle of category L.</p>	Aligned

Table 6

Framework Activity assessed		Active mobility infrastructure	
EU Taxonomy Activity		6.13. Infrastructure for personal mobility, cycle logistics	
Corresponding NACE Code		F42.11, F42.12 and F43.21	
		SC Criteria	Alignment
Mitigation	<p>The infrastructure that is constructed and operated is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices.</p>	<p>The Issuer has confirmed projects financed under this activity will comply with the criteria. Issuer intends to finance bike lanes and electric charging stations under the Framework.</p>	Aligned

Table 7

Framework Activity assessed		Rail transport infrastructure	
EU Taxonomy Activity		6.14. Infrastructure for rail transport	
Corresponding NACE Code		F42.12, F42.13, M71.12, M71.20, F43.21, and H52.21	

SC Criteria		Alignment	
Mitigation	<p>1) The activity complies with one of the following criteria:</p> <p>a) the infrastructure (as defined in Annex II.2 to Directive (EU) 2016/797 of the European Parliament and of the Council⁷⁴) is either:</p> <ul style="list-style-type: none"> i. electrified trackside infrastructure and associated subsystems: infrastructure, energy, on-board control-command and signalling, and trackside control command and signalling subsystems as defined in Annex II.2 to Directive (EU)2016/797; ii. new and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO2 emission trains within 10 years from the beginning of the activity: infrastructure, energy, on-board control-command and signalling, and trackside control-command and signalling subsystems as defined in Annex II.2 to Directive (EU)2016/797; iii. until 2030, existing trackside infrastructure and associated subsystems that are not part of the TEN-T network ⁷⁵ and its indicative extensions to third countries, nor any nationally, supranationally or internationally defined network of major rail lines: infrastructure, energy, on-board control-command and signalling, and trackside control-command and signalling subsystems as defined in Annex II.2 to Directive (EU) 2016/797; <p>b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods;</p> <p>c) infrastructure and installations are dedicated to the transfer of passengers from rail to rail or from other modes to rail.</p> <p>2) The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	<p>The Issuer has confirmed projects financed under this activity will comply with the criteria.</p> <p>The Framework excludes financing of infrastructure dedicated to the transport or storage of fossil fuels.</p>	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 40		Partially Aligned

⁷⁴ Directive (EU) 2016/797 of the European Parliament and of the Council of 11 May 2016 on the interoperability of the rail system within the European Union

⁷⁵ In accordance with Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU

Sustainable use and protection of water and marine resources	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Transition to a circular economy	<p>At least 70% (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material defined in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.⁷⁶ Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p>	<p>According to the Hungarian Statistical Office (KSH)⁷⁷ Hungary's reuse, recycling and other material recovery rate was 88% in 2021. The Issuer expects the national railway company to achieve a comparable rate of recycling.</p> <p>The national railway company has dedicated policies for waste management outlining the rules for waste generation, separation, treatment and handling. Furthermore, the national railway company has an internal Waste Management System for tracking the quantity of waste generated and treatment methods utilized.</p> <p>The issuer has confirmed with Sustainalytics that they follow Waste Framework Directive 2008/98/EC⁷⁸. However, in case the requirements under EU Construction and Demolition Waste Management Protocol exceeding the content of the mentioned directive, then those additional requirement under EU Construction and Demolition Waste Management Protocol are not followed given its voluntary compliance criteria.</p> <p>Sustainalytics notes that the Issuer exceeds the DNSH criteria threshold required for the non-hazardous construction and demolition waste generated on the construction site to be prepared for reuse, recycling and other material recovery. However, Sustainalytics also notes that the Issuer is unable to confirm complete adherence to the EU Construction and Demolition Waste Management Protocol and hence has assessed this activity as Partially Aligned.</p>	Partially Aligned
Pollution prevention and control	Where appropriate, given the sensitivity of the area affected, in particular in terms of the size of population affected, noise and vibrations from use of infrastructure are mitigated by introducing open trenches, wall	Hungary's national railway company has implemented dedicated policies to address the management and mitigation of noise and vibration. The policy provides a clear framework for implementing measures aimed at reducing noise and vibration levels. Moreover, the national railway company has established additional policies	Aligned

⁷⁶ EU Construction and Demolition Waste Protocol (version of [adoption date]: https://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_en)

⁷⁷ Hungarian Central Statistical Office, "Amount of each type of waste according to treatment method – Management of construction and demolition waste", at: https://www.ksh.hu/stadat_files/kor/hu/kor0029.html

⁷⁸ European Commission, "Directive 2008/98/EC of the European Parliament and of The Council", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0098>

	<p>barriers, or other measures and comply with Directive 2002/49/EC of the European Parliament and of the Council.⁷⁹</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>that specify the requirements for minimizing the environmental impact of noise.</p> <p>The Directive 2002/49/EC of the European Parliament and of the Council was transposed into Hungarian law in 2001 and 2004 under Magyar Közlöny; Number: 2004/97.</p>	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 8

Framework Activity assessed	Public and low-carbon road transport infrastructure		
EU Taxonomy Activity	6.15. Infrastructure enabling low-carbon road transport and public transport		
Corresponding NACE Code	F42.11 and F42.13		
	SC Criteria	Alignment	
Mitigation	<p>1) The activity complies with one or more of the following criteria:</p> <p>a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO₂ emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems (ERS);</p> <p>b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods;</p> <p>c) the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems.</p> <p>2) The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	<p>The Issuer has confirmed that projects complying with criteria 1(a) and 1(c) are considered for financing.</p> <p>The Framework excludes financing of infrastructure dedicated to the transport or storage of fossil fuels.</p>	Aligned

Table 9

Framework Activity assessed	Sustainable forest management
EU Taxonomy Activity	1.2. Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event

⁷⁹ Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise

Corresponding NACE Code		A2	
		SC Criteria	Alignment
Mitigation	<p>1. Forest management plan or equivalent instrument:</p> <p>1.1. The activity takes place on area that is subject to a forest management plan or an equivalent instrument, as set out in national law or, where national law does not define a forest management plan or equivalent instrument, as referred to in the FAO definition of 'forest area with long-term forest management plan'. The forest management plan or the equivalent instrument covers a period of 10 years or more and is continuously updated.</p> <p>1.2. Information is provided on the following points that are not already documented in the forest management plan or equivalent system:</p> <ul style="list-style-type: none"> a) management goals, including major constraints; b) general strategies and activities planned to reach the management goals, including expected operations over the whole forest cycle; c) definition of the forest habitat context, including main existing and intended forest tree species, and their extent and distribution; d) definition of the area according to its gazetting in the land registry; e) compartments, roads, rights of way and other public access, physical features including waterways, areas under legal and other restrictions; f) measures deployed to maintain the good condition of forest ecosystems; g) consideration of societal issues (including preservation of landscape, consultation of stakeholders in accordance with the terms and conditions laid down in national law); h) assessment of forest related risks, including forest fires, and pests and diseases outbreaks, with the aim of preventing, reducing and controlling the risks and measures deployed to ensure protection and adaptation against residual risks; (i) all DNSH criteria relevant to forest management. <p>1.3. The sustainability of the forest management systems, as documented in the plan referred to in point 1.1, is ensured by choosing the most ambitious of the following approaches:</p> <ul style="list-style-type: none"> a) the forest management matches the applicable national definition of sustainable forest management; b) the forest management matches the Forest Europe definition of sustainable forest management, and 	<p>Sustainalytics notes that Hungary's Forest Act offers a robust framework for the management and protection of forests while noting the Issuer does not currently have sufficient data and information to confirm compliance with the entire set of specific criteria.</p> <p>For more detailed information on Hungary's forest management practices, which ensure adherence to majority of the criteria, please refer to the information provided below:</p> <p>According to the Forest Act in Hungary, any area larger than 0.5 hectares that is covered by at least 30% forest trees with a height of over 2 meters is classified as a forest (Article 6(2) of the Forest Act). Forest planning requires approval from the forestry authority, except for "forest at free disposal" as stated in Paragraph 11 of the Forest Act.</p> <p>The state, as outlined in Section 30, Paragraph (1) of the Forest Act, holds responsibility for protecting forest assets, monitoring and maintaining forest status, fulfilling their purpose, providing continuous services and usage opportunities, enforcing public interests related to forests, and planning sustainable forest management activities. This includes issuing ministerial decrees for special forest management and regional forest planning rules, regularly reviewing forest conditions and defining sustainable forest management frameworks at the district and section levels. The state also operates the National Forest-Stock Database and establishes a licensing, reporting, and control system for forest management activities.</p> <p>Hungary's forest areas are divided into forest planning districts, and forest plans approved by the forestry authority govern forest management within these districts. The forest plans ensure professional and sustainable forest management, aiming to prevent forest area reduction, maintain forest conditions, and preserve natural values. The forestry authority reviews and establishes forest plans every ten years, following a regulated procedure. Forest plan decisions are made for each forest planning district, and the forestry authority oversees compliance with the plans.</p> <p>The objective of forest regulation is to protect forests and their natural values, ensure long-term timber/wood supply, and</p>	Partially Aligned

	<p>complies with the Pan-European Operational Level Guidelines for Sustainable Forest Management;</p> <p>c) the management system in place complies with the forest sustainability criteria laid down in Article 29(6) of Directive (EU) 2018/2001, and as of the date of its application with the implementing act on operational guidance for energy from forest biomass adopted under Article 29(8) of that Directive.</p> <p>1.4. The activity does not involve the degradation of land with high carbon stock.</p> <p>1.5. The management system associated with the activity in place complies with the due diligence obligation and legality requirements laid down in Regulation (EU) No 995/2010.</p> <p>1.6. The forest management plan or equivalent instrument provides for monitoring which ensures the correctness of the information contained in the plan, in particular as regards the data relating to the involved area.</p> <p>2. Climate benefit analysis:</p> <p>2.1. For areas that comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria: (a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated to the business-as-usual practices that would have occurred on the involved area in the absence of the activity; (b) long-term climate benefits are considered demonstrated by proof of alignment with Article 29(7), point (b), of Directive (EU) 2018/2001.</p> <p>2.2. For areas that do not comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria:</p> <p>a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated</p>	<p>safeguard public interests. Forest plans, along with other forest-related data, are part of the National Forest-Stock Database.</p> <p>During district-level forest planning, the forestry authority conducts field surveys, reviews the forest register and spatial order, determines the naturalness status of each forest section, explores forestry interventions, forest renewal, and end-use possibilities, and identifies mandatory logging areas. Logging, afforestation, forest renewal, and end-use options are assessed for implementation until the next district forest planning.</p> <p>To protect forest ecosystems, the Forest Act prohibits planting aggressively spreading non-native species within a 100-meter radius of natural and close to natural forests, protected areas not used for forestry, and designated habitats of community importance in Natura 2000 areas. Afforestation with non-native tree species is only permitted in forest renewal if it does not endanger highly natural forests. Efforts should be made to reduce non-native tree species during forest cultivation to increase forest naturalness.</p> <p>The Forest Act, as well as EU Regulation 995/2010/EU (EUTR Regulation), requires merchants involved in the timber trade chain to maintain records of suppliers, customers, and traded wood products for traceability. Members of the timber trade chain in Hungary are obliged to report relevant data to the forestry authority, ensuring clear identification of wood trade activities, responsible parties, and locations involved.</p>	
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	<p>to the business-as-usual practices that would have occurred on the involved area in the absence of the activity.</p> <p>b) the projected long-term average net GHG balance of the activity is lower than the long-term average GHG balance projected for the baseline, referred to in point 2.2, where long term corresponds to the longer duration between 100 years and the duration of an entire forest cycle.</p> <p>2.3. The calculation of climate benefit complies with all of the following criteria:</p> <p>a) the analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The climate benefit analysis is based on transparent, accurate, consistent, complete and comparable information, covers all carbon pools impacted by the activity, including above-ground biomass, belowground biomass, deadwood, litter and soil, relies on the most conservative assumptions for calculations and includes appropriate considerations about the risks of non-permanence and reversals of carbon sequestration, the risk of saturation and the risk of leakage.</p> <p>b) the business-as-usual practices, including harvesting practices, are one of the following: (i) the management practices as documented in the latest version of the forest management plan or equivalent instrument before the start of the activity, if any; (ii) the most recent business-as-usual practices prior to the start of the activity; (iii) the practices corresponding to a management system ensuring that carbon stocks and sinks levels in the forest area are maintained or strengthened over the long term as set out in Article 29(7), point (b), of Directive (EU) 2018/2001.</p> <p>c) the resolution of the analysis is proportionate to the size of the area concerned and values specific to the area concerned are used.</p> <p>d) emissions and removals that occur due to natural disturbances, such as pests and diseases infestations, forest fires, wind, storm damages, that impact the area and cause underperformance do not result in non-compliance with Regulation (EU) 2020/852, provided that the climate benefit analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories regarding emissions and removals due to natural disturbances.</p> <p>2.4. Forest holdings under 13 ha are not required to perform a climate benefit analysis.</p>		
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	<p>3. Guarantee of permanence:</p> <p>3.1. In accordance with national law, the forest status of the area in which the activity takes place is guaranteed by one of the following measures:</p> <ol style="list-style-type: none"> a) the area is classified in the permanent forest estate as defined by the FAO; b) the area is classified as a protected area; c) the area is the subject of any legal or contractual guarantee ensuring that it will remain a forest. <p>3.2. In accordance with national law, the operator of the activity commits that future update to the forest management plan or equivalent instrument, beyond the activity that is financed, will continue to seek the climate benefits as determined in point 2. Besides, the operator of the activity commits to compensate any reduction in the climate benefit determined in point 2 with an equivalent climate benefit resulting from the conduct of an activity that corresponds to one of the forestry activities defined in this Regulation.</p> <p>4. Audit: Within two years after the beginning of the activity and every 10 years thereafter, the compliance of the activity with the substantial contribution to climate change mitigation criteria and the DNSH criteria are verified by either of the following:</p> <ol style="list-style-type: none"> a) the relevant national competent authorities; b) an independent third-party certifier, at the request of national authorities or the operator of the activity. In order to reduce costs, audits may be performed together with any forest certification, climate certification or other audit. The independent third-party certifier may not have any conflict of interest with the owner or the funder and may not be involved in the development or operation of the activity. <p>5. Group assessment: The compliance with the criteria for substantial contribution to climate change mitigation and with DNSH criteria may be checked:</p> <ol style="list-style-type: none"> a) at the level of the forest sourcing area as defined in Article 2, point (30), of Directive (EU) 2018/2001; b) at the level of a group of holdings sufficiently homogeneous to evaluate the risk of the sustainability of the forest activity, provided that all those holdings have a durable relationship between them and participate in the activity and the group of those holdings remains the same for all subsequent audits. 		
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Table 10

Framework Activity assessed		Sustainable forest management	
EU Taxonomy Activity		1.3. Forest management	
Corresponding NACE Code		A2	
		SC Criteria	Alignment
Mitigation	<p>1) Forest management plan or equivalent instrument:</p> <p>1.1. The activity takes place on area that is subject to a forest management plan or an equivalent instrument, as set out in national law or, where national law does not define a forest management plan or equivalent instrument, as referred to in the FAO definition of 'forest area with long-term forest management plan'. The forest management plan or equivalent instrument covers a period of 10 years or more and is continuously updated.</p> <p>1.2. Information is provided on the following points that are not already documented in the forest management plan or equivalent system:</p> <ul style="list-style-type: none"> a) management goals, including major constraints; b) general strategies and activities planned to reach the management goals, including expected operations over the whole forest cycle; c) definition of the forest habitat context, including main existing and intended forest tree species, and their extent and distribution; d) definition of the area according to its gazetting in the land registry; e) compartments, roads, rights of way and other public access, physical features including waterways, areas under legal and other restrictions; f) measures deployed to maintain the good condition of forest ecosystems; g) consideration of societal issues (including preservation of landscape, consultation of stakeholders in accordance with the terms and conditions laid down in national law); h) assessment of forest related risks, including forest fires, and pests and diseases outbreaks, with the aim of preventing, reducing and controlling the risks and measures deployed to ensure protection and adaptation against residual risks; i) all DNSH criteria relevant for forest management. <p>1.3. The sustainability of the forest management systems, as documented in the plan referred to in point 1.1, is ensured by choosing the most ambitious of the following approaches:</p>	<p>Sustainalytics notes that Hungary's Forest Act offers a robust framework for the management and protection of forests while noting the Issuer does not currently have sufficient data and information to confirm compliance with the entire set of specific criteria.</p> <p>For more detailed information on Hungary's forest management practices, which ensure adherence to majority of the criteria, please refer to the information provided below:</p> <p>According to the Forest Act in Hungary, any area larger than 0.5 hectares that is covered by at least 30% forest trees with a height of over 2 meters is classified as a forest (Article 6(2) of the Forest Act). Forest planning requires approval from the forestry authority, except for "forest at free disposal" as stated in Paragraph 11 of the Forest Act.</p> <p>The state, as outlined in Section 30, Paragraph (1) of the Forest Act, holds responsibility for protecting forest assets, monitoring and maintaining forest status, fulfilling their purpose, providing continuous services and usage opportunities, enforcing public interests related to forests, and planning sustainable forest management activities. This includes issuing ministerial decrees for special forest management and regional forest planning rules, regularly reviewing forest conditions and defining sustainable forest management frameworks at the district and section levels. The state also operates the National Forest-Stock Database and establishes a licensing, reporting, and control system for forest management activities.</p> <p>Hungary's forest areas are divided into forest planning districts, and forest plans approved by the forestry authority govern forest management within these districts. The forest plans ensure professional and sustainable forest management, aiming to prevent forest area reduction, maintain forest conditions, and preserve natural values. The forestry authority reviews and establishes forest plans every ten years, following a regulated procedure. Forest plan decisions are made for each forest planning</p>	Partially Aligned

	<ul style="list-style-type: none"> a) the forest management matches the applicable national definition of sustainable forest management; b) the forest management matches the Forest Europe definition of sustainable forest management, and complies with the Pan-European Operational Level Guidelines for Sustainable Forest Management; c) the management system in place shows compliance with the forest sustainability criteria set out in Article 29(6) of Directive (EU) 2018/2001, and as of the date of its application with the implementing act on operational guidance for energy from forest biomass adopted under Article 29(8) of that Directive. <p>1.4. The activity does not involve the degradation of land with high carbon stock.</p> <p>1.5. The management system associated with the activity in place complies with the due diligence obligation and legality requirements laid down in Regulation (EU) No 995/2010. 1.6. The forest management plan or equivalent instrument provides for monitoring which ensures the correctness of the information contained in the plan, in particular as regards the data relating to the involved area.</p> <p>2) Climate benefit analysis:</p> <p>2.1. For areas that comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria: (a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated to the business-as-usual practices that would have occurred on the involved area in the absence of the activity; (b) long-term climate benefits are considered demonstrated by proof of alignment with Article 29(7), point (b), of Directive (EU) 2018/2001.</p> <p>2.2. For areas that do not comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria:</p> <ul style="list-style-type: none"> a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the 	<p>district, and the forestry authority oversees compliance with the plans.</p> <p>The objective of forest regulation is to protect forests and their natural values, ensure long-term timber/wood supply, and safeguard public interests. Forest plans, along with other forest-related data, are part of the National Forest-Stock Database.</p> <p>During district-level forest planning, the forestry authority conducts field surveys, reviews the forest register and spatial order, determines the naturalness status of each forest section, explores forestry interventions, forest renewal, and end-use possibilities, and identifies mandatory logging areas. Logging, afforestation, forest renewal, and end-use options are assessed for implementation until the next district forest planning.</p> <p>To protect forest ecosystems, the Forest Act prohibits planting aggressively spreading non-native species within a 100-meter radius of natural and close to natural forests, protected areas not used for forestry, and designated habitats of community importance in Natura 2000 areas. Afforestation with non-native tree species is only permitted in forest renewal if it does not endanger highly natural forests. Efforts should be made to reduce non-native tree species during forest cultivation to increase forest naturalness.</p> <p>The Forest Act, as well as EU Regulation 995/2010/EU (EUTR Regulation), requires merchants involved in the timber trade chain to maintain records of suppliers, customers, and traded wood products for traceability. Members of the timber trade chain in Hungary are obliged to report relevant data to the forestry authority, ensuring clear identification of wood trade activities, responsible parties, and locations involved.</p>	
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	<p>activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated to the business-as-usual practices that would have occurred on the involved area in the absence of the activity.</p> <p>b) the projected long-term average net GHG balance of the activity is lower than the long-term average GHG balance projected for the baseline, referred to in point 2.2, where long term corresponds to the longer duration between 100 years and the duration of an entire forest cycle.</p> <p>2.3. The calculation of climate benefit complies with all of the following criteria:</p> <p>a) the analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories⁴⁵. The climate benefit analysis is based on transparent, accurate, consistent, complete and comparable information, covers all carbon pools impacted by the activity, including above-ground biomass, belowground biomass, deadwood, litter and soil, relies on the most conservative assumptions for calculations and includes appropriate considerations about the risks of non-permanence and reversals of carbon sequestration, the risk of saturation and the risk of leakage.</p> <p>b) The business-as-usual practices, including harvesting practices, are one of the following:</p> <ol style="list-style-type: none"> i. the management practices as documented in the latest version of the forest management plan or equivalent instrument before the start of the activity, if any; ii. the most recent business-as-usual practices prior to the start of the activity; iii. the practices corresponding to a management system ensuring that carbon stocks and sinks levels in the forest area are maintained or strengthened over the long term as set out in Article 29(7), point (b), of Directive (EU) 2018/2001. <p>c) the resolution of the analysis is proportionate to the size of the area concerned and values specific to the area concerned are used.</p> <p>d) emissions and removals that occur due to natural disturbances, such as pests and diseases infestations, forest fires, wind, storm damages, that impact the area and cause underperformance do not result in non-compliance with Regulation (EU) 2020/852, provided that the climate benefit analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas</p>		
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	<p>Inventories regarding emissions and removals due to natural disturbances.</p> <p>2.4. Forest holdings under 13 ha are not required to perform a climate benefit analysis.</p> <p>3) Guarantee of permanence:</p> <p>3.1. In accordance with national law, the forest status of the area in which the activity takes place is guaranteed by one of the following measures: (a) the area is classified in the permanent forest estate as defined by the FAO; (b) the area is classified as a protected area; (c) the area is the subject of any legal or contractual guarantee ensuring that it will remain a forest.</p> <p>3.2. In accordance with national law, the operator of the activity commits that future update to the forest management plan or equivalent instrument, beyond the activity that is financed, will continue to seek the climate benefits as determined in point 2. Besides, the operator of the activity commits to compensate any reduction in the climate benefit determined in point 2 with an equivalent climate benefit resulting from the conduct of an activity that corresponds to one of the forestry activities defined in this Regulation.</p> <p>4) Audit: Within two years after the beginning of the activity and every 10 years thereafter, the compliance of the activity the substantial contribution to climate change mitigation criteria and the DNSH criteria is verified by either of the following:</p> <ul style="list-style-type: none"> a) the relevant national competent authorities; b) an independent third-party certifier, at the request of national authorities or the operator of the activity. In order to reduce costs, audits may be performed together with any forest certification, climate certification or other audit. The independent third-party certifier may not have any conflict of interest with the owner or the funder and may not be involved in the development or operation of the activity. <p>5) Group assessment: The compliance with the criteria for substantial contribution to climate change mitigation and with DNSH criteria may be checked:</p> <ul style="list-style-type: none"> a) at the level of the forest sourcing area as defined in Article 2, point (30), of Directive (EU) 2018/2001; b) at the level of a group of holdings sufficiently homogeneous to evaluate the risk of the sustainability of the forest activity, provided that all those holdings have a durable relationship between them and participate in the activity and the group of those holdings remains the same for all subsequent audits. 		
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Table 11

Framework Activity assessed		Sustainable forest management	
EU Taxonomy Activity		1.4 Conservation forestry	
Corresponding NACE Code		A2	
		SC Criteria	Alignment
Mitigation	<p>1) Forest management plan or equivalent instrument:</p> <p>1.1. The activity takes place on area that is subject to a forest management plan or an equivalent instrument, as set out in national law or, where national regulation does not define a forest management plan, as referred to in the FAO definition of 'forest area with long-term forest management plan'. The forest management plan or the equivalent instrument covers a period of 10 years or more and is continuously updated.</p> <p>1.2. Information is provided on the following points that are not already documented in the forest management plan or equivalent system:</p> <ul style="list-style-type: none"> a) management goals, including major constraints; b) general strategies and activities planned to reach the management goals, including expected operations over the whole forest cycle; c) definition of the forest habitat context, main forest tree species and those intended and their extent and distribution, in accordance to the local forest ecosystem context; d) definition of the area according to its gazetting in the land registry; e) compartments, roads, rights of way and other public access, physical features including waterways, areas under legal and other restrictions; f) measures deployed to maintain the good condition of forest ecosystems; g) consideration of societal issues (including preservation of landscape, consultation of stakeholders in accordance with the terms and conditions laid down in national law); h) assessment of forest related risks, including forest fires, and pests and diseases outbreaks, with the aim of preventing, reducing and controlling the risks and measures deployed to ensure protection and adaptation against residual risks; (i) all DNSH relevant to forest management. <p>1.3. The forest management plan or the equivalent instrument:</p>	<p>Sustainalytics notes that Hungary's Forest Act offers a robust framework for the management and protection of forests while noting the Issuer does not currently have sufficient data and information to confirm compliance with the entire set of specific criteria.</p> <p>For more detailed information on Hungary's forest management practices, which ensure adherence to majority of the criteria, please refer to the information provided below:</p> <p>According to the Forest Act in Hungary, any area larger than 0.5 hectares that is covered by at least 30% forest trees with a height of over 2 meters is classified as a forest (Article 6(2) of the Forest Act). Forest planning requires approval from the forestry authority, except for "forest at free disposal" as stated in Paragraph 11 of the Forest Act.</p> <p>The state, as outlined in Section 30, Paragraph (1) of the Forest Act, holds responsibility for protecting forest assets, monitoring and maintaining forest status, fulfilling their purpose, providing continuous services and usage opportunities, enforcing public interests related to forests, and planning sustainable forest management activities. This includes issuing ministerial decrees for special forest management and regional forest planning rules, regularly reviewing forest conditions and defining sustainable forest management frameworks at the district and section levels. The state also operates the National Forest-Stock Database and establishes a licensing, reporting, and control system for forest management activities.</p> <p>Hungary's forest areas are divided into forest planning districts, and forest plans approved by the forestry authority govern forest management within these districts. The forest plans ensure professional and sustainable forest management, aiming to prevent forest area reduction, maintain forest conditions, and preserve natural values. The forestry authority reviews and establishes forest plans every ten years, following a regulated</p>	Partially Aligned

	<ul style="list-style-type: none"> a) shows a primary designated management objective that consists in protection of soil and water, conservation of biodiversity or social services based on the FAO definitions; b) promotes biodiversity-friendly practices that enhance forests' natural processes; c) includes an analysis of: <ul style="list-style-type: none"> i. impacts and pressures on habitat conservation and diversity of associated habitats; ii. condition of harvesting minimizing soil impacts; iii. other activities that have an impact on conservation objectives, such as hunting and fishing, agricultural, pastoral and forestry activities, industrial, mining, and commercial activities. <p>1.4. The sustainability of the forest management systems as documented in the plan referred to in point 1.1 is ensured by choosing the most ambitious of the following approaches:</p> <ul style="list-style-type: none"> a) the forest management matches the national definition of sustainable forest management, if any; b) the forest management matches the Forest Europe definition of sustainable forest management and complies with the Pan-European Operational Level Guidelines for Sustainable Forest Management; c) the management system in place shows compliance with the forest sustainability criteria as defined in Article 29(6) of Directive (EU) 2018/2001, and as of the date of its application with the implementing act on operational guidance for energy from forest biomass adopted under Article 29(8) of that Directive. <p>1.5. The activity does not involve the degradation of land with high carbon stock.</p> <p>1.6. The management system associated with the activity in place complies with the due diligence obligation and legality requirements laid down in Regulation (EU) No 995/2010.</p> <p>1.7. The forest management plan or equivalent instrument provides for monitoring which ensures the correctness of the information contained in the plan, in particular as regards the data relating to the involved area.</p> <p>2) Climate benefit analysis:</p> <p>2.1. For areas that comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria:</p>	<p>procedure. Forest plan decisions are made for each forest planning district, and the forestry authority oversees compliance with the plans.</p> <p>The objective of forest regulation is to protect forests and their natural values, ensure long-term timber/wood supply, and safeguard public interests. Forest plans, along with other forest-related data, are part of the National Forest-Stock Database.</p> <p>During district-level forest planning, the forestry authority conducts field surveys, reviews the forest register and spatial order, determines the naturalness status of each forest section, explores forestry interventions, forest renewal, and end-use possibilities, and identifies mandatory logging areas. Logging, afforestation, forest renewal, and end-use options are assessed for implementation until the next district forest planning.</p> <p>To protect forest ecosystems, the Forest Act prohibits planting aggressively spreading non-native species within a 100-meter radius of natural and close to natural forests, protected areas not used for forestry, and designated habitats of community importance in Natura 2000 areas. Afforestation with non-native tree species is only permitted in forest renewal if it does not endanger highly natural forests. Efforts should be made to reduce non-native tree species during forest cultivation to increase forest naturalness.</p> <p>The Forest Act, as well as EU Regulation 995/2010/EU (EUTR Regulation), requires merchants involved in the timber trade chain to maintain records of suppliers, customers, and traded wood products for traceability. Members of the timber trade chain in Hungary are obliged to report relevant data to the forestry authority, ensuring clear identification of wood trade activities, responsible parties, and locations involved.</p>	
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	<ul style="list-style-type: none"> a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated to the business-as-usual practices that would have occurred on the involved area in the absence of the activity; b) long-term climate benefits are considered demonstrated by proof of alignment with Article 29(7), point (b), of Directive (EU) 2018/2001. <p>2.2. For areas that do not comply with the requirements at forest sourcing area level to ensure that carbon stocks and sinks levels in the forest are maintained or strengthened over the long term in accordance with Article 29(7), point (b), of Directive (EU) 2018/2001 the activity complies with the following criteria:</p> <ul style="list-style-type: none"> a) the climate benefit analysis demonstrates that the net balance of GHG emissions and removals generated by the activity over a period of 30 years after the beginning of the activity is lower than a baseline, corresponding to the balance of GHG emissions and removals over a period of 30 years starting at the beginning of the activity, associated to the business-as-usual practices that would have occurred on the involved area in the absence of the activity. b) the projected long-term average net GHG balance of the activity is lower than the long-term average GHG balance projected for the baseline, referred to in point 2.2, where long term corresponds to the longer duration between 100 years and the duration of an entire forest cycle. <p>2.3. The calculation of climate benefit complies with all of the following criteria:</p> <ul style="list-style-type: none"> a) the analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The climate benefit analysis is based on transparent, accurate, consistent, complete and comparable information, covers all carbon pools impacted by the activity, including above-ground biomass, belowground biomass, deadwood, litter and soil, relies on the most conservative assumptions for calculations and includes appropriate considerations about the risks of non-permanence and reversals of carbon sequestration, the risk of saturation and the risk of leakage. b) the business as-usual practices, including harvesting practices, are one of the following: (i) the management practices as documented in the latest version of the forest 		
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	<p>management plan or equivalent instrument before the start of the activity, if any; (ii) the most recent business-as-usual practices prior to the start of the activity; (iii) the practices corresponding to a management system ensuring that carbon stocks and sinks levels in the forest area are maintained or strengthened over the long term as set out in Article 29(7), point (b), of Directive (EU) 2018/2001.</p> <p>c) the resolution of the analysis is proportionate to the size of the area concerned and values specific to the area concerned are used.</p> <p>d) emissions and removals that occur due to natural disturbances, such as pests and diseases infestations, forest fires, wind, storm damages, that impact the area and cause underperformance do not result in non-compliance with the criteria of Regulation (EU) 2020/852, provided that the climate benefit analysis is consistent with the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories regarding emissions and removals due to natural disturbances.</p> <p>2.4. Forest holdings under 13 ha are not required to perform a climate benefit analysis.</p> <p>3) Guarantee of permanence:</p> <p>3.1. In accordance with national law, the forest status of the area in which the activity takes place is guaranteed by one of the following measures:</p> <p>a) the area is classified in the permanent forest estate as defined by the FAO;</p> <p>b) the area is classified as a protected area;</p> <p>c) the area is the subject of any legal or contractual guarantee ensuring that it will remain a forest.</p> <p>3.2. In accordance with national law, the operator of the activity commits that future update to the forest management plan or equivalent instrument, beyond the activity that is financed, will continue to seek the climate benefits as determined in point 2. Besides, the operator of the activity commits to compensate any reduction in the climate benefit determined in point 2 with an equivalent climate benefit resulting from the conduct of an activity that corresponds to one of the forestry activities defined in this Regulation.</p> <p>4) Audit: Within two years after the beginning of the activity and every 10 years thereafter, the compliance of the activity with the substantial contribution to climate change mitigation criteria and the DNSH criteria are verified by either of the following:</p>		
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	<p>a) the relevant national competent authorities; b) an independent third-party certifier, at the request of national authorities or the operator of the activity. In order to reduce costs, audits may be performed together with any forest certification, climate certification or other audit. The independent third-party certifier may not have any conflict of interest with the owner or the funder and may not be involved in the development or operation of the activity.</p> <p>5) Group assessment: The compliance with the criteria for substantial contribution to climate change mitigation and with DNSH criteria may be checked: a) at the level of the forest sourcing area as defined in Article 2, point (30), of Directive (EU) 2018/2001; b) at the level of a group of forest holdings sufficiently homogeneous to evaluate the risk of the sustainability of the forest activity, provided that all those holdings have a durable relationship between them and participate in the activity and the group of those holdings remains the same for all subsequent audits.</p>		
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Table 12

Framework Activity assessed	New construction, major renovations and acquisition of energy efficient buildings		
EU Taxonomy Activity	7.1 Construction of new buildings		
Corresponding NACE Code	F41.1 and F41.2		
	SC Criteria	Alignment	
Mitigation	<p>Constructions of new buildings for which:</p> <p>1) The Primary Energy Demand (PED),⁸⁰ defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.⁸¹ The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2) For buildings larger than 5000 m²,⁸² upon completion, the building resulting from the construction undergoes testing for</p>	<p>The Framework includes the financing of residential and commercial buildings in Hungary. The Government relies on the EU Taxonomy criteria and green building certifications including LEED “Gold” and BREEAM “Very Good” and may include financing new construction for buildings built after 31st December 2020 where the Primary Energy Demand (PED) is at least 10% lower than the threshold set for nearly zero-energy buildings (nZEB) requirements in national measures implementing Directive 2010/31/EU</p> <p>While the Issuer may consider the TSC criteria related to nZEB requirements in national measures implementing Directive</p>	Not Aligned

⁸⁰ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁸¹ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings

⁸² For residential buildings, the testing is made for a representative set of dwelling/apartment types.

	<p>airtightness and thermal integrity,⁸³ and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative, where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3) For buildings larger than 5000 m²,⁸⁴ the life-cycle Global Warming Potential (GWP)⁸⁵ of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>2010/31/EU for construction of new buildings, Sustainalytics notes that Issuer is unable to confirm that it may solely rely on the same. Furthermore, the Issuer is unable to confirm compliance with the TSC criteria for buildings larger than 5000 m². Hence, Sustainalytics has assessed this activity as not aligned.</p>	
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Table 13

Framework Activity assessed	New construction, major renovations and acquisition of energy efficient buildings		
EU Taxonomy Activity	7.2. Renovation of existing buildings		
Corresponding NACE Code	F41 and F43		
SC Criteria		Alignment	
Mitigation	The building renovation complies with the applicable requirements for major renovations. ⁸⁶ Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %. ⁸⁷	<p>The Framework includes financing major renovations which lead to a reduction of primary energy demand (PED) of at least 30% and renovations that achieve green building certifications including LEED “Gold” and BREEAM “Very Good”.</p> <p>Issuer has confirmed that 30% improvement in PED may not be uniformly adhered to all the projects and hence Sustainalytics has assessed this activity as not aligned.</p>	Not Aligned

Table 14

Framework Activity assessed	New construction, major renovations and acquisition of energy efficient buildings		
EU Taxonomy Activity	7.7. Acquisition and ownership of buildings		
Corresponding NACE Code	L68		

⁸³ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.

⁸⁴ For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁸⁵ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years.

⁸⁶ As set in the applicable national and regional building regulations for ‘major renovation’ implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

⁸⁷ The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.

SC Criteria		Alignment	
Mitigation	<p>1) For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2) For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p> <p>3) Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.⁸⁸</p>	<p>The Framework includes the financing of residential and commercial buildings in Hungary built before 31st December 2020 which is certified by EPC class A certification or alternatively the PED is within the top 15% of the national or regional building stock. The Issuer relies on the EU Taxonomy criteria and green building certifications including LEED "Gold" and BREEAM "Very Good".</p> <p>Though the Issuer may consider abiding with the TSC criteria related to buildings built before 31 December 2020, Sustainalytics notes that the Issuer is unable to confirm that it may solely rely on the same. Furthermore, Sustainalytics the Issuer is unable to fulfil the rest of the TSC criteria and hence assessed this activity as not aligned.</p>	Not Aligned

Table 15

Framework Activity assessed	Installation, maintenance and repair of energy efficiency equipment of the following: energy efficient light sources, heating, ventilation and air conditioning and water heating systems		
EU Taxonomy Activity	7.3. Installation, maintenance and repair of energy efficiency equipment		
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12		
SC Criteria		Alignment	
Mitigation	<p>The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation:</p> <p>a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure airtightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the</p>	<p>The Issuer has communicated to Sustainalytics that it intends to finance the installation, maintenance and repair of energy efficiency equipment under KEHOP Plusz and confirmed that the program is fully compliant with the EU Taxonomy criteria.</p>	Aligned

⁸⁸ This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

	<p>application of the insulation to the building envelope (including mechanical fixings and adhesive);</p> <p>b) replacement of existing windows with new energy efficient windows;</p> <p>c) replacement of existing external doors with new energy efficient doors;</p> <p>d) installation and replacement of energy efficient light sources;</p> <p>e) installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies;</p> <p>f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to this Annex and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow</p>		
DNSH Criteria		Alignment	
Climate Change Adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that energy efficiency projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Pollution prevention and control	In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and after the works, in accordance with national law.	<p>The Issuer has communicated to Sustainalytics that energy efficiency projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
	Building components and materials comply with the criteria set out in Appendix C of the Climate Delegate Act Annex 1. Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 16

Framework Activity assessed	Devices for measuring, regulation and controlling energy performance of buildings (e.g., zoned or smart thermostats, lighting control systems, energy management systems and smart meters for gas, heat, cool and electricity)
EU Taxonomy Activity	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

Corresponding NACE Code		F42, F43, M71, and C16, C17, C22, C23, C25, C27 and C28	
<i>SC Criteria</i>		<i>Alignment</i>	
Mitigation	<p>The activity consists in one of the following individual measures:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control; b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity; d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation. 	<p>The Issuer has communicated to Sustainalytics that it intends to finance devices for measuring, regulating and controlling energy performance of buildings under KEHOP Plusz and confirmed that the program is fully compliant with the EU Taxonomy criteria.</p>	Aligned
<i>DNSH Criteria</i>		<i>Alignment</i>	
Climate Change Adaptation	<p>The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1</p>	<p>The Issuer has communicated to Sustainalytics that energy efficiency projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

Table 17

Framework Activity assessed	Renewable energy technologies (e.g., solar photovoltaic systems, solar hot water panels, heat pumps, or thermal or electric energy storage systems as well as the ancillary technical equipment)		
EU Taxonomy Activity	7.6. Installation, maintenance and repair of renewable energy technologies		
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
	<i>SC Criteria</i>	<i>Alignment</i>	
Mitigation	<p>The activity consists in one of the following individual measures, if installed on-site as technical building systems:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool 	<p>The Issuer has communicated to Sustainalytics that it intends to finance the installation of renewable energy technologies under KEHOP Plusz and confirmed that the program is fully compliant with the EU Taxonomy criteria.</p>	Aligned

	<p>in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment;</p> <p>d) installation, maintenance and repair of wind turbines and the ancillary technical equipment;</p> <p>e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment;</p> <p>f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment;</p> <p>g) installation, maintenance and repair of high efficiency micro-CHP (combined heat and power) plant;</p> <p>h) installation, maintenance and repair of heat exchanger/recovery systems.</p>		
DNSh Criteria		Alignment	
Climate Change Adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that energy efficiency projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSh criteria.</p>	Aligned

Table 18

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.1. Electricity generation using solar photovoltaic technology		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria		Alignment	
Mitigation	The activity generates electricity using solar PV technology.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
DNSh Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSh criteria.</p>	Aligned
Circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.	Aligned

		<p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for reparability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 19

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.2. Electricity generation using concentrated solar power (CSP) technology		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria		Alignment	
Mitigation	The activity generates electricity using CSP technology.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.	Aligned

		<p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 20

Framework Activity assessed	Solar energy		
EU Taxonomy Activity	4.21. Production of heat/cool from solar thermal heating		
Corresponding NACE Code	D35.30		
SC Criteria		Alignment	
Mitigation	The activity produces heat/cool using solar thermal heating.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

		Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 21

Framework Activity assessed	Onshore and offshore wind energy		
EU Taxonomy Activity	4.3. Electricity generation from wind power		
Corresponding NACE Code	D35.11 and F42.22		
SC Criteria		Alignment	
Mitigation	The activity generates electricity from wind power.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned
Water	In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC of the European Parliament and of the Council, ⁸⁹ requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU)	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned

⁸⁹ Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy.

	2017/848 ⁹⁰ in relation to the relevant criteria and methodological standards for that descriptor.		
Circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish	<p>The Issuer has confirmed that financing renewable energy projects under the Framework are part of Hungary's KEHOP Plusz programme which ensures that substantial contribution criteria and DNSH criteria analysis is conducted on the financed projects. Further, the Issuer has confirmed that an EU Taxonomy assessment on a project level will be conducted to ensure compliance with the DNSH criteria.</p> <p>The KEHOP Plusz programme mandates using highest proportion of recycled material content, as well as the requirement to prefer repairability, the longest service life, the lowest maintenance requirement, the minimization of the content of synthetic and hazardous materials, and the preference for the use of local resources in the case of purchase of new elements, devices or equipment. This programme aligns with measures mentioned in the national legal regulations adapting EU regulations of EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Further, such projects will adhere to the provisions in the National Waste Management Plan for the period 2021- 2027.</p>	Aligned
Biodiversity and ecosystems	In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	Aligned
	Refer to the assessment set out in Appendix 3, Table 44		Aligned

⁹⁰ Commission Decision (EU) 2017/848 of 17 May 2017 laying down criteria and methodological standards on good environmental status of marine waters and specifications and standardised methods for monitoring and assessment, and repealing Decision 2010/477/EU

Table 22

Framework Activity assessed		Hydropower energy	
EU Taxonomy Activity		4.5. Electricity generation from hydropower	
Corresponding NACE Code		D35.11 and F42.22	
		SC Criteria	Alignment
Mitigation	<p>The activity complies with either of the following criteria:</p> <ul style="list-style-type: none"> a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; b) the power density of the electricity generation facility is above 5 W/m²; c) the life cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh. <p>The life cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018⁹¹, ISO 14064-1:2018⁹² or the G-res tool.⁹³ Quantified life cycle GHG emissions are verified by an independent third party.</p>	<p>The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy. Furthermore, the Issuer confirmed that quantified life cycle GHG emissions will be verified by an independent third party and calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018⁹⁴, ISO 14064-1:2018⁹⁵ or the G-res tool.⁹⁶</p>	Aligned
		DNSH Criteria	Alignment
Climate change adaptation	<p>The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1</p>	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	<ol style="list-style-type: none"> 1. The activity complies with the provisions of Directive 2000/60/EC, in particular with all the requirements laid down in Article 4 of the Directive. 2. For operation of existing hydropower plants, including refurbishment activities to enhance renewable energy or energy storage potential, the activity complies with the following criteria: <ul style="list-style-type: none"> 2.1. In accordance with Directive 2000/60/EC and in particular Articles 4 and 11 of that Directive, all technically feasible and ecologically relevant mitigation measures have been 	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

⁹¹ ISO standard 14067:2018, Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification

⁹² ISO standard 14064-1:2018, Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

⁹³ Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change

⁹⁴ ISO standard 14067:2018, Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification

⁹⁵ ISO standard 14064-1:2018, Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

⁹⁶ Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change

	<p>implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water.</p> <p>2.2. Measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies:</p> <ul style="list-style-type: none"> a) measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimise operation and discharges during migration or spawning); b) measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydropeaking operations) and sediment flow; c) measures to protect or enhance habitats. <p>2.3. The effectiveness of those measures is monitored in the context of the authorisation or permit setting out the conditions aimed at achieving good status or potential of the affected water body.</p> <p>3. For construction of new hydropower plants, the activity complies with the following criteria:</p> <p>3.1. In accordance with Article 4 of Directive 2000/60/EC and in particular paragraph 7 of that Article, prior to construction, an impact assessment of the project is carried out to assess all its potential impacts on the status of water bodies within the same river basin and on protected habitats and species directly dependent on water, considering in particular migration corridors, free-flowing rivers or ecosystems close to undisturbed conditions. The assessment is based on recent, comprehensive and accurate data, including monitoring data on biological quality elements that are specifically sensitive to hydromorphological alterations, and on the expected status of the water body as a result of the new activities, as compared to its current one. It assesses in particular the cumulated impacts of this new project with other existing or planned infrastructure in the river basin.</p> <p>3.2. On the basis of that impact assessment, it has been established that the plant is conceived, by design and location and by mitigation measures, so that it complies with one of the following requirements:</p> <ul style="list-style-type: none"> a) the plant does not entail any deterioration nor compromises the achievement of good status or potential of the specific water body it relates to; b) where the plant risks to deteriorate or compromise the achievement of good status/potential of the specific water body it relates to, such deterioration is not significant, and is justified by a detailed cost-benefit assessment demonstrating both of the following: 		
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	<ul style="list-style-type: none"> i. the reasons of overriding public interest or the fact that benefits expected from the planned hydropower plant outweigh the costs from deteriorating the status of water that are accruing to the environment and to society; ii. the fact that the overriding public interest or the benefits expected from the plant cannot, for reasons of technical feasibility or disproportionate cost, be achieved by alternative means that would lead to a better environmental outcome (such as refurbishing of existing hydropower plants or use of technologies not disrupting river continuity). <p>3.3. All technically feasible and ecologically relevant mitigation measures are implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water. Mitigation measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies:</p> <ul style="list-style-type: none"> a) measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, stateof the-art fully functional fish passes, measures to stop or minimise operation and discharges during migration or spawning); b) measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydropeaking operations) and sediment flow; c) measures to protect or enhance habitats. The effectiveness of those measures is monitored in the context of the authorisation or permit setting out the conditions aimed at achieving good status or potential of the affected water body. <p>3.4. The plant does not permanently compromise the achievement of good status/potential in any of the water bodies in the same river basin district.</p> <p>3.5. In addition to the mitigation measures referred to above, and where relevant, compensatory measures are implemented to ensure that the project does not increase the fragmentation of water bodies in the same river basin district. This is achieved by restoring continuity within the same river basin district to an extent that compensates the disruption of continuity, which the planned hydropower plant may cause. Compensation starts prior to the execution of the project.</p>		
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 23

Framework Activity assessed		Geothermal energy	
EU Taxonomy Activity		4.6. Electricity generation from geothermal energy	
Corresponding NACE Code		D35.11 and F42.22	
SC Criteria		Alignment	
Mitigation	Lifecycle GHG emissions from the generation of electricity from geothermal energy are lower than 100gCO ₂ e/kWh. Lifecycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life cycle GHG emissions are verified by an independent third party.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy. Furthermore, the Issuer confirmed that quantified life cycle GHG emissions will be verified by an independent third party and calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 ⁹⁷ , ISO 14064-1:2018 ⁹⁸ or the G-res tool. ⁹⁹ .	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Pollution prevention and control	For the operation of high-enthalpy geothermal energy systems, adequate abatement systems are in place to reduce emission levels in order not to hamper the achievement of air quality limit values set out in Directive 2004/107/EC of the European Parliament and of the Council ¹⁰⁰ and Directive 2008/50/EC of the European Parliament and of the Council. ¹⁰¹	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

⁹⁷ ISO standard 14067:2018, Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification

⁹⁸ ISO standard 14064-1:2018, Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

⁹⁹ Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change

¹⁰⁰ Directive 2004/107/EC of the European Parliament and of the Council of 15 December 2004 relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air.

¹⁰¹ Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.

Table 24

Framework Activity assessed		Geothermal energy	
EU Taxonomy Activity		4.22. Production of heat/cool from geothermal energy	
Corresponding NACE Code		D35.30	
		SC Criteria	
Mitigation	The life cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100gCO ₂ e/kWh. Lifecycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life cycle GHG emissions are verified by an independent third party.	The eligibility criteria defined in the Framework is aligned with the criteria under the EU Taxonomy. Furthermore, the Issuer confirmed that quantified life cycle GHG emissions will be verified by an independent third party and calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 ¹⁰² , ISO 14064-1:2018 ¹⁰³ or the G-res tool. ¹⁰⁴	Aligned
		Alignment	
		DNSH Criteria	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Pollution prevention and control	For the operation of high-enthalpy geothermal energy systems, adequate abatement systems are in place to reduce emission levels in order not to hamper the achievement of air quality limit values set out in Directives 2004/107/EC and 2008/50/EC.	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria. Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 25

¹⁰² ISO standard 14067:2018, Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification

¹⁰³ ISO standard 14064-1:2018, Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

¹⁰⁴ Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change

Framework Activity assessed		Bioenergy	
EU Taxonomy Activity		4.8. Electricity generation from bioenergy	
Corresponding NACE Code		D35.11	
		Alignment	
SC Criteria		Alignment	
Mitigation	<ol style="list-style-type: none"> 1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7, of that Directive. 2. The greenhouse gas emission savings from the use of biomass are at least 80 % in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. 3. Where the installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable. 4. Points 1 and 2 do not apply to electricity generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels. 5. For electricity generation installations with a total rated thermal input from 50 to 100 MW, the activity applies high-efficiency cogeneration technology, or, for electricity-only installations, the activity meets an energy efficiency level associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants. 6. For electricity generation installations with a total rated thermal input above 100 MW, the activity complies with one or more of the following criteria: <ol style="list-style-type: none"> a) attains electrical efficiency of at least 36%; b) applies highly efficient CHP (combined heat and power) technology as referred to in Directive 2012/27/EU of the European Parliament and of the Council;¹⁰⁵ c) uses carbon capture and storage technology. Where the CO₂ that would otherwise be emitted from the electricity generation process is captured for the purpose of underground storage, the CO₂ is transported and stored underground in accordance with the technical screening criteria set out in Sections 5.11 and 5.12, respectively, of this Annex. 	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
DNSH Criteria		Alignment	

¹⁰⁵ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Pollution prevention and control	<ul style="list-style-type: none"> For installations falling within the scope of Directive 2010/75/EU of the European Parliament and of the Council,¹⁰⁶ emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants. No significant cross-media effects occur.¹⁰⁷ For combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants to apply, emissions are below the emission limit values set out in Annex II, part 2, to Directive (EU) 2015/2193. For plants in zones or parts of zones not complying with the air quality limit values laid down in Directive 2008/50/EC, measures are implemented to reduce emission levels taking into account the results of the information exchange¹⁰⁸ which are published by the Commission in accordance with Article 6, paragraphs 9 and 10 of Directive (EU) 2015/2193. For anaerobic digestion of organic material, where the produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment, it meets the requirements for fertilising materials set out in Component Material Categories (CMC) 4 and 5 in Annex II to Regulation (EU) 2019/1009 or national rules on fertilisers or soil improvers for agricultural use. For anaerobic digestion plants treating over 100 tonnes per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set for anaerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best 	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

¹⁰⁶ Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions.

¹⁰⁷ Implementing Decision (EU) 2017/1442.

¹⁰⁸ The final technology report resulting from the exchange of information with Member States, the industries concerned and non-governmental organisations contains technical information on best available technologies used in medium combustion plants to reduce their environmental impacts, and on the emission levels achievable with best available and emerging technologies and the related costs, at: <https://circabc.europa.eu/ui/group/06f33a94-9829-4eee-b187-21bb783a0fbf/library/9a99a632-9ba8-4cc0-9679-08d929afda59/details>

	available techniques (BAT) conclusions for waste treatment. No significant cross-media effects occur.	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44	Aligned

Table 26

Framework Activity assessed	Bioenergy		
EU Taxonomy Activity	4.24. Production of heat/cool from bioenergy		
Corresponding NACE Code	D35.30		
SC Criteria		Alignment	
Mitigation	<ol style="list-style-type: none"> 1) Agricultural biomass used in the activity for the production of heat and cool complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive. 2) The greenhouse gas emission savings from the use of biomass are at least 80 % in relation to the GHG emission saving methodology and relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001. 3) Where the installations rely on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable. 4) Points 1 and 2 do not apply to heat generation installations with a total rated thermal input below 2 MW and using gaseous biomass fuels. 	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Pollution prevention and control	<ul style="list-style-type: none"> • For installations falling within the scope of Directive 2010/75/EU, emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the 	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.	Aligned

	<p>latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for large combustion plants,¹⁰⁹ ensuring at the same time that no significant cross-media effects occur.</p> <ul style="list-style-type: none"> • For combustion plants with thermal input greater than 1 MW but below the thresholds for the BAT conclusions for large combustion plants to apply, emissions are below the emission limit values set out in Annex II, part 2, to Directive (EU) 2015/2193. • For plants in zones or parts of zones not complying with the air quality limit values laid down in Directive 2008/50/EC, results of the information exchange,¹¹⁰ which are published by the Commission in accordance with Article 6, paragraphs 9 and 10 of Directive (EU) 2015/2193 are taken into account. • For anaerobic digestion of organic material, where the produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment, it meets the requirements for fertilising materials set out in Component Material Categories (CMC) 4 and 5 in Annex II to Regulation (EU) 2019/1009 or national rules on fertilisers or soil improvers for agricultural use. • For anaerobic digestion plants treating over 100 tonnes per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set for anaerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for waste treatment.¹¹¹ No significant cross-media effects occur. 	<p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 27

Framework Activity assessed	Transmission systems that transport electricity	
EU Taxonomy Activity	4.9. Transmission and distribution of electricity	
Corresponding NACE Code	D35.12 and D35.13	
	SC Criteria	Alignment

¹⁰⁹ Implementing Decision (EU) 2017/1442.

¹¹⁰ The final technology report resulting from the exchange of information with Member States, the industries concerned and non-governmental organisations contains technical information on best available technologies used in medium combustion plants to reduce their environmental impacts, and on the emission levels achievable with best available and emerging technologies and the related costs (version of [adoption date]: <https://circabc.europa.eu/ui/group/06f33a94-9829-4eee-b187-21bb783a0fbf/library/9a99a632-9ba8-4cc0-9679-08d929afda59/details>).

¹¹¹ Implementing Decision (EU) 2018/1147.

Mitigation	<p>The activity complies with one of the following criteria:</p> <ol style="list-style-type: none"> 1) The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: <ol style="list-style-type: none"> a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not compliant. Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.</p> 2) The activity is one of the following: <ol style="list-style-type: none"> a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO₂e/kWh measured on a life cycle basis to a substation or network; b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of this Annex; c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014178 and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1 179 . d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; 	<p>The Issuer has confirmed projects financed under this activity will comply with the criteria.</p>	<p>Aligned</p>
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- e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including: (i) sensors and measurement tools (including meteorological sensors for forecasting renewable production); (ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed).
- f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council¹⁸⁰, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs;
- g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users;
- h) construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant.

For the purposes of this Section, the following specifications apply:

- a) the rolling five-year period used in determining compliance with the thresholds is based on five consecutive historical years, including the year for which the most recent data are available;
- b) a 'system' means the power control area of the transmission or distribution network where the infrastructure or equipment is installed;
- c) transmission systems may include generation capacity connected to subordinated distribution systems;
- d) distribution systems subordinated to a transmission system that is deemed to be on a trajectory to full decarbonisation may also be deemed to be on a trajectory to full decarbonisation;
- e) to determine compliance, it is possible to consider a system covering multiple control areas which are interconnected and with significant energy exchanges between them, in which case the weighted average emissions factor across all included control areas is used, and individual subordinated transmission or distribution systems within that system is not required to demonstrate compliance separately;
- f) it is possible for a system to become non-compliant after having previously been compliant. In systems that become non-compliant, no new transmission and distribution activities are compliant from that moment onward, until the system complies again with the threshold (except for those activities that are

	<p>always compliant, see above). Activities in subordinated systems may still be compliant, where those subordinated systems meet the criteria of this Section;</p> <p>g) a direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or to the network</p>		
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for reparability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	Aligned
Pollution prevention and control	<p>Overground high voltage lines:</p> <p>a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines.¹¹²</p> <p>b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general</p>	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

¹¹² Environmental, Health, and Safety (EHS) Guidelines of 30 April 2007 (version of [adoption date]: <https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p>).

	public to electromagnetic fields (0 Hz to 300 GHz) ¹¹³ and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP). ¹¹⁴ Activities do not use PCBs polychlorinated biphenyls.	
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44	Aligned

Table 28

Framework Activity assessed	Storage of energy		
EU Taxonomy Activity	4.10. Storage of electricity		
Corresponding NACE Code	No dedicated NACE code		
<i>SC Criteria</i>		<i>Alignment</i>	
Mitigation	<p>The activity is the construction and operation of electricity storage including pumped hydropower storage.</p> <p>Where the activity includes chemical energy storage, the medium of storage (such as hydrogen or ammonia) complies with the criteria for manufacturing of the corresponding product specified in Sections 3.7 to 3.17 of this Annex. In case of using hydrogen as electricity storage, where hydrogen meets the technical screening criteria specified in Section 3.10 of this Annex, re-electrification of hydrogen is also considered part of the activity.</p>	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
<i>DNSH Criteria</i>		<i>Alignment</i>	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	In case of pumped hydropower storage not connected to a river body, the activity complies with the criteria set out in Appendix B of the EU Taxonomy Delegated Act Annex 1. In case of pumped hydropower storage connected to a river body, the activity complies with the criteria for DNSH to sustainable use and protection of water and marine	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.	Aligned

¹¹³ Council Recommendation of 12 July 1999 on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) (1999/519/EC)

¹¹⁴ ICNIRP 1998 Guidelines for limiting exposure to time-varying electric, magnetic and electromagnetic fields (up to 300 ghz) (version of [adoption date]:

<https://www.icnirp.org/cms/upload/publications/ICNIRPemfgdl.pdf>).

	resources specified in Section 4.5 (Electricity production from hydropower).	Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	
Circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 29

Framework Activity assessed	Storage of energy		
EU Taxonomy Activity	4.11. Storage of thermal energy		
Corresponding NACE Code	No dedicated NACE code		
SC Criteria		Alignment	
Mitigation	The activity stores thermal energy, including Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

Water	For Aquifer Thermal Energy Storage, the activity complies with the criteria set out in Appendix B of the EU Taxonomy Delegated Act Annex 1. Refer to the assessment set out in Appendix 3, Table 42		Aligned
Circular economy	A waste management plan is in place and ensures maximal reuse, remanufacturing or recycling at end of life, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 30

Framework Activity assessed	Storage of energy		
EU Taxonomy Activity	4.12. Storage of hydrogen		
Corresponding NACE Code	No dedicated NACE code		
SC Criteria		Alignment	
Mitigation	The activity is one of the following: <ul style="list-style-type: none"> a) construction of hydrogen storage facilities; b) conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage; c) operation of hydrogen storage facilities where the hydrogen stored in the facility meets the criteria for manufacture of hydrogen set out in Section 3.10. of this Annex. 	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.	The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.	Aligned

		Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.	
Circular economy	A waste management plan is in place and ensures maximal reuse, remanufacturing or recycling at end of life, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p> <p>Moreover, the KEHOP Plusz programme incorporates guidelines promoting the highest proportion of recycled material content, along with requirements for repairability, long service life, low maintenance, minimized synthetic and hazardous materials, and preference for local resources when purchasing new elements, devices, or equipment. This program is in line with national legal regulations that adapt EU regulations from the EU waste hierarchy Directive 2008/98/EC (amended by Directive 2018/851). Additionally, these projects will adhere to the provisions outlined in the National Waste Management Plan for the period 2021-2027.</p>	Aligned
Pollution prevention and control	In the case of storage above five tonnes, the activity complies with Directive 2012/18/EU of the European Parliament and of the Council. ¹¹⁵	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 31

Framework Activity assessed	Networks for the transmission and distribution of renewable and low-carbon gases	
EU Taxonomy Activity	4.14. Transmission and distribution networks for renewable and low-carbon gases	
Corresponding NACE Code	D35.22, F42.21 and H49.50	
	SC Criteria	Alignment

¹¹⁵ Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC.

Mitigation	<p>1) The activity consists in one of the following:</p> <ul style="list-style-type: none"> a) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases; b) conversion/repurposing of existing natural gas networks to 100% hydrogen; c) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system. <p>2) The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.</p>	The Issuer has confirmed projects financed under this activity will comply with the criteria.	Aligned
DNSH Criteria		Alignment	
Climate change adaptation	The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	Refer to the assessment set out in Appendix 3, Table 41		Aligned
Pollution prevention and control	Fans, compressors, pumps and other equipment used which is covered by Directive 2009/125/EC of the European Parliament and of the Council ¹¹⁶ comply, where relevant, with the top-class requirements of the energy label, and with implementing regulations under that Directive and represent the best available technology.	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 44		Aligned

Table 32

Framework Activity assessed	Energy infrastructure for production of heating or cooling
EU Taxonomy Activity	4.15. District heating/cooling distribution

¹¹⁶ Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of eco-design requirements for energy-related products

Corresponding NACE Code		D35.30	
<i>SC Criteria</i>		<i>Alignment</i>	
Mitigation	<p>The activity complies with one of the following criteria:</p> <ul style="list-style-type: none"> a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU; b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41, of Directive 2012/27/EU starts within a three-year period as underpinned by a contractual obligation or an equivalent in case of operators in charge of both generation and the network; c) the activity is the following: <ul style="list-style-type: none"> i. modification to lower temperature regimes; ii. advanced pilot systems (control and energy management systems, Internet of Things). 	<p>The Issuer has confirmed projects financed under this activity will comply with the criteria.</p>	Aligned
<i>DNSH Criteria</i>		<i>Alignment</i>	
Climate change adaptation	<p>The activity complies with the criteria set out in Appendix A of the Climate Delegate Act Annex 1.</p>	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Water	<p>Refer to the assessment set out in Appendix 3, Table 41</p>		Aligned
Pollution prevention and control	<p>Fans, compressors, pumps and other equipment used which is covered by Directive 2009/125/EC comply, where relevant, with the top-class requirements of the energy label, and otherwise comply with implementing regulations under that Directive and represent the best available technology.</p>	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned
Biodiversity and ecosystems	<p>Refer to the assessment set out in Appendix 3, Table 44</p>		Aligned

Table 33

Framework Activity assessed		Infrastructure and technologies for waste processing and recycling (for non-hazardous waste only)	
EU Taxonomy Activity		5.5. Collection and transport of non-hazardous waste in source segregated fractions	
Corresponding NACE Code		E38.11	
		SC Criteria	
Mitigation	All separately collected and transported non-hazardous waste that is segregated at source is intended for preparation for reuse or recycling operations.	<p>The issuer has confirmed that activities financed under the Framework will support source segregation of waste and is intended for reuse or recycling.</p> <p>The Issuer has communicated to Sustainalytics that waste processing and recycling projects will be financed through municipalities and local utilities and under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p>	Aligned

Table 34

Framework Activity assessed		Infrastructure and technologies for material recovery of recyclables including waste collection and sorting	
EU Taxonomy Activity		5.9. Material recovery from non-hazardous waste	
Corresponding NACE Code		E38.32 and F42.99	
		SC Criteria	
Mitigation	The activity converts at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.	<p>The Issuer has communicated to Sustainalytics that projects selected under this activity will be financed through municipalities and local utilities and under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer confirmed to Sustainalytics that the majority of projects financed under this activity will fully comply with the EU Taxonomy criteria.</p>	Partially Aligned

Table 35

Framework Activity assessed		Infrastructure and technologies for clean water, water efficiency and wastewater treatment	
EU Taxonomy Activity		5.1. Construction, extension and operation of water collection, treatment and supply systems	
Corresponding NACE Code		E36.00 and F42.99	
		SC Criteria	
Mitigation	<p>The water supply system complies with one of the following criteria:</p> <p>a) the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter</p>	The Issuer does not currently have sufficient data and information to confirm compliance with the specific criteria.	Not Aligned

	<p>produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy);</p> <p>b) the leakage level is either calculated using the Infrastructure Leakage Index (ILI)¹¹⁷ rating method and the threshold value equals to or is lower than 1.5 or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council.¹¹⁸ That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e., at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).</p>		
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Table 36

Framework Activity assessed	Infrastructure and technologies for clean water, water efficiency and wastewater treatment		
EU Taxonomy Activity	5.2. Renewal of water collection, treatment and supply systems		
Corresponding NACE Code	E36.00 and F42.99		
	SC Criteria	Alignment	
Mitigation	<p>The renewal of the water supply system leads to improved energy efficiency in one of the following ways:</p> <p>a) by decreasing the net average energy consumption of the system by at least 20% compared to own baseline performance averaged for three years, including abstraction and treatment, measured in kWh per cubic meter produced water supply;</p> <p>b) by closing the gap by at least 20% either between the current leakage level averaged over three years, calculated using the Infrastructure Leakage Index (ILI) rating method and an ILI of 1.5¹¹⁹ or between the current leakage level averaged over three years, calculated using another appropriate method, and the threshold value established in accordance with Article 4 of Directive (EU) 2020/2184. The current leakage level averaged over three years is calculated across the extent of water supply (distribution) network where the works are carried out, i.e. for the renewed water supply (distribution) network at district metered area(s) (DMAs) or pressure managed area(s) (PMAs).</p>	The Issuer does not currently have sufficient data and information to confirm compliance with the specific criteria.	Not Aligned

¹¹⁷ The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL)

¹¹⁸ Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption.

¹¹⁹ The Infrastructure Leakage Index (ILI) is calculated as current annual real losses (CARL)/unavoidable annual real losses (UARL)

Table 37

Framework Activity assessed		Infrastructure and technologies for clean water, water efficiency and wastewater treatment	
EU Taxonomy Activity		5.3. Construction, extension and operation of wastewater collection and treatment	
Corresponding NACE Code		E37.00 and F42.99	
		SC Criteria	
Mitigation	<p>1) The net energy consumption of the waste water treatment plant equals to or is lower than:</p> <ul style="list-style-type: none"> a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10 000 p.e.; b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10 000 and 100 000 p.e.; c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100 000 p.e. <p>Net energy consumption of the operation of the wastewater treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).</p> <p>2) For the construction and extension of a waste water treatment plant or a waste water treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed²⁰⁸. The results are disclosed to investors and clients on demand.</p>	The Issuer does not currently have sufficient data and information to confirm compliance with the specific criteria.	Not Aligned

Table 38

Framework Activity assessed		Infrastructure and technologies for clean water, water efficiency and wastewater treatment	
EU Taxonomy Activity		5.4. Renewal of wastewater collection and treatment	
Corresponding NACE Code		E37.00	
		SC Criteria	
Mitigation	<p>1) The renewal of a collection system improves energy efficiency by decreasing the average energy consumption by 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis. That decrease of energy consumption can be accounted for at the level of the project (i.e. the collection system renewal) or, across the downstream waste water agglomeration (i.e.</p>	The Issuer does not currently have sufficient data and information to confirm compliance with the specific criteria.	Not Aligned

	<p>including the downstream collection system, treatment plant or discharge of waste water).</p> <p>2) The renewal of a waste water treatment plant improves energy efficiency by decreasing the average energy consumption of the system by at least 20% compared to own baseline performance averaged over three years, demonstrated on an annual basis.</p> <p>3) For the purposes of points 1 and 2, the net energy consumption of the system is calculated in kWh per population equivalent per annum of the waste water collected or effluent treated, taking into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs) and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy).</p> <p>4) For the purpose of point 1 and 2, the operator demonstrates that there are no material changes relating to external conditions, including modifications to discharge authorisation(s) or changes in load to the agglomeration that would lead to a reduction of energy consumption, independent of efficiency measures taken.</p>		
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Table 39

Framework Activity assessed	Construction or maintenance of water collection and urban drainage infrastructure including storm water management and sewer separation		
EU Taxonomy Activity	5.6. Anaerobic digestion of sewage sludge		
Corresponding NACE Code	E37.00 and F42.99		
	SC Criteria	Alignment	
Mitigation	<p>1) A monitoring and contingency plan is in place in order to minimise methane leakage at the facility.</p> <p>2) The produced biogas is used directly for the generation of electricity or heat or upgraded to bio-methane for injection in the natural gas grid or used as vehicle fuel or as feedstock in chemical industry.</p>	The Issuer does not currently have sufficient data and information to confirm compliance with the specific criteria.	Not Aligned

Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to (i) Climate Change Adaptation; (ii) Sustainable Use and Protection of Water and Marine Resources, (iii) Pollution Prevention and Control Regarding Use And Presence of Chemicals and (iv) Protection and Restoration of Biodiversity and Ecosystems

Table 40

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	Alignment	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.¹²⁰ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under the Framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>According to Hungarian Government Decree No. 314/2005 (XII. 25.) on environmental impact assessment and unified environmental use licensing procedure, the environmental impact assessment procedure covers various activities, including assessing the living world, biological diversity, landscape, soil, air and water, climate, built environment, cultural heritage elements, and the effects of environmental elements on systems, processes, and structures. In addition, during the programming period 2014-2020, guidance was issued to integrate climate adaptation aspects into these processes.</p> <p>The climate risk and vulnerability assessment take into account the scale and expected lifespan of eligible projects, as stated in Annex 6 of Hungarian Government Decree No. 314/2005 (XII. 25). This assessment evaluates the exposure to natural hazards at the installation site and the presumed impact area related to the planned activity, utilizing historical data of at least thirty years and future data derived from climate models covering a period of at least thirty years.</p> <p>A guidance document was published during the programming period 2014-2020, providing measures to reduce potential physical climate risks associated with selected activities, integrating climate adaptation aspects into the environmental impact assessment (EIA) processes.</p> <p>The Issuer has stated that there is currently no official procedure or process in place to ensure the prevention of adverse effects on adaptation efforts, the level of resilience to physical climate risks of other entities, nature, assets, and economic activities, nor to ensure the consistency of financed activities with sectoral, regional, or national adaptation efforts. Hungary has been planning the</p>	<p>Partially Aligned</p>

¹²⁰ The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

	<p>establishment of a climate policy Monitoring, Reporting, and Evaluation (MRE) system, with the evaluation pillar potentially addressing these issues in the future.</p> <p>Regarding existing projects such as upgrades or alterations to existing assets, Hungary cannot provide information or make commitments on implementing identified adaptation solutions within five years from the start of the activity.</p> <p>Sustainalytics acknowledges that the Issuer has implemented a process for evaluating climate risk and conducting vulnerability assessments, including consideration of project scale and expected lifespan. It is also noted that the Issuer has plans to implement adaptation solutions to mitigate identified material physical climate risks. However, Sustainalytics highlights that the Issuer cannot confirm or provide information on measures to prevent adverse effects on adaptation efforts, the consistency of financed activities with sectoral/regional/national adaptation efforts, or commitments to implement identified adaptation solutions within five years from the start of the activity. Therefore, Sustainalytics assesses the alignment of these criteria with DNSH as partially aligned.</p>	
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Table 41

Criteria for Sustainable Use and Protection of Water and Marine Resources		
DNSH Criteria	Alignment	
<ul style="list-style-type: none"> Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed. 	<p>Directive 2000/60/EC of the European Parliament and of the Council, also known as the Water Framework Directive (WFD), mandates the development and regular revision of river basin management plans (RBMPs) every six years to ensure the attainment and maintenance of good status for surface and groundwater bodies. These RBMPs are required to include all necessary measures to achieve this objective. Furthermore, the WFD emphasizes the importance of an inclusive public participation process to engage relevant stakeholders. Hungary adopted its Third River Basin Management Plan in April 2022, which encompasses projects that may have potential negative impacts on water bodies, along with measures to prevent any deterioration in their status. In accordance with EU law, the legislation concerning Environmental Impact Assessment also encompasses the assessment of water-related impacts, including a specific requirement to investigate compliance with conditions that ensure</p>	<p>Aligned</p>

	the non-deterioration of water body status when exemptions to environmental objectives of the WFD are applied.	
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Table 42

Criteria for Pollution Prevention and Control Regarding Use and Presence of Chemicals		
DNSH Criteria	Alignment	
<p>The activity does not lead to the manufacture, placing on the market or use of:</p> <ul style="list-style-type: none"> a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council¹²¹, except in the case of substances present as an unintentional trace contaminant; b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council;¹²² c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council;¹²³ d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council,¹²⁴ except where there is full compliance with Article 4(1) of that Directive; e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council¹²⁵, except where there is full compliance with the conditions specified in that Annex; f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; 	<p>The Issuer has communicated to Sustainalytics that renewable energy projects will be financed under the KEHOP Plusz programme which is fully compliant with the EU Taxonomy criteria.</p> <p>Additionally, the Issuer has confirmed the implementation of an EU Taxonomy assessment at the project level to ensure compliance with DNSH criteria.</p>	Aligned

¹²¹ Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants

¹²² Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury, and repealing Regulation (EC) No 1102/2008

¹²³ Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer

¹²⁴ Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

¹²⁵ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

<p>g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society.</p>		
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Table 43

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
DNSH Criteria	Alignment with DNSH Criteria	
<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<p>All investments falling within the scope of Directive 2011/92/EU of the European Parliament and of the Council on the assessment of the effects of certain public and private projects on the environment are required to undergo an environmental impact assessment. In Hungary, the relevant legislation governing this process is Governmental Decree No. 314/2005 (XII.25.), which pertains to the procedures of environmental impact assessment and the unified procedure of authorization for environmental use.</p> <p>Under Government Decree No. 275/2004 (X.8.) concerning sites of community importance for nature conservation purposes, the authority responsible for conducting an appropriate assessment procedure in a Natura 2000 site is obligated to establish necessary mitigation and/or compensation measures for environmental protection. These measures are included as conditions in the permit issued to the developer, who is required to implement them.</p> <p>Article 31 of Act LIII of 1996 on nature conservation prohibits any activity that would alter the condition of a protected natural area, including national parks and Natura 2000 sites, in a manner contradictory to the objectives of nature conservation. Furthermore, Article 15 of Government Decree No. 625/2022 (XII.30.) on the designation of bodies responsible for nature conservation authority and administration stipulates that the national and regional nature conservation authority, or the designated specialist authority, is responsible for examining compliance with national and community legal requirements for nature and landscape protection. This examination ensures that the licensed activity, building, or facility adheres to the requirements of preserving, maintaining, developing, and restoring protected natural values and areas, as well as promoting the conservation status of species of community</p>	<p>Aligned</p>

	<p>and priority community importance and the integrity of Natura 2000 areas.</p> <p>In the case of World Heritage (WH) sites, Article 3 of Act No. LXXVII of 2011 on World Heritage states that the use, presentation, development, and restoration of the site and the area expected to be included in the World Heritage List must be conducted in a sustainable manner, preserving its universal and national values and serving the public interest. Transparent and appropriate management principles must be applied, ensuring the preservation of the original values and appearance of the location, the avoidance of damage to the site's authenticity and integrity, alignment with the cultural, historical, and natural values of the area, the prevention of any reduction or loss of universal and national values, and the fulfilment of functions and characteristics befitting a World Heritage site.</p>	
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Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hungary
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hungary Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 19, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds –Clean Transportation, Land Use & Living Natural Resources, Energy Efficiency (incl. Green Buildings), Renewable Energy, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Climate Adaptation and Research, Innovation and Awareness Raising – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9, 11, 12, 13 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Research, Innovation and Awareness Raising |

If applicable please specify the environmental taxonomy, if other than GBP:

Research, innovation and awareness raising.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Government Debt Management Agency Private Company Limited by Shares ("ÁKK"), in co-operation with the Ministry of Finance, has established a Steering Committee and an Inter-Governmental Working Group responsible for the project evaluation and selection process. Hungary has comprehensive laws and control procedures in place to mitigate environmental and social risks associated with the eligible green expenditures under the Hungary Green Bond Framework. Sustainalytics considers the project evaluation and selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Hungary's Ministry of Finance, supported by the Steering Committee and Inter-Governmental Working Group, will be responsible for the management of proceeds. Hungary aims to fully allocate net proceeds to the expenditures i) made within the two budget years preceding the year of issuance; ii) made in the same year as the issuance; and iii) future budget expenditures up to two years after issuance. Pending full allocation, unallocated proceeds will be managed according to the Treasury Department's general liquidity management policy. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)*:

Hungary commits to publicly report on the allocation of proceeds and corresponding impact, through an Integrated Green Bond Report, on an annually basis until full allocation on the ÁKK's website. The allocation report will include information on the total amount of proceeds allocated to eligible projects, the balance of unallocated proceeds and information on any updates to the eligibility criteria of the green expenditures. In addition, Hungary intends to report on relevant impact metrics. This is in line with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other *(please specify)*:

Information reported:

- Allocated amounts
- Green Bond financed share of total investment

- Other (*please specify*):
Information on any updates to
the eligibility criteria

Frequency:

- Annual Semi-annual
 Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Decrease in water use Other ESG indicators (*please specify*): Annual passenger train kilometres; annual energy production (in MWh); annual water saving (m³/a, reduction in water use in %)

Frequency

- Annual Semi-annual
 Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (*please specify*): Integrated Green Bond Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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For more information, visit www.sustainalytics.com

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