



EXIMBANK GREEN FINANCE FRAMEWORK v3

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EXIMBANK GREEN FINANCE FRAMEWORK v3 was prepared in English and Hungarian, Hungarian version is for informational purposes only. In the event of discrepancies between the English and the Hungarian version, the English version shall prevail

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Abbreviations

A list of frequently used abbreviations in this document is given below:

CB taxonomy: Climate Bonds Taxonomy¹

CBI: Climate Bonds Initiative²

DNSH: Do no significant harm

ECA: Export credit agency

EII: Environmental Impact Indicator

EIB: European Investment Bank³

ESCO: Energy Service Company

EU: European Union

EXIM: Two legal entities, i.e. the state-owned Hungarian Export-Import Bank Zrt. (Eximbank Zrt.) and Hungarian Export Credit Insurance Company Zrt. (MEHIB Zrt.)⁴

Eximbank Hungarian Export-Import Bank Plc.

GBP: Green Bond Principles⁵ prepared by International Capital Market Association (ICMA)

GHG: Greenhouse gases

GLP: Green Loan Principles⁶ prepared by the Loan Market Association (LMA)

ILO: International Labour Organization⁷

MDB: Multilateral development bank

MIGA: Multilateral Investment Guarantee Agency⁸

MNB: National Bank of Hungary⁹

MSS: Minimum Social Safeguards

OECD: Organization for Economic and Cooperation Development¹⁰

SDG: Sustainable Development Goals¹¹

SPO: Second party opinion

TEG: Technical expert group on sustainable finance

TSC: Technical screening criteria

UN United Nations¹²

¹ [CBI Taxonomy Tables-08A \(1\).pdf \(climatebonds.net\)](#), September 2021

² <https://www.climatebonds.net/>

³ <https://www.eib.org/en/index>

⁴ <https://exim.hu/>

⁵ [Green-Bond-Principles-June-2022-060623.pdf \(icmagroup.org\)](#)

⁶ [Green Loan Principles 23 February 2023.pdf \(lma.eu.com\)](#)

⁷ <https://www.ilo.org/global/lang-en/index.htm>

⁸ [Homepage | Multilateral Investment Guarantee Agency | World Bank Group \(miga.org\)](#)

⁹ <https://www.mnb.hu/web/fooldal>

¹⁰ [Home page - OECD](#)

¹¹ https://unis.unvienna.org/unis/hu/topics/sustainable_development_goals.html

¹² <https://unis.unvienna.org/unis/hu/topics/un-general.html>

1 Introduction

In 2021, Eximbank decided to establish a Green Finance Framework (hereinafter: **Framework**) in line with international and Hungarian regulations as the basis of its sustainability financing programme. The Framework defines, in accordance with the prevailing GLP, the green loan purposes that can be financed, the evaluation and selection of eligible projects, the rules for the use of loan proceeds, and the content of the annual public reporting on placement activities carried out in compliance with the Framework's conditions. In view of the changes in the GLP, all loans originated, extended or refinanced after 9 March 2023 must fully align with the new GLP effective as of 9 March 2023. All transactions completed prior to 9 March 2023 should be reviewed in conjunction with the GLP in force at the time of origination or extension of the loan.

In elaborating the Framework, Eximbank also took into account the rules established by the international taxonomies and development banks for sustainability financing, the EU and domestic programs supporting green financing as well as the goals set in Hungary's climate strategies¹³ and the related programs. With the expansion of the Framework, EXIM's intention is to encourage the sustainability related development of Hungarian enterprises, to support the implementation of their sustainable investments in line with the goals of the Paris Agreement, and to facilitate the transition of the enterprises to sustainable operations. Taking into account our green aspirations, we say "no" to certain sectors, with the aim of limiting the financing of non-sustainable activities and to reduce our exposure to coal power generation. Although undertakings are encouraged to explain their overarching strategy relating to environmental sustainability, the Framework is focussed on projects rather than borrowers. However, EXIM can request the explanation of borrowers in controversial industries in a much more transparent manner.

Before the publication of the previous versions of the Framework, Eximbank requested an external review (SPO) by an external independent expert in terms of compliance with GLP, EU Taxonomy and the CB Taxonomy. Eximbank made the SPO document based on the external review by Deloitte Zrt. publicly available on the EXIM website. Eximbank also submitted the description of the Framework to the MNB and requested a review of compliance with the MNB's Preferential Capital Requirement principles. Since the SPO and MNB approvals issued for the previous version of the Framework will not apply to this amended version of the Framework, Eximbank requested a new SPO for approval to publicly demonstrate the compliance with (1) the new version of the GLP effective as of March 9 2023, (2) the EU Taxonomy and the CB Taxonomy and (3) the new version of the MNB's Preferential Capital requirement principles effective as of September 9 2023¹⁴. The new version of the Framework will be submitted to MNB again for review.

The Framework is reviewed as necessary, but at least every two years. Some elements of the Framework may change based on the experience of the previous period, the changes in international and domestic regulations in the meantime and the possible expansion of the loan purposes.

¹³ Act XLIV of 2020 on Climate Protection and the National Clean Development Strategy

¹⁴ [tajekoztato-zvt-20230906-public.pdf \(mnb.hu\)](https://www.mnb.hu/tajekoztato-zvt-20230906-public.pdf)

1.1 Responsible financing

Consistency with UN's Sustainable development Goals (SDGs)

The Framework was developed in accordance with the objectives of the 2015 Paris Agreement. The 2015 Paris Agreement on climate change as well as the UN's Sustainable Development Goals call for action to reduce greenhouse gas emissions and create a low-carbon and climate resilient economy. Hungary is setting a good example, despite being responsible for only about 0.15% of global GHG emissions. Hungary has already made ambitious commitments in the first and second commitment periods of the Kyoto Protocol, which it has even exceeded significantly.

At the same time, it must be borne in mind that climate change is not the only environmental and social challenge facing the world and Hungary, and that this requires concerted global action. In 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development to comprehensively address these key challenges. The 17 Sustainable Development Goals, adopted unanimously, set a new universal benchmark for development by ensuring that no one is left behind. The following SDGs and associated indicators provide a benchmark against which to measure progress.



The Framework takes these goals into account and associates them with the relevant financing goals.

Consistency with EU policy

When developing and reviewing the Framework, we take into account the climate protection efforts of the EU as well. The goal of the Framework is in line with the vision of a climate neutral EU.

2 The Framework

2.1 Fundamentals

Green loans are defined as any type of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) made available exclusively to finance, re-finance or guarantee, in whole or in part, new and/or existing eligible Green Projects and which are aligned to the four core components of the GLP. Loans entered into by companies whose business are exclusively focused on the green economy (“pure play”) are considered as green loan if they are explicitly aligned with the GLP and the green eligibility criterias of the related taxonomies or MDBs.

Revolving loan can also be recognised as green provided the eligible category (or categories) of Green Projects for which the loan proceeds may be utilised is sufficiently identifiable and the loan satisfies all four core components of the GLP. Eximbank and undertakings shall determine on a case-by-case basis how best to document the use of proceeds requirement in relation to the relevant revolving loan agreement, and agree whether any additional reporting requirements and/or other conditions will apply at the point of drawdown under the revolving loan agreement.

Green loans can be used to refinance assets that have a longer operating lifetime than a loan’s tenor. Eligible projects would qualify for refinancing as long as they are in use, follow the relevant eligibility criteria at the time of the refinancing, and are still assessed as making a meaningful impact.

2.2 Structure

Based on its current business activities, potential development directions and regulators, Eximbank focuses on the following sustainability areas:

- Use of renewable energy sources in production
- Investments in energy efficiency
- Electromobility
- Sustainable real estate investments
- Sustainable agriculture
- Water management, hydropower utilisation, wastewater treatment
- Recycling, reuse and waste management in production processes (circular economy)

The purpose of the Framework is to align with the four main components of the GLP principles, which are:

Use of proceeds	<ul style="list-style-type: none"> • Description of the utilisation and earmarking of loans allocated to green projects • Demonstration of clear environmental benefits • Assessment and possible quantification of environmental benefits • Definition of green project types.
Process for project evaluation and selection	<p>The borrower must provide clear information</p> <ul style="list-style-type: none"> • The environmental sustainability objective(s) of the green projects • Complementary information on the processes the risk are identified and managed in connection to the relevant project(s) <p>The borrower encouraged to</p>

	<ul style="list-style-type: none"> • Position the information above within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability • Provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including, if applicable, exclusion criteria, and also disclose any green standards or certifications referenced in project selection • Have a process in place to identify mitigants to known or potential material risks of negative social and/or environmental impacts from the relevant project(s).
Management of proceeds	<ul style="list-style-type: none"> • The proceeds of a green loan should be credited to a dedicated account • Records of green loan placements broken down by project category in a transparent and integrated manner • Continuous up-to-date reporting of the net green loan portfolio in line with the changes in the loan portfolio • Development of an internal procedure for tracking proceeds.
Reporting	<ul style="list-style-type: none"> • Annual reporting on the use of loans • Comprehensive description of the projects, the level of resources allocated and the expected impact • Use of qualitative and quantitative measures and results, with a presentation of the main underlying methodologies

The Framework applies separate sets of criteria, based on **international (A)** and **national (B)** standards, rules, taxonomies as well as **(C) multilateral development bank** guidelines, for the Use of proceeds, and a single uniform set of rules for the Process for project evaluation and selection, the Management of proceeds and Reporting. Therefore, it combines the three types of criteria in one single document, except for the Use of proceeds sections and the relevant annexes.

During the sustainable financing, Eximbank supports and prefers compliance with the international taxonomies, especially the EU Taxonomy. However, in the case of dedicated credit purposes that are not covered by the rules of international taxonomies or, in the case where the implementation of international taxonomies is limited in terms of the way of use, the rules and acceptance conditions of (i) the national taxonomy or (ii) the multilateral development banks are applied.

Eximbank has made important steps to support the strong growth of its sustainable financial portfolio, therefore, it also considers the bond financing as an opportunity. Although the Green Loan Principles are closely aligned with the basic structure of the Green Bond Principles, some of the conditions of its main components differ. The special conditions for bonds are detailed in a separate chapter of the Framework (see chapter 6).

2.3 Related rules, guidelines

In addition to the GLP, the following strategic documents have also been taken into account in the drafting of the Framework:

- The United Nations' Sustainable Development Goals¹⁵ (SDGs)
- The latest version of the GBP¹⁶ (with June 2022 Appendix 1), effective from June 2021
- The latest version of the European Taxonomy of Sustainable Activities (EU Taxonomy¹⁷) and its technical annex¹⁸, which were prepared by the Technical Expert Group (TEG) established by the European Commission, both documents effective from March 2020
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 *on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088*¹⁹ (hereinafter: Taxonomy Regulation)
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council *by establishing the technical screening criteria (TSC) for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives*²⁰ (hereinafter: TSC Regulation)
- Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards *economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities*²¹
- The latest version of the Climate Bonds Taxonomy²² (CB Taxonomy), which sets out guidelines for a rapid transition to a low-emission economy, effective from September 21
- The latest version of the Principles of the National Bank of Hungary (MNB) on "Preferential Capital Requirements for Green Corporate and Municipal Financing"²³ (MNB Preferential Capital Requirements Principles), effective from 6 September 2023.

Changes to the GLP, GBP, EU Taxonomy, CB Taxonomy, MDB's guidelines and MNB Principles will be reflected in the revised and supplemented versions of the Framework. Additions to the Framework will also be made as the market requires and whenever our experience and processes in green finance allow

¹⁵ Resolution adopted by the General Assembly on Work of the Statistical Commission pertaining to the 2030 Agenda for Sustainable Development (A/RES/71/313), Annex. 2017. 07.06.

¹⁶ [Green-Bond-Principles-June-2022-060623.pdf \(icmagroup.org\)](https://www.icmagroup.org/Principles/Green-Bond-Principles-2022-060623.pdf)

¹⁷ Sustainable finance: TEG final report on the EU taxonomy | Knowledge for policy (europa.eu)

¹⁸ Technical annex to the TEG final report on the EU taxonomy (europa.eu)

¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=HU>

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139>

²¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214>

²² CBI Taxonomy Tables-08A (1).pdf (climatebonds.net), September 2021

²³ [tajekoztato-zvt-20230906-public.pdf \(mnb.hu\)](#)

for the inclusion of new financing purposes in the Framework. Regardless of the need for amendment, the full Framework will be reviewed at least every two years.

The Second Party Opinion issued for this version will (pursuant to international market practice) no longer apply to any amended versions of the Framework.

2.4 Exclusions

General exclusions

In addition to the transactions excluded from financing listed in the Annex to the Eximbank Business Regulations, Eximbank expressly excludes the financing of investments under the Framework in the following cases:

- the exploration, production or use of fossil fuels for the production of energy²⁴,
- investments resulting in the destruction of forests, degradation of surface water or groundwater, danger to biodiversity,
- violation of human rights and social groups.

2.5 Direct financing and financing through financial intermediaries

Direct financing

Eximbank operates the programme (evaluation, selection, management of proceeds, monitoring) in accordance with the rules and procedures laid down in the Framework.

Financing through financial intermediaries

The partner follows the detailed rules established by Eximbank in placing each individual loan, while the selection/evaluation, documentation requirements, monitoring rules are at the discretion of Eximbank. The documentation and disbursement control and monitoring tasks are (partly) delegated by Eximbank to the partner financial institution, subject to preliminary or subsequent control. Thus, in the case of green exposures, the same compliance control, green categorisation, green ratio checks, disbursement, registration, reporting and monitoring procedures apply for refinancing transactions as for direct loan transactions.

If the partner financing intermediary has a green financing framework that has been reviewed by an independent external party and, where applicable, approved by the MNB for eligibility for the preferential capital scheme in accordance with the MNB's Preferential Capital Requirements Principles for Green Corporate and Municipal Financing, Category B, point 12), Eximbank will carry out a prior review of the framework of the subject financial intermediary. It then concludes an agreement with the financial intermediary setting out the scope of eligible transactions (green category, green ratio). The conditions for the agreement are therefore: an SPO issued by an independent external party, authorisation by the MNB (under point 12), and a prior assessment of the framework by Eximbank. Thereafter, the financial intermediary will finance and monitor the transactions in line with its own rules and procedures. It will provide Eximbank with the data on the placements and the results of the

²⁴ Except the measures set in the COMMISSION DELEGATED REGULATION (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1214&from=EN>

monitoring in sufficient detail to enable the annual report to be drawn up in a consolidated structure with the content described in this Framework.

Acceptable external experts:

In order to verify the green loan purpose, the TSCs, the DNSH conditions and the green ratio, an external independent expert opinion is required in most cases.

In the case of **direct transactions**, such an opinion must be obtained from a firm on Eximbank's list of acceptable external experts, at the client's expense. The list is regularly updated and made available to its clients by Eximbank.

In the case of **financial intermediaries**, Eximbank announces general rules for experts (chamber membership, qualified expert, etc. depending on the green loan purpose), while the selection / acceptance of the expert is the task of the refinancing partner. Eximbank reserves the right to require the involvement of an expert from its own list for loans above HUF 1 billion.

3 Use of proceeds

In general, Eximbank supports both zero-emission and transition-related transactions²⁵ (see: TEG Final Report, March, 2020). Eligible transactions are classified into the following main categories:

A. Transactions selected based on international standards and taxonomies

Transactions selected on the basis of international standards and which comply with the provisions of

- the EU Taxonomy (A.1.) or
- in the CB Taxonomy (A.2.).

The transactions meet the requirements of the aforesaid international taxonomies.

B. Transactions selected based on national regulations and principles of MNB

Transactions complying with national legislation, government and MNB principles that partially meet the requirements of the taxonomies (do not achieve the minimum efficiency increase / CO₂ reductions set out in the taxonomy or do not meet the DNSH criteria as set out in the above taxonomies).

The transactions meet the requirements of the national standards, and partially the requirements of the international taxonomies.

C. Transactions selected based on MDB's guidelines

Transactions selected on the basis of the rules applied by the following MDBs of which are currently included in the Framework:

- EIB
- MIGA

The transactions meet the requirements of multilateral development banks.

Eximbank cooperates effectively with the above MDBs in order to be able to diversify its favorable funding sources with the support of refinancing agreements concluded with EIB or other financial institutions, providing the guarantee of MIGA. Therefore, transactions supported on the basis of the Framework are compliant with the climate financing principles of MDBs²⁶ at the time of the approval of the Framework.

²⁵ **Green activities:** Activities that are **already low carbon** (i.e., activities associated with sequestration or very low and zero emissions). These activities require capital to increase their development and wider deployment. The technical screening criteria for these activities are likely to be stable and long-term.

Greening of activities: Activities that contribute to a **transition to a net-zero emissions economy** in 2050 but are not currently close to a net-zero carbon emissions level. These activities are critical to the economy but must significantly enhance their performance beyond the industry average, without lock-in to carbon-intensive assets or processes. The technical screening criteria for these activities will be subject to regular revision, approaching zero over time.

²⁶ [2020-Joint-MDB-report-on-climate-finance-Report-final-web.pdf \(worldbank.org\)](#)

The undertakings and transactions must comply with the MDB's guidelines and criteria, which are contained in the non-public contracts concluded between the MDB and Eximbank. The guidelines and criteria of the goals to be financed by Eximbank in the frame of individual financing programs are in the relevant product descriptions and financing agreements signed by financial intermediaries and Eximbank.

The goals selected based on the MDB's guidelines contribute to Eximbank's business and ESG strategic objectives. In addition to the goals listed in section 3.3, any activity can be financed based on the conditions set by the EIB or MIGA, which contributes to the climate protection and economic goals defined in the programs announced by the government, in the national strategic documents, and in the international development guidelines.

Additional sets of rules applied to the accepted transactions

Eximbank will seek to ensure that the transaction financed is – where measurable – in line with the OECD Guidelines for Multinational Enterprises²⁷, the UN Guidelines on Business and Human Rights²⁸ and the minimum social safeguards (MS) set out in the International Labour Organisation (ILO) Declaration²⁹.

*Compliance is monitored through a **social impact assessment** for transactions selected based on*

- *international standards and taxonomies, or*
- *national regulations and principles of MNB.*




²⁷ <http://mneguidelines.oecd.org/guidelines/>

²⁸ https://www.ohchr.org/documents/publications/guidingprinciplesbusinessshr_en.pdf

²⁹ <https://www.ilo.org/declaration/lang--en/index.htm>

3.1 Transactions selected based on international standards (A)

3.1.1 EU Taxonomy (A.1.)

3.1.1.1 Renewable energy production	
<p>EU taxonomy objective:</p> <p>Climate change mitigation</p>	<p>Transactions eligible for financing:</p> <p><i>Construction of facilities that generate electricity, produce heat/cool energy from the following resources:</i></p> <ul style="list-style-type: none"> ○ Solar energy (solar heat and photovoltaic solar energy) ○ Wind energy ○ Geothermal energy (including heat pumps) ○ Gases from landfills and wastewater treatment plants, biogases ○ Waste heat ○ Bioenergy (biomass, biogas) <ul style="list-style-type: none"> • In case of energetic utilization of biomass from agriculture and forestry, the biomass used shall meet the criteria defined in paragraphs (2)-(5) or (6)-(7) of Article 29 of Directive (EU) 2018/2001. <p><i>Manufacture of renewable energy technologies for the production of "energy from renewable energy sources" or "renewable energy"</i></p> <ul style="list-style-type: none"> ○ "Energy from renewable energy sources" or "renewable energy": Energy from non-fossil renewable energy sources, namely: wind energy, solar (solar heat and photovoltaic solar) energy and geothermal energy, ambient, tidal, wave and other ocean energy, energy from hydropower, energy from gases generated by biomass, landfill and wastewater treatment plants, and biogas energy.³⁰
<p>UN SDG:</p> <div>  </div> <div>  </div> <div>  </div>	
<p><i>The sections on transactions eligible for financing can be found in Annex 1 to this document:</i></p>	
Transactions:	Relevant sections of the TSC Regulation:
Electricity generation	
Solar energy (solar heat and photovoltaic solar energy)	4.1. and 4.2.
Wind energy	4.3.
Geothermal energy	4.6.
Bioenergy	4.8.
Production of heat/cool energy	
Solar energy	4.21.
Geothermal energy	4.22.
Bioenergy	4.24.
Waste heat	4.25.
Manufacture of renewable-technology	3.1.

³⁰ DIRECTIVE (EU) 2018/2001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the promotion of the use of energy from renewable sources

Detailed criteria for renewable energy production selected on the basis of the EU Taxonomy (TSC and DNSH)

- are set out in Annex 1 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.1.2 Energy storage

EU taxonomy objective:

Climate change mitigation

UN SDG:**Transactions eligible for financing:***Construction of facilities that store electricity, thermal (heat/cool) energy*

- Technology-neutral: all stationary equipment for the storage of electricity or thermal energy using physical or chemical technology is acceptable,
- The energy storage can be connected to public electricity or thermal energy transmission or distribution networks,
- The energy storage can serve to regulate the production of renewable power plants or heating plants (e.g. with a direct power plant connection or through an aggregator), or to support the energy use of a specific consumption location.
- Chemical energy storage solutions are acceptable for renewable energy storage.
- In case of electricity storage facilities with a nominal capacity of 0.5 MW or more, the purpose of the loan can be verified by presenting an electricity storage permit.

The sections on transactions eligible for financing can be found in Annex 1 to this document:

Transactions:	Relevant sections of the TSC Regulation:
Energy storage (heat and electricity)	4.10 and 4.11.

Detailed criteria for renewable energy production selected on the basis of the EU Taxonomy (TSC and DNSH)

- are set out in Annex 1 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.1.3 Manufacture of hydrogen**EU taxonomy objective:**

Climate change mitigation

UN SDG:**Transactions eligible for financing:***Manufacture of hydrogen and hydrogen-based synthetic fuels.**Activities should fulfil the below criterias:*

- The activity complies with the life-cycle GHG emissions savings requirement of 73.4% for hydrogen [resulting in life-cycle GHG emissions lower than 3tCO₂e/tH₂] and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO₂e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001.
- Life-cycle GHG emissions savings are calculated using the methodology referred to in Article 28(5) of Directive (EU) 2018/2001 or, alternatively, using ISO 14067:2018119 or ISO 14064-1:2018120.
- Quantified life-cycle GHG emission savings are verified in line with Article 30 of Directive (EU) 2018/2001 where applicable, or by an independent third party.
- Where the CO₂ that would otherwise be emitted from the manufacturing 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 of the TSC regulations.

The sections on transactions eligible for financing can be found in Annex 2 to this document:

Transactions:	Relevant sections of the TSC Regulation:
Manufacture of renewable-technology	3.10.

Detailed criteria for renewable energy production selected on the basis of the EU Taxonomy (TSC and DNSH)

- are set out in Annex 2 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.1.4 Sustainable real estate

EU taxonomy objective:

Climate change mitigation

UN SDG:**Transactions eligible for financing:***Construction of new residential property, industrial or commercial real estate*

- The primary energy demand determining the energy performance of the building resulting from the construction is at least 10% below the threshold for near-zero energy buildings set in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. Energy performance is to be demonstrated by an Energy Performance Certificate (EPC) for the finished building.
- In the case of buildings larger than 5 000 m², the building resulting from the construction must undergo an air-tightness and thermal integrity test on completion.
- In the case of buildings larger than 5 000 m², the whole life-cycle global warming potential (GWP) of the building resulting from the construction has been calculated for each stage of the life cycle and will be communicated to investors and clients upon request.

Purchase and ownership of residential property, industrial or commercial real estate

- Buildings constructed before 31 December 2020 must have at least an Energy Performance Certificate (EPC) of Class A. Alternatively, the building must be in the top 15% of the national or regional building stock expressed as an operational primary energy demand (PED) and certified by appropriate evidence.
- In the case of buildings built after 31 December 2020, the building must meet the criteria for *new buildings* relevant at the time of purchase.
- It must operate effectively through energy performance monitoring and assessment.

Renovation of existing residential property, industrial and commercial real estate

- The building upgrade must meet the requirements for major building upgrading, or, as an alternative
- The upgrade will result in a reduction in primary energy demand (PED) of at least 30%.
- If renewable energy is used, the conditions for "Renewable Energy Production" must be met.

In case of municipalities and small and micro enterprises where the contracted amount does not exceed 1 million euros:*Construction, purchase and ownership of residential property, industrial or commercial real estate*

- the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year, **and**
- the energy certification of buildings is at least "A+".

Purchase of a building plot for the construction of a new building can be eligible, if the new building is built on the plot and its occupancy permit is issued within 4 years of its purchase.

Renovation or purchase and renovation of existing residential property, industrial and commercial real estate that meet one of the following conditions:

- the energy certification of buildings is worse than "A+", but renovations is going to result an energy certification of at least "A+" or better; **and** the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year.
- the building was verifiably built before 1990 and renovations is going to result an energy certification of at least "A+" or better; **and** the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year.

- The upgrade will result in a reduction in primary energy demand (PED) of at least 30%.
- The renovation is considered a significant renovation according to the EKM regulation on 9/2023. (V. 25.) and this is confirmed by an independent technical expert report.

The sections on transactions eligible for financing can be found in Annex 3 to this document:

Transactions:	Relevant sections of the TSC Regulation:
Construction of new buildings	7.1.
Renovation of existing buildings	7.2.
Acquisition and ownership of buildings	7.7.

Detailed criteria for financing sustainable real estate investments selected on the basis of the EU Taxonomy (TSC and DNSH)

- are set out in Annex 3 to this document.

The compliance of investments with sustainability criteria is to be verified

- as per Appendix 2 of this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.1.5 Sustainable transport**EU taxonomy objective:**

Climate change mitigation

UN SDG:**Transactions eligible for financing:**

Procurement of vehicles with zero direct (exhaust) CO₂ emissions for urban and suburban passenger transport.

▪ Vehicles are classified into the following categories:

- Bus
- Trolleybus
- Tram
- Suburban railway

Procurement of vehicles for the transport of goods by road with zero direct (exhaust) CO₂ emissions.

▪ Vehicles are classified into the following categories:

- Lorry: a motor vehicle with a load area suitable for the carriage of goods, including so-called light commercial vehicles with a maximum permissible weight of 3.5 tonnes
- Heavy goods vehicles: tractors and semi-trailers, including large commercial vehicles with a gross vehicle weight exceeding 3.5 tonnes

Exclusions:

The vehicles are used for the transport of fossil fuels

The sections on transactions eligible for financing can be found in Annex 4 to this document:

Transactions:	Relevant sections of the TSC Regulation:
Transport	
Urban and suburban transport, road passenger transport	6.3.
Freight transport services by road	6.6.




Detailed criteria for financing sustainable transport selected on the basis of the EU Taxonomy (TSC and DNSH)

- are set out in Annex 4 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.2 CB Taxonomy (A.2.)

3.1.2.1 Sustainable waste management		
CB taxonomy objective: Waste and pollution control	Transactions eligible for financing: <i>Municipal solid waste as defined in Section 2 (1) 43 of Act CLXXXV of 2021 on Waste, and similar commercial and industrial waste</i> <ul style="list-style-type: none"> ▪ preparation for ³¹reuse ▪ recycling³² ▪ other utilisation <p>In general, according to the classification and definitions in Annex 1 of Decree 72/2013 (VIII) of the Ministry of Rural Development (VM) on the Register of Waste, all named municipal wastes, which include: household waste and commercial, industrial and institutional waste similar to household waste (for details see Annex 5).</p>	General exclusions <ul style="list-style-type: none"> ▪ Commercial and industrial waste that does not fit into the categories of the Decree³³
UN SDG:   	Subcategories: <ul style="list-style-type: none"> ▪ RE-USE Material reuse facilities that refurbish or clean equipment parts or products for reuse in their original function ▪ RECYCLING Facilities used for the recycling of materials (metals, plastics, glass and paper) ▪ PREPARATION Containers for waste. Facilities used for the collection, sorting and recycling of waste 	Exclusions by subcategory: <ul style="list-style-type: none"> ▪ Products are restored to their original use by prior processing. ▪ In the case of waste electrical and electronic equipment (WEEE), the product is not covered by an ecolabelling scheme, or it is covered by such scheme but does not meet the three lowest energy use categories. ▪ Secondary raw materials are not sold after waste processing. ▪ Containers are not made from 100% recycled materials ▪ The facility does not support source separation of waste

³¹ A recovery operation, including cleaning, repair and inspection, whereby a product or component that has become waste is prepared for reuse without any other pre-treatment

³² A recovery operation whereby waste is transformed into a product or material for its original use or for other purposes; this includes the processing of organic materials but excludes energy recovery and processing into a material for use in landfilling operations

³³ The Climate Bonds Standard & Certification Scheme's Waste Management Criteria, Background Paper, December 2019, Box 1: types of waste [Crit Waste Management Criteria.pdf \(climatebonds.net\)](#)

	<p>(facilities with a high percentage of reusable or recyclable materials)</p> <ul style="list-style-type: none"> ▪ WASTE STORAGE Waste storage facilities for a specific waste processing facility/asset (possibilities for storage / bulk storage) 	<ul style="list-style-type: none"> ▪ Facilities processing mixed waste do not separate waste components ▪ All waste stored is not transferred to the waste processing facility/asset
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Detailed criteria for financing sustainable waste management selected on the basis of the CB Taxonomy (eligibility criteria, adaptation and resilience)

- are set out in Annex 5 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.

3.1.2.2 Sustainable water management

<p>Environmental objective of the CB Taxonomy:</p> <p>Water infrastructure</p> <p>Environmental objectives of the EU:</p> <p>Climate change mitigation</p> <p>Sustainable use and protection of aquatic and marine resources</p>	<p>Transactions eligible for financing:</p> <p><i>Water monitoring, storage, treatment, distribution, desalination, flood protection, water conservation</i></p> <p>Subcategories:</p> <ul style="list-style-type: none"> ▪ WATER MONITORING E.g. smart grids, early warning systems in case of storms, droughts, floods or dam bursts, water quality or quantity monitoring processes ▪ WATER STORAGE E.g. rainwater harvesting systems, stormwater management systems, water distribution systems, infiltration ponds, reservoirs, groundwater recharge systems, sewer systems, pumps, sand dams ▪ WATER TREATMENT E.g. drinking water treatment, water recycling systems, waste water treatment plants, manure and sludge treatment plants, ecological retention systems ▪ WATER DISTRIBUTION E.g.: Rainwater harvesting systems, gravity-fed sewer systems, pumped sewer or water distribution systems, terraced systems, drip or rotary irrigation systems ▪ WATER DESALINATION E.g. seawater desalination equipment, brackish water desalination equipment ▪ FLOOD DEFENCE E.g. surge barriers, pumping stations, dams, gates ▪ NATURE BASED SOLUTIONS E.g. <ul style="list-style-type: none"> ❖ Water extraction from aquatic ecosystems, aquifer storage, snowpack run-off, groundwater recharge, coastal wetlands ❖ Flood protection through ecological retention, restoration of coastal wetlands, relocation of assets ❖ Drought protection through aquifer storage, recharge zone management and wetland management ❖ Water treatment with natural filtration systems, forest and fire protection ❖ Stormwater management through permeable surfaces, erosion control systems and evaporation systems
<p>UN SDG:</p> <div data-bbox="108 869 304 1066">  </div> <div data-bbox="108 1077 304 1274">  </div> <div data-bbox="108 1285 304 1482">  </div>	<p><i>Storage, treatment, distribution, natural based solutions:</i></p> <ul style="list-style-type: none"> ▪ The client cannot provide adequate proof that negative net greenhouse gas emissions are not expected ▪ Negative net greenhouse gas emissions are expected, and the client has not been able to estimate and mitigate the greenhouse gas impact through appropriate procedures over the lifetime of the project/asset. <p><i>Water desalination:</i></p> <ul style="list-style-type: none"> ▪ The average carbon intensity of the energy used for energy supply is above 100g CO₂/kWh over the lifetime of the asset




Detailed criteria for financing sustainable water management selected on the basis of the CB Taxonomy (eligibility criteria, vulnerability and adaptation)

- are set out in Annex 6 to this document.

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 6 of this document.




3.2 Transactions selected based on national regulations and principles of MNB (B)

3.2.1 Renewable energy production	
<p>EU taxonomy objective:</p> <p>Climate change mitigation</p>	<p>Transactions eligible for financing:</p> <p><i>Construction of facilities that generate electricity, produce heat/cool energy from the following resources:</i></p> <ul style="list-style-type: none"> ○ Solar energy (solar heat and photovoltaic solar energy) ○ Wind energy ○ Geothermal energy (including heat pumps) ○ Waste heat ○ Gases from landfills and wastewater treatment plants, biogases ○ Bioenergy (biomass, biogas) <ul style="list-style-type: none"> • In case of energetic utilization of biomass from agriculture and forestry, the biomass used shall meet the criteria defined in paragraphs (2)-(5) or (6)-(7) of Article 29 of Directive (EU) 2018/2001. <p><i>Manufacture of renewable energy technologies for "energy from renewable energy sources" or "renewable energy"</i></p> <ul style="list-style-type: none"> ○ "Energy from renewable energy sources" or "renewable energy": Energy from non-fossil renewable energy sources, namely: wind energy, solar (solar heat and photovoltaic solar) energy and geothermal energy, ambient, tidal, wave and other ocean energy, energy from hydropower, energy from gases generated by biomass, landfill and sewage treatment plants, and biogas energy.³⁴ <p><u>Special conditions may be applied to investments in renewable energy production by agricultural enterprises</u></p> <ul style="list-style-type: none"> ○ The financier will verify the renewable energy investment plan and its implementation against the documentation detailed in the Rural Development Programme for a similar purpose.
<p>UN SDG:</p> <div>  </div> <div>  </div> <div>  </div>	
<p><i>The sections on transactions eligible for financing can be found in Annex 1 to this document:</i></p>	
Transactions:	Relevant sections of the TSC Regulation:
<i>Electricity generation</i>	
Solar energy (solar heat and photovoltaic solar energy)	4.1. and 4.2.
Wind energy	4.3.
Geothermal energy	4.6.
Bioenergy	4.8.
<i>Production of heat/cool energy</i>	
Solar energy	4.21.
Geothermal energy	4.22.
Bioenergy	4.24.
Waste heat	4.25.
<i>Manufacture of renewable-technology</i>	3.1.

³⁴ DIRECTIVE (EU) 2018/2001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the promotion of the use of energy from renewable sources




The environmental impact assessment and social impact assessment (Minimum Social Safeguards - MSS)

- *is to be carried out as per Appendix 7 of this document.*

3.2.2 Energy storage	
EU taxonomy objective: Climate change mitigation	Transactions eligible for financing: <i>Construction of facilities that store electricity, thermal (heat/cool) energy</i> <ul style="list-style-type: none"> ○ Technology-neutral: all stationary equipment for the storage of electricity or thermal energy using physical or chemical technology is acceptable, ○ The energy storage can be connected to public electricity or thermal energy transmission or distribution networks, ○ The energy storage can serve to regulate the production of renewable power plants or heating plants (e.g. with a direct power plant connection or through an aggregator), or to support the energy use of a specific consumption location. ○ Chemical energy storage solutions are acceptable for renewable energy storage. ○ In case of electricity storage facilities with a nominal capacity of 0.5 MW or more, the purpose of the loan can be verified by presenting an electricity storage permit.
UN SDG:   	
<i>The sections on transactions eligible for financing can be found in Annex 1 to this document:</i>	
Transactions: Energy storage (heat and electricity)	Relevant sections of the TSC Regulation: 4.10 and 4.11.

The environmental impact assessment and social impact assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 7 of this document.

3.2.3 Electromobility	
<p>Environmental objectives of the EU:</p> <p>Climate change mitigation</p>	<p>Transactions eligible for financing:</p> <p><i>Procurement of vehicles with zero direct (exhaust) CO₂ emissions for urban and suburban passenger transport.</i></p> <ul style="list-style-type: none"> ▪ Vehicles are classified into the following categories: <ul style="list-style-type: none"> ○ Bus ○ Trolleybus ○ Tram ○ Suburban railway <p><i>Procurement of vehicles for the transport of goods by road with zero direct (exhaust) CO₂ emissions.</i></p> <ul style="list-style-type: none"> ▪ Vehicles are classified into the following categories: <ul style="list-style-type: none"> ○ Lorry: a motor vehicle with a load area suitable for the carriage of goods, including so-called light commercial vehicles with a maximum permissible weight of 3.5 tonnes ○ Heavy goods vehicles: tractors and semi-trailers, including large commercial vehicles with a gross vehicle weight exceeding 3.5 tonnes
<p>UN SDG:</p> <div style="display: flex; flex-direction: column; align-items: center;"> <div style="background-color: #f9a825; padding: 5px; margin-bottom: 5px;"> 11 SUSTAINABLE CITIES AND COMMUNITIES  </div> <div style="background-color: #f9c74d; padding: 5px; margin-bottom: 5px;"> 7 AFFORDABLE AND CLEAN ENERGY  </div> <div style="background-color: #2e8b57; color: white; padding: 5px;"> 13 CLIMATE ACTION  </div> </div>	
Exclusions	<ul style="list-style-type: none"> ▪ The vehicles are used for the transport of fossil fuels

The environmental impact assessment and social impact assessment (Minimum Social Safeguards - MSS)

- *is to be carried out as per Appendix 7 of this document.*

3.2.4 Sustainable real estate investment	
<p>Environmental objectives of the EU:</p> <p>Climate change mitigation</p>	<p>Transactions eligible for financing:</p> <p><i>Construction of new residential property, industrial or commercial real estate</i></p> <p>Criteria are the same as in section 3.1.1.4</p> <p>OR</p> <p>The building has one of the following ratings currently still in effect:</p> <ul style="list-style-type: none"> ○ According to BREEAM NC 2016 version: Final rating with a Very Good grade or higher ○ According to LEED v4 BD+C version: Gold grade or higher ○ According to DGNB International System Version 2020: Silver (final) grade or higher <p><i>Acquisition and ownership of residential property, industrial or commercial real estate</i></p> <p>Criteria are the same as in section 3.1.1.4</p> <p>OR</p> <p>The following criteria are met simultaneously:</p> <ul style="list-style-type: none"> ○ The building has an energy quality certificate issued in accordance with Govt. Decree No 176/2008 (VI. 30.) certifying a CC rating or higher ○ The building has one of the following ratings: <ul style="list-style-type: none"> - BREEAM In-Use 2015 - Asset part: Excellent grade or higher - BREEAM In-Use v6 - Asset part - Very Good rate or higher - According to LEED 2009 O+M version: Platinum grade or higher - According to LEED v4 O+M version: Gold grade or higher - According to DGNB Buildings In Use", Version 2020: Silver or higher <p>as an alternative:</p> <ul style="list-style-type: none"> ○ The building has one of the following previously obtained ratings: <ul style="list-style-type: none"> - Final rating as per BREEAM NC 2013, Excellent grade or higher - Final rating as per BREEAM NC 2016, Very Good grade or higher - According to LEED 2009 for New Construction version: Platinum grade or higher - According to LEED v4 BD+C version: Gold grade or higher - According to DGNB International System Version 2018: Gold (final) grade or higher - According to DGNB International System Version 2020: Silver (final) grade or higher <p><i>Renovation of existing residential property, industrial and commercial real estate</i></p> <p>Criteria are the same as in section 3.1.1.4</p> <p>OR</p> <p>The following criteria are met simultaneously:</p> <ul style="list-style-type: none"> ○ The upgrade will result in a reduction in primary energy demand (PED) of at least 30%. ○ The building has one of the following ratings currently still in effect: <ul style="list-style-type: none"> - According to BREEAM RFO 2015 version: Final rating with a Very Good grade or higher - According to LEED v4 BD+C version: Gold grade or higher - According to DGNB Renovation, Version 2016 (SBV16) version: Gold or higher <p>In case of <u>municipalities and small and micro enterprises</u> where the contracted amount does not exceed 1 million euros:</p> <p><i>Construction, purchase and ownership of residential property, industrial or commercial real estate</i></p> <ul style="list-style-type: none"> ▪ the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year, and ▪ the energy certification of buildings is at least "A+". <p>Purchase of a building plot for the construction of a new building can be eligible, if the new building is built on the plot and its occupancy permit is issued within 4 years of its purchase.</p>

	<p><i>Renovation or purchase and renovation of existing residential property, industrial and commercial real estate that meet one of the following conditions:</i></p> <ul style="list-style-type: none"> ▪ the energy certification of buildings is worse than "A+", but renovations is going to result an energy certification of at least "A+" or better; and the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year. ▪ the building was verifiably built before 1990 and renovations is going to result an energy certification of at least "A+" or better; and the calculated value of the energy characteristic of the building is no more than 68 kWh/m²/year. ▪ The upgrade will result in a reduction in primary energy demand (PED) of at least 30%. ▪ The renovation is considered a significant renovation according to the EKM regulation on 9/2023. (V. 25.) and this is confirmed by an independent technical expert report.
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The compliance of investments with sustainability criteria is to be verified

- *Appendix 3 or Appendix 4 of this document applies (optional).*

The Social Impact Assessment (Minimum Social Safeguards - MSS)

- *is to be carried out as per Appendix 6 of this document.*

3.2.5 Energy efficiency - technology

Environmental objectives of the EU:

Climate change mitigation

UN SDG:



Transactions eligible for financing:

*Investment resulting in energy efficiency improvements, including upgrading of **existing** technologies, production processes, facilities and infrastructure.*




- The energy efficiency improvement must reach **30%** compared to the period before the investment, in the following way:
 - The improvement results from an actual reduction in primary energy demand, and
 - The reduction in net primary energy demand through renewable energy sources may not be taken into account in the measurement
- Improvement in specific energy efficiency (e.g. product produced / total energy consumption) is also acceptable as improvement, in which case the final energy consumption cannot decrease due to the increase in production volume, but there is a possibility of decrease in the specific energy consumption.
- If renewable energy is used, the conditions for "Renewable Energy Production" must be met.

Individual energy efficiency measures:

- Individual modernization measures can be:
 - energy efficiency measures for buildings defined in points 1.1.1. and 1.1.6., 1.2.1. and 1.2.6., 1.3.1. and 1.3.6., 2.1.1., 2.2.1., 2.3.1., 2.4.1., 2.5.1., 2.6.1., 2.7.1., 2.8.1., 2.9.1., 2.10.1., 2.11.1., 2.12.1. of Part I., 17/2020. (XII. 21.) MEKH Decree Annex 1 (EKR catalog)
 - energy efficiency measures to improve the energy efficiency of technological processes defined in Part III., 17/2020. (XII. 21.) MEKH Decree Annex 1 (EKR catalog)

The environmental impact assessment and social impact assessment (Minimum Social Safeguards - MSS)

- *is to be carried out as per Appendix 7 of this document.*




3.2.6 Sustainable agriculture	
<p>Environmental objectives of the EU:</p> <p>Climate change mitigation</p>	<p><u>Transactions eligible for financing:</u></p> <p><i>Sustainable agricultural asset or other environmental sustainability investment</i></p> <p>Improvements related to digital transition in agriculture</p> <ul style="list-style-type: none"> VP2-4.1.8-21 financier's decision required One of the conditions is to select and complete at least one measure from the list of environmental objectives in Appendix 5 per farming sector and per category during the period <p>Other asset procurements</p> <ul style="list-style-type: none"> Soil conservation management assets Mechanical weed control assets Turf management assets One of the conditions is to select and complete at least three measures from the list of environmental objectives in Appendix 5 per farming sector during the period
<p>UN SDG:</p> <div data-bbox="106 497 303 712">  </div> <div data-bbox="106 728 303 922">  </div> <div data-bbox="106 938 303 1133">  </div>	



The environmental impact assessment and social impact assessment (Minimum Social Safeguards - MSS)

- is to be carried out as per Appendix 7 of this document.




3.3 Transactions selected based on MDB's guidelines (C)



3.3.1 EIB (C.1.)



3.3.1.1 Renewable energy production	
Environmental objectives: Climate change mitigation	<u>Transactions eligible for financing:</u> <i>Construction of facilities that generate electricity, produce heat/cool energy from the following resources:</i> <ul style="list-style-type: none"> ○ Heat pump ○ Energy storage
ENSZ SDG: <div> <div> 7 MEGFIZETHETŐ ÉS TISZTA ENERGIA  </div> <div> 11 FENNTARTHATÓ VÁROSOK ÉS KÖZÖSSÉGEK  </div> <div> 13 FELLÉPÉS AZ ÉGHAJLATVÁLTOZÁS ELLEN  </div> </div>	

3.3.1.2 Sustainable real estate	
<p>Environmental objectives:</p> <p>Climate change mitigation</p>	<p>Transactions eligible for financing:</p> <p><i>Construction of new industrial or commercial real estate</i></p> <ul style="list-style-type: none"> The primary energy demand determining the energy performance of the building resulting from the construction is at least 10% below the threshold for near-zero energy buildings set in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. Energy performance is to be demonstrated by an Energy Performance Certificate (EPC) for the finished building. In the case of buildings larger than 5 000 m² <p>All eligible cost categories relate to the construction of new buildings, if the energy threshold is 10% below the level implementing the Near Zero Energy Building (NZEB) standard defined in [Member State's] building regulations at the time the final beneficiary applies for building permits.</p> In the case of buildings larger than 5 000 m² <ul style="list-style-type: none"> a. After completion, the final beneficiary performs an airtightness test and informs investors and customers of any deviation from the performance level defined in the design phase or any defect in the building insulation. b. After completion, the final beneficiary conducts a heat resistance test and informs investors and customers of deviations from the performance level defined in the design phase or of defects in the building insulation. If the final beneficiary has robust and traceable quality control processes during construction, heat resistance testing is not required. <p><i>Renovation of existing industrial and commercial real estates</i></p> <ul style="list-style-type: none"> The building upgrade meets the requirements for major building upgrades, or as an alternative The modernization results in a reduction of primary energy demand (PED) of at least 30%. If renewable energy is used, the conditions for "Renewable energy production" must be met.
<p>ENSZ SDG:</p>  	
Exclusions:	<ul style="list-style-type: none"> Financing of residential property Financing the purchase and rental of real estate

3.3.2 MIGA (C.2.)

3.3.2.1 Renewable energy production	
Environmental objectives: Climate change mitigation	<p><u>Transactions eligible for financing:</u> <i>Construction of facilities that generate electricity, produce heat/cool energy from the following resources:</i></p> <p>Production or use of low-carbon hydrogen</p> <ul style="list-style-type: none"> Hydrogen manufactured by electrolysis of water using very-low-carbon electricity or by steam reforming of natural gas with carbon capture and storage or utilisation of captured CO₂ shall be eligible. For hydrogen manufactured by electrolysis of water using grid electricity or by any technology with material GHG emissions to be eligible, the entity applying the Common Principles shall demonstrate a substantial reduction in net GHG emissions relative to efficient steam reforming of natural gas, taking scope 3 emissions into account where they are expected to be material.
ENSZ SDG: <div> <div> 7 MEGFIZETHETŐ ÉS TISZTA ENERGIA  </div> <div> 11 FENNTARTHATÓ VÁROSOK ÉS KÖZÖSSÉGEK  </div> <div> 13 FELLÉPÉS AZ ÉGHAJLATVÁLTOZÁS ELLEN  </div> </div>	

3.3.2.2 Energy efficiency – equipment, technology	
Environmental objectives: Climate change mitigation	Transactions eligible for financing: <i>Investment resulting at least 15% (absolute) energy efficiency energy improvement, including the modernization of existing technologies, production processes and facilities, infrastructures. (A minimum 30% improvement in energy efficiency is not expected in connection with this loan goal.)</i>
ENSZ SDG:  	<ul style="list-style-type: none"> ▪ The investment or measure results in a significant improvement in energy efficiency or a significant reduction in net GHG emissions. <ul style="list-style-type: none"> ○ The reduction of the net primary energy demand through renewable energy sources cannot be taken into account in the measurement ▪ In the case of improvement, an improvement in specific energy efficiency (for example, produced product/total energy consumption) is also acceptable if the production volume increases and because of this the final energy consumption cannot decrease, but the specific energy consumption can. ▪ If renewable energy is used, the conditions for "Renewable energy production" must be met.

3.3.2.3 Sustainable real estate	
Environmental objectives: Climate change mitigation	<p>Transactions eligible for refinancing:</p> <p><i>Construction of new residential or industrial and commercial properties</i></p> <ul style="list-style-type: none"> ▪ The primary energy demand, which determines the energy efficiency of the building resulting from the construction, is at least 10% lower than the threshold value defined in the national measures implementing the European Parliament and Council Directive 2010/31/EU for buildings with almost zero energy demand. Energy efficiency must be proven with the energy efficiency certificate (EPC) of the finished building. <p><i>Purchase and ownership of residential and industrial or commercial real estate</i></p> <ul style="list-style-type: none"> ▪ Buildings built before December 31, 2020 have at least a class A energy certificate (EPC). Alternatively, the building is in the top 15% of the national or regional building stock expressed as operational primary energy demand (PED) and proven by appropriate evidence. ▪ In the case of buildings built after December 31, 2020, the building meets the criteria defined for the construction of new buildings and relevant at the time of purchase. <p><i>Renovation of existing residential and industrial or commercial properties</i></p> <ul style="list-style-type: none"> ▪ The building modernization meets the requirements for major building modernizations. ▪ Measures that reduce net energy consumption, resource use or CO₂ emissions, or: <ul style="list-style-type: none"> ○ increase plant-derived carbon absorbers in greenfield and brownfield buildings and related areas; ○ increase plant-derived carbon absorbers in new or existing buildings and related areas - by applying building rating systems; ○ increase the number of carbon sinks of plant origin in public areas or facilities; ▪ Brown-field, separate (end-user) energy efficiency improvement measure or CO₂ emission reduction measure in existing appliances or equipment; ▪ Modernization of new separate energy-efficient devices or equipment, or their replacement. <p>If renewable energy is used, the conditions for "Renewable energy production" must be met.</p>
ENSZ SDG:  	

3.4 Process for project evaluation and selection

Eximbank's Green Finance Programme provides financing for developments where all or part of the investment falls into one of the green categories defined in the Framework (transactions selected on the basis of international standards and taxonomies, transactions selected based on national regulations and principles of MNB), transactions selected based on MDB's guidelines.

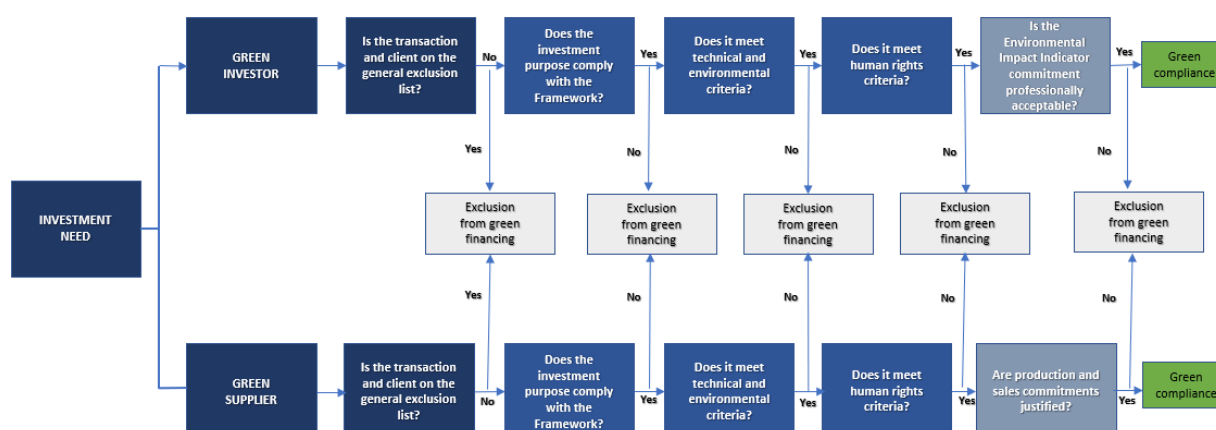
Transactions subject to bond financing are evaluated in accordance with GBP expectations. GBP expectations are detailed in the sixth chapter of the Framework, given that they differ from GLP expectations. Out of the total amount of investment loans granted by Eximbank, Eximbank keeps a separate record of disbursements for which the costs claimed are verified as having been incurred in relation to the green loan purpose. While the conditions set out in the Framework are assessed for green loan purposes only, the DNSH or, where not stipulated, the environmental impact (based on the Eximbank Environmental Impact Assessment Questionnaire) and compliance with the MSS criteria must be examined for the entire investment.

The classification of transactions into individual green categories and the compliance assessment is a multi-stage process.

3.5 Pre-screening and selection

The relevant departments in the Business Division identify potential transactions, review the proposed project with their clients, and perform pre-screening for compliance with the Framework's criteria. It is the responsibility of the clients to provide the information and data necessary for pre-screening. In structuring the transaction, the relevant organizational unit of the Business Division may seek the assistance of the organisational unit responsible for ESG Center Organisational Subunit (hereinafter: ECOS), which may also request the advice of experts responsible for the technical support of sustainability financing. ECOS may also issue a non-binding, preliminary opinion on compliance with the conditions of the Framework.

The decision tree³⁵:



ECOS is the department responsible for sustainability issues. The experts recruited by ECOS are senior experts involved in the following areas: Technical experts, Risk Management, Business Division, Business Development.

Issuance of ECOS opinion/decision is the task and responsibility of the Head of ECOS, taking into account the opinion of the experts.

3.6 Validation

Before a credit decision is taken, ECOS verifies the compliance of the pre-filtered transactions with the conditions of the Framework for both direct financing and refinancing. It is the clients' responsibility to provide the information and data necessary for decision-making.

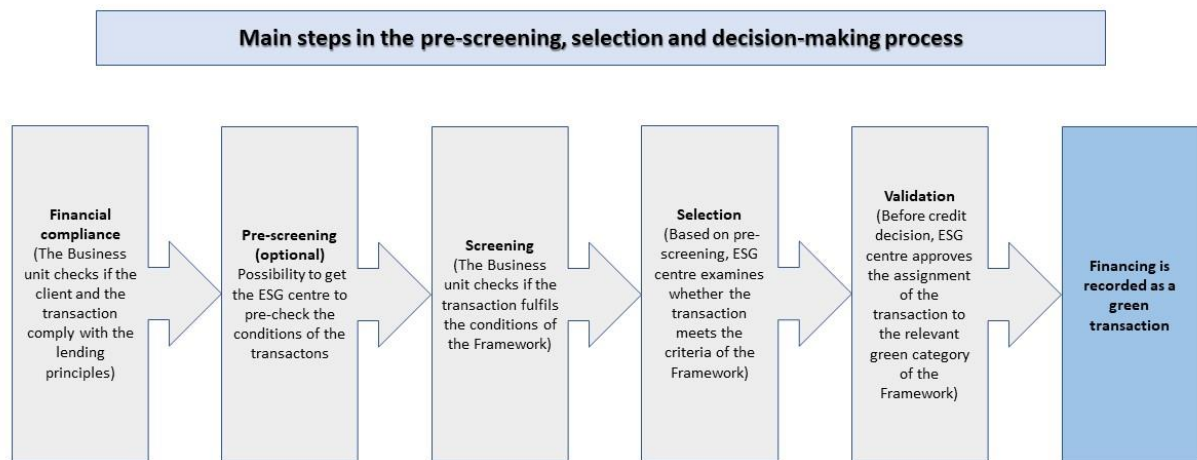
Inclusion of transactions in the Framework might require the submission of the opinion of an external, independent expert approved by Eximbank, as required and in accordance with the decision by ECOS.

The projects financed must comply with the relevant general bank lending policy and meet the client and transaction qualification criteria, in addition to which they must pass the general compliance tests and at least the tests conducted based on the Eximbank Environmental and/or Social Impact Assessment Questionnaire. In all cases, the transaction approval criteria must include the green financing category, the technical screening criteria that form the basis for accepting the application, the green ratio (i.e. the proportion allocated to the green loan purpose from the loan), the type of EII to be achieved as a result of the project, as well as the level of EII commitment, the unit of measure. These parameters will be recorded in the internal record-keeping systems (green category, green ratio, EII, monitoring date³⁶).

In the period preceding the annual sustainability report, ECOS examines the compliance of transactions with the criteria for each green category as part of the annual green monitoring. It is the clients' and the financial intermediaries' obligation to provide the information and data necessary for the examination.

³⁵ Green suppliers: companies that supply technology for the activities specified in the loan objectives listed in the chapter on the use of resources, or manufacture or produce related equipment and devices

³⁶ The first monitoring takes place after activation, examining the fractional calendar year following the year of the activation, and then every full calendar year thereafter. Monitoring is due by the end of February every year.



3.7 Documentation used for pre-screening and validation

The range of documents to be submitted by the client may vary widely – depending on the type of the transaction – but the basic principle is that the client is required to have the planned investment prepared at the time of pre-screening to a level that allows its content, technical and financial background may be examined and assessed by the employees of the financier (Eximbank or refinancing partner) as well as by the expert(s) involved, if any, also from the point of view of its compliance with the Framework.

An illustrative, non-exhaustive list of the documents to be requested is set out in **Annex 7**, which may be extended on a case-by-case basis, depending on the complexity of the transaction. In the case of refinancing, the documents to be requested are basically stored by the financing partner financial institution, which also has the duty to report their content to Eximbank. However, Eximbank reserves the right to request the original of any document from the partner financial institution or the borrower at any time.

4 Management of proceeds

Eximbank keeps a record of the transactions financed under the Green Finance Programme in its internal databases (Lending and Account Management System). The database contains at least the following information (in addition to the mandatory information required for all Eximbank loan transactions):

- The exact classification of the green loan purpose, including whether it belongs to the "A", "B" or "C" set of criteria, and its correlation with the MNB reporting categories
- Green loan purpose ratio
- Total amount disbursed and the share of this amount allocated to the green loan purpose
- Expected Environmental Impact Indicators (EIIs)
- Periodic monitoring results

It is the client's responsibility to use the disbursed loans for the purposes defined in the relevant loan agreement. The amounts used for the approved green purposes must always be recorded in the client's accounting records and investment documentation in a clearly identifiable manner. For each disbursement, the proportion of the amount allocated to green loan purposes may be different from the Green Ratio agreed for the project as a whole, but it must at least reach the Green Ratio agreed in the loan documentation when the total amount is disbursed.

To draw down the proceeds, the client must provide supporting documents (invoices) certifying the utilisation, which must be suitable for clearly identifying the eligible costs allocated to the green loan purposes. If necessary, an independent expert must be involved to verify the use of the proceeds, at the discretion of the financier (Eximbank or refinancing partner) or ECOS. In the internal record-keeping systems, the share of the total amount of the loan disbursed for the green loan purpose can be clearly identified at any point in time.

4.1 Monitoring

Except in cases regulated otherwise in the loan decision, Eximbank monitors the sustainability objectives of ongoing and completed investments and the fulfillment of the DNSH and MSS criteria annually,, based on the supporting documents obtained from the customer, for the fractional calendar year of the activation, and after that annually examining the full calendar years during the existence of the loan agreement. The monitoring is due by the end of February each year, by sending a statement filled out by the customer regarding the Green investment.

Eximbank takes into account the data contained in the monitoring statement submitted for the fractional year in proportion to the calendar year, that is, the amount of key indicator undertaken by the customer is also evaluated proportionally (in proportion to the fractional year). Failure to comply with the key indicator level contained in the monitoring statement for the previous year will not be sanctioned during the first, fractional year period.

In the case of refinanced operations, the monitoring is carried out and reported to Eximbank by the partner financial institution, in accordance with Eximbank's requirements. Eximbank reserves the right,

however, to carry out extraordinary monitoring in justified cases, and to verify the monitoring tasks and documentation carried out by the partner financial institution, using a predefined sampling method.

The annual monitoring is based on a declaration to be submitted annually, in which the debtor confirms that the ex-ante TSC, DNSH/sustainability and MSS declarations are still valid. For the annual monitoring, the debtor also reports on the actual value of the committed EIs after the investment is completed. ECOS may stipulate the involvement of an independent expert to confirm the monitoring report. The status of the ongoing investment is evaluated according to the business as usual risk monitoring procedure, which is described in the internal regulation on monitoring of Eximbank.

If, between two monitoring dates, there is a change that jeopardises the fulfilment of the declarations, the debtor is obliged to inform Eximbank accordingly without delay. This may be the case if the investment is significantly behind the original schedule, the green ratio is not met based on the actual costs of the investment, the actual indicator does not reach or exceeds the continuous performance criterion, legal proceedings have been initiated or are expected to be initiated against the debtor in relation to environmental pollution or human rights issues.

ECOS may also, at its own discretion, engage an independent expert if it considers that the monitoring declaration is incomplete or if at any time during the life of the loan it has information suggesting that the debtor is not respecting its contractual obligations, regardless of whether or not the debtor has provided information to that effect.

Based on the information submitted or received in the course of the monitoring, Eximbank records in the registration system the date of the annual monitoring and the actual value of the EIs, and checks their possible deviation from the commitments. In case of deviation/non-compliance, Eximbank takes a decision, with due regard to the circumstances of the specific transaction and the extent of the deviation:

- a) if it considers that the green loan purpose cannot be met, it permanently removes the transaction from the green loans register;
- b) if Eximbank considers that the deficiency or the unfulfilled commitments can be rectified, it will temporarily remove the transaction from the green loans register, but once the correction has been made / the conditions are met, the transaction may be reinstated in the green loans register.

5 Reports

Borrowers financed by Eximbank must keep up-to-date and readily available information on the use of proceeds until the total amount of the loan is disbursed, as well as on any material changes that may occur after that period. This is a contractual obligation: the borrower is obliged to keep separate records of green expenditure and to provide Eximbank with up-to-date information on a quarterly basis or at any time at Eximbank's request. These include a precise description of the investments related to the green loan purposes, the related costs, documents and permits, as well as the expected environmental impact of the achievement of the loan purpose. The environmental impact undertaken must be specified in qualitative and, where possible, quantitative performance indicators, including the methodology used for the calculation (in the absence of a methodology provided by Eximbank). The definition of the EIs is a mandatory element of the loan agreement. Borrowers must report this information to Eximbank for the annual monitoring at the intervals required by Eximbank (by default, annually). In the event of a significant change during the year, the debtor is obliged to submit an extraordinary report to Eximbank. Examples of the quantitative indicators required/recommended for each loan purpose are given in Annex 8. The debtor's reporting obligation continues until the total loan amount is repaid in full; failure to do so is grounds for termination of the contract. In the event of non-reporting, the loan will no longer be registered as a green exposure.

Eximbank's annual report on Green Exposures covers each Green Exposure from the signing of the loan agreement until the last principal and interest payment is made or the loan is terminated. A precondition for the inclusion of the exposures in the portfolio is the acceptance of the transaction under this Framework and the entry into force of the loan agreement. As set out in the monitoring section, in the event of non-compliance with the commitments / conditions, Eximbank will temporarily or permanently exclude the exposure related to the transaction from the green portfolio.

With regard to banking confidentiality, Eximbank will only provide loan agreement / client level reporting for internal use, to the external expert requested to issue the SPO or to the MNB. An exception to this rule is when the client authorises Eximbank to provide a specific set of data on the fulfilment of the loan agreement or the green loan purpose. This may be necessary in cases where Eximbank enters into an agreement with an international financial institution to refinance the green portfolio and the refinancer wishes to audit elements of the portfolio on its own authority.

The portfolio-level external report summarises the following information by green loan purpose:

- amount contracted (EUR)
- of which refinancing transaction
- number of transactions
- amount placed (EUR)
- amounts contracted but not yet placed (EUR)
- aggregated committed EI values (quantitative values)
- aggregated actual EI values/year (quantified values) only after completion of the investments
- textual summary of qualitative environmental impacts

For the transactions selected according to international rules and taxonomies and MDB's guidelines, Eximbank also provides a separate report indicating the set of rules applied.

In case of transactions where international (EU and CBI) taxonomies and the regulations and principles of MNB are not sufficient, credit purposes that were not detailed in the chapter of use of funds, are also taken into account.

Those transactions are included separately in the reports, together with the with a detailed set of conditions of the MDB's guidelines as the basis of the acceptance, thereby ensuring compliance with GLP principles.

The scope of credit goals focuses on the following main categories:

- Renewable energy generation
- Energy efficiency
- Agriculture, forestry, fisheries, aquaculture and land-use
- Low carbon road vehicles fleet
- Waste collection and transport
- Other waste recovery/ recycling
- Other green projects (Sectors and activities)
- Water supply
- Waste water treatment
- CO2e-emission reduction
- GHG-emission reduction

If more than one green loan purpose is financed (e.g. renewable energy and energy efficiency), the report must include the above in proportion to the amounts disbursed for the loan purpose.

The internal report at portfolio level contains the following information by loan purpose and by transaction:

- client's name
- client segment
- sector
- direct/refinanced
- date of contracting
- date of last monitoring
- contracted loan amount
- currency
- loan amount for green loan purposes
- amount disbursed for green loan purposes
- amount still to be disbursed for green loan purposes
- investment status (completed yes/no)
- committed EII values (quantitative values)
- actual EII values/year (quantified values) only after completion of the investments
- textual summary of qualitative environmental impacts
- development lifetime
- DNSH / environmental impact status
- MSS status

The annual report also includes the methodology used for calculating key EIs (e.g. GHG) and the methodology used for summaries (e.g. conversions).

Some examples of Environmental Impact Indicators (EIs) capturing environmental impacts are provided in **Annex 8** (Eximbank takes into account the ICMA publication "Handbook - Harmonised Framework for Impact Reporting"³⁷ to develop the measurement of environmental impacts).

³⁷ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf>

6 Green bonds

In alignment with its sustainability strategy, Eximbank aims to contribute to the further advancement of the sustainable finance market by refinancing the green bond issues which support the UN Sustainable Development Goals, and, at the same time, help the Hungarian undertakings to achieve their goals in transforming their operations in a climate friendly manner.

The green bonds to be financed by Eximbank have to be aligned with the ICMA Green Bond Principles (GBP³⁸), which is the collection of voluntary guidelines and recommendations that promote transparency and disclosures. The GBP provides the green bond issuers and Eximbank with guidance on the key parameters involved in launching a credible green bond programme.

Green bonds in general are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects (see Use of Proceeds section above) and which are aligned with the four core components of the GBP. Eximbank is financing/purchasing green bonds, the combination of green and social projects is basically excluded. Eximbank does not practically limit the type of green bonds to be supported, i.e. each of the four types of green bonds explained in the GBP Appendix I can be involved.

The issuer of a green bond should clearly communicate to Eximbank the environmental sustainability objectives of the project and the perceived social and environmental risks associated with the projects. The issuers are encouraged to provide information on their overarching strategy related to sustainability, and to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s).

The net proceeds of the green bond (practically, the amount emanated from Eximbank when it purchases green bonds) should be credited to a sub-account and tracked by the issuer in an appropriate manner. The issuer has to attest that its internal process linked to its investment operations properly ensures the monitoring of the green investments and allocated amounts.

In order to facilitate the transparency and quality of the green bond issued, an external advisor has to assess the alignment with the four components of the GBP. The eligibility of green bonds as a framework has to be confirmed by an external advisor, who issues the so-called Second Party Opinion. Eximbank will decide on a case-by-case basis, that the issuer's management of proceeds shall be supplemented or not by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the green bond proceeds. Issuers should refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting³⁹.

In terms of reporting bond issuers should make and keep readily available up to date information on the disbursement of funds, to be renewed annually until full allocation, and as necessary thereafter in the event of material developments.

³⁸ Sustainable Finance | ICMA » ICMA ([icmagroup.org](https://www.icmagroup.org))

³⁹ [Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/publications-and-reports/handbook-harmonised-framework-for-impact-reporting-june-2023-220623.pdf)

Communicating the expected impact of projects is also particularly appreciated. Eximbank recommends in line with the provisions of the GBP to use, where feasible, quantitative performance measures of expected impact. Issuers are obliged to report on both the use of green bond proceeds, as well as the expected environmental impacts on an annual basis.

The issuer should provide an allocation report that indicates the equivalent amount of the green bond proceeds allocated to eligible projects/expenses. Issuers should have in place a formal internal process for the allocation of an amount equivalent to the net proceeds to Eligible Green Projects and reports on the allocation of proceeds. The key characteristics of the project evaluation and selection process are explained within the report and are subject to external verification.

The issuer should also prepare an impact report that illustrates the environmental impact achieved as a result of the allocation of the amount equivalent to the proceeds to green projects.

Issuers are welcome to report throughout the life of the bond and are encouraged to make available the latest report either on their website or in another publicly available space, with the date that it was prepared. Such dated impact reports should be available for the lifetime of the bond. It is recommended that issuers clearly communicate the location on their website of their dated impact reports, of their Green bond framework and/or their Market Information Template.

The use of proceeds to be renewed annually until full allocation. The annual report should include a list of the projects to which green bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Eximbank expects from the issuer the use of qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.

It is obligatory for the issuer to obtain an outside input, i.e. a post-issuance to verify the internal tracking method and the allocation of funds from the Green Bond proceeds to eligible Green Projects. Issuers should make external reviews publicly available on their website and/or through any other accessible communication channel as appropriate and if feasible.

The future changes of the GBP will be reflected in the next versions of this section. Furthermore, Eximbank is intending to align to the European green bond standard - the EU green bond standard to be implemented in the next years is aiming at encouraging market participants to issue and to invest in EU green bonds and improve the effectiveness, transparency, comparability and credibility of the market.