HUNGARY
ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROFILE

July 2025

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

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FOREWORD

Dear Readers,

We are delighted to present **Hungary – Environmental, Social and Governance Profile**. This material aims to highlight Hungary's country-specific **ESG profile,** including its **objectives**, **challenges, key actions** and **progress** towards a sustainable future. The presentation was created on a best effort basis, predominantly building on the latest available **public data**.

Hungary has made significant efforts towards achieving the **sustainable development goals**. The country is implementing a comprehensive environmental and social policy, building on several strategies, action plans and the related legislations. All this ensures the country's transition to a low-carbon and environment-friendly economy, with the goal of achieving **climate neutrality by 2050,** while developing a **sustainable society**.

This material is an essential tool in our communication with investors, providing comprehensive, high-quality information and demonstrating Hungary's commitment to **transparent** and **impactful** reporting.

We would like to express our appreciation to the Hungarian ministries and stakeholders who reviewed the material and provided helpful suggestions.

Sustainable Finance Department
ÁKK Pte. Ltd.

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KEY ESG FACTS

INTRODUCTION

Area: ~93,000 sq. kilometres

Capital: Budapest

Population: 9.5m (2025)

SDG index global ranking: Score: 79.5, Rank: 20 (2024)

HUNGARY'S MOST RELEVANT AREAS FOR ESG

CLIMATE

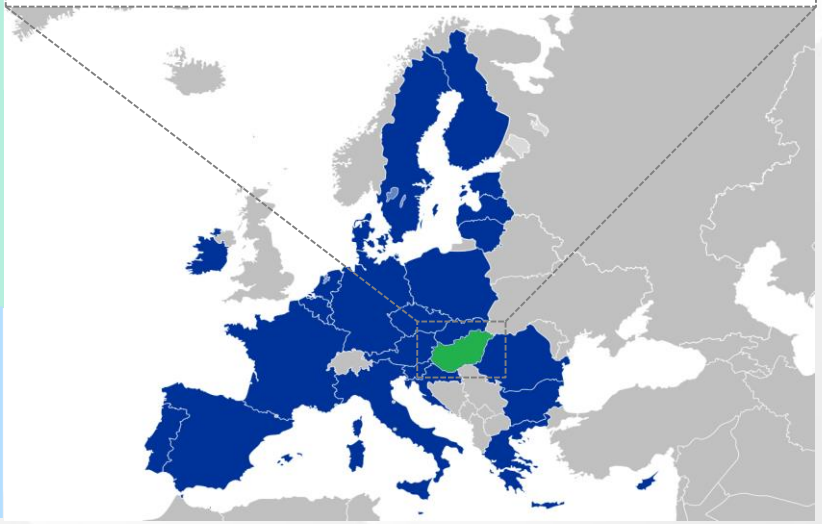
ENERGY

BIODIVERSITY

SUSTAINABLE WATER MANAGEMENT

SUSTAINABLE SOCIETY

Hungary *is a high income economy with a strategic location at the centre of Europe and membership in key international organisations*



Source: *Hungarian Central Statistical Office (HCSO);* *Sustainable Development Report 2024*

SDG PROGRESS

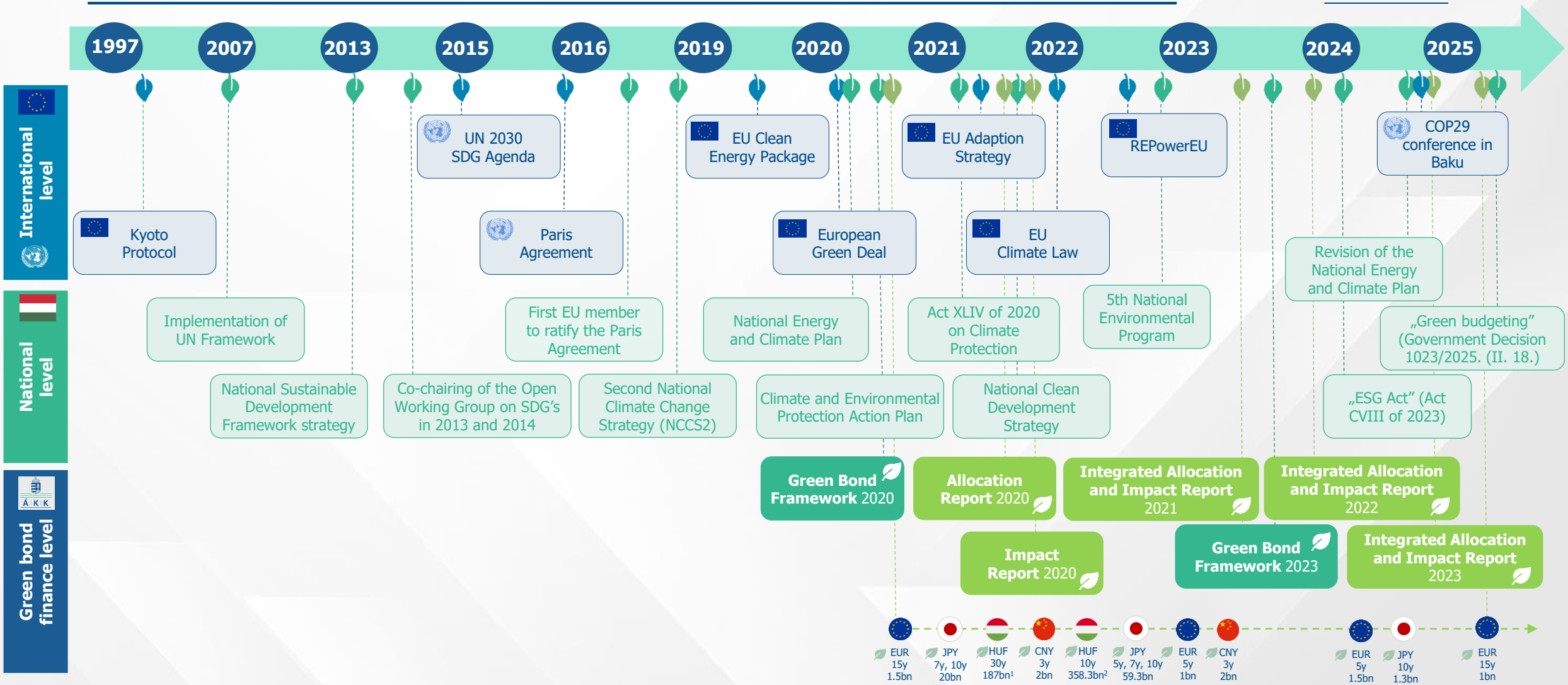
Indicators	Progress		
Life expectancy[1] (years, population under 1 year)	76 (2022)	↑	**76.7** (2023)
Adult participation in learning in the past four weeks[1] (% of population aged between 25-64)	9.5 (2023)	↑	**11.8** (2024)
Gender employment gap[1] (% of population aged between 20-64)	9.1 (2023)	↓	**7.9** (2024)
Share of energy from renewable sources[1] (% of gross final energy consumption)	15.1 (2022)	↑	**17.1** (2023)
Final consumption - energy use[1] (PJ)	751.3 (2022)	↓	**692.4** (2023)
Energy import dependency[1] (%, including solid fossil fuels, oil and petroleum products /excluding biofuel portion/ and natural gas)	64.2 (2022)	↓	**62.1** (2023)
Employment rate[1] (% of population aged between 20-64)	80.7 (2023)	↑	**81.1** (2024)
Unemployment rate[1] (% of population aged between 20-64)	3.3 (2023)	↑	**3.6** (2024)
Severe material and social deprivation rate[1] (% of total population)	10.4 (2023)	↓	**9.3** (2024)
Dwellings connected to a public sewerage network[2] (% of all dwellings)	83.2 (2022)	↑	**83.6** (2023)
Settlements with a public sewerage network[2] (% of all settlements)	68.3 (2022)	↑	**69.0** (2023)
Domestic gross greenhouse gas emission[1] (excluding LULUCF and memo items, t/capita)	6.2 (2022)	↓	**5.7** (2023)
Domestic gross greenhouse gas emission[1] (excluding LULUCF and memo items, % change compared to 1990)	-37.1 (2022)	↓	**-42.8** (2023)
Forest cover[2] (% of the country's total area)	21.0 (2022)	↑	**21.1** (2023)
High-speed internet coverage[1] (% of households)	84.1 (2023)	↑	**86.0** (2024)

Positive change

Negative change

Source: *1: Eurostat*
2: Hungarian Central Statistical Office (HCSO)

COMMITMENT TO ENVIRONMENTAL PROTECTION IN ACCORDANCE WITH RELEVANT INTERNATIONAL AND DOMESTIC REGULATIONS



Notes:

1: Total outstanding HUF (as of 01/04/2025). Date of first issuance in 28/04/2021. There were multiple auctions between 28/04/2021 – 01/06/2025.

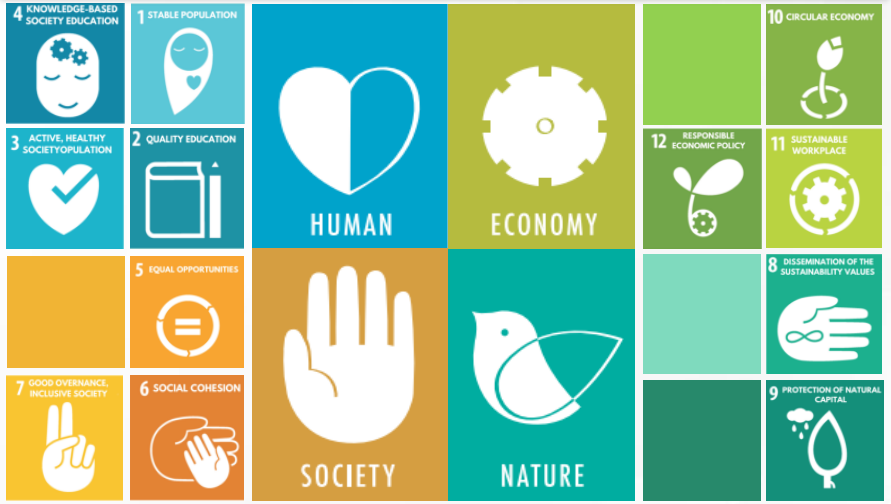
2: Total outstanding HUF (as of 01/04/2025). Date of first issuance in 26/01/2022. There were multiple auctions between 26/01/2022 – 01/06/2025.

SUSTAINABLE DEVELOPMENT POLICY IN HUNGARY AND THE NATIONAL FRAMEWORK STRATEGY ON SUSTAINABLE DEVELOPMENT (NFFSD)

Milestones of sustainable development in Hungary

- The **National Council for Sustainable Development (NFFT)** was set up by the Hungarian Parliament as a conciliatory, consultative, and advisory body for issues in the field of sustainable development in **2008.**
- After its establishment, the National Council for Sustainable Development **prepared the second, renewed sustainable development strategy** through a wide range of public consultation processes **from 2009 to 2012.**
- In March **2013**, the Hungarian Parliament adopted the new **National Framework Strategy on Sustainable Development** (NFSSD) **for 2012–2024.**
- The **NFFSD defines 34 strategic objectives** and **77 tasks** (instruments) for the **four** – **human**, **social**, **natural** and **economic** – **resources.**
- **Every two years**, a monitoring report on the implementation of the NFSSD is prepared.
- The **first report** was adopted by the National Council for Sustainable Development on 3 December **2015**, which identifies **16 key indicators** and uses a number of explanatory/contextual indicators.
- In September 2015, the member states of the United Nations adopted the **Sustainable Development Framework (2030 Agenda)**. **Hungary was playing a key role in the development** as the country co-chaired the Open Working Group on Sustainable Development Goals between 2013 and 2014.
- Although it had been adopted two and a half year earlier, the **NFFSD strategy integrates the UN's Sustainable Development Goals** as well.
- Hungary is currently **renewing its NFFSD for 2025-2036.**

The structure of the NFFSD: Sustainability objectives based on the four national resources



Reporting on sustainable development

- **Monitoring Reports on the implementation of the NFFSD** for the year 2013-14; 2015-16; 2017-18; 2019-2020; 2021-22 (the last one only available in Hungarian) were published[1].
- Hungary published a **Voluntary National Review** on the implementation of the Sustainable Development Goals (SDGs) in 2018[2].
- The Hungarian Central Statistical Office (HCSO) „**Sustainable development indicators in Hungary"** 2022, 2023, 2024[3] (only available in Hungarian) published by the Hungarian Central Statistical Office (HCSO) includes **multiple key indicators**, maintaining the resource-based structure of the NFFSD.

Sources: *NFFT, 1: https://www.parlament.hu/web/ncsd/frameworkstrategy; https://www.nfft.hu/nffs-otodik-elorehaladasi-jelentese-2021-22;*
2: https://sustainabledevelopment.un.org/content/documents/20137Voluntary_National_Review_of_Hungary_v2.pdf
3: https://www.ksh.hu/s/kiadvanyok/fenntarthato-fejlodes-indikatorai-2022/fenntarthato_fejlodes_indikatorai_2022.pdf; https://ksh.hu/s/kiadvanyok/fenntarthato-fejlodes-indikatorai-2023/ffi, https://ksh.hu/kiadvanyok/fenntarthato-fejlodes-indikatorai/2024/ffi

ESG LEGAL BACKGROUND TO MITIGATE ENVIRONMENTAL AND SOCIAL RISKS

European Union	Hungary
▪ The **EU directive on the assessment of the effects of certain public and private projects on the environment** *(Directive 2011/92/EU)* delegates member states to take preventive measures and avoid harm to the environment.	▪ In Hungary, large infrastructure projects must **conduct environmental impact studies** to identify and mitigate risks to avoid significant adverse environmental effects *(Governmental Decree No. 314/2005 (XII.25.))*. ▪ Hungary's **environmental protection law** promotes natural resource conservation and sustainable management *(Act No. LIII of 1995)*.
▪ The **EU's Habitats Directive** *(Council Directive 92/43/EEC)* and **Birds Directive** *(Directive 2009/147/EC)*, as part of the EU Biodiversity Strategy for 2030, requires member states to conserve wild flora and fauna, report on conservation efforts and implement compensation measures for projects affecting protected areas.	▪ Regarding biodiversity loss, **Hungary adheres to the EU policies** and also signatory to the **1992 Convention on Biological Diversity** since 1994, committing to the **preservation of biodiversity** and supporting the **sustainable utilization of natural resources**.
▪ The **EU directive's legislative framework for the handling of waste** *(Directive 2008/98/EC)* specifies waste management measures, including prevention, recovery, and disposal.	▪ The Hungarian legislation **aligns with EU directives** to manage construction waste efficiently ▪ Hungary's **waste management policy** cover hazardous waste treatment *(Act No. CLXXV of 2012)*. ▪ Hungary's **General Rules on Environmental Protection** promote the protection and sustainable use of natural resources *(Act No. LIII of 1995)*.
▪ The **EU directive on the introduction of measures to encourage improvements in the safety and health of workers at work** *(Directive 89/391/EEC)* mandates employers to provide essential training, information, tools and means needed to ensure health and safety at the workplace.	▪ To address occupational health and safety risks, Hungary **follows the EU directive**. Moreover Hungary's **labour code** protects workers' health and safety and addresses risks related to **forced labour**, **discrimination**, **child labour** and **freedom of association** *(Act I of 2012 on the Labour Code)*.
▪ *Directive 2000/60/EC* also known as the **Water Framework Directive** (WFD) requires Member States, to set up a Programme of Measures (PoM) as part of the River Basin Management Plan (RBMP) that must be submitted every six years. ▪ *Directive 2007/60/EC* of the European Parliament and of the Council regulates the **assessment and management of flood risks**. ▪ *Directive 91/271/EEC (also known as Urban Wastewater Treatment Directive)* regulates the **treatment of urban wastewater**, compliance with the Directive must be monitored, reports must be prepared every two years.	▪ Hungary **fulfils the requirements of the Water Framework Directive** and aims to reach and maintain a good ecological and chemical status of surface water and a good chemical and quantitative status of groundwater. In line with the WFD, **Hungary prepared its River Basin Management Plan** (RBMP). ▪ Hungary **transposed Directive 2007/60/EC into national law** (*Decree No. 178/2010*). ▪ According to Directive 91/271/EEC, **Hungary reports on the status of wastewater collection and treatment**. The latest report was completed in June 2024, based on data from 2022 provided by water utility service providers.
▪ *Directive (EU) 2022/2464* (**CSRD**) sets coherent and consistent sustainability reporting requirements for companies by incorporating elements of the EU Taxonomy Regulation. *Directive (EU) 2024/1760* (**CSDDD**) aims to establish an obligation for companies to screen their value chain and address potential and actual adverse human rights and environmental impacts.	▪ In order to ensure the adherence to the EU directives, Hungary adopted the **ESG act** (*Act 2023 CVIII*) which lays down **the reporting and due diligence obligations** and **amended the accounting and auditing law** (*Act C of 2000 on accounting, Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors)* to incorporate sustainability requirements.
	▪ Hungary is recognized as **a Designated Country** under the **Equator Principles**, showcasing strong **environmental** and social **governance systems**, **legislation** and institutional capabilities aimed at **protecting** both the **environment** and **communities**.

Source: *Second-Party Opinion Hungary Green Bond Framework; European Commission, EUR-Lex; Nemzeti Jogszabálytár; General Directorate of Water Management; Ministry of Interior; SZTFH*

HUNGARY'S RECOVERY AND RESILIENCE PLAN (INCLUDING REPOWEREU CHAPTER)

Recovery and Resilience Plan (RRF)

- Hungary's **recovery and resilience plan** aims to drive a strong recovery and enhance economic and societal resilience post-COVID-19.

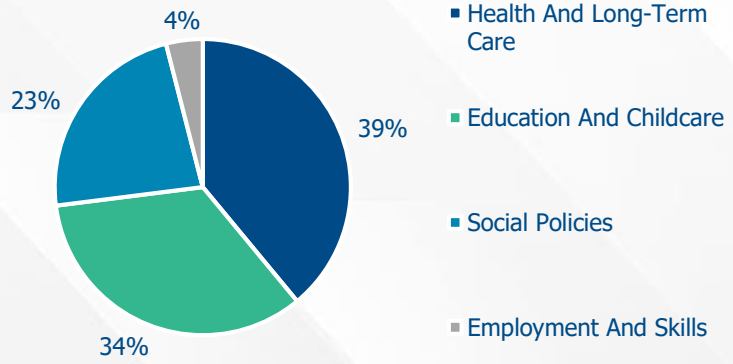
RRF components:

A. Demography and public education
B. Highly qualified, competitive workforce
C. Catching-up settlements
D. Water management
E. Sustainable green transport
F. Energy – green transition
G. Transition to a circular economy
H. Health
I. Governance and Public administration
+ REPowerEU chapter

REPowerEU

- Following the Council approval of Hungary's plan on **15 December 2022**, Hungary's recovery and resilience plan was **updated** on 8 December 2023, introducing a **REPowerEU chapter**.
- **Objectives** and focus areas:
  - development of the electricity grid
  - greening of industrial production
  - expansion of manufacturing capacities in the green economy
  - promotion of the further expansion of renewable energy
  - improvement of energy efficiency
  - support for the further adoption of alternative mobility solutions
  - strengthening the human resources of the green economy

Share of the plan's social expenditure per social category



RRF-REPowerEU in numbers

	RRF is worth EUR 10.4 billion	EUR 4.6 billion REPowerEU chapter	EUR 6.5 billion RRF grant	EUR 3.9 billion RRF loans
	67.1% climate objectives	29.1% digital objectives	47 investment streams	67 reforms
	EUR 140.1 million RRF grant disbursed in REPowerEU pre-financing		EUR 779.5 million RRF loans disbursed in REPowerEU pre-financing	
	41,213 pcs supported projects (as of 28/06/2025)		Amount of contracted grant/funding: HUF 1,434 billion (as of 28/06/2025)	

Sources: European Comission; Pályázati Portál; RRF Statistics

SZÉCHENYI TERV PLUS AND COMMON AGRICULTURE STRATEGIC PLAN

Cohesion Policy – Széchenyi Terv Plusz 2021-2027

- **Cohesion Policy** targets all regions and cities in the EU in order to support business competitiveness, economic growth, sustainable development etc. Under its Cohesion Policy, the EU is providing funding for the EU member states.
- **Operational programmes** (national, regional) under the Cohesion Policy:
  - Digital Renewal Operational Programme Plus
  - Economic Development and Innovation Operational Programme Plus
  - Environmental and Energy Efficiency Operational Programme Plus
  - Human Resources Development Operational Programme Plus
  - Integrated Transport Development Operational Programme Plus
  - Territorial and Settlement Development Operational Programme Plus
  - Hungarian Fisheries Management Operational Programme Plus
  - Implementation Operational Programme Plus

Goals (non-exhaustive list)

- By 2030, Hungary should be among the **5 most liveable countries** in the European Union.
- At least **65% of the funds** will be used in the **4 most disadvantaged Hungarian regions.**
- Nearly a **quarter of the funds** support increasing **competitiveness** and **digitalization.**
- Significant amount of fund for **environmental protection** and **energy efficiency**, **transportation**, **urban development**, and **educational** and **social developments.**
- By the end of the decade, **every Hungarian region should catch up to the EU average level of development.**

Common Agriculture Strategic Plan 2023-2027

- The **CAP Strategic Plan** plays an important role in advancing EU agriculture towards a more sustainable farming system.
- EU countries implement the **2023-27 Common Agricultural Policy** (CAP) through tailored national **CAP Strategic Plans**, targeting local needs while supporting EU objectives and the European Green Deal.
- Hungary submitted its first proposal for a CAP Strategic Plan on 30 December 2021. On 14 October 2022, Hungary submitted a revised proposal. The Commission approved this proposal on 7 November 2022. Hungary requested the first amendment of its Plan, which was approved by the Commission on 8 February 2024. **The Commission approved Hungary's subsequent amendment requests** on 12 November 2024 and on 28 January 2025.

Goals (non-exhaustive list)

- Farmers in **13 sectors** (such as fruit and vegetables, ewes, suckler, dairy cows, fattening, rice, and oil plants) receive coupled **income support**.
- Hungary supports **water balance on 1,005,794.60 hectares** and **agro-environmental payments** on **1 million hectares**.
- Around **30% of the rural population** benefits from improved rural services and at least **6,900 new jobs** are created.
- Measures cover **50% of livestock** units for animal welfare.
- Hungary aims to support **1565 rural infrastructure** projects such as local markets, road developments, community centres, local Wi-Fi services etc.
- **736 210 persons** benefit from advice, training, and knowledge exchange supported related to environmental or climate-related performance.
- **18,541 farms** receive support for digital transition.

Sources: *Cohesion Policy; Pályázati Portál; CAP Strategic Plan*

I. HUNGARY'S ENVIRONMENTAL OBJECTIVES AND ACHIEVEMENTS

ENVIRONMENTAL PROFILE

Dimensions	International comparison based on publicly available data of Eurostat and European Environmental Agency	
Climate	**Domestic gross greenhouse gas emission**[1] (excluding LULUCF and memo items, t/capita, 2023) Hungary **5.7** — EU average **6.9** **Domestic net greenhouse gas emission**[1] (t/capita, 2023) Hungary **5.1** — EU average **6.5**	**Domestic gross greenhouse gas emission**[1] (excluding LULUCF and memo items, % change compared to 1990, 2023) Hungary **-42.8** — EU average **-36.3** **Domestic net greenhouse gas emission**[1] (excluding memo items, % change compared to 1990, 2023) Hungary **-47.1** — EU average **-37.3**
Energy	**Share of energy from renewable sources in gross final energy consumption** (%, 2023): Hungary **17.1** — EU average **24.5** **Energy import dependency** (%, 2023): Hungary **62.1** — EU average **58.3**	**Share of renewable energy sources in transport sector** (%, 2023): Hungary **7.6** — EU average **10.8** **Share of renewable energy sources in electricity** (%, 2023): Hungary **19.5** — EU average **45.3** **Share of renewable energy sources in heating-cooling sector** (%, 2023): Hungary **22.3** — EU average **26.2**
Transport	**Modal split of inland passenger transport** (trains, motor coaches, buses and trolley buses, %, 2023): Hungary **24.5** — EU average **16.9**	**Stock of zero-emission vehicles (with electricity)** (buses, motor coaches, trolley buses and passenger cars, %, 2023): Hungary **2.0** — EU average **4.3**
Water	**Water exploitation index, plus (WEI+)**[2] (%, 2022)**:** Hungary **1.7** — EU average **5.8**	**Population connected to at least secondary wastewater treatment** (%, 2022): Hungary **81.7** — EU average **80.9**
Waste	**Generation of waste** (kg/capita, all NACE activities plus households, 2022)**:** Hungary **2,838** — EU average **4,991**	**Treatment of total waste** (%, 2022)**:** Hungary **78.4%** — EU average **88.9%**

Source: *Eurostat; 1: Source: EEA; 2: In the absence of Europe-wide agreed formal targets, values above 20 % are generally considered to be a sign of water scarcity, while values equal or greater than 40 % indicate situations of severe water scarcity, meaning the use of freshwater resources is unsustainable.*

I.1 CLIMATE

CHALLENGES AND OBJECTIVES

Situation overview and challenges

- The climate of Hungary is variable as it is equally affected by the high-moisture oceanic air masses with more balanced temperature, the fundamentally dry continental air masses with extreme temperature fluctuations, and the mild, high humidity air masses coming from the Mediterranean Sea.
- In 2023, the annual average temperature in Hungary was 12.23 °C, which is **1.5 °C higher** than the climatological standard normals[1] for the period 1991-2020. The **annual average temperature** has shown a **significant increase** of 1.45 °C since 1901.
- **2023 was the warmest year since 1901**, exceeding the previous record set in 2019 by nearly 0.2 °C.
- Due to the basin characteristics, the **proportion of areas threatened by flooding is the highest in Europe.**
- Extreme **water shortages, droughts** and the **increasing frequency of intense, localized flash floods** have become more common.
- With the current technologies, decarbonisation is not feasible, **new technologies** are needed (e.g. Carbon Capture Utilisation and Storage).

Strategic objectives

- **Achieve a minimum 50%** reduction of domestic **gross GHG emission** by 2030 compared to 1990
- **Achieve a minimum 55%**[2] reduction of domestic **net GHG emission** by 2030 compared to 1990
- **18.7%** reduction of ESR emissions compared to 2005 by 2030 (the Effort Sharing Regulation – ESR - sets the 2030 ESR emission reduction target for Hungary to **18.7%**, compared to 2005 levels)
- Reaching **net zero** GHG emission by 2050
- **R&D expenditure as a percentage of GDP 3%**[2] by 2030
- Long term goal is to meet the **air quality standards** recommended by the **World Health Organization**
- **Air pollution** from 2030 compared to 2005:
  - **$PM_{2.5}$ 55%, SO_2 73%, NO_2 66% decrease**

Note: *1: The climatological characteristics of a given area are described based on 30-year periods, in accordance with the recommendation of the World Meteorological Organization (WMO)*
2: Indicative non-biding sub-goal according to National Energy and Climate Plan

Source: *HungaroMet; National Air Pollution Control Programme; Third River Basin Management Plan; European Commission; National Energy and Climate Plan*

RELEVANT NATIONAL STRATEGIES AND ACTION PLANS

Name	Goals
National Clean Development Strategy 2020-2050	The strategy outlines **long-term visions of socioeconomic and technological development pathways** with the aim to achieve **climate neutrality by 2050**. **Three main scenarios for greenhouse gas (GHG) emissions** up to 2050 have been developed and analysed: ➢ **Business-as-usual** (BAU), ➢ **Late action** (LA), ➢ **Early action** (EA) climate neutrality scenario. In order to achieve net-zero by 2050.
The Second National Climate Change Strategy ("NCCS2")	The strategy assesses the impacts of climate change in Hungary, including its socio-economic consequences and the climate vulnerability of ecosystems and sectors. It includes the „**Domestic Decarbonisation Roadmap**" for reducing greenhouse gas emissions by 2050 and the „**National Adaptation Strategy**", which aims to prevent risks, mitigate damage, and guide climate change prevention and adaptation efforts. It defines sectoral actions in areas like public health, agriculture and rural development, water management, forestry, nature conservation, energy infrastructure, tourism, urban development, and disaster management. **Climate Change Action Plans (ÉCsT)** are prepared every **three years** to define the concrete actions based on the NCCS2 objectives.
5th National Environmental Programme (NKP)	Since 1997, the **comprehensive framework for Hungary's environmental policy**, including its goals and measures has been provided by the **National Environmental Programmes**, which are established for **six-year periods.** The goal of the **5th National Environmental Programme** is to improve Hungary's environmental condition, protect the health and quality of life of Hungarian families and communities, preserve natural values and resources, and strengthen the greening of the economy. One of the horizontal goal of the program is to improve the ability to mitigate the impacts and damages associated with **climate change**, as well as **reduce sensitivity** and **vulnerability to it**.
Climate and Environmental Protection Action Plan	The Climate and Environmental Protection Action Plan promotes Hungary's ambition to achieve carbon neutrality by 2050, by introducing ambitious plans, such as the achievement of **90% share of the carbon neutral domestically produced energy by 2030**, **27% increase of areas covered by forest of the country** by 2030, or the launch of the **Green Bus Programme**.
National Air Pollution Control Programme	The programme targets to **reduce air pollutant emissions** caused by the population (improving building energy efficiency, modernizing combustion equipment, expanding district heating, developing environmentally and health-conscious behaviour); **reduce transport emissions** (optimizing transport needs, promoting non-motorized mobility, developing public transport, supporting environmentally friendly modes of freight transport, increasing the share of low- or zero-emission vehicles, improving the technical condition of the road vehicle fleet in operation); **reduce emissions from agriculture; reduce industrial emissions.**

KEY ACTIONS

Hungary was the **1st EU member to ratify the Paris Agreement** in 2016. The country adopted the **Climate Protection Law** in 2020, turning its **2050 Net Zero emissions target** into a **legal commitment.** In 2023, Hungary adopted the **ESG act** (Act CVIII of 2023), which sets **sustainability reporting** criteria in the corporate sector. Hungary, as an EU Member State submits **Annual Greenhouse Gas Inventory Reports** to the European Environment Agency (EEA), which provide detailed information on emissions by sectors. In accordance with the Paris Agreement, Hungary submits a **National Inventory Report** (NIR).

HungaroMet - the Hungarian meteorological service provider - operates, maintains, and develops ground-based, high-atmosphere and remote sensing **meteorological** and **air pollution monitoring**, observation, telecommunication, and data processing systems, collects and processes meteorological data. It operates e.g. the **Hungarian Air Quality Monitoring Network**, the **MET-ÉSZ System** (created for the computer-based recording of meteorological observations), the **public weather warming system**, several radars, webcams, publishes warnings, forecasts, observations, studies and conducts modelling.

The **National Adaptation Centre (NAK)** was established in 2012, now operates as a department within HungaroMet. Its primary activities include conducting domestic planning, assessment, and monitoring tasks related to **climate adaptation**, providing strategic support for governmental decision-making, and supporting municipal climate protection planning and local adaptation efforts.

The **National Adaptation Geoinformation System (NATéR)** is a versatile, multi-component geoinformation and data system designed to facilitate the identification of climate change impacts and the assessment of vulnerabilities across various regions and sectors, encouraging the adaptation to the challenges posed by climate change. The NATéR provides access to the results of **multiple climate models**, offering the most comprehensive possible overview of the expected development of the region's climate.

The General Directorate of Water Management (OVF) manages the coordination of the **flood damage** related tasks, directs and coordinates the operational tasks in connection with the central water records and the information systems, determines the **flood control** and water management concept and also the strategy.

In September 2024, **Cyclone Boris** brought heavy rainfall to the upper Danube catchment, causing critical flood in Hungary which was **successfully managed**. **The National Technical Management Corps (OMIT)** coordinated the flood defence efforts, involving a total of **1,896** water management personnel, **5,000** partner organization members, and **2,700** volunteers. Over **4,600 meters** of **mobile flood barriers** were set up along the Danube, and more than **2 million sandbags** were distributed, of which **95%** were used.

Several programmes contributed to the improvement of Hungary's resilience and adaptation to climate change. Under the Climate and Energy Efficiency Operative Program (**KEHOP**) e.g. Hungarian counties developed their **individual climate change strategies, klimadat.met.hu** was created - a database and visualization system - containing measured and modelled climate data for Hungary and Budapest while the **LIFE IP HungAIRy** project was established to contribute to reducing pollutant emissions in 10 municipalities, covering 8 air quality zones.

Source: *Nemzeti Jogszabálytár; HungaroMet; NATéR database; General Directorate of Water Management (OVF); HungAIRy; https://legszennyezettseg.met.hu/*

I.2 ENERGY

CHALLENGES AND OBJECTIVES

Situation overview and challenges

- Hungary has a **well-balanced energy mix.**
- Hungary's **energy import dependency** (including solid fossil fuels, natural gas, oil and petroleum products excluding biofuel portion) reached **62%** (EU average 58%) in 2023.
- Due to its geographical situation, Hungary **relies on oil & gas originating mainly from Russia**, although efforts to **diversify** its sources of supply are a priority.
  - In 2023, the country relied on Russia approx. for **75%** of its **gas imports**.
  - Hungary is also **heavily dependent** on the Southern branch of the Druzhba pipeline (through Ukraine) for its **crude oil imports**.
- The **majority of the domestic housing stock** (3.85 million households) falls into the "DD"[1] or lower energy classification.
- Approx. **71% of households** (3.25 million households) use **natural gas** as a primary source for heating, making them **vulnerable** to fluctuations in import prices.

Strategic objectives

- Final energy consumption should not exceed the **740 PJ** threshold in 2030 (692.4 PJ in 2023)
- **Share of renewable energy** within**:**
  - **Gross final energy consumption** at least **30% by 2030** (17.1% in 2023)
  - **Transport sector 25% by 2030** (7.6% in 2023)
  - **Electricity sector 32%**[2] **by 2030** (19.5% in 2023)
  - **Heating and cooling sector 32%**[2] **by 2030** (22.3% in 2023)
- **Phasing out coal and lignite** from domestic electricity generation **by 2029** at the latest (Mátra Power Plant)
- Targeting **12,000 MW of solar energy capacity by 2030**
- Strengthening the country's **energy independence:**
  - **Natural gas** import exposure **80% by 2030** (82.5% in 2023)
  - **Crude oil** import exposure **85%**[2] **by 2030** (86.5% in 2023)

1: DD is the "approaching modern" energy classification of the building on a scale from AA ++ to JJ according to the percentage scale described in the Hungarian EPC [Energy Performance Certificate] System (176/2008. (VI. 30.) Decree)
2: Indicative sub-goal according to National Energy and Climate Plan

Source: *National Energy and Climate Plan; Eurostat; Ministry of Energy; European Parliament*

RELEVANT NATIONAL STRATEGIES AND ACTION PLANS

Name	Goals
National Energy and Climate Plan	The updated 2024 National Energy and Climate Plan covers the dimensions of the Energy Union, including **decarbonisation**, **energy efficiency**, **energy security**, the **internal energy market**, as well as **research, innovation, and competitiveness**. The plan – in line with the objectives of the National Energy Strategy 2030 and The Second National Climate Change Strategy (NÉS-2) – has the primary objectives of strengthening **energy sovereignty** and **energy security**, as well as achieving **decarbonisation** while **supporting** the population.
National Energy Strategy 2030	The National Energy Strategy 2030 with an outlook to 2040 primary objective is to **reduce the fossil energy import** and **strengthen Hungary's energy independency**. The strategy promotes clean, smart and affordable energy via climate-friendly transformation of the energy sector, further strengthening security of supply and fostering innovation, as well as economic development. It contains the implementation of **six flagship programmes** (further decarbonisation of the electricity sector, improvement of the energy efficiency of the economy, greening transport, energy-efficient and modern households, energy innovation pilot projects, awareness raising campaigns) and the measures that are needed.
National Hydrogen Strategy	The strategy sets up priority objectives until 2030, including the production of **low-carbon** and **carbon-free hydrogen**, the decarbonisation of industries - partially with **hydrogen -**, the **greening of the transport sector** and the establishment of the proper **infrastructure**. For the implementation of the strategy, **6 comprehensive**, so-called **prioritised projects** are introduced, namely the **Green Truck Programme**, the **Green Bus Programme Plus**, establishment of **hydrogen valleys** in Hungary, the **Hydrogen Highway Project**, the **Blue Hydrogen Project** and **research, development and innovation.**
Jedlik Ányos Plan 2.0	The goal is to support developments and innovative activities related to the spread of **electromobility**, as well as to **promote** the adoption of **electric vehicles** through various incentives, tax exemptions. The strategy defines the **strategic directions** for the development of electromobility for various **policies** and **future measures**.
National Battery Industry Strategy 2030	The strategy is committed to contribute to an **environmentally** and **socially sustainable battery production**. The development of sustainable battery production, while achieving climate policy goals, enables the creation of a competitive industrial sector.
National Geothermal Utilisation Concept	According to **the National Geothermal Utilisation Concept**, the goal is to increase the domestic geothermal energy (to **8 PJ by 2026**, which is a **20%** increase compared to the **6.4 PJ base value in 2022**) to **12-13 PJ by 2030**.

KEY ACTIONS

Hungary's **energy import dependency** has been mitigated over the years due to **decreasing the consumption of natural gas and diversifying its import sources**, increasing the domestic **renewable electricity generation, improving the energy efficiency of the buildings**. The **Jedlik Ányos Energy Programme** launched in 2025 aims to decarbonise the economy supporting **energy efficiency** in businesses, the set up of **energy storage facilities**, production of **biogas** and **biomethane**, **research and development**, the use of **geothermal energy** and the **modernisation of district heating** systems.

Hungary is gradually increasing the use of renewable energy with **solar power** at the core of renewable-based electricity generation. In 2024, Hungary reached **6,000 MW** (previously targeted for 2030) of total solar energy capacity (**12,000 MW new target for 2030**). Programmes like the **Solar Energy Plus Program** promote the spread of solar power plants. Hungary also **promotes other renewable sources** through calls such as the **Support for Geothermal-Based Energy Generation** (planned to launch in 2025), while facilitating **grid integration** of weather-dependent renewables (e.g via the **Installation of Grid-Scale Energy Storage by Energy Market Participants** call).

Several **programmes** contribute(d) to **energy efficiency improvement of the buildings**, e.g. Factory Rescue Program, Warm Home Program, Home Renovation Support Program, Modern Cities Program, Catching-Up Settlements Program, Hungarian Village Program, Family Housing Support Schemes, The promotion of smart cost-sharing, the radiator replacement program. As for the renewable-based modernization of **district heating systems**, a large-scale development program within the framework of the **Jedlik Ányos Energy Program** was launched in 2025.

The **Paks Nuclear Power Plant** has been providing Hungary's residential and industrial consumers with electricity for over 40 years. The use of nuclear energy significantly contributes to Hungary's **energy security** and **independence** from fossil fuels, therefore Hungary plans to extend the operating life of the existing units at the **Paks Nuclear Power Plant** (Paks I.), as well as to construct the new, **Paks II Nuclear Power Plant.** The goal is to further enhance supply security by diversifying the sources of nuclear fuel procurement.

Hungary plans to transform the **lignite-fired Mátra Power Plant** to low-carbon technologies, aiming to **phase out coal** from domestic electricity generation **by 2030 at the latest.** According to the plans, **CCGT capacities** will be built, new **photovoltaic solar parks** are expected to be installed on recultivated mining areas, **plans include the implementation of a pilot project using CCUS technology** as well as the energy **utilization of biomass** and **non-recyclable waste** (RDF) at the power plant site.

Hungary introduced the **Energy Efficiency Obligation Scheme (EEO)**, aimed at achieving verified energy savings in domestic final energy consumption. Parties affected by the scheme, can also choose the option of paying an energy efficiency contribution instead of fulfilling the obligations. The funds collected from the contribution must be used to finance alternative policy measures that improve the energy efficiency of households or public buildings. The **EEO contributes 26%** to the national energy savings goal, amounting to a **cumulative savings of 88 PJ by 2030.** Hungary has also introduced the **Electronic Public Procurement System (EKR)** alongside other alternative policy measures.

The Hungarian government's **utility cost reduction scheme** (maintaining a cap on the price of household utility bills including gas and electricity) plays a key role in **helping families** and **households** to manage their energy costs. The scheme aims to ensure that households can afford energy while reducing the impact of market fluctuations. The **Social Fuel Program** provides mostly biomass fuel support to residents in settlements with fewer than 5,000 inhabitant through the local municipalities. To further reduce vulnerability risks, Hungary is developing its **National Social Climate Plan**.

Source: *National Energy and Climate Plan; MVM Mátra Energia; kormany.hu; MEHI – Hungarian Energy Efficiency Institute, Paks2, EKR, Ministry of Energy*

I.3 BIODIVERSITY

CHALLENGES AND OBJECTIVES

Situation overview and challenges

- In total, **22.6%** of Hungary's territory (areas of national importance under legal protection, protected areas of national importance, protected areas of local importance together with the Natura 2000 network) was under legal protection in 2021.
- In Hungary, 782 plants, 58 mushrooms, 17 lichens and 1193 animals are protected, of which 87 plant and 186 animal species are under strict protection.
- Large areas of natural floodplains of domestic rivers have been destroyed, and **biodiversity** is slowly **decreasing** even in the majority of nature conservation areas.
- Natural and semi natural habitats (e.g., extensive grasslands, wetlands, reduction of lowland forest areas), are increasingly affected by fragmentation and varying degrees of degradation.
- **53%** of species of community interest (without birds) are in an unfavourable state according to the national report of 2019.
- The gradual expansion of the **invasive species** is one of the greatest threats to the natural and semi natural habitats.
- Areas covered with natural forest is low in European comparison.

Strategic objectives

- Ensuring a **coherent network of landscape elements** with high biodiversity on **at least 10%** of the country's territory
- Increasing the area under **organic farming to 15%**
- The long term objective is to reach **27% of forest cover** (based on forest area)
- Implementing interventions or restoration activities to prevent further deterioration of natural conditions:
  - On at least **35,000 hectares of permanent grasslands**
  - On at least **136,000 hectares of forest ecosystems**
  - On at least **34,000 hectares of wetlands**
- Ensuring that the conservation status and population trends of species of community interest currently in an unfavourable or poor conservation status will not deteriorate, with **at least 30%** of them reaching **favourable conservation status** or showing at least signs of recovery

Source: *Convention on Biological Diversity; 3rd National Biodiversity Strategy; HCSO; Decree of the Minister of Environment No. 13/2001 (V. 9.) KöM on the protected and strictly protected plant and animal species, strictly protected caves as well as on the plant and animal species of Community importance; Act No. LIII of 1996 on Nature Conservation in Hungary, Article 43, Protected and strictly protected plant and animal species; National Forest Strategy 2016-2030*

RELEVANT NATIONAL STRATEGIES AND ACTION PLANS

Name	Goals
3rd National Biodiversity Strategy	A comprehensive strategy defining **3 strategic areas:** ▪ Reduction of threats to biodiversity; ▪ Sustainable use of biodiversity, tools; ▪ Solutions to support implementation The strategy includes **19 objectives** related to the **conservation** and **sustainable use of biodiversity**.
National Forest Strategy 2016-2030	The strategy was developed focusing on the following **main areas**: 1. The role of forests in rural development, 2. Development of state forest management, 3. Development of private forest management, 4. Nature conservation in forests, 5. Modern forest protection, 6. Sustainable wildlife management, 7. Rational use of forests, 8. Forestry public administration, 9. Research, education, 10. Effective communication meaning the introduction of environmentally friendly forest management and its effects through sectoral communication trainings and encouragement of sector players for communication in order to develop their activities and influencing the attitudes of the target audiences.
National Landscape Strategy 2017-2026	The strategy takes into account the domestic state of compliance with international expectations, presents the most dominant landscape change processes, the driving force of these processes and the condition of the Hungarian landscape. The strategy considers **three horizontal principles** – the general protection of natural resources and cultural heritage; wise and rational use of areas; the mitigation of the impacts of climate change and adaptation. **Three main targets** are set by the strategy: ▪ Laying the foundations for land use based on landscape features; ▪ Liveable landscape – liveable settlement – wise land use; ▪ Enhancing landscape identity.
The National Nature Conservation Master Plan V.	The National Nature Conservation Master Plan is the country's **strategic policy** document for nature conservation. As an independent but integral part of the **National Environmental Program**, it defines the key objectives and actions in relation to the state's **nature conservation responsibilities**. It provides guidance not only for nature conservation authorities but for all state bodies.
CAP Strategic Plan 2023-2027	The plan contributes significantly to the **conservation of biodiversity** and **natural habitats**, **soil protection**, **preservation of water resources**, and the **protection of pollinating insects**. It fosters sustainable water management, water retention, and efficient water use to preserve biodiversity. A key focus is on the **preservation of agrobiodiversity**, specifically the diversity of agricultural genetic resources. A strategic priority is the **regulation of activities related to genetically modified organisms** (GMOs) and the **preservation of GMO-free status** in Hungarian agriculture.

KEY ACTIONS

In 2017, the Ministry of Agriculture prepared a **Gene Conservation Program**, which was approved by the Government in Resolution 1049/2018 (II. 20). The implementation of the program began in 2019, supporting the development of gene conservation institutions and their key programmes and, expanding the collections of the gene banks.

The **National Centre for Biodiversity and Gene Conservation** is Hungary's largest and central gene bank. It provides relevant research, development and innovation as well as rural development, education and awareness raising activities related to its gene bank collections. It operates the **Plant Genetic Resources Institute** (Hungary's largest and most important plant gene bank, ranking among the top twenty in the world) and the **Institute for Farm Animal Conservation.**

The **Hungarian Biodiversity Monitoring System** is a long-term programme implemented to observe the state of Hungarian biodiversity. **Vadonleső Program - one of Europe's largest** volunteer-based community nature observation and data collection **program** - was created to strengthen the Biodiversity Monitoring System**.**

Species conservation plans are constantly developed for endangered species - based on domestic or international assessments - whose conservation and improvement of conservation status require coordinated, planned actions. The approved conservation plans, except sensitive data (e.g., locations of strcitly protected species), are public and accessible to everyone. So far, **conservation plans for 48 animal and 23 plant species have been published.**

Hungary has joined the **European Biodiversity Partnership** (Biodiversa+) to support the research on biodiversity and signed the **Convention on Biological Diversity** and the **International Treaty on Plant Genetic Resources for Food and Agriculture.**

The **Hungarian Nature Conservation Act** (Law No. LIII of 1996 on Nature Conservation) contains regulatory elements to protect forest ecosystems and the **Forest Act** (2009 Act XXXVII on Forests, Forest Protection, and Forest Management) aims to regulate forest management activities. In 2021, Hungary submitted the national **Prioritised Action Framework for Natura 2000** for the 2021-2027 period to the European Commission, outlining the main directions for nature conservation developments.

Since joining the EU, Hungary has initiated and implemented more than **450 EU co-financed nature conservation projects.** The target areas of projects with direct territorial impacts, such as habitat restorations, species conservation interventions, etc., together **exceed 300,000 hectares**. The **Rural Development Programme** contributed to the preservation of biodiversity by e.g. **in situ gene conservation**, such as maintenance of **forest gene reserves** and **maintenance of tree species** designated for seed production.

Source: *National Centre for Biodiversity and Gene Conservation; termeszetvedelem.hu; Vadonleső Program; Ministry of Agriculture*

I.4 SUSTAINABLE WATER MANAGEMENT

CHALLENGES AND OBJECTIVES

Situation overview and challenges

- Hungary is situated within the **Danube River Basin**.
- Hungary's largest lake is **Balaton** (600 sq km surface), which is the **largest lake in Central Europe**.
- **95% of the surface water flowing into the country comes from abroad**, which means Hungary is vulnerable in terms of both water quantity and quality, i.e. the status of Hungarian surface waters depends significantly on the state of waters coming from neighboring upstream countries.
- Hungary has one of the **highest per capita water resources** in Europe; however, the surface water resources derived from **precipitation are among the smallest** on the continent.
- The **duration** and **severity of the drought have increased**.
- There is a high **proportion of areas threatened by flooding** and **inland water** but also **hit by drought** as well, **within a short time**, due to the flatland characteristics of Hungary.
- The **water flow and quality of rivers** are deteriorating.
- More than **90% of drinking water** supply relies on **groundwater resources**. The quality of the near-surface, **shallow groundwater** part of these resources is primarily threatened by **agricultural activities** (e.g. pesticide use) and **pollution from municipal sources.**
- A high percentage of the **water network pipeline** needs to be **reconstructed** due to **water loss**.

Strategic objectives

- **Protection and monitoring of the state of groundwater and surface waters and control** of **water abstraction**
- **Wetland rehabilitation**-biological diversity conservation
- **Comprehensive water management** (with cross-sectoral cooperation), nature-based solutions for water retention for better and sustainable utilization
- **Flood and inland water protection with risk-prevention**, compliant with WFD requirements, including hydromorphological improvements
- **Rain-water management**
- **Sustainable domestic groundwater use and thermal water utilization**, application of water saving technologies
- **Reducing water pollution**, hazardous substances from water (insitu or coming from areas outside the country)
- **Integration** of water utility services
- **Reconstruction** of the aging parts of the public water supply networks

Source: *National Water Strategy (KJT); Third River Basin Management Plan; Ministry of Energy*

RELEVANT NATIONAL STRATEGIES AND PLANS

Name	Goals
National Water Strategy (KJT)	The National Water Strategy (2017-2030) defines the main goals for development of water management taking into account **hydrological conditions**, **sustainability** and professional organisations of water management in Hungary. The strategy's goals include: improvement of water retention and demand/resource-management, rain water runoff and regulation systems to reduce risk of floods and droughts, rehabilitation of wetlands, reconnection rivers to floodplains/side channels/tributaries with water supply and dredging, increasing habitat diversity, improving river continuity for biota and sediment transport, using nature resources as renewable energy (water, thermal water) and also improving the public water utilities.
Third River Basin Management Plan	The aim of the plan is to ensure that **surface** and **underground** waters, as well as **protected areas** connected to water, are in „good state", while setting the following general objectives: ending the deterioration of aquatic and wetland habitats, protecting them, improving their conditions, promoting the sustainable water use by long-term protection of water resources, improving water quality by reducing emission contamination with eliminating hazardous substances, gradual reduction of groundwater pollution, mitigating the adverse effects of floods and droughts.
National Plan for Integrated Water Resources Management	One of the greatest challenges for municipalities and water management is to prepare settlements to face the impacts of climate change while leveraging the potential of water in urban development. The Integrated Urban Water Management Plan is a **policy framework document** that defines the **water management responsibilities** and **obligations of municipal governments**, aligns these tasks with urban development, and provides a database on areas related to water management within the settlement.
National Water Tourism Strategy 2024-2035	The strategy aims to develop **sustainable water tourism**, focusing on **water sports**.

KEY ACTIONS

From January 2021, **National Waterworks Ltd.** exercises the ownership rights and obligations of the Hungarian state over state-owned water utility companies and state-owned water utility systems. As a result of the **Integration Program**, with 18 majority state-owned organizations, the company now serves approximately **4.73 million residents**, employing a total of **11,650 people**, making it the **4th largest state-owned enterprise** in the country.

Over the past 10 years, more than **HUF 1,000 bn** have been invested in water utility developments, primarily in wastewater networks. As a result, **95%** of **households** are connected to the drinking water supply while **84%** are connected to the **wastewater network** and service providers can ensure access to healthy, **high-quality drinking water**. To reduce network water loss**,** the **National Reconstruction Program** was launched**.** As the first step of the program, state water utility providers with above-average network water loss will receive support.

Several monitoring system is operating in the country. The **Drought Monitoring** network with soil moisture prediction helps to implement actions to mitigate the negative effects of drought while **surface and groundwater monitoring** stations are placed across the country. Other monitoring systems include the **National Hydrological Forecasting** service, **Water resource protection country map** and live webcameras.

The **Hungarian Water Utility Association** (MaVíz) acts as an independent representative of the water industry's interests, offering trade development and engineering services. The **National Laboratory for Water Science and Water** aims to support the implementation of water science and water safety innovations with research that contribute to the protection of water quality, while the **Municipal Consultation Council** was established **for every state-owned service provider** to ensure more effective cooperation with municipalities.

Hungary places high priority on water remediation and **rehabilitation of wetlands**. Between 2019-2022 (during flood events), **6,900 m³** of waste (all coming from areas bordering the country) was collected from Tisza and Szamos river, while under **Plastic Cup** program, since 2013, a total of **367 tons** of waste was collected. The **ancient Drava Program** contributed to preserve water-related natural habitats while under the **Szigetköz Program**, an overview of the status of riverbed characteristics, **forests**, and **bioindicator species** was completed.

In the country, several programmes contribute to the good **management of water resources. The Water into the landscape** program aims to retain the water flowing through the country and direct it into the landscape, which helps to improve the water resources of the soil. **The Perlator** (faucet aerator) **Program** provided **free flow regulators** for citizens and municipalities to encourage **water savings**. With the help of the program more than **20 million litres of drinking water** was **saved**.

Since 2012, as a result of the **public employment**, **maintenance** of more than **63 thousand km of canals was conducted**, almost **287 thousand m³ of streambed desilting** and **8 million working hours of waste collection** have been carried out.

Source: *General Directorate of Water Management (OVF); Pet Kupa (Plastic Cup); vizeink.hu, Perlátor Program; MaVíz; Operational drought and water scarcity management system; Vízkészletvédelmi országtérkép; Nemzeti Vízközművek; Szigetköz*

II. HUNGARY'S PATHWAY TO CLIMATE NEUTRALITY

HUNGARY IS AMONG THE LOWER GHG EMITTERS IN THE EU

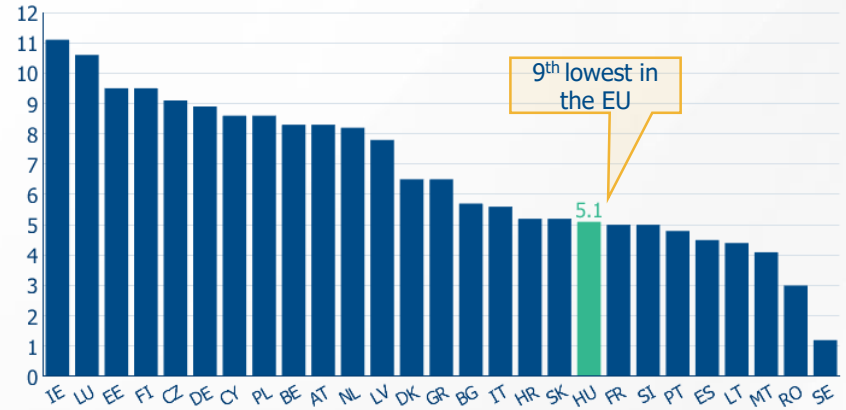
Key highlights of GREENHOUSE GAS EMISSION

- Hungary was **among the first countries globally to turn its 2050 net zero emissions target into a legal commitment** with the adoption of the Climate Protection Law in 2020 (Act XLIV of 2020 on Climate Protection).
- The country aims to achieve a minimum **50% reduction** of domestic **gross GHG emission** (excluding LULUCF) by 2030 compared to 1990.

In 2023, Hungary's **net GHG emission** (t/capita) was the **9th lowest** in the EU

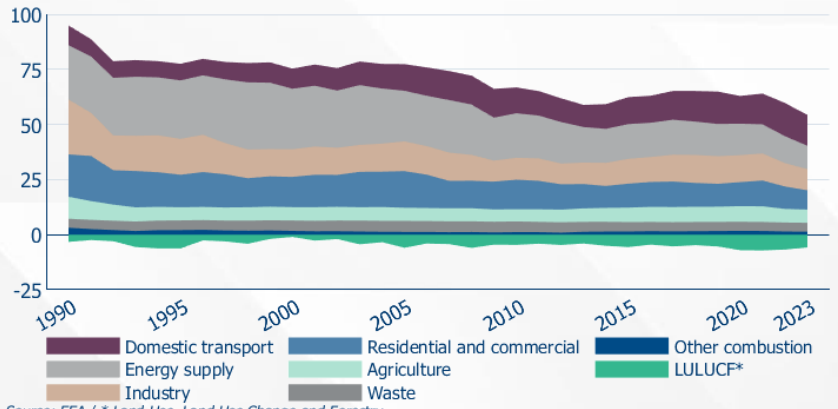
- Hungary reduced its gross domestic greenhouse gas emissions by **43% between 1990 and 2023** (excluding LULUCF), which is well below the EU average (36%).
- In 2023, the highest contribution to net GHG emissions originated from the **domestic transport** sector**,** followed by the **energy supply** and **industry** sector.

Net greenhouse gas emission
(t/capita), 2023



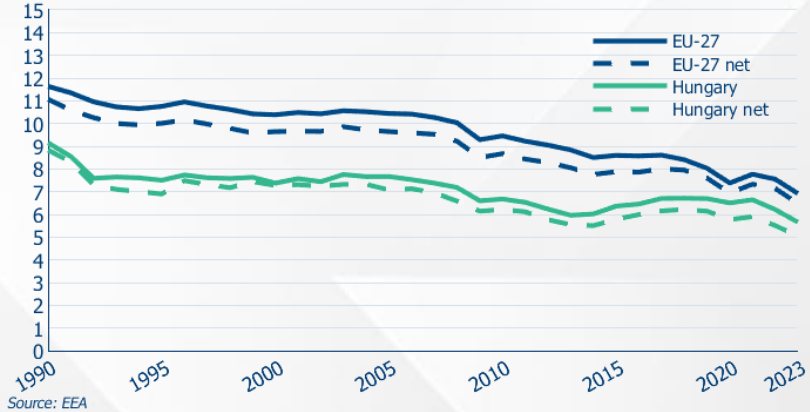
Source: Eurostat

GHG emission by sector
(million tonnes, CO_2 equivalent), 1990-2023



Source: EEA / * Land-Use, Land-Use Change and Forestry

Historical net greenhouse gas emission
(t/capita), 1990-2023



Source: EEA

Source: *National Energy and Climate Plan; Eurostat; EEA; Nemzeti Jogszabálytár*

GREENING THE TRANSPORT SECTOR IN ORDER TO CONTRIBUTE TO A GREENER FUTURE

Key highlights of TRANSPORT sector

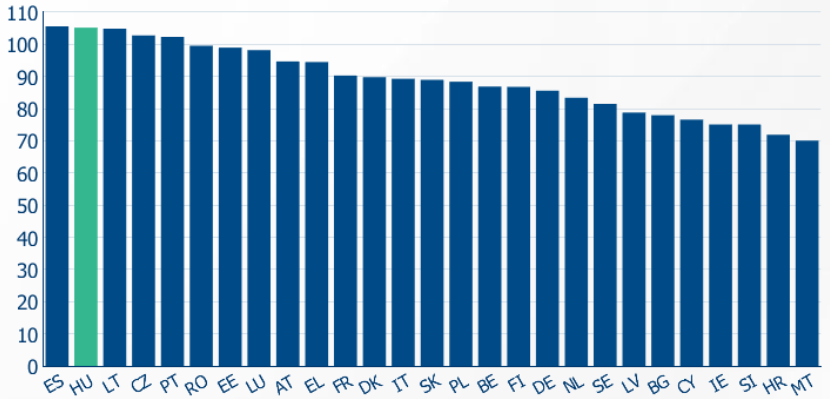
- In 2023, domestic transport sector was the **largest contributor to GHG emissions** in Hungary.
- According to the **National Energy and Climate Plan**, a **technological change**, particularly **electrification**, the use of **alternative fuels**, a **modal shift toward public transport** and **micromobility** and the **increase of the competitiveness of rail transport** are essential for greening the transport sector.
- In the country, **public transport already plays a vital role**, as Hungary leads the EU in the share of public transport within total inland transport.

Hungary plans to increase the **use of renewable energy in transport**, targeting a **25% share by 2030** - at least **4.5%** share of second-generation (or advanced) **biofuels and biogas** and **1%** share of renewable fuels of non-biological origin (RFNBO).

- The **Jedlik Ányos Plan 2.0** promotes **electric vehicles** and the construction of the necessary infrastructure.
- Hungary plans to develop sustainable infrastructure for the transport, the **Budapest Agglomeration Railway Strategy (2021–2040)** aims to optimise rail for both passenger and freight transport while the **National Policy Framework based on the Directive on the Deployment of Alternative Fuels Infrastructure** fosters the deployment of alternative fuel infrastructures.
- The **National Cycling Strategy (2023–2030)** encourages cycling and other low-energy transport options with the aim of ensuring that by 2030, **35% of the population** use bicycles as their **main mode of transport** multiple times per week.
- The **National Hydrogen Strategy** aims to support the expansion of **hydrogen mobility** in urban bus fleet by 2030. Hydrogen fuel cell buses are already operating in pilot projects across several Hungarian cities, including Debrecen, Győr, Zalaegerszeg, Kecskemét, Kaposvár, Miskolc, and the Budapest metropolitan area.

Volume of passenger transport relative to GDP

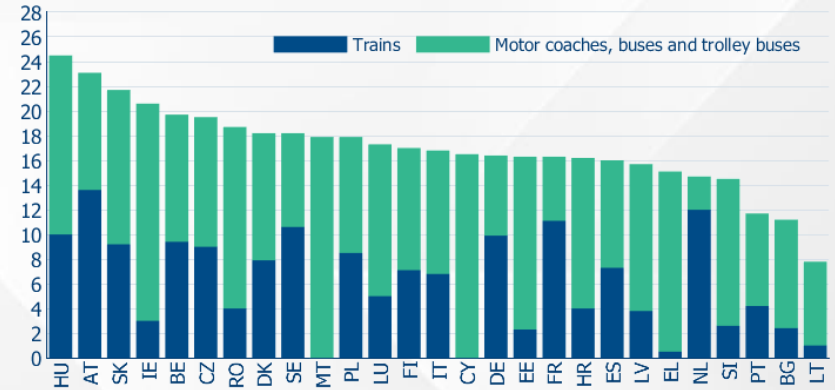
(percentage, index 2015=100), 2023



Source: Eurostat

Modal split of inland passenger transport

(percentage), 2023



Source: Eurostat

Source: *National Energy and Climate Plan; Jedlik Ányos Plan 2.0; National Policy Framework based on the Directive on the Deployment of Alternative Fuels Infrastructure; National Cycling Strategy 2030; National Hydrogen Strategy, Ministry of Construction and Transport*

FOSTERING ELECTROMOBILITY AND ZERO EMISSION TECHNOLOGIES IN THE TRANSPORT SECTOR

Key highlights of ELECTRIC VEHICLES

- From September 2024, plug-in hybrid and extended-range hybrids will no longer be considered **environmentally friendly vehicles**, only **pure electric** vehicles and **other zero-emission** vehicles will be eligible for **green license plates**.

In Hungary**, tax exemptions** (registration tax, motor vehicles tax, company car tax and motor vehicle duty), **free parking** in several cities contribute to lower the cost of environmentally friendly vehicles.

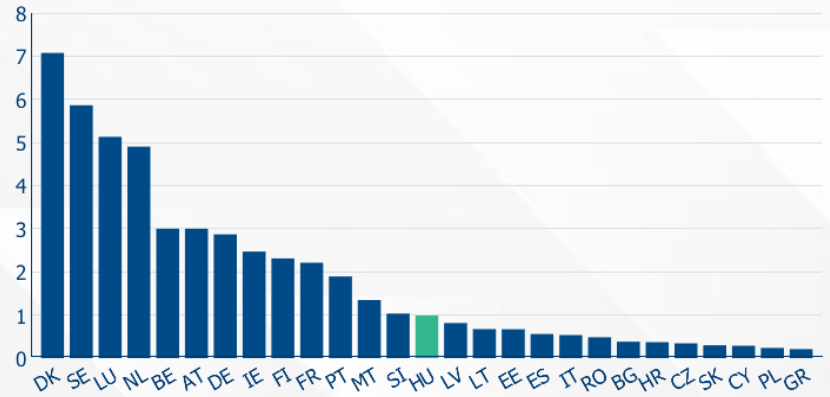
- By the end of 2024, the number of electric vehicles (zero-emission, pure electric vehicles) reached **70,386 pcs** (**45%** increase from 2023), and in the second quarter of 2024, the number of public electric charging stations increased to **2,811**.
- Programmes, e.g. the **Support for the Procurement of Road Electric Vehicles by Enterprises**, the **Installation of Electric Vehicle Charging Stations** foster the spread of electromobility.

Key highlights of PUBLIC TRANSPORT

From May 2023, it is possible to purchase both a **Hungary pass** and a **County pass** to use **trains** and **interurban buses** at a **discounted price.**

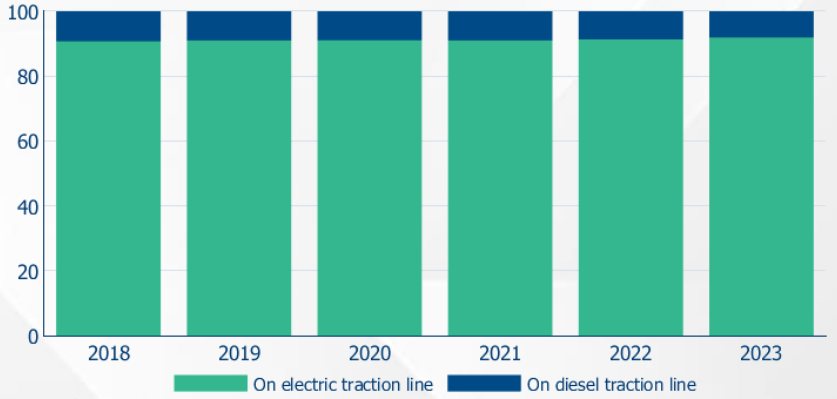
Bus	The **Green Bus Program** aims to integrate electric buses (over 2,000 zero-emission buses) into local transport through the implementation of **Pilot Projects**. The programme will also test **hydrogen fuel cell buses** and put them into service in the coming years.
Train	Rail passenger traffic is predominantly **powered by electric traction** (more than **90%** of passenger-kilometres are related to **electrified traction lines**). As of 2023, **45.5%*** of the operated railway network was electrified, which is **expected to further increase** in the future years.

Share of electric cars in the stock of passenger cars
(percentage), 2023



Source: Eurostat

Passenger-kilometre on the operated rail network
(percentage), 2018-2023



Source: MÁV-Group, GYSEV Pte. Ltd

*Preliminary data

Source: HCSO, National Energy and Climate Plan; Ministry of Interior; MEKH; Ujtarfia.hu; 221/2024 (VII. 31.) Govt. Decree; Decree 6/1990 (IV.12.) of the Minister for Transport, Communications and Energy

IMPROVING ENERGY EFFICIENCY AND PROMOTING THE USE OF RENEWABLE ENERGY IN THE BUILDING SECTOR

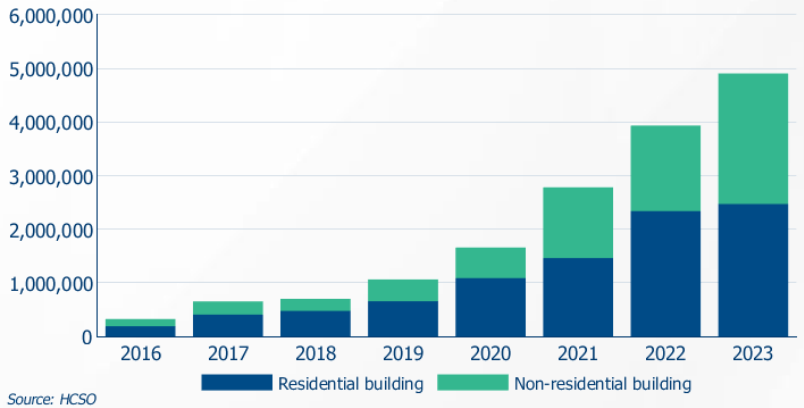
Key highlights of RESIDENTIAL AND COMMERCIAL sector

- The average energy performance of the domestic housing stock falls into the "**FF**"* category
- Approximately **2.6 million** residential building require some level of energy modernization
- **A high share of the energy** used in Hungarian households is related to heating, which is primarily produced by **natural gas**
- With modernization and alternative heating methods, about **2 billion m³ natural gas consumption** could be avoided annually
- About **32% of final energy consumption** derives from residential sector

The **Long Term Renovation Strategy** (HTFS) aims to achieve **20% reduction** in energy consumption of domestic residential buildings by 2030, a **60% decrease** in CO_2 emission related to the energy use of buildings by 2040 compared to the average between 2018-2020 and **90%** of **buildings meeting** the nearly-zero energy building performance **(nZEB)** by 2050. The HTFS will be replaced by the **National Building Renovation Plan.**

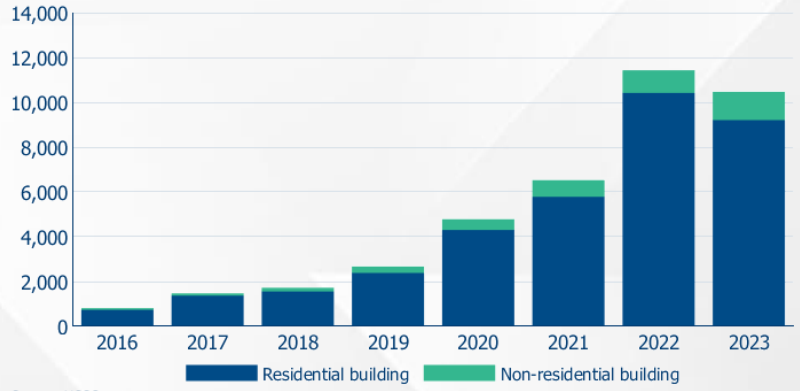
- The **key measures** implemented/ongoing/planned, include:
  - Factory Rescue Programme, Home Renovation Programme, Modern Cities Programme, Catching-up Settlements Programme, Hungarian Village Programme, Family Housing Subsidy, The promotion of smart cost-sharing, the radiator replacement subprogramme
  - The **Home Renovation Programme** was launched in July 2024 and expected to reduce the **primary energy consumption** of **20,000-22,000** detached, row, and semi-detached houses by **at least 30%.** The program aims to achieve a **1.5-1.8 PJ** saving in final energy consumption

Total floor area of newly built, nearly-zero energy buildings
(square meter), 2016-2023



Source: HCSO

Number of newly built, nearly-zero energy buildings in use
(pcs), 2016-2023



Source: HCSO

*FF is the "average" energy classification of the building on a scale from AA ++ to JJ according to the percentage scale described in the Hungarian EPC [Energy Performance Certificate] System (176/2008. (VI. 30.) Decree)

Source: Long Term Building Renovation Strategy; National Energy and Climate Plan; HCSO

DECARBONISING THE INDUSTRY SECTOR WITH A FOCUS ON ELECTRIFICATION, CCUS TECHNOLOGY, RENEWABLE GASES AND JUST TRANSITION

Key highlights of INDUSTRY sector

Hungary's approach to reduce GHG emission include:

- **Energy efficiency investments** and technological shift to **electric power**;
- Application of **low-carbon** or **green hydrogen** in energy-intensive sectors, where electrification is challenging (e.g. chemical, steel);
- Strengthening **research** and **development** activities related to the domestic manufacturing and industries related to raw material industries;
- The adoption of technologies focusing on **carbon capture, utilization, and storage (CCUS)** in the future;
- **Creation of new jobs** in the most carbon-intensive industries

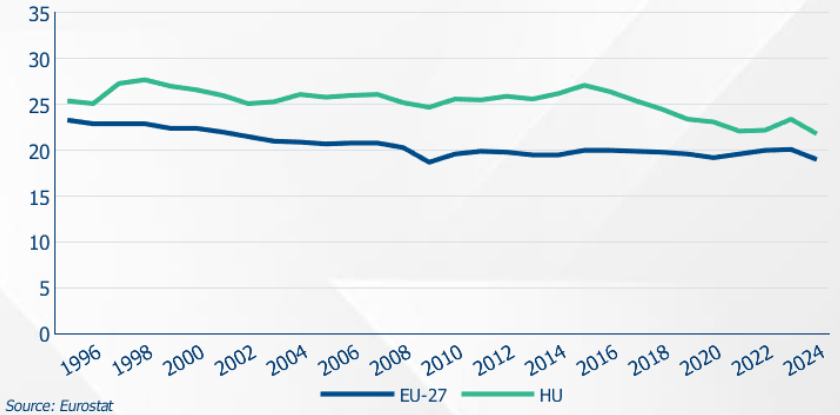
- The **Baross Gábor Capital Program** or the **Factory Rescue Program** conrtibuted to the improvement of **energy efficiency** and **implementation** of **green developments.**
- The **Just Transition Fund** supports **regions** and **carbon-intensive industries** in transitioning to climate neutrality while **creating new job opportunities** for the society and **retraining** the employees.
- The **Demján Sándor program offers preferential green loan** for small and medium-sized enterprises, investing in renewable energy production, building energy storage capacity, procurement of zero carbon dioxide vehicles and improving energy efficiency, sustainable water and waste management and sustainable real estate investment.
- The **National Hydrogen Strategy** aims to ensure that a significant portion of the produced hydrogen – **16,000 tons of carbon-free** and **20,000 tons of low-carbon** – will be used in **industry, primarily to replace grey hydrogen,** contributing to the decarbonisation in **ammonia production**, **oil refining**, **petrochemicals**, and potentially **steel industry.**
- Plans for the production of **600 million m³** of **biogas** by 2030 (of which 184 m³ **biomethane**).

Key highlights of JUST TRANSITION

- **Territorial Just Transition Plans for 3 counties** were approved.
- According to the Territorial Just Transition Plans, **thousands of citizens may need to be retrained** in the counties by 2030.
- The objective is to provide **complex labour market services** for employees who are exposed to a risk during the transition or who have already lost their jobs. Furthermore, **retraining, support for change of job**, as well as **support for becoming an entrepreneur** and **starting a business** are also objectives of the plans.
- The strategic integrated project named **LIFE-IP North-HU-Trans** is the flagship project in Hungary, facilitating the transformation of **Mátra Power Plant** while **providing the employment of workers** in the labour market through various occupational training and outplacement services.

Share of industry in Gross Value Added

(percent), 1995-2024



Source: Eurostat

Source: *National Energy and Climate Plan; National Hydrogen Strategy; North Hungary In Transition, Territorial Just Transition Plan – Baranya, Borsod-Abaúj-Zemplén, Heves county; dsprogram.hu; Baross Gábor Capital Program*

REDUCING ENERGY DEPENDENCY BY DIVERSIFYING THE ENERGY MIX AND INCREASING THE SHARE OF RENEWABLES

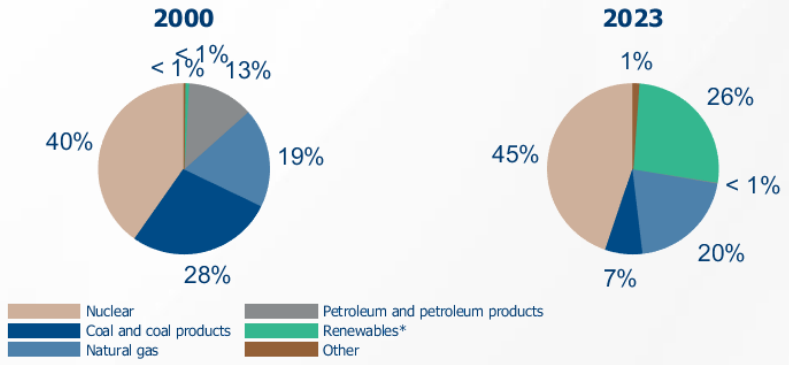
Key highlights of ENERGY sector

Hungary plans to centre its **electricity generation** on **two main sources**: **solar** and **nuclear energy**

Rene-wable energy	Since 2000, **the share of renewables** in **gross electricity production** and in **primary energy consumption** has **increased significantly.** The change in the energy mix represents the **first results of the Government's ambitions to** increase the share of renewables in power and heat generation and to decrease natural gas consumption. The **share of renewable energy** in gross final energy consumption is set to reach **30% by 2030**.
Nuclear energy	The operational lifespan of **Paks I Nuclear Power Plant** will be expanded and **Paks II Nuclear Power Plant** is expected to begin operating in the next decade with **two 1.2 GW reactors**. Together, **the six reactors will provide 4.4 GW of capacity**.
Coal	The transformation of the **lignite-fired Mátra Power Plant** (in 2021, accounted for **5%** of total domestic **greenhouse gas emissions**) to low-carbon technologies will result in the **phase-out of coal** and **lignite-fired** electricity generation in Hungary by 2029.
Natural gas	Strengthening the role of a **transit country,** establishing the **Hungarian-Slovenian gas interconnector**, expanding the **Romanian-Hungarian gas interconnector capacity**, examining the options for transporting additional **LNG** (e.g. through Austria, Slovenia) and **reducing the share of natural gas in the energy mix** as a key strategic objective.
Petroleum /Crude oil	Maintaining the **Ukrainian-Hungarian Druzhba pipeline,** increasing **southern oil imports** through capacity expansion of the **Adria Oil Pipeline** connecting Hungary and **Croatia**, building a **new pipeline** connecting Hungary and **Serbia** and enhancing the national **Danube Refinery's** capacity to process alternative sources.

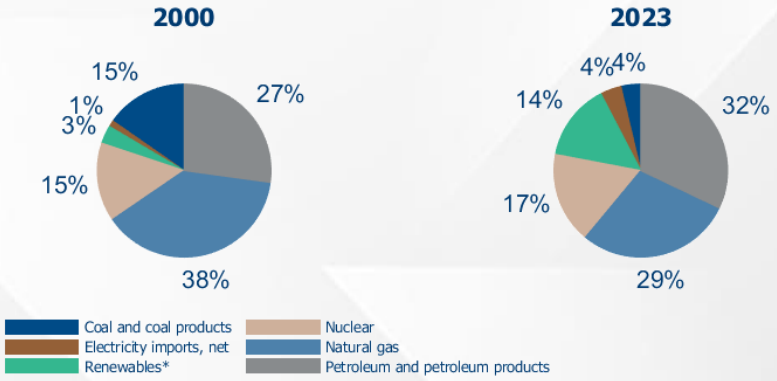
Source: National Energy and Climate Plan; HCSO; kormany.hu

Gross electricity production by energy source
(percentage)



*Source: HCSO/*Incl solar, wind, geothermal, hydro, biomass, biogas, renewable part of municipal waste.*

Structure of primary energy consumption
(percentage)



*Source: HCSO / *Ind. combustible and non-combustible renewables, wastes, wind and hydro.*

THE STRUCTURE OF RENEWABLE ENERGY IN ELECTRICITY WITH SOLAR AS A LEADING SOURCE

Key highlights of RENEWABLE ENERGY in electricity

Solar power

Hungary's renewable electricity generation is centred on **expanding power generation from solar PV**.

Since 2015, solar energy has increased significantly in terms of relative share in gross renewable electricity generation resulting in Hungary's **leadership in the EU regarding solar PV share in electricity output**.

In 2024, **Hungary reached 6,000 MW** (previously targeted for 2030) of total **solar energy capacity**, new target **for 2030 is 12,000 MW**.

Wind power

Wind capacity is expected to increase to **1,000 MW by 2030, a threefold grow compared to the current capacity** (in 2022, 324 MW).

Biomass

Biomass capacity is expected to decrease to **232 MW by 2030** (in 2022, 424 MW).

Biogas

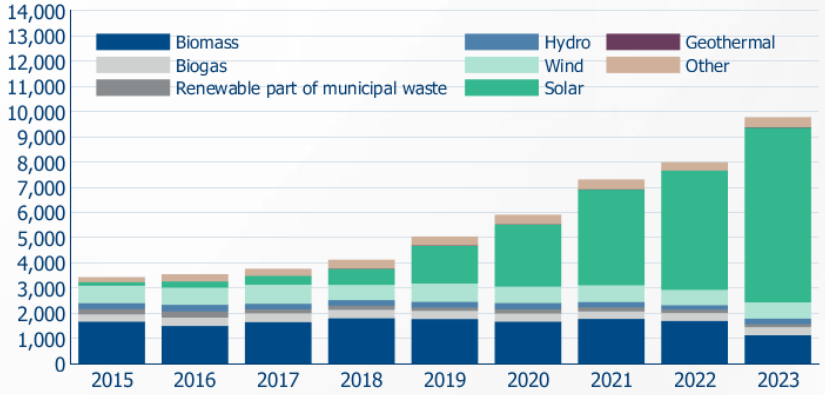
Biogas capacity is expected to increase to **124 MW by 2030** (in 2022, 84 MW).

Other (e.g. geother-mal and hydro energy)

Hungary plans to increase **hydro** and **geothermal** capacity to **110 MW by 2030**.

Gross renewable electricity production

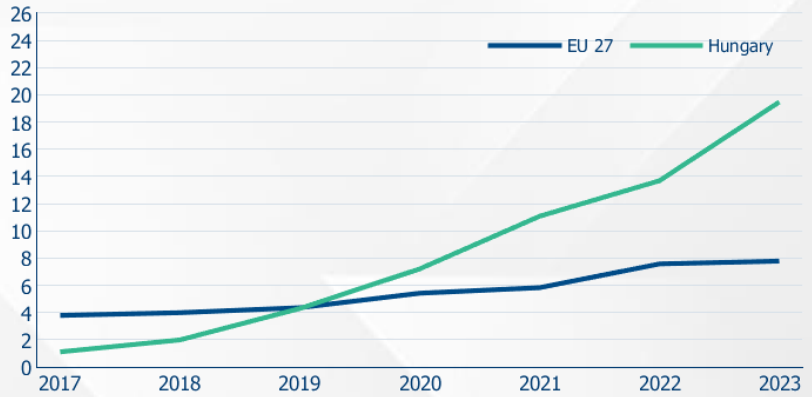
(gigawatt-hour), 2015-2023



Source: HCSO

Solar PV share of net total electricity generation

(percentage), 2017-2023



Source: Eurostat

Source: *National Energy and Climate Plan, National Geothermal Utilisation Concept*

DIVERSIFYING THE SOURCES OF NATURAL GAS SUPPLY FOR ENERGY INDEPENDENCE AND SAFETY

Key highlights of NATURAL GAS

- Natural gas used in Hungary is approx. **8-9 bn m³/year:**
  - approx. **75% originates from Russia**
  - approx. **1.5-2 billion m³/year** can be covered from domestic production
- Transmission pipeline system exceeds **5,800 km.**
- **Gas storage facilities were filled to 91%** in November 2024, exceeding the EU target of 90% according to the Gas Storage Regulation (EU/2022/1032).
- **Natural gas interconnectors** are established **with all neighbouring countries** (except Slovenia) with a total **capacity** exceeding **144 million m³ per day**.

Gas consumption by sector
(2023, %)

- Residential – **50.1%**
- Industry – **23.4%**
- Commercial and public services – **14.8%**
- Non-energy use – **9.2%**
- Agriculture/forestry/fishing/transport/ other non-specified – **2.5%**

Structure of imported gas
(as of 23/06/2025)

Mainly Russian source

- Through the Serbian-Hungarian interconnector
- Through the Austrian-Hungarian interconnector

Alternative sources

- Through the Croatian-Hungarian interconnector
- Through the Romanian-Hungarian interconnector

Capacities

Contracts, agreements, cooperation

- **Hungarian-Russian** long-term gas purchase contract
- **Hungarian-Azerbaijani** gas purchase contract and LNG purchase agreement
- **Hungarian-Croatian** LNG purchase contract
- **Hungarian-Turkish** natural gas transport agreement
- **Hungarian-Qatari** natural gas purchase agreement
- **Hungarian-Turkmen** energy cooperation

Risk mitigation

Increasing energy independence

- **Reduce the share of natural gas** in the energy mix.
- **Develop electricity production** and **electricity grid**.

Diversified gas supply and infrastructure

- **Hungary can import natural gas** through Slovakia, Austria, Croatia, Serbia, Romania and Ukraine.
- The current and **planned** (Hungarian-Slovenian interconnector) **natural gas pipelines** with neighbouring countries **create opportunities to involve alternative sources** (e.g. Qatari gas, Croatian LNG).
- On 25 April 2023, Azerbaijan (SOCAR), Bulgaria (Bulgartranszgaz), Hungary (FGSZ), Romania (Transgaz) and Slovakia (Eustream) signed a memorandum in Bulgaria on the delivery of Azerbaijani natural gas to Central Europe under the **Solidarity Ring** framework.
- **Capacity increase is planned** between Romania and Hungary (currently known as the "ROHU/BRUA" project) for a more effective gas transport (e.g. Neptun Field, Azerbaijan, Turkey).

Alternative gas sources

- Exploit **alternative natural gas supplies** (domestic production, LNG, other diversified sourcing routes) and utilization of **biogas, biomass, waste and hydrogen** in the energy mix.

Source: *Ministry of Energy; HCSO; IEA – International Environmental Agency; National Energy and Climate Plan; FGSZ; Solidarity Ring*

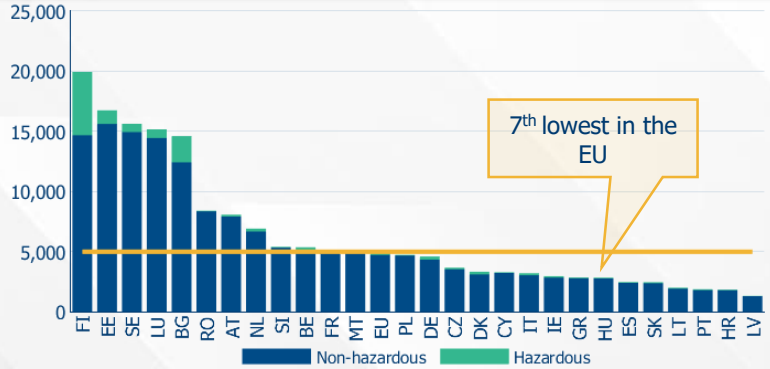
AMBITIOUS PLANS AND ACHIEVEMENTS IN THE WASTE SECTOR TO REACH CLIMATE NEUTRALITY

Key highlights of WASTE sector

- Compared to other EU member states, **Hungary is among the lowest waste-producing countries in the EU**.
- In 2023, the amount of **municipal waste per capita** in Hungary (**429 kg/capita**) remained well below the EU average (**511 kg/capita**).
- A **waste management concession model was introduced from July 1, 2023**, where the state waste management public tasks are delegated to the concessionaire.
- The **National Waste Management Plan** sets objectives including:
  - By 2030, the quantity of **municipal waste** recycled and prepared for reuse must reach **60%** (with derogation 55%), regarding packaging waste, the **minimally required recycling rate** should increase to **70%**.
- The **national asbestos removal application** supported the transportation of construction material waste containing asbestos for disposal. **TeSzedd** (Pick It Up!) is Hungary's largest voluntary waste collection movement. The **Let's Clean Up the Country** project aims to eliminate illegally dumped or abandoned waste, while with the **WasteRadar** application, illegally dumped waste can be reported.

Waste generation

(kg/capita), 2022



Source: Eurostat

Key highlight of MUNICIPAL WASTE MANAGEMENT SERVICES

In the concession system the **concession company**, MOHU Plc. carries out the waste management tasks, among these the tasks related to municipal waste management. The company aims to meet the **10% landfill** and **65% recycling targets** set by the European Union by 2035.

REpont program (Deposit Return System - DRS)	Consumers pay a **refundable deposit** when buying a plastic, metal or glass bottle (marked with a single-use or multi-use icon) with a volume raging from 0.1 to 3.0 litres. The deposit will be refunded when empty bottles are returned in an acceptable condition at a manual or automated **return point**. Between July 2024 and March 2025, **1.5 billion bottles** had been returned. The return rate for the first two months of 2025 was over **90%**.
EPR (Extended Producer Responsibility) **system**	Starting in July 2023, manufacturers and producers in Hungary are responsible for the costs of circular waste management for certain products in accordance with the European Union's waste management directives. MOHU handles the **collection**, **transportation**, **pre-treatment**, and trade of waste from these products, as well as the operation of waste management facilities.
Other initiatives (non exhaustive list)	Gradually introducing **door-to-door collection of kitchen green and food waste** (in 2024, MOHU provided 188,000 five-litre collection bins and 14,524 one-hundred-twenty-litre containers reaching 460,000 people). Free of charge **smart selective waste collection points** **Upgrading the fleet of garbage trucks**, lowering the average age below 10 years. **Ensuring 6,000** units of available **textile containers** by 2026 (in 2024 1,500 were available nationwide) Building an **energy utilization plant** with an annual capacity of **360,000 tons**; construct **83 new, modern waste collection yards.**

Source: *MOHU; REpont; WasteRadar; National Waste Management Plan; Let's Clean Up the Country; TeSzedd!; Eurostat, Ministry of Energy*

IMPLEMENTING ENVIRONMENTAL PRACTICES IN AGRICULTURE, LULUCF SECTOR

Key highlights of AGRICULTURE sector

- The agricultural sector plays an important role in Hungary with **5.3 million hectares under agricultural cultivation,** about **3 million people** living in rural areas (**30.5%** of the country's total population) and with **430,000 farmers**.

The Hungarian CAP Strategic Plan 2023-2027 aims to reduce GHG and ammonia emission in the livestock sector, using forestry measures to decrease GHG, invest in renewable energy production and improve soil and ecosystem carbon sequestration, support young agricultural producers and create new jobs through **direct payments**, **sectoral support**, and **rural development.**

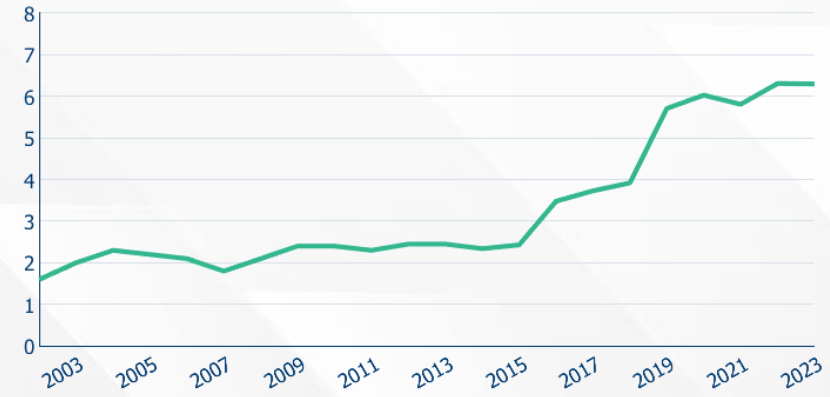
- The **Agro-ecological Program** (AÖP) offers an optional annual support for producers who voluntarily adopt climate-friendly farming practices.
- The **Soil Protection Action Plan** ensures the attitude formation and training of farmers in order to implement sustainable agricultural land use.

Key highlights of LULUCF sector

- In Hungary, the **Forest Act** (2009 Act XXXVII on Forests, Forest Protection, and Forest Management) obliges forest owners to reforest areas where trees have been cut, ensuring that reforestation meets the required quality standards and is completed within a specific timeframe, thereby guaranteeing the **sustainability of forests**.
- Hungary aims to maintain and enhance the natural CO_2 absorption capacities in line with the **National Forest Strategy**, considering the "**Do No Significant Harm**" **(DNSH)** principle.

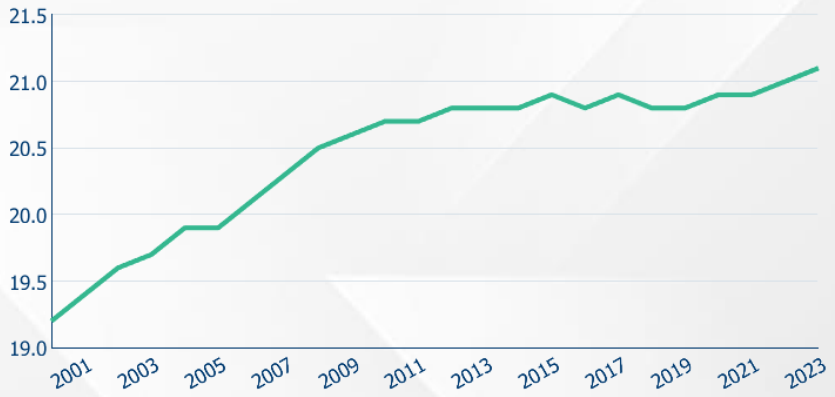
Increasing domestic forest area is a key objective of the **National Forest Strategy**. One of the goal in the strategy is to achieve a **27% forest cover by 2050**, playing a significant role in carbon sequestration.

Agricultural area under organic farming
(percentage), 2002-2023



Source: Eurostat

Forest area coverage of the country's total land area
(percentage), 2000-2023



Source: HCSO

Source: *CAP Strategic Plan 2023-2027; Nébih; National Energy and Climate Plan; Agro-ecological Program (AÖP); Nemzeti Jogszabálytár; National Forest Strategy 2016-2030*

III. GREEN FINANCE IN HUNGARY

INSTITUTIONAL BACKGROUND

The Hungarian Government

Achieving the country's net zero goal is planned to be funded by:

- State Budget (a portion of budget items refinanced by **Green Bonds** under Hungary's Green Bond Framework)
- EU, multilateral development banks such as the European Investment Bank and other supranational entities etc.
- Sale of CO2 quota in the European Emissions Trading System ("EU ETS");

Budapest Stock Exchange („BSE")

- Publishes a **Sustainability Report, including its sustainable activities and strategy**
- **The Green Virtual Platform** highlights the green products
- Prepared an **ESG Reporting Guide** for issuers
- BSE follows the provisions of the Magyar Nemzeti Bank's (the central bank of Hungary) **Green Bond Issuance Guidelines** with regard to **green debt securities**, primarily in relation to the Green Bond Principles (GBP), Climate Bonds Initiative (CBI) Standard and the EU Green Bond Standard

Different instrument ratios	2024 Q4	2023 Q4
Sovereign bonds[1]	**4.9%**	3.6%
Corporate bonds[1]	**21.5%**	24.1%
Investment funds[2]	**6.2%**	2.1%
Voluntary pension funds[2]	**0.5%**	0.4%
Unit-linked funds[2]	**7.6%**	5.4%

Magyar Nemzeti Bank („MNB")

- Announced the **Green Programme**
- First Central Bank worldwide to set-up a **dedicated Green Bond portfolio**
- Publishes the **Green Finance Report** annually
- Published the **Green Bond Issuance Guidelines**
- Launched several programmes: **Green Mortgage Bond Purchase Programme, Green Home Programme, Green Preferential Capital Requirements Programme, Bond Funding for Growth Scheme**
- Announced the **Funding for Growth Scheme** and the **Green Monetary Policy Toolkit Strategy**
- Publishes quarterly **green data** (including green loan holdings, data on SFDR funds belonging to the fund management and insurance sector, and an itemised list of green securities issued by domestic participants) and issues **ESG recommendations** to credit institutions and financial enterprises
- Announced its **Sustainable and Responsible Investment Charter**
- Launched the **Green Financial Product Finder** platform
- **Green Recommendation for the insurance sector** and for **credit institutions**
- From April 2025, MNB will strengthen green lending processes through the **Certified Consumer-Friendly loan products**
- Active role in **education and research,** cooperation with universities
- **Green finance awards** for institutions and scientific research
- **Green conferences** (the „Green Finance Conference")
- **Publications** (e.g. „The Green Booklet of Sustainability"; New sustainable economics – Global discussion paper")

Notes: *1: green*
2: green/ESG

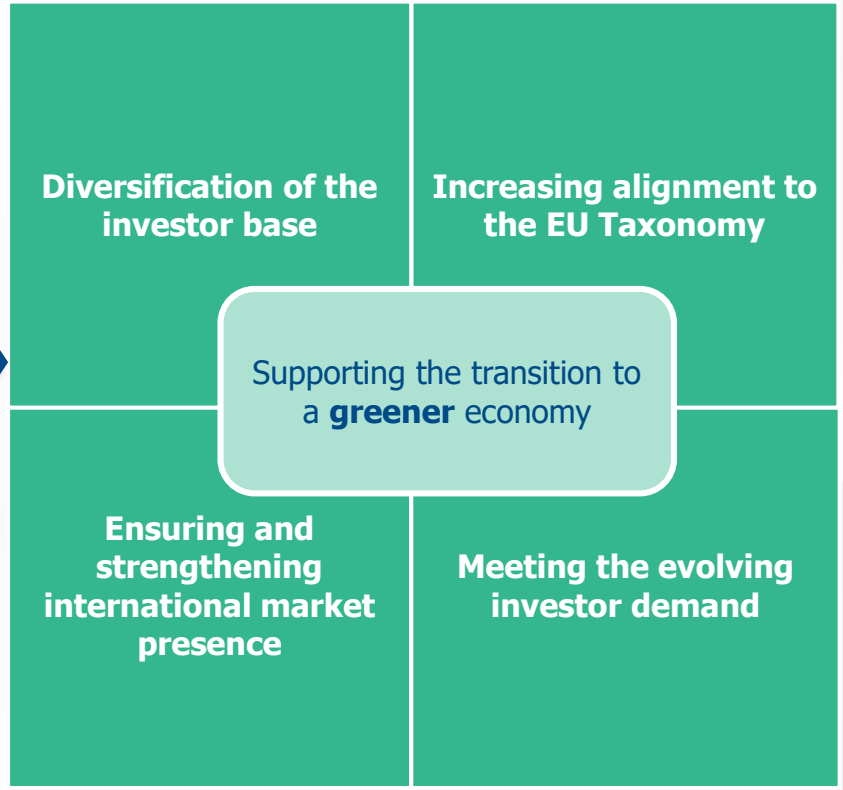
Source: https://zoldpenzugyek.mnb.hu/main-page; https://www.bse.hu/; https://statisztika.mnb.hu/en; MNB Green Finance Report 2025; https://zoldpenzugyitermek.mnb.hu/fooldal; https://www.mnb.hu/web/en

GREEN BOND STRATEGY

Rationale

- **Hungary's strong commitment to fight climate change and biodiversity loss:**
  - ✓ Commitment to EU NDCs under the Paris Agreement
  - ✓ Hungary supported the EU climate neutrality target and committed to climate neutrality by 2050
- **Green Bond issues to support the government's integrated energy & climate strategy.**
- **Response to investors' demand for green sovereign bonds and further diversification of Hungary's investor base.**
- **Hungary issued EUR, HUF, JPY and CNY denominated Green Bonds since 2020.** Hungary intends to become a regular green bond issuer in international capital markets, including Euro, Japanese Yen and Chinese Renminbi subject to market conditions.
- **Hungary will further issue Green Bonds to maintain its presence on domestic and international sustainable market.**

Green Bond Strategy



Source: *Hungary Green Bond Framework 2023,* https://www.akk.hu/content/path=green-bond-framework-2023-item-en

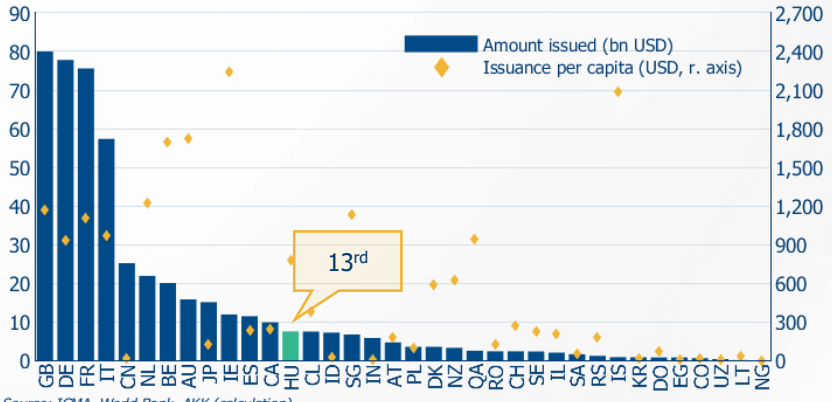
SOVEREIGN GREEN BONDS IN HUNGARY

Key highlights

- In **May 2020**, Hungary published its **Green Bond Framework** and in **June 2020** issued its **inaugural Green Bond**.
- Hungary successfully issued Green Bonds on the domestic (**HUF**) and international (**EUR, JPY, CNY**) markets for a total amount of **HUF 2,864 billion** between 2020 and 2025 (as of 01/06/2025), which is **5%** of the total debt with an average term to maturity of **8.1 year**.
- **EUR bonds** take the **highest share** of the issued green bonds.
- **Hungary is the largest** Central Eastern European green bond issuer.
- In **2023 July**, Hungary published its **updated Green Bond Framework**[1] which takes into account the **EU Taxonomy on a best effort base**.
- Hungary's Green Bond issuances were acknowledged on the market and **received several awards** for their ambitiousness[2].
- Hungary **reports annually** about the allocation and impact of the green bond proceeds in a form of an **Integrated Green Bond Report**[3].
- Hungary has issued **14 green bonds** over the past years (13 outstanding): the country is the **largest Central Eastern European green bond issuer**.

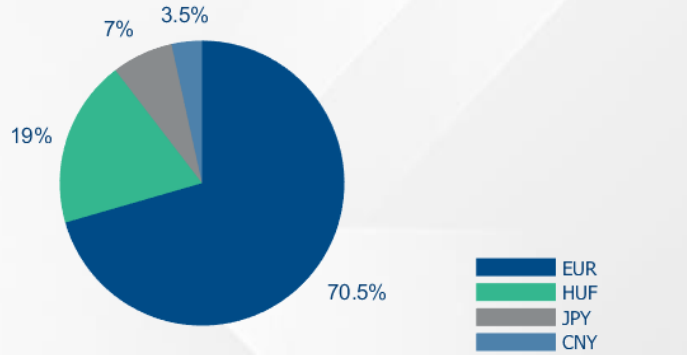
ISIN	Currency	Issue Date	Tenor (year)	Total outstanding debt (bn)
XS2181689659	EUR	05/06/2020	15	1.5
XS2558594391	EUR	21/11/2022	5	1.0
XS2753429047	EUR	25/01/2024	5	1.5
XS2971937672	EUR	01/14/2025	15	1.0
				5
HU0000404991	HUF	28/04/2021	30	187.0
HU0000405535	HUF	26/01/2022	10	358.3
				545.3
P534800CL92	JPY	18/09/2020	7	4.5
JP534800DL91	JPY	18/09/2020	10	15.5
JP534800BN26	JPY	25/02/2022	5	46.8
JP534800DN24	JPY	25/02/2022	7	4.7
JP534800CN25	JPY	25/02/2022	10	7.8
JP534800BQ98	JYP	12/09/2024	10	1.3
				80.6
CND10005WTB0	CNY	17/11/2022	3	2.0
				2.0

Hungary's green bond issuance compared to sovereign issuers (as of April 2025)[4]



Source: ICMA, World Bank, AKK (calculation)

Share of green instruments based on currency (%)



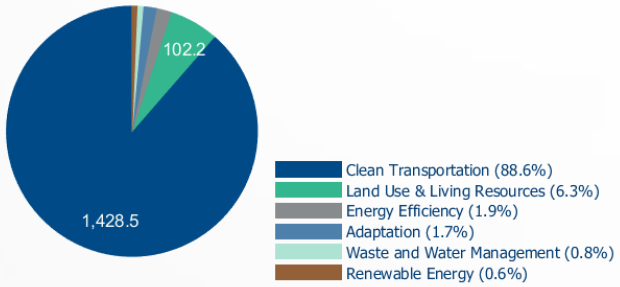
Source: AKK

Note: *As of 01/06/2025*

Source: *1: https://www.akk.hu/content/path=green-bond-framework-2023-item-en; 2: https://www.akk.hu/content/path=awasrds-sub 3: Published green bond reports: https://www.akk.hu/green-bond*
4: The amount issued is based on ICMA Group's methodology and database of bonds that are published in the LGX DataHub and declared by the issuer and/or an external reviewer to be aligned with the Green Bond Principles

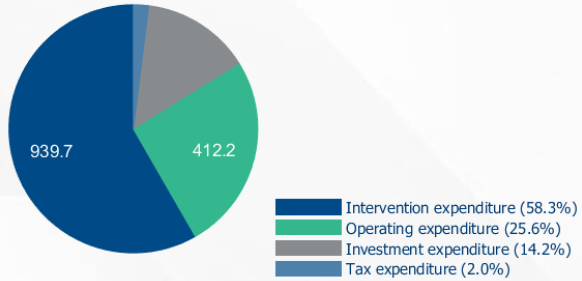
ACHIEVEMENTS UNDER THE GREEN BOND FRAMEWORK 2020 (JUNE 2020 – MAY 2023)

Allocated amount by green category
(%, HUF Billions), 2018-2021



Source: Ministry for National Economy

Allocated amount by green category
(%, HUF Billions), 2018-2021



Source: Ministry for National Economy

Green categories and UN SDGs		Positive impacts of each green category	
Clean Transportation	13 CLIMATE ACTION 11 SUSTAINABLE CITIES AND COMMUNITIES	**3,103**	**Kilotons of CO_2eq** saved
		166.4	**Km upgraded railway lines**
		149.6	Km electrified railway lines
Land Use and Living Natural Resources	15 LIFE ON LAND	**1.3m**	**Hectares** of forest and agricultural areas under Natura 2000 supported by compensation payments
Energy Efficiency	7 AFFORDABLE AND CLEAN ENERGY	**365**	**Kilotons of CO_2eq** saved
Adaptation	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION	**11**	**Developments** supported the **implementation of the Water Framework Directive**
Renewable Energy	7 AFFORDABLE AND CLEAN ENERGY	**10.5**	**Kilotons of CO_2eq** saved

Note: *Based on issuances between May 2020 – May 2023. The results of energy savings, renewable energy production and emission avoided are cumulated since as per the projects baseline. The baseline is determined as the year of financing granted and investments occurred. In case of the tax exemption projects, data is summarized based on the year that beneficiaries use the tax exemptions. Where the ratio of the green bond support was clearly determined, the impact results were adjusted as per their share.*

Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2022: https://www.akk.hu/content/path=integrated_report_2022 ; Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2021: https://www.akk.hu/content/path=integrated-report ; Allocation report 2020: https://www.akk.hu/content/path=Allocation-report*

SOVEREIGN GREEN BOND AWARDS

- 2025 **Most Impressive ESG Bond Issuer in CEEMEA** category **I. place,** based on the votes of market participants
- 2024 **The best Sovereign, Supra and Agency Bond Deal in CEE, CIS and Turkey** for the January 2024 green Eurobond
- 2024 **Most Impressive ESG Bond Issuer in CEEMEA** category **I. place,** based on the votes of market participants
- 2024 **Impact report of the year (for issuers only)** for the green bond integrated report, 2022
- 2023 **Most Impressive ESG Bond Issuer in CEEMEA** category **III. place**, based on the votes of market participants
- 2023 **Largest Sovereign Green Bond 2023 winner** for 30-year institutional HUF government bond, called the Green Hungarian Government Bond
- 2022 Most **impressive CEE issuer winner** for low interest, long-term dollar, euro and green bonds
- 2021 Sovereign **Green Market Pioneer Award** recognizing Hungary's issuance of a EUR 1.5 billion sovereign green bond in June 2020
- 2021 **Capital Eye Special Award** recognizing the Hungarian sovereign was recognized by the Special Award for its successful Green Samurai bond series issued in 2020
- 2021 **Sustainable Finance award** for 2020 Japanese Green Samurai Bond issuance
- 2021 **Nikkei Veritas Award** for recognising the Hungarian Green Samurai Issue by the Japanese economic press

III.1 HUNGARY'S GREEN BOND FRAMEWORK 2023

HUNGARY'S GREEN BOND FRAMEWORK WAS UPDATED RECENTLY, IN 2023

Principles, standards	▪ **ICMA Green Bond Principles** version **2021** (with June 2022 Appendix 1) ▪ **The Climate Delegated Act of the EU Taxonomy** and the upcoming **EU Green Bond Standard** to the extent possible ▪ 2022 version of **Japan's Green Bond Guidelines** and the **China's Green Bond Principles**
1. Use of Proceeds	▪ Investment expenditures, intervention expenditures, tax expenditures and selected operating expenditures, expenditures towards government agencies and other public sector entities, provided that these entities do not raise any Green funding themselves ▪ Budget expenditures, which already obtain dedicated funding (e.g. EU funding, EU ETS allowances) have been excluded ▪ **8 eligible green categories** defined based on ICMA Green Bond Principles, **including 2 new categories:** ➢ **Pollution prevention & control category** (the Sustainable water & wastewater management category was split) and **Research, innovation & awareness raising** ▪ **3 exclusion criteria:** nuclear power, armament and defence sector, fossil fuel production and power generation
2. Project Evaluation and Selection	▪ **Ministry for National Economy with ÁKK is in charge of coordinating the process** ➢ Potential green expenditures are identified through inter-ministerial cooperation ➢ Steering Committee approves Eligible Green Expenditure
3. Management of Proceeds	▪ **Ministry for National Economy is in charge of Green Bonds proceeds management** ▪ IWG monitors the level of Eligible Green Expenditures ▪ Steering Committee approves the proceeds allocation Eligible Green Expenditures can include expenditures from the **2 previous year** (prioritizing **n-1** year), the **current year** and **2 future years** (prioritizing **n+1** year)
4. Reporting	▪ **Integrated Report** including an Allocation and Impact chapter ▪ Reporting on the **EU Taxonomy alignment**
External review	▪ Second-Party Opinion by **Morningstar Sustainalytics** on Hungary's Green Bond Framework ▪ **Mandatory review on Integrated report** (including Allocation and Impact)

Source: *Green Bond Framework Hungary 2023: https://akk.hu/content/path=green-bond-framework-2023-item-en, Second-Party Opinion Hungary Green Bond Framework: https://www.akk.hu/content/path=second-party-opinion-2023-en*

GREEN BOND FRAMEWORK 2023 – HIGHLIGHTS OF GREEN BOND USE OF PROCEEDS (1/2)

Green Category	Eligible Green Expenditures Overview	SDG goals	EU objectives
Clean Transportation	**Eligible expenditures aimed at reducing dependence** ▪ Railway and road passenger transportation ▪ Light-duty vehicles ▪ Infrastructure		**I.** Climate change mitigation
Land use & living natural resources	**Eligible expenditures for sustainable land use and protection, as well as promotion of biological diversity** ▪ Sustainable agriculture according to national legislation or EU legislation ▪ Sustainable forest management according to national legislation ▪ Protection and restoration of biodiversity and ecosystems		**I.** Climate change mitigation **II.** Climate change adaptation **VI.** The protection and restoration of biodiversity and ecosystems
Energy efficiency (incl. Green buildings)	**Eligible expenditures to promote the development of energy efficient buildings and projects that increase energy savings and energy efficiency** ▪ Energy efficient buildings ▪ Energy efficiency measures		**I.** Climate change mitigation
Renewable energy	**Eligible expenditures to accelerate the development of renewable energies** ▪ Renewable energy infrastructure for electricity generation and production of heating/cooling, ▪ Enabling assets promoting the deployment of renewable energy technologies		**I.** Climate change mitigation

Note: *Abstract of the Use of Proceeds. Hungary's Green Bond Framework 2023 contains the complete and detailed Eligible Green Expenditure description and examples.*

Source: *Green Bond Framework Hungary 2023: https://akk.hu/content/path=green-bond-framework-2023-item-en*

GREEN BOND FRAMEWORK 2023 – HIGHLIGHTS OF GREEN BOND USE OF PROCEEDS (2/2)

Green Category	Eligible Green Expenditures Overview	SDG goals	EU objectives
Pollution prevention & control	**Eligible expenditures related to fostering of pollution reduction and the development of a circular economy** ▪ Waste Management ▪ Remediation and restoration of contaminated land		**I.** Climate change mitigation **IV.** Pollution, prevention and control
Sustainable water & wastewater management	**Eligible expenditures related to the promotion of sustainable management of water and wastewater** ▪ Infrastructure and technologies for clean and wastewater treatment ▪ Construction or maintenance of water collection and urban drainage infrastructure including storm water management and sewer separation		**I.** Climate change mitigation **IV.** Sustainable use and protection of water and marine resources
Climate adaptation	**Eligible expenditures aimed to enhance adaptation and foster climate resilience** ▪ Measures supporting enhancing resiliency and managing risks ▪ Measures supporting the monitoring and prediction ▪ Measures supporting community monitoring of climate change		**II.** Climate change adaption **IV.** Sustainable use and protection of water and marine resources
Research, innovation and awareness raising	**Eligible expenditures aimed at enhancing and facilitating knowledge and innovation about climate and environmental topics** ▪ Sustainable agriculture ▪ Sustainable forestry ▪ Promotion of the use of renewable energy and energy efficiency		**I.** Climate change mitigation **II.** Climate change adaptation

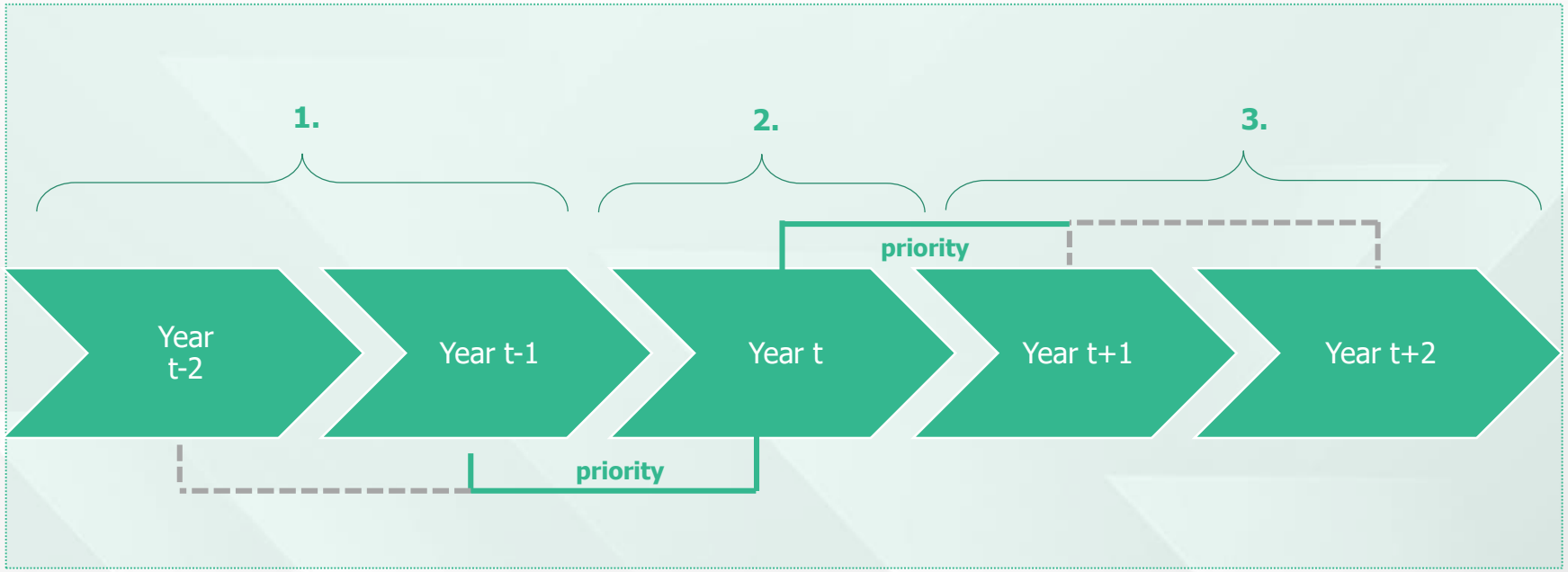
Note: *Abstract of the Use of Proceeds. Hungary's Green Bond Framework 2023 contains the complete and detailed Eligible Green Expenditure description and examples.*

Source: *Green Bond Framework Hungary 2023: https://akk.hu/content/path=green-bond-framework-2023-item-en*

GREEN BOND FRAMEWORK 2023 – MANAGEMENT OF PROCEEDS

Allocation rule

1. Expenditures within the 2 budget years preceding the year of issuance **(t*-2)** (with a **priority** given to expenditures within the **t-1** budget year, to the extent possible);
2. Expenditures made in **the same year (t)** as the issuance;
3. Expenditures from the next 2 calendar year's budget **(t+2)** (with a **priority** given to expenditures within the **t+1** budget year, to the extent possible). This applies if the proceeds of year **t exceeds the available expenditures of year t-2**, **t-1**, and **t**.



*„t" as the issuance year

Source: *Green Bond Framework Hungary 2023: https://akk.hu/content/path=green-bond-framework-2023-item-en*

GREEN BOND FRAMEWORK 2023 – REPORTING AND EXTERNAL REVIEW

Pre-issuance

- **Hungary engaged with Sustainalytics to provide an independent Second-Party Opinion on its Green Bond Framework. According to Sustainalytics:**
  - The Hungary Green Bond Framework is **credible and impactful** and **aligns with the four core components** of the Green Bond Principles 2021.
  - The projects funded by the green bond proceeds are **expected to provide positive environmental impacts.**
  - 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 each of the Framework's eligible green use of proceeds criteria against the relevant technical screening criteria in the EU Taxonomy (incl. i. substantial contribution criteria, ii. DNSH criteria and iii. Minimum social safeguards).

Post-issuance

- An **Integrated Green Bond Report**, combining an **allocation report** and an environmental **impact report**, will be published **in the year following issuance** and **annually** thereafter **until full allocation of the Green Bonds**, or in case some initial estimates need to be refined.
- The **allocation chapter** will include:
  - **General information** about the issuance(s) of the past year, incl. the total proceeds raised.
  - The **amount allocated to Eligible Green Expenditures** as of the end of the reporting period, incl. a breakdown by green category and year (current or preceding).
  - **Amount of temporary unallocated** funds (if any).
  - Any developments that led to changes regarding the eligibility of green expenditures.
  - Percentage of alignment of expenditures with the **EU Taxonomy** (if any).
- The **impact chapter**: Aims to provide information on environmental impact indicators (see examples of indicators in the framework). Hungary will follow, to the extent possible, the recommendations presented in the **ICMA Harmonized Framework for Impact Reporting (June 2022)**.
- The **IWG is responsible** for the preparation of the Integrated Green Bond Report, which is intended to be published in Q4 each year following the annual State Budget audit.
- Hungary will seek to **provide a post-issuance review of both the allocation and impact reporting**.

Source: *Green Bond Framework Hungary 2023: https://akk.hu/content/path=green-bond-framework-2023-item-en; Second-Party Opinion Hungary Green Bond Framework: https://www.akk.hu/content/path=second-party-opinion-2023-en*

INTEGRATED REPORT ON THE ALLOCATION AND ENVIRONMENTAL IMPACT OF HUNGARY'S GREEN BOND PROCEEDS, 2023 (1/2)

Highlights

- This is the **first report based on Hungary's Green Bond Framework 2023**.
- Proceeds raised: **HUF 46.3 billion** between **1 June 2023 – 31 December 2023**
- Allocation year: **2022** (n-1 year)
- Indicators: **8 core**, **3 other** in line with ICMA Handbook - Harmonised Framework for Impact Reporting (June 2024 edition), **4 own**
- The **first report based on Hungary's Green Bond Framework (2023)**, and thus eligible green expenditures have been revised accordingly.
- Projects included in the report were **assessed according to the EU Taxonomy**.
- The report received an **External Review** by Morningstar Sustainalytics.

Main developments from the previous reports

- Green bond proceeds were allocated to expenditures that are **aligned with at least the EU Taxonomy's substantial contribution and minimum safeguards criteria**.
- The projects were mapped against **five economic activities** under two **EU Taxonomy objectives**: **climate change mitigation** (CCM), and **protection and restoration of biodiversity and ecosystems** (BIO).
- Regarding **rail transport**, only the **operation related to electrified railway infrastructure** and **railway passenger transport with electrically powered trains** is supported.

Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2023, https://www.akk.hu/content/path=integrated_report_2023*

INTEGRATED REPORT ON THE ALLOCATION AND ENVIRONMENTAL IMPACT OF HUNGARY'S GREEN BOND PROCEEDS, 2023 (2/2)

Green categories	UN SDGs	Allocation (billion HUF)	EU Taxonomy activities	EU Taxonomy alignment (% of the allocated amount)	Impacts
Clean transportation		**46.18**	**CCM 6.14.** Infrastructure for rail transport	**9.3%** aligned **90.7%** partially aligned	GHG emissions avoided: **67,139 tCO2eq** (2022) Length of renovated or new railway lines: **49.3 km** (2022-2023) Length of renovated metro line: **17.3 km** (2022-2023)
			CCM 6.5. Transport by motorbikes, passenger cars and light commercial vehicles	**100%** partially aligned	
			CCM 6.1. Passenger interurban rail transport	**5.5%** aligned **94.5%** partially aligned	
Land use & living natural resources		**0.06**	**BIO 1.1** Conservation, including restoration, of habitats, ecosystems and species	**100%** partially aligned	Number of projects supported: **243** (2022)
Pollution prevention & control		**0.04**	**CCM 5.9.** Material recovery from non-hazardous waste	**100%** partially aligned	Number of projects supported: **7** (2022)

Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2023, https://www.akk.hu/content/path=integrated_report_2023*

III.2 CASE STUDIES: PROJECTS REFINANCED BY GREEN BONDS

CASE STUDY I – WASTE MANAGEMENT IN THE UPPER TISZA REGION AND AT THE WATER STEPS OF KISKÖRE

Project description and impact (fully refinanced by green bonds)

- In the Upper Tisza region, large quantities of floating waste mixed with municipal waste and **PET bottles are regularly discharged from areas bordering the country during the formation of tidal waves**.
- Due to the flatter terrain of Hungary, **this waste partially spreads into the floodplain after crossing the border** and/or accumulates at the first barrier **at the Water Steps of Kisköre** on the major watercourses.
- In the Upper Tisza debris **removal sites have been set up** to remove the accumulated waste.
- The project is supported by the **Plastic Cup (PET Kupa)** in sorting and recycling plastic waste.
- Depending on its form, the organic, **degradable waste is recycled or sold in an unchanged form or processed as a soil amendment material**.

Between 2020-2022, 37,715 m^3 waste on Water steps of Kisköre and 8,171 m^3 waste on Upper Tisza Region was collected, treated or disposed.

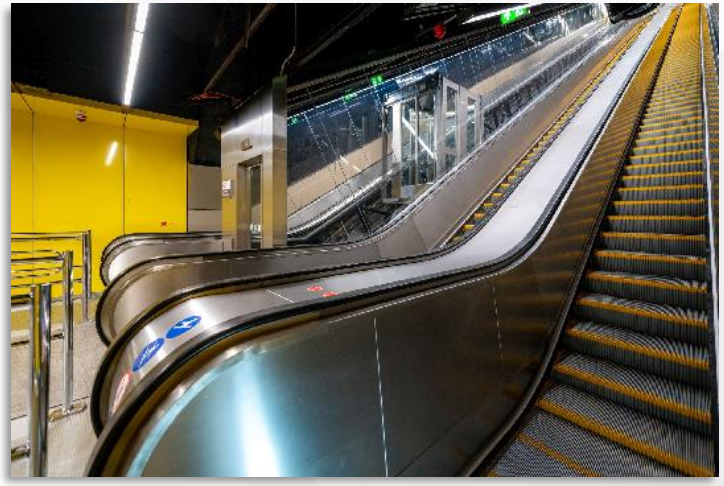
Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2022*

CASE STUDY II – UPGRADING M3 METRO LINE

Project description and impact (co-financed by the EU, the green bond proceeds exclusively contributed to the national share of funding)

- **Upgrading the Metro Line M3** was a multi-year public transport development project, closing in 2023.
- M3 is **the busiest public transport line** of Budapest.
- By developing and strengthening its capacity, more travellers will be able to use it with improved accessibility and with a higher level of comfort.
- **Accessible pedestrian transport** is ensured with barrier-free access to metro stations from the surface for people with disabilities.
- The project **encourages the modal shift for environmentally friendly transport modes**.
- During the upgrade:
  - ✓ the **stops and metro carriages are modernized**;
  - ✓ **cables** and **rails are replaced**;
  - ✓ **safety features**, such as cameras **are installed** with an emphasis on passenger safety and accessibility

17.3 km total length of upgraded metro line supporting the travel over 500,000 passengers daily and ten thousands of people living in Budapest with different types of disabilities.



Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2022; Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2023; bkk.hu*

CASE STUDY III - ETCS2 SYSTEM DEVELOPMENT FOR RAILWAY LINE SOPRON – SZOMBATHELY – SZENTGOTTHÁRD

Project description and impact (co-financed by the EU, the green bond proceeds exclusively contributed to the national share of funding)

- Improving the **communication systems** for railway operation is an essential part of making railway passenger transport attractive for the public, and thus **lowering emissions** that otherwise would have been emitted from higher-emission alternative modes of transport.
- With the instalment of the **European Train Control System 2 (ETCS2) on the electrified railway line** between Sopron-Szombathely-Szentgotthárd, it will be possible to **monitor and guarantee the safety of trains**.
- As a result of the project, the **line was equipped with balises** that can be controlled from the main stations and at the line crossing zones, with the additional instalment of a so-called Radio Block Centre (RBC), which will be able to directly control the speed of trains and the tracking distance between them.

The installation of the ETCS was completed in 2022 affecting 117.4km of railway lines.

The project is fully aligned with the EU Taxonomy Climate Delegated Act 6.14. Passenger railway infrastructure activity, fulfilling the Technical Screening Criteria.

Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2023*

IV. HUNGARY'S SOCIAL AND GOVERNANCE OBJECTIVES, ACHIEVEMENTS

SOCIAL PROFILE

Dimensions	International comparison based on publicly available Eurostat data	
Employment	**Employment rate**[1] (% of population, 2024)**:** Hungary **81.1** (7th highest in EU) EU average **75.8**	**Unemployment rate**[1] (% of population, 2024)**:** Hungary **3.6** (9th lowest in EU) EU average **4.6**
Housing	**Housing cost overburden rate by degr. of urbanisation** (%, 2024)**:** Cities: Hungary **11.3** EU average **9.8** Rural areas: Hungary **7.3** EU average **6.3**	**Overcrowding rate** (%, 2024)**:** Hungary **14.7** EU average **16.9**
Consumption	**Actual individual consumption per capita** (in PPS, 2024): Hungary **69.3** (% of EU average)	**Hourly labour costs**[2] (in EUR, 2024)**:** Hungary **14.1** EU average **33.5**
Poverty	**Persons at risk of poverty or social exclusion** (%, 2024)**:** Hungary **20.2** EU average **20.9**	**Severe material and social deprivation rate** (%, 2024): Hungary **9.3** EU average **6.4**
Health	**Healthy life years in absolute value at birth** (years, 2022)**:** Hungary **62.6** EU average **62.6**	**Infant mortality rate** (2023)**:** Hungary **3.0‰** EU average **3.3‰**
Demography	**Life expectancy**[3] (years, 2023)**:** Hungary **76.7** EU average **81.4**	**Crude rate of natural change of population** (2023)**:** Hungary **-4.3‰** EU average **-2.6‰**
Safe living	**Population reporting occurrence of crime, violence or vandalism in their area** (%, 2023): Hungary **6.1** EU average **10.0**	
Education	**Early leavers from education and training**[4] (%, 2024)**:** Hungary **10.3** EU average **9.4**	**Tertiary educational attainment**[5] (%, 2024): Hungary **32.3** EU average **44.1**
Gender	**Gender employment gap**[1] (% of population 2024)**:** Hungary **7.9** EU average **10.0**	**Employed women being in managerial positions**[1] (%, 2024)**:** Hungary **41.3** EU average **35.6**

Notes: *1: age class – from 20 to 64 years; 2: Industry, construction and services (except public administration, defense, compulsory social security, labour cost for LCI (compensation of employees plus taxes minus subsidies); 3: population under 1 year; 4: age class – from 18 to 24 years; 5: age class – from 25 to 34 years*

Source: *Eurostat (2023)*

SUSTAINABLE SOCIETY – CHALLENGES AND OBJECTIVES

Situation overview and challenges

- Hungary's population has been **decreasing** for nearly 40 years due to **low fertility rates** (in **2023,** the fertility rate was **1.55*, however it is still above the EU average** /1.38/ **and one of the highest in the EU**) and emigration.
- In Hungary, the mean age of women at the birth of their first child is **around 29 years** (the number is constantly increasing both in Hungary and in the EU).
- Hungary's **ageing index** was **143.2%** in 2024, which means that the number of **elderly population** (aged 65 years and older) **overpasses that of child-aged** (younger than 14 years old) **population**.
- **Most of the health losses are caused by non-infectious diseases**, including **circulatory system diseases** and **malignant tumours**
- **Regional disparities exist** in Hungary (developed areas, including the Capital, West and Northwest compared to the less developed regions including the South, East, Southwest, Southeast and Northeast).
- **Changing expectations** on the **labour market** and **industry 4.0 requires** the **transformation** of the **vocational education and training system**.

Strategic objectives

- In order to stop **the demographic decrease** caused by the falling birth rate, rising emigration and to ensure **safe living conditions**, the **government** strongly **supports families, including:**
  - Childbirth
  - Reducing income inequality and poverty risk
  - Increasing employment rate and the internal stability of families, youngsters, elderlies
- **Establishing a mentally** and **physically healthy**, as well as **health-conscious society**
- **Reducing** the **material and social deprivation of families with children** from 22.9% (2019) to **13%** and **the poverty gap** from 38.7% (2020) to **20%** by 2030
- Ensure **access to free inclusive education**, increase its **effectiveness** and improve the level of **professional care**
- **Work-life balance reconciliation**
- **Development of vocational education and training system according to the economy needs** (e.g. **by 2030**, people under 35 should have **at least 1 profession**)

A country's population is sustainable if its total fertility rate reaches 2.1, this is called the reproduction level. If fertility rate falls permanently below the reproductive level, the total population will decline and age.

Source: *parlament.hu; Eurostat; HCSO; Vocational Training 4.0 strategy; National Social Inclusion Strategy 2030; Empowering Women in the Family and Society Action Plan 2021-2030*

RELEVANT NATIONAL STRATEGIES AND ACTION PLANS

Name	Goals
National Social Inclusion Strategy 2030	It aims to ensure **equal access to public services**, **improvement of** the **situation of Roma women** and **digitalisation in 7 main areas** of intervention: birth and childhood, education, youth affairs; employment; territorial inequalities, settlement development; physical and mental health, health care; Roma identity; enforcement of rights.
Long-term care strategy 2030	The strategy targets to develop the **human resources**; **institutional system and services**; and **communication** (shaping attitude and information dissemination) in long-term care.
The Public Education Strategy 2021 - 2030	The strategy contributes to the **development** and **support** of **underperforming** and **disadvantaged students** in formal education; **intellectual, mental** and **physical development** of children and students at the highest possible standard; improving access to **quality education** for all.
Vocational Training 4.0 strategy	The strategy aims to renew and develop the vocational and adult education system focusing on aligning the structure of **vocational education** with the world's leading standards, ensuring that (by 2030) **every young person under the age of 35 has at least one profession** and the provision of **adult education** meeting the needs of the economy.
Healthy Hungary 2021-2027 - Health Sector Strategy	It aims to **maintain health**; **reduce differences in health status** of residents; **reduce child poverty** and its effects; ensure opportunity to start a **healthy life**; **early prevention of chronic diseases;** strengthens **primary** and **specialist care**. 5 **National Health Programmes** are included in the strategy.
National Digitalisation Strategy 2022-2030	The strategy emphasizes the necessity of **digital transformation**, placing the **digital economy**, **education**, **digital public services** at the centre of the country's **competitiveness** and **modernization efforts**. It builds on **four pillars**, including **digital infrastructure**; **digital competence**; **digital economy** and a **digital state**.
National Crime Prevention Strategy 2024-2030	The strategy's objective is to **enhance urban security**; **reduce** the **crime rate**; **mitigate** the **effect** of crime; **prevent juvenile delinquency** and **victimisation, providing support** for victims; **improve the quality of life** and **enforce** the **human rights.**
5th National Environmental Protection Programme	Besides environmental goals, the programme aims to **protect the health** and **quality of life** of Hungarian families and communities; contribute to the **promotion** and wider **spread** of **sustainable lifestyles** and **consumption** among inhabitants.
Strengthening the role of women in the family and the society (2021-2030) action plan	The action plan as a strategy policy framework for gender equality identifies **four general objectives** with sub-goals: **1.** Evidence-based identification of challenges to gender equality. **2.** Measures to address gender gaps in employment, pay and pensions, and to promote work-life balance for women and men **3.** Arrangements for monitoring, evaluation and review of the strategic policy framework and data collection methods based on sex-disaggregated data**. 4.** Arrangements for ensuring that its design, implementation, monitoring and review is conducted in close cooperation with relevant stakeholders

SUPPORT FOR FAMILIES AND ELDERS

Family Support System

Housing

- **CSOK** (**CSOK Plus** from 2024)- Family housing subsidy plus
- **Rural Family Housing Subsidy** (Falusi CSOK)
- **Home Renovation Program** and **Rural Home Renovation Program** (from 2025)
- Reduction of **mortgage loan in the case of childbirth**
- **5% VAT** for newly built homes, real estate transfer tax reduction, reduced notarial fees

Non-housing

- **Maternity subsidies** (infant care benefit - CSED, child care benefit -GYED, grandparent's child care benefit, degree holder's child care benefit, child care allowance - GYES, child raising support - GYET, maternity support, child home care benefit – GYOD), family allowance
- **Baby expecting subsidy and Baby Bond**
- Student loan debt reduction for mothers in case of childbirth
- Student loan waiver for mothers under the age of 30 with children
- **Youth start-up support**
- **PIT exemption** for young adults under the age of 25
- **PIT exemption** for mothers:
  - PIT exemption for mothers with **4 or more children** and for mothers **under the age of 30**
  - PIT exemption will be further expanded in the upcoming years
- **Reimbursement** of the theoretical exam required for a driving license
- **Compensation** for the first successful language exam
- **Tax allowance for first-wed new couples**
- **Paternity leave** and **parental leave for child care**
- Regular child protection allowance
- **Child care sickness benefit (GYÁP), adoption benefit**
- Subsidized free **IVF program**
- **Sure Start Children's Home program** (for disadvantaged children)
- **Women40** (retire program for women)
- **Free** supply of textbooks, child catering
- **Utility cost** reduction

Support for elders

- **Gondosóra (Careful Watch) Program** provides a **free signalling device service** (available 0-24) for citizens over 65 year, allowing users to signal their request for help in the event of an emergency. Signalling devices are provided for a free of charge for the applicants of the program.
- **13th month's pensions**
- **Free travel** and other e.g **cultural activities** and sport programs

Key results of the programmes (non-exhaustive list)

Gondosóra (Careful Watch) Program

More than **800,000 registered** citizens (May 2025)

60,000 saved lives of pensioners (May 2025)

Home Renovation Program

370,000 families used the state support to renovate their homes with a total of **HUF 770 billion** in 2021 and 2022.

In Europe, Hungary has the **broadest family tax system.**

With the measures, Hungary aims to **provide families with a predictable environment**, helping them to raise **children and increase the fertility rate.**

Family policy will remain a **priority** in the future.

Source: *Ministry of Culture and Innovation; kormany.hu; Home Renovation Program; Government Decree No. 389/2024 on the Rural Home Renovation Programme; csalad.hu; Gondosóra (Careful Watch) Program; LXXXI of 1997 law on social security retirement benefits; Act No. CXVII of 1995 on Personal Income Tax, National Development Centre*

INCLUSIVE, FREE EDUCATION WITH HIGH IMPORTANCE OF SUSTAINABILITY

Rising sustainability awareness, activities in schools

Key highlights

- From 2020 onwards, all students attending educational institutions full-time receive **free textbook** provision.
- **Free child catering** – the latter: for certain children, under specific conditions.
- In the **National Core Curriculum** (Nat) 2020, sustainability education is prominently featured in the curriculum requirements of various subjects.
- The textbooks for the modified Nat are also available **digitally**.
- **The National Public Education Portal (NKP)** helps in learning and teaching with **interactive educational materials**.
- **Sustainability** is an optional subject in secondary schools.
- From 2024, **sustainability** is also a subject in the school leaving exams.
- Increasing number of **ESG specific and natural science related courses** in basic and higher education.
- **Digitalisation**, e-learning with comprehensive **child protection** from harmful online content.
- **Student loan** offers financial support (interest-free/favourable interest) for students during their studies.
- In **Vocational Education and Training** (VET) the **digital learning materials** are published using a closed-system distance learning training management system (NEXIUS framework) integrated into the e-KRETA system. All **digital learning materials are available free of charge** to all students enrolled in any of the VET institutions, as well as to all trainers working in VET institutions and to trainers in dual training companies.
- The **Continuing Professional Development** (CPD) of VET teachers and trainers contribute to the renewal of Vocational Education and Training (VET) and help to **develop the digital competences of trainers** and promote the quality of vocational education.

Green Kindergarten Network and Eco-School Network

Green Kindergarten Network

- Founded in 2000, being the first national and official environmental education network in Hungary.
- **1,223** kindergarten joined the network in Hungary. So **every fourth** child can attend a kindergarten where they receive activity-oriented environmental education.

Eco-School Network

- Schools can join the Eco-School Network since 2005 with an application form, fulfilling certain criteria.
- Over the past 20 years, **more than 1,400 schools** have joined the network, meaning that **one-third** of the students study in an eco-school.
- The program includes a commitment to **sustainability**, **recognition**, **protection** and **preservation** of local heritage, emphasis on **environmental education** and **development** of activities based on it.

Sustainability programmes

Sustainability Theme Week	***Goal:*** introduce **sustainability** through specific classes, series of related programs, teacher training, workshops and online teaching materials. In 2025, **416,000** students participated from **1,965** schools.
World's Largest Lesson	***Goal:*** draw students' attention to the **Sustainable Development Goals**. In 2024, nearly **107,190 students** from 757 schools joined.
Forest in School Partner Program	***Goal:*** get to know the forest ecosystem through **interactive** field pedagogical tools and methods with the involvement of certified Forest Schools.

2024/2025 - the share of participants in formal education in the 3-22 year old population **reached 83.6%** (0.5% increase from previous year).

2024/2025 - **nearly 325,000 children** attended kindergartens, **almost 1,350 more** than the previous year.

Source: *NKP; HCSO; Green Kindergarten Network; Ministry of Interior; Ministry of Culture and Innovation, Student Loan; Eco-school network; Sustainability Theme Week; World's Largest Lesson; In the Forest Program*

COMPREHENSIVE DEVELOPMENT OF CITIES AND COUNTRYSIDE

Countryside support

Hungarian Village program

Settlements with fewer than 5,000 inhabitants can participate in the program and apply for:

- **Falusi CSOK** (Rural Family Housing Subsidy)
- **Public infrastructure development** (road, bridge, sidewalk construction/renovation, kindergartens, schools, medical clinics, village halls, public spaces owned by churches and municipalities)
- Grants for **small shops**, **everyday services** and support for restarting **SME businesses**

Rural Home Renovation Program

Families with children and pensioners in settlements with fewer than 5,000 inhabitants are eligible to apply:

- for a 50% subsidy of the renovation costs verified by the invoices up to **HUF 3 million**;
- for mortgage-based loan of up to **HUF 6 million**, with a maximum term of 10 years at a **favourable interest rate,** without energy-related requirements.

The program affects approx. 92% of the Hungarian settlements, including 2,889 settlements.

Catching Up Settlements Program

The program affects the 300 most disadvantaged settlements. Initiatives support:

- **Healthcare** including modern medical equipment;
- **Children's eye examination**;
- **Sport** as a community integration and education tool;
- **Mobile playgrounds** for community building;
- **Music education** for community building;
- **Early childhood** care;
- **Crime** and **drug prevention**;
- **Responsible animal keeping**.

City support

Modern Cities Program

The program aimed to improve cities of county rank by:

- encouraging **development, competitiveness;**
- **eliminate financial differences** between regions;
- specific **infrastructure** and **public services development**.

Key results of the programmes (non-exhaustive list)

Hungarian Village Program

35,000 applicants were supported with **HUF 325 billion**.

In the past five years, almost all settlements with a population of less than **5,000** have received support.

HUF 381 billion was spent on **rural transport infrastructure** development.

Modern Cities Program

More than **200 projects** supporting several development areas (including transport development, economic development and strengthening of innovation processes, investment in culture and sport, construction and renovation of healthcare facilities, development of education and turism).

Between 2017-2025, **28 national road developments** and **4 railway developments** were implemented. More than **800 km** of expressways and highway have been built, and in addition, **13 local road** developments are being implemented over a distance of **130 km**.

23 county rank city was supported with more than **HUF 2,200 billion**.

Catching Up Settlements Program

23,318 disadvantaged, Roma families were involved and supported.

Source: *Hungarian Village program; Government Decree No. 389/2024 on the Rural Home Renovation Programme; Emerging Settlements; Hungarian Gazette; kormany.hu; Modern Cities Program; Ministry of Agriculture*

RAISING EMPLOYMENT AND EQUALITY IN WORK AND SUPPORT THE JOB SEEKING OF SPECIFIC TARGET GROUPS

Inclusive programs

Adult support

- **Expanding and developing labour force** program**:** it supports the access to work and gaining work experience or marketable skills for people aged **30-64**, who are currently not working but are registered as a job seeker or service requester.

Youth support

- **Youth Guarantee:** The program helped young people **under the age of 25** to enter the labour market, supported their studies according to the labour market needs and helped them to find a job within a specific period of time.
- **Youth Guarantee Plus:** the program is the **continuation of the program** with an age limit extension. People aged between **15-29** can participate in the program.
- **Tax exemption:** Young people under the **age of 25** are **exempt from paying personal income tax** on their earning.
- **Student** (Summer) **Work:** It supports employers who employ students **aged between 16-25**.
- **Loan for blue collar workers**: People aged between **17-25** who work at least 20 hours a week are eligible for a loan.

Comprehensive support

- **Path to the Labour Market**: targeting people aged between **25-64**, the program supported the employment and labour market integration of job seekers and inactive individuals, especially focusing on those with low education.

Incentives targeting specific groups

Women, disabled, Romas

- **Accreditation** of employers hiring employees with reduced working capacity
- **Rehabilitation contribution**
- Employers can claim **tax benefits** for employing workers with reduced work capacity
- **Support for programmes promoting the labour market integration of people with disabilities 2024** Program
- **Women for Opportunity** Program for Roma women
- **National Entrepreneurial Mentoring** Program
- **Women in the Family and Workplace** Program

Key results of the programmes (non-exhaustive list)

Women in the Family and Workplace Program

69 Family and Career Points supporting the return of woman with young children to the labour market.

National Entrepreneurial Mentoring Program

200 businesses received personal mentoring, **48%** of which were **women-led**.

Women for Opportunity

1,134 disadvantaged participants obtained qualifications as social caregivers and nurses, as well as child and youth supervisors.

Path to the Labour Market, Youth Guarantee

By the end of July 2022, **429,700** individuals, **approx. 50% women**, had been enrolled to the programmes.

Source: *NFSZ; munka.hu; Youth Garantee; cdn.kormany.hu; Act No. CXVII of 1995 on Personal Income Tax; Government Decree No. 372/2024 on the Detailed Rules of the loan for blue collar workers; tef.gov.hu; rehabportal.hu; kormany.hu; nszi.hu;*
1: an employer is required to pay the contribution if the number of employees exceeds 25, and the number of employed persons with reduced work capacity does not reach 5% of the total workforce.

EMPOWERING LIVES THROUGH SPORT ACTIVITIES, HEALTH AWARENESS AND PREVENTION

Sport, health promotion and disease prevention

Active Hungary Program

Under the program, **active recreation**, everyday **physical activity**, and the love of sports is promoted for all segments and age groups of Hungarian society with **awareness-raising** campaigns, collaboration with various civil organizations, regional **conferences**, **publications**, and developing **infrastructure**.

- **Active lifestyle:** Programmes supporting the promotion of health-oriented, recreational (experience-based) sports, schools and educational activities and also providing settlements with infrastructure (e.g. running track, bike park).
- **Active tourism:** Promoting active tourism through communication campaigns, conferences and training programmes, distributing tens of thousands of **Active at Home** publications, developing comprehensive strategies for the sector, as well as numerous regional strategies.
- **Active mobility:** Programmes aim to make it possible to live in communities where cycling and walking are a natural part of everyday transportation.

Health promotion and prevention

The **Health Promoting Offices** (HPOs) (covering **58%** of Hungarian population) provide **community and individual health promotion services free of charge** in the community, in the local area. The offices aim to improve health behaviour of the population, to mobilise the population for occasional and organised public health screenings. Their objective is to improve individuals' health thorough disease prevention and promotion of healthy lifestyle by targeting chronic and non-communicable diseases (cardio-vascular diseases etc.)

HPO services include **physical activity programmes** (53% of all programmes), healthy eating promotion programmes (27% of all programmes), community health promotion programmes for families planning to have children and to develop parenting skills, health promotion programmes for older people, specific programmes for chronic diseases and health risk reduction, mental health promotion programmes (**57%** of HPOs provide mental health promotion).
The **National Public Health Program 2023-2033** also emphasizes health prevention in the country.

Prevention and support in case of online or physical offenses

Platforms, including **Internet Hotline** or **Biztonságosinternet.hu** allow users to **report content** they believe to be illegal or harmful across various categories, including: paedophile content; racist or xenophobic content; content inciting violence; content promoting drug use; harassment or intimidation; and offensive content shared without consent.

The public **Victim Support Centre** provides legal and psychological assistance, offers guidance and information, and helps coordinate services for victims of crime. As part of the victim support system, **crisis management clinics** were established in 7 regions of the country in 2018. Crisis management ambulances provide a coordinated and specialized (legal, psychological, social) service - focusing only on the topic of **domestic violence** - that is able to respond to emerging problems with a unique intensity.

In 2025, the **National Crisis Management** and **Information Telephone Service (OKIT)**, **20 crisis centres**, **8 secret shelters**, **21 half-way houses** and **7 crisis management ambulances** help victims.

In addition to victim support, an important task of **outpatient clinics** is to strengthen (continuously and reciprocally) the dialogue between institutions and organisations that have a role in identifying and reporting abuse.

Key results of the programmes (non-exhaustive list)

Active Hungary Program

A total of **467,000 people** have already **joined** the „Million Steps for Your School" program; through the „Sport43" initiative, already **200,000 children** participated in physical activities.

More than **85,000 children** participated in „VándorTábor Program" (hiking camps) since 2017.

Source: *Active Hungary Program; Million steps for your school; Sport43; Health Promoting Offices; Internet Hotline; Biztonságosinternet.hu, Victim Support Center; OKIT, Ministry of Interior, Ministry of Culture and Innovation*

FINANCIAL INCLUSION: ESG CONSIDERATIONS IN THE HUNGARIAN RETAIL DEBT PROGRAMME

Sustainability and environment	▪ The **Hungarian Green Bond Framework** and **Hungarian Green Bonds** raise **environmental awareness,** offers investment opportunities and contributes to the **shift towards sustainability** ▪ The Framework allows the introduction of potential **residential green products** later on ▪ The retail debt programme also contributes to **sustainability of the debt portfolio** through diversification ▪ **Hungarian Government Bonds are available to resident** and non-resident **individuals**
Equality and diversity	▪ **Clear** and **understandable** investment terms for households ▪ **Available** for everyone ▪ **Easily accessible online** („Webkincstár" and „Mobilkincstár" app) and **offline** (e.g. banks or ST branches) ▪ Investors are treated as an **equal partner**
Financial product quality and safety	▪ **Reliable**, **safe**, **low-risk** investment ▪ Offers **higher yield** than the similarly low-risk financial product ▪ **Opening and managing an account** at the Hungarian Treasury is **free of charge**, there are **no transaction fees** and the series issued since June 2019 are **completely tax-exempt** ▪ Detailed descriptions and documents on allampapir.hu and a demo version of **Webkincstár** provide **high transparency**
Financial education	▪ Communication campaigns strengthen the population's **financial awareness**, which leads to **higher savings rate** among residents ▪ Retail products also function as a **type of entry into investing**

Source: Hungarian State Treasury, Webkincstár

LEGISLATIVE BACKGROUND

Dimensions	Actions
Equality	▪ **Act CXXV of 2003 on equal treatment and the promotion of equal opportunities** provides that **all persons**, **groups**, **legal entities** and **organisations** without legal **entity shall be treated with the same respect** and their special considerations shall be equally respected. ▪ Defines the **specific groups that are at risk** of suffering from discrimination and also **determines the possible sanctions** for the different forms of discrimination.
Human Rights	▪ Hungary's **Labour Safety** mandates safe work environments, worker health protection, accident prevention, and oversight by relevant authorities *(Act XCIII of 1993).* ▪ Hungary reports to the **International Labour Organization** on EU directive implementation, covering **worker safety**, young **worker protection**, **dietary foods** for medical use, and asbestos exposure **safeguards**. ▪ In 2016, Hungary aligned its **National Occupational Safety and Health Policy** with the EU's strategy, focusing on preserving **worker ability**, **safety standards**, suitable **working conditions**, and **health risk management**. ▪ Hungary's **Act on social participation** encourages **stakeholder involvement** in legislation *(Act CXXXI of 2010).* ▪ The **Permanent Consultative Forum (VKF)** fosters **tripartite dialogue** among the government, employee representatives, and employers on daily worker and societal issues.
Anti-bribery and Anti-corruption	▪ In 2012, Hungary initiated the **Public Administration Corruption Prevention Programme** to combat corruption in the public sector and society. ▪ Hungary's **National Anti-Corruption Programme** aims to **raise awareness**, **enhance resilience** against corruption in the business community and public, **implementing measures**. ▪ The **National Anti-corruption Strategy (NKS)** emphasizes **prevention**, improved legal tools for **investigating**. **corruption**, and **increased awareness** among individuals and organizations, using technology to combat corruption. ▪ Hungary's **Criminal Code** mandates public officers to report potential **bribery** and **corruption incidents**, outlining investigation procedures and **penalties** for offenses *(Act C of 2012).*
Labour rights	▪ The Government Decree on mandatory minimum wage and the guaranteed minimum wage ensures compliance with **minimum wage standards** for all employees *(394/2024. (XII. 12.) Government decree).* ▪ The **Act on employment promotion** and **unemployment benefits** provides subsidies for the unemployed and employers hiring disadvantaged workers *(Act IV of 1991).* ▪ **Hungary's Fundamental Law** guarantees working conditions that **respect employees' health, safety, and dignity**. ▪ Hungary has also **signed nine fundamental ILO conventions** and **60** out of 176 **ILO technical conventions**, reflecting a commitment to labour standards and policies promoting decent work environments.

Source: *Second-Party Opinion Hungary Green Bond Framework: https://www.akk.hu/content/path=second-party-opinion-2023-en; Nemzeti Jogszabálytár*

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