HUNGARY – ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROFILE

January 2024

GOVERNMENT DEBT MANAGEMENT AGENCY PTE LTD.

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KEY ESG FACTS AND FIGURES ON HUNGARY

Area: ~93,000 sq. kilometres

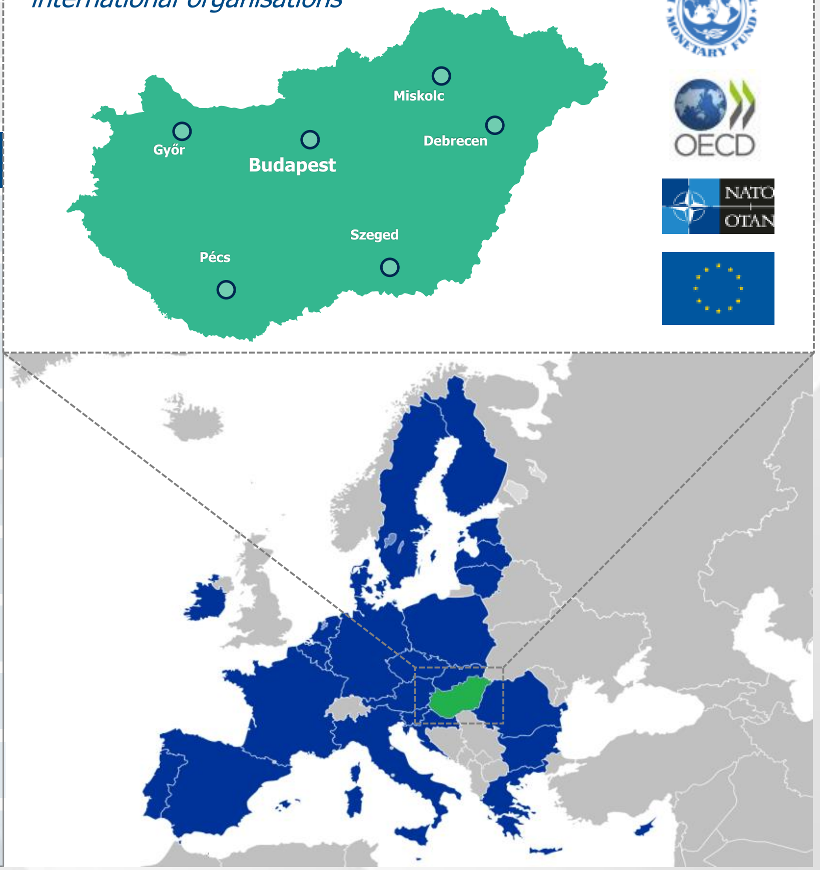
Capital: Budapest

Population: 9.6m (1 January 2023)

SDG index global ranking: Score: 79.4, Rank: 22 (2023)

SDG indicators	Progress		
Net greenhouse gas emission	5.8 t/capita (2020)	↑	**5.9 t/capita** (2021)
Total domestic GHG emission (compared to 1990)	-33% (2021)	↓	**-37%** (2022)
Final energy consumption	735.6 PJ (2020)	↑	**787.2 PJ** (2021)
Share of use of renewable energy sources in gross final energy consumption	13.9% (2020)	↑	**14.1%** (2021)
Solar PV share in net electricity generation	11.1% (2021)	↑	**13.7%** (2022)
Forest area under forestry management, forest cover of the country	20.9% (2021)	↑	**21%** (2022)
Life expectancy at birth	74.3 yrs (2021)	↑	**76.2 yrs** (2022)
Employment as % of population[1]	78.8% (2021)	↑	**80.2%** (2022)
Unemployment as % of labour force[2]	4.1% (2021)	↓	**3.6%** (2022)
People at risk of poverty or social exclusion as % of the population	19.4% (2021)	↓	**18.4%** (2022)

A high income economy with a strategic location at the centre of Europe and memberships in key international organisations



Notes: *1: age class – from 20 to 64 years; 2: age class - from 15 to 74 years*

Source: *EU Climate Action Progress Report – Country profile 2022, Eurostat, HCSO, Ministry of Energy, Sustainable Development Report 2023*

CONTENT

I. HUNGARY'S ESG STORY: MOTIVATIONS AND OBJECTIVES

HUNGARY'S MOST RELEVANT AREAS FOR ESG

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CLIMATE

Combatting climate change with the aim of achieving carbon neutrality by 2050 while strengthening the resilience and adaptive capacity

ENERGY

Working towards energy independence and security by increasing the use of renewables, diversifying the energy portfolio, enhancing energy efficiency and expanding energy storage capacity

COMPREHENSIVE ESG POLICY

BIODIVERSITY

Preserving land, forest, and soil with shift to sustainable agriculture while protecting the habitats and endangered species

SOCIETY

Developing a sustainable society with a comprehensive family protection policy and a well established education and health-care systems

CHALLENGES, OBJECTIVES AND ACTIONS: CLIMATE

Key challenges	▪ Country-level **annual average temperature increased** by 1.15°C, since the beginning of the previous century, exceeding the estimated 0.9°C of the global temperature rise over the same period, with considerable seasonal disparities ▪ **Temperature during springs and summers increased** by 1.2°C and 1.32°C respectively between 1901-2020 ▪ Warm **temperature extremities** have become more frequent ▪ **Risk of floods is high while risk of droughts is medium** amid ongoing efforts to adapt to climate change ▪ Predictions indicate a **significant decrease in frost days** by mid-century compared to the period between 1961 and 1990, with an anticipated **increase in hot days** and occurrences of **extreme heat**
Strategic objectives	▪ **Achieve a minimum -50%** reduction of total domestic GHG emission by 2030 compared to 1990 ▪ Reaching **net zero** GHG emission by 2050 ▪ Achieving this goal is planned to be funded by ➢ **The private sector**, ➢ **EU funds**, ➢ **Sale of CO_2 quota** in the European Emissions Trading System ("EU ETS"), or ➢ **State Budget** (mainly funded by **Green Bonds** under Hungary's Green Bond Framework)
Strategies and actions	▪ Hungary adopted the **Climate Protection Law** in 2020, turning its **2050 Net Zero emissions target** into a **legal commitment** ▪ Hungary has committed to address climate change by implementing its **National Climate Change Strategies** ▪ The Parliament adopted the **first National Climate Change Strategy (NCCS 1)** in 2008, the **revised NCCS 2** for 2018-2030 was approved in 2018 ▪ Hungarian **counties** have been actively developing their **individual climate change strategies** ▪ Regional **assessments of climate vulnerability** have been carried out within the framework of the **National Adaptation Geo-information System**, which was introduced in 2016

Source: *IEA, Ministry of Energy*

CHALLENGES, OBJECTIVES AND ACTIONS: ENERGY

Key challenges	▪ Hungary's **energy import dependency** (including solid fossil fuels, natural gas, oil and petroleum products excluding biofuel portion) reached **64%** (EU average 63%) in 2022 ▪ Due to its geographical situation, Hungary **relies on Russian oil & gas**, although efforts to **diversify** its sources of supply are a priority ➢ In 2020, the majority of Hungary's **crude oil imports** - approximately **64%** - originated from Russia, while the country also relied heavily on Russia for **95%** of its **gas imports** ➢ Hungary is also **heavily dependent** on the Southern branch of the Druzhba pipeline (through Ukraine) for its crude oil imports ▪ Despite Hungary implementing various initiatives and programs aimed at enhancing the energy performance of buildings, the **average energy performance** of the domestic housing stock still falls into the **"FF" category***
Strategic objectives	▪ Main focus on strengthening the country's **energy independence** ▪ Achieving a **low-carbon electricity mix of 85%** (renewable energy and nuclear sources will play a vital role, with the aim to double the currently utilized geothermal energy) by 2030 ▪ Final energy consumption should not exceed the **750 PJ** threshold by 2030 compared to 787 PJ in 2021 ▪ The **share of renewable energy within the gross final energy consumption** should reach at least **29%** by 2030 compared to 14.1% in 2021 ▪ **Increase energy storage** capacity to at least **1,000 MW** by 2030 ▪ **Phasing out coal and lignite** from domestic electricity generation **by 2030** at the latest (Mátra Power Plant currently accounts for **14%** of **total domestic GHG emissions**)
Strategies and actions	▪ **The National Energy and Climate Plan** (**NECP,** now under revision)**,** the **National Clean Development Strategy (NCDS)** accompanied by the **National Energy Strategy 2030** defines Hungary's medium- and long term **energy** and **climate policy** ▪ **NCDS** defines **energy policy** describing early and late action scenarios targeting 2030, 2040 and 2050 ▪ The **REPower EU** under the Recovery and Resilience Facility and Environmental and Energy Efficiency Operative Programme Plus (**KEHOP Plus**) and Territorial and Settlement Development OP (**TOP Plus**) aim to strengthen energy independency, increase the use of renewable energy while also improve the energy efficiency for businesses, households, and public buildings ▪ Hungary has achieved significant progress in diversifying its energy supply routes, currently operating **gas interconnectors with six neighbouring countries** and electricity interconnectivity to all neighbouring countries

Note: *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: *IEA, Hungarian Energy Efficiency Institute, Ministry of Energy, Eurostat*

CHALLENGES, OBJECTIVES AND ACTIONS: BIODIVERSITY

Key challenges

- Large areas of natural floodplains of domestic rivers have been destroyed, and **biodiversity** is slowly **decreasing** even in the majority of nature conservation areas
- **58%** of species remain in an unfavourable state
- The number of **grazing animals has decreased** dramatically and distribution of grazing species has also changed
- **Threats to forest biodiversity** include the proportion of clear-cutting in private and protected stands, dead wood removal from the forests, overpopulation of game animals in certain areas, spread of invasive alien tree species
- Currently, **22.2%** of Hungary's terrestrial territory is designated as protected areas, slightly below the EU average of 26.4%

Strategic objectives

- According to the **Climate and Environmental Protection Action Plan**, forest and tree cover is aimed to be increased to **27% by 2030**
- To comply with the international obligations (Kunming-Montreal Global Biodiversity Framework), Hungary approved its third National Biodiversity Strategy until 2030**, which defines 3 strategic areas:**
  - **Reduction of threats** to biodiversity
  - **Sustainable use** of biodiversity
  - **Tools** and **solutions** to support implementation
  - The strategy includes **19 objectives** related to the **conservation** and **sustainable use of biodiversity**

Strategies and actions

- Hungary was among the first EU member states to officially **declare** its **Natura 2000 network** of protected areas **as complete**
- The **Hungarian Biodiversity Monitoring System** (HBMS) is a long-term programme implemented to observe the state of Hungarian biodiversity
- The country developed its **Common Agricultural Policy** (CAP) to support sustainable agriculture and biodiversity conversation and implemented the **EU Water Framework Directive** (WFD)
- The **Hungarian Nature Conservation Act** contains regulatory elements to protect forest ecosystems and the **Forest Act** aims to regulate forest management activities
- Hungary has also joined the **European Biodiversity Partnership** (Biodiversa+) to support the research on biodiversity

Source: *Convention on Biological Diversity, IEA, Biodiversity Information System for Europe, Hungarian Energy Efficiency Institute, Ministry of Energy, Ministry of Agriculture*

CHALLENGES, OBJECTIVES AND ACTIONS: SOCIETY

Key challenges		▪ Hungary's population has been **decreasing** for nearly 40 years due to **low fertility rates** and **emigration** ▪ According to the estimation of the Population Science Research Institute of the Hungarian Central Statistical Office, if the trend continues, **Hungary would have a population of 8.5 million by 2070** ▪ **Youth childbirth decreased** ▪ **87% of health losses are caused by non-infectious diseases**, of which **circulatory system diseases** and **malignant tumours** account for **47%** ▪ **Regional disparities** in Hungary between the more developed areas (Capital, West and Northwest) compared to the less developed regions (South, East, Southwest, Southeast and Northeast)
Strategic objectives		▪ The government's objective is to **establish a mentally** and **physically healthy**, as well as **health-conscious society** ▪ **Reducing** the **material and social poverty of families with children** from 22.9% (2019) to **13%** and **the poverty gap** from 30% (2019) to **20%** by 2030 ▪ **Reduce the regional health inequalities** and **differences of life expectancy** at birth ▪ **Stop** the **demographic decrease** and ensure that **every desired child is born** ▪ Ensure **access to education**, increase its **effectiveness** and improve the level of **professional care**
Strategies and actions		▪ The government introduced a **comprehensive family policy** with several subsidies ▪ **Healthy Hungary 2021-2027, long-term care strategy along** with the **5 National Health Programmes** (National Anti-Cancer Programme, National Circulation Programme, National Musculoskeletal Programme, National Mental Health Programme, National Child Health Programme) aim to provide a healthier, longer life for Hungarian citizens ▪ The **Hungarian Village Program** (Magyar Falu Program) (affecting over 30% of the population and 91% of settlements) and **Emerging Settlements Program** (affecting the 300 most disadvantaged settlements) supports the development and growth of the Hungarian countryside while the **Modern Cities Program** aims to improve the economic competitiveness of the mid-sized towns ▪ Hungary also prepared its **National Education Strategy** 2021-2030 which emphasises the importance of **sustainability** and **environmental awareness**

Source: *Healthy Hungary, Social Inclusion Strategy, Hungary, National Education Strategy, Hungary 2023 National Annual Reform Program*

ESG LEGAL BACKGROUND TO MITIGATE ENVIRONMENTAL AND SOCIAL RISKS

EU legalisation	Hungary legalisation
▪ 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 *(314/2005. (XII. 25.) Korm. rendelet)* ▪ Hungary's **environmental protection law** promotes natural resource conservation and sustainable management *(1995. évi LIII. törvény)*
▪ 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	▪ Hungary **aligns with EU directives** to manage construction waste efficiently ▪ Hungary's **waste management policy** cover hazardous waste treatment *(2000. évi XLIII. törvény)* ▪ Hungary's **General Rules on Environmental Protection** promote the protection and sustainable use of natural resources *(1995. évi LIII. törvény)*
▪ 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** *(2012. évi I. törvény a munka törvénykönyvéről)*
	▪ 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: https://www.akk.hu/content/path=second-party-opinion-2023-en*

II. HUNGARY'S GREEN AND ENVIRONMENTAL STRATEGY

II. 1. HUNGARY’S ENVIRONMENTAL STRATEGIES AND ACHIEVEMENTS

PROTECTING THE ENVIRONMENT IN ACCORDANCE WITH INTERNATIONAL AND NATIONAL REGULATIONS

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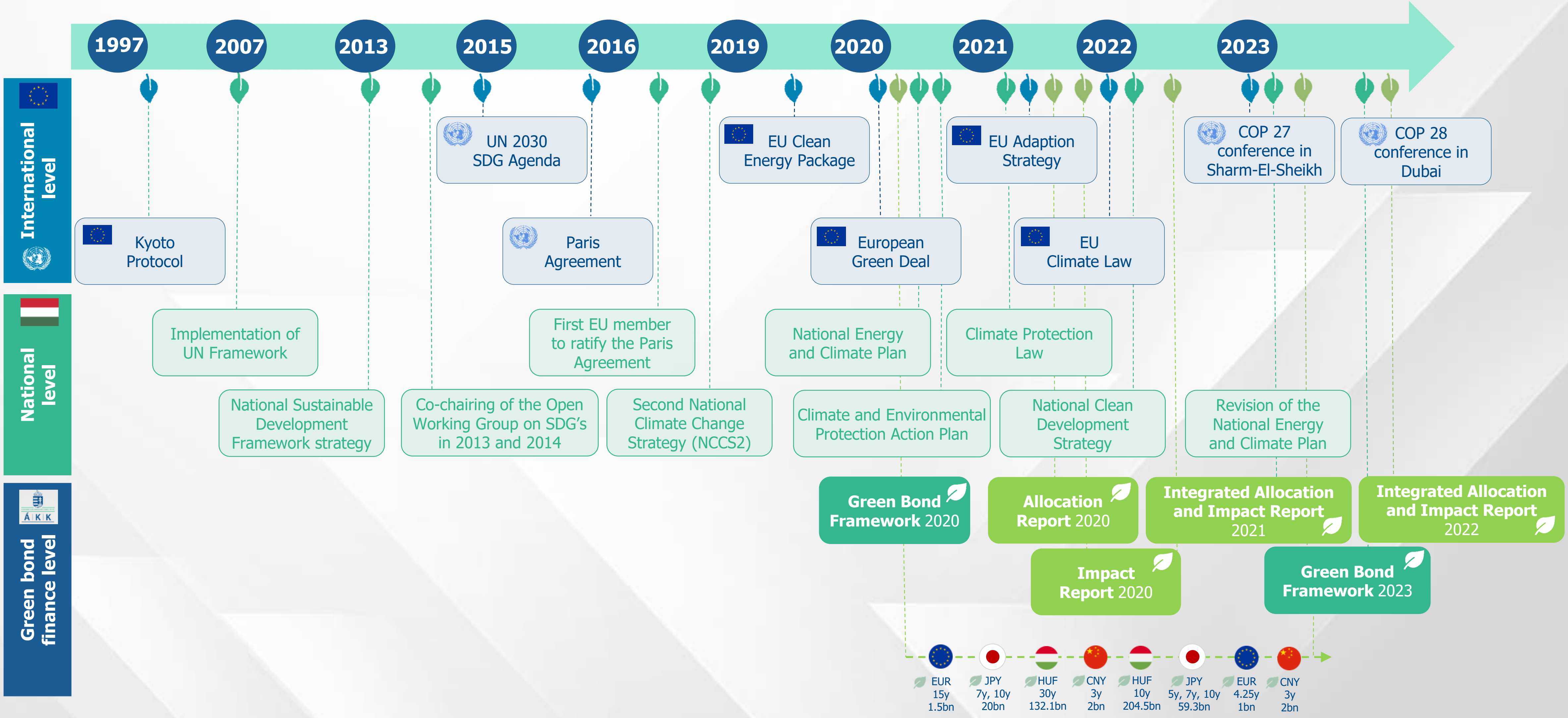

MAIN CLIMATE STRATEGIES

National Clean Development Strategy

Long term goal

- Aims 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) climate neutrality, Early action (EA) climate neutrality scenario)
- To achieve this target between 2020-2050 the additional annual investment need accounts for **24,709 billion HUF** (Early action scenario)

National Climate Change Strategy (NCCS2)

Near term goal

- The NCCS2, as approved by the Parliament in 2018, consists of a **comprehensive framework** of **targets, policies** on climate and green economy development, playing an important role of coordination of all the other sectoral strategies
- Focuses on **4 pillars** for the 2018 – 2030 period, also providing an outlook to 2050, including:
  - Hungarian Decarbonisation Roadmap **(HDR)**
  - National Adaptation Strategy **(NAS)**

Four key pillars and its main objectives

Pillar	Main objectives		Objective
Decarbonisation (HDR)	▪ Replacement of fossil fuel energy carriers ▪ Increase in energy efficiency ▪ Reducing natural resources consumption	▪ Development of Green Economy ▪ Forestation ▪ R&D and innovation	**I.** Lasting and durable development in a changing world
Analysis of climate vulnerability	▪ Elaboration, set up and maintenance of NAGiS (National Adaptation Geo-information System) ▪ Development of vulnerability assessment methodologies	▪ Promoting climate-related research	
Adaptation (NAS)	▪ Preservation of natural resources ▪ Adaptation of vulnerable regions, sectors and strategic fields	▪ Social adaptation ▪ R&D and innovation	**II.** Gathering knowledge about capabilities, possibilities and limits
Partnership for climate	▪ Horizontal integration in public administration ▪ Partnership with the media ▪ Awareness-raising in education	▪ Social campaigns for climate-consciousness ▪ Networking with stakeholders	

OTHER RELEVANT STRATEGIES AND ACTION PLANS

Name	Goals
National Energy and Climate Plan	Defines the path to meet **EU 2030 climate and GHG emissions reductions commitments** (e.g. reduction of GHG emissions by at least 50% compared to 1990, minimum 29% share of renewable energy in final energy consumption; lower final energy consumption)
National Energy Strategy 2030	Further strengthening security of supply and **energy independency** and fostering innovation, as well as economic development and **clean, smart and affordable energy** via climate-friendly transformation of the energy sector
Climate and Environmental Protection Action Plan	**Energy security**, **climate and environment protection** and economic development objectives in a mutually reinforcing way including the achievement of **85% share** of the carbon neutral domestically produced energy by 2030, **27% increase** of areas covered by forest across the country by 2030
Long Term Renovation Strategy	Modernization of buildings**, reducing energy poverty** and **reducing GHG emissions**
National Hydrogen Strategy	Production of large volume of **low-carbon** and **decentralized** carbon-free hydrogen, **decarbonisation** of industrial consumption, **green transport** and **electricity** and (natural) gas support infrastructure
National Forest Strategy	Sustainable **forest management**, protection of **biological diversity**, climate change mitigation, **effective communication** through sectoral trainings
National Biodiversity Strategy	A comprehensive strategy for the preservation and sustainable utilization of Hungary's **biological diversity** in accordance with international and European Union regulations
National Water Strategy	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 and oxbows
5th National Environmental Protection Program	Improvement of the **environmental condition** and **environmental safety** of the country, reduction of the impact of **environmental pressure**, protection, restoration and sustainable use of **natural values** and **resources**; improving **resource saving** and **efficiency**, strengthening the economy's **circular operation**

HUNGARY’S PATHWAY TO CLIMATE NEUTRALITY

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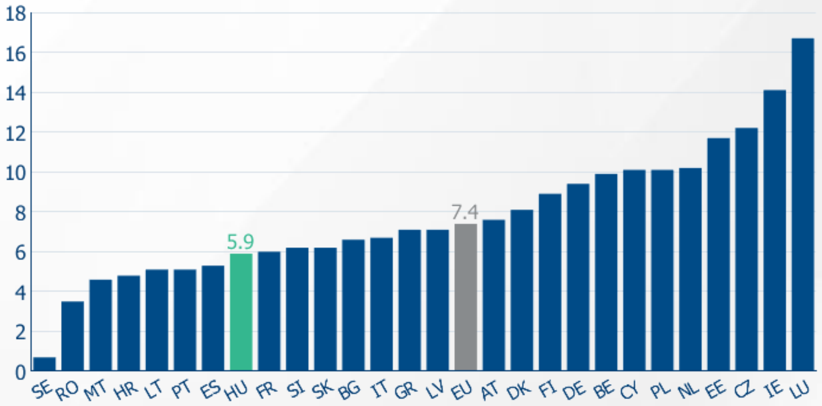
Key highlights

- Hungary was **among the first countries globally to turn its 2050 emissions target into a legal commitment** with the adoption of the Climate Protection Law in 2020
- As part of the EU’s 2030 Climate and Energy Framework, by 2030, **Hungary’s plans to reduce its overall GHG emissions by 50%**
- Hungary is currently **below the EU average GHG emission rate** (t/capita) and **8th lowest** net GHG emitter in the EU
- Hungary **reduced** its **greenhouse gas emissions** (t/capita) by **33%** between 1990 and 2021 and based on preliminary data by **37%**[1] between 1990 and 2022
- In 2021, the highest contribution to net GHG emissions in Hungary came from **Energy supply**, followed by the **Industry, and Domestic transport** sector

Net greenhouse gas emission

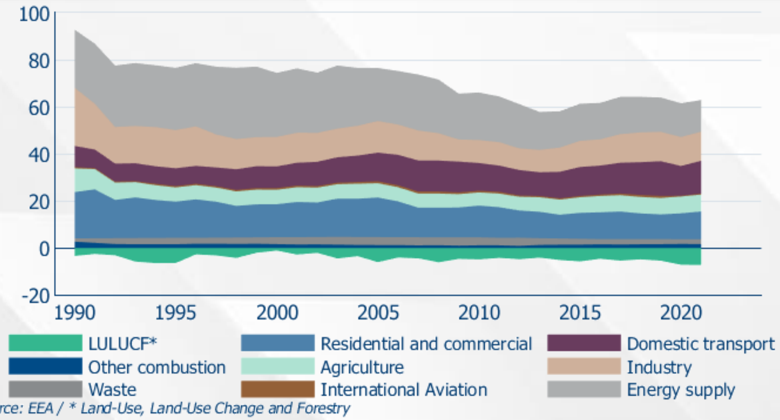
(t/capita), 2021



Source: Eurostat

GHG emission by sector

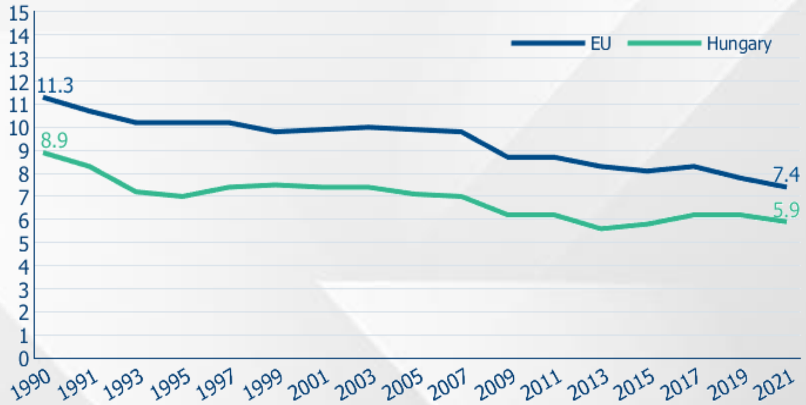
(Million tonnes, CO_2 equivalent), 1990-2021



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

Historical net greenhouse gas emission

(t/capita), 1990-2021



Source: Eurostat

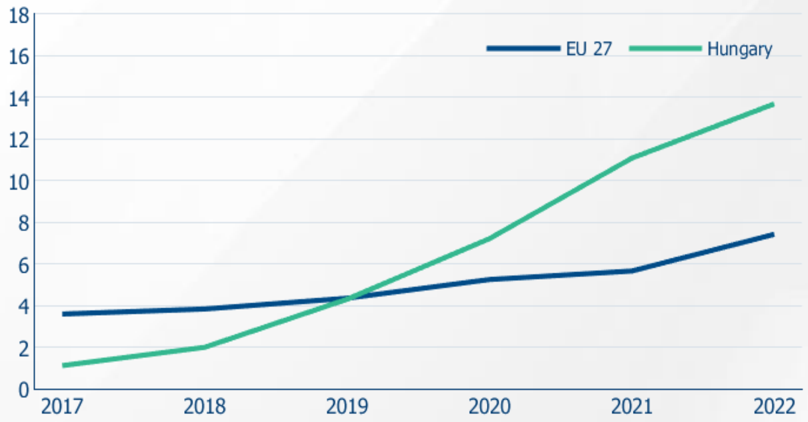
***Source:** 1: Ministry of Energy*

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

Key highlights of energy sector

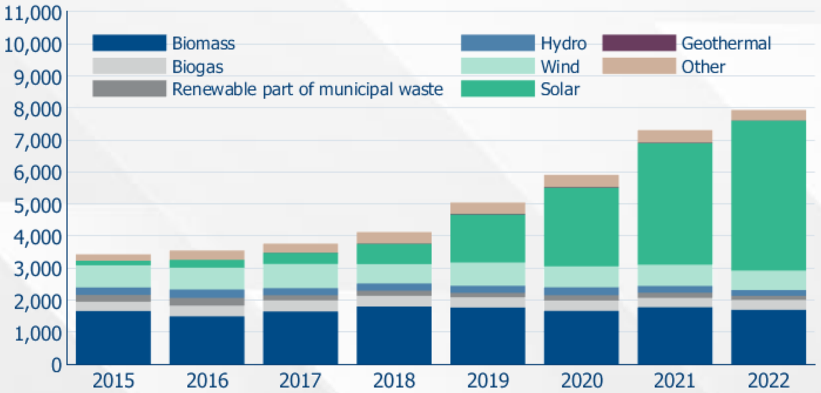
- The National Energy Strategy 2030 with an outlook to 2040 and The National Energy and Climate Plan aims to:
  - Reduce the **import of fossil fuels**
  - Primary objective is to **strengthen Hungary's energy independency**
- Since 2015, **solar energy has increased significantly** in terms of relative share in gross renewable electricity generation resulting in Hungary's leadership in the EU regarding **solar PV share in electricity output**
- Since 2000, **the share of renewables 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

Solar PV share of net total electricity generation
(gigawatt-hour), 2017-2022



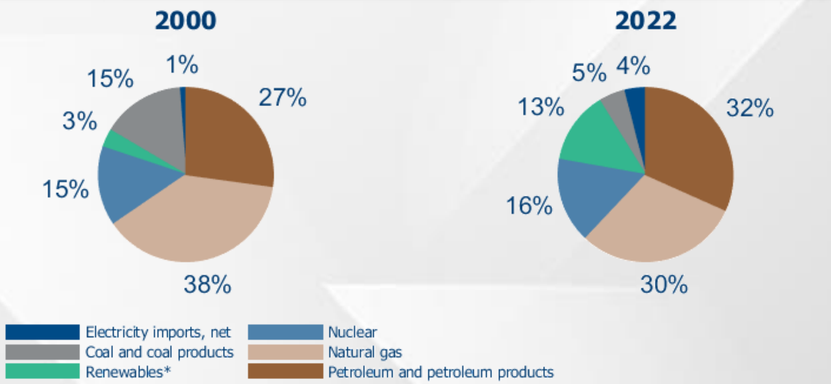
Source: Eurostat

Gross renewable electricity production
(gigawatt-hour), 2015-2022



Source: HCSO / Note: Preliminary data for 2022

Structure of primary energy consumption
(percentage)



*Source: HCSO / *Ind. combustible and non-combustible renewables, wastes, wind and hydro. Note: Preliminary data for 2022*

***Source:** National Energy and Climate Plan, Ministry of Energy*

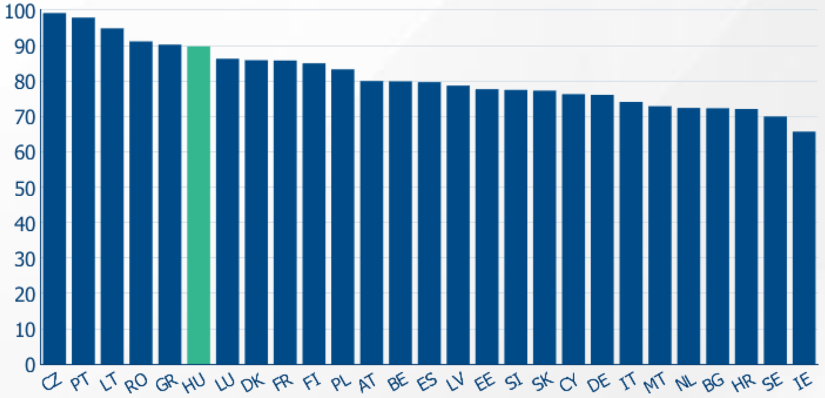
GREENING THE TRANSPORT SECTOR IN ORDER TO CONTRIBUTE TO A GREENER FUTURE

Key highlights of transport sector

- Further **modal shift from passenger cars and freight transport to public transport is encouraged**, which underpins high share of spending from proceeds obtained by issuing Green Bonds
- The country plans **to increase biofuel use** and to promote the use of **alternative** (e.g. electric) **vehicles**
- The volume of passenger transport relative to Hungary's GDP is **one of the highest** in Europe
- According to the **National Energy and Climate Plan**: „To reduce increasing energy consumption in transport, it is essential to develop and increase the use of public transportation"
- The **Green Bus Program** aims to integrate electric buses into local transport with the implementation of Pilot Projects
- **42.6% of the railway network was electrified in 2022,** it is expected to increase

Volume of passenger transport relative to GDP

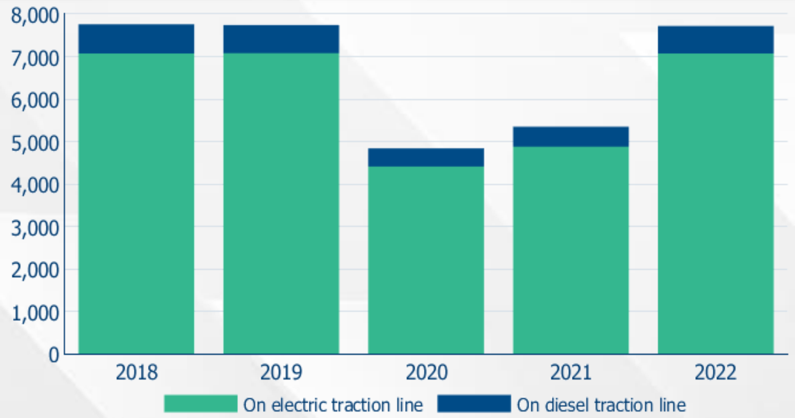
(percentage, index 2015=100), 2021



Source: Eurostat

Passenger-kilometre on the operated rail network

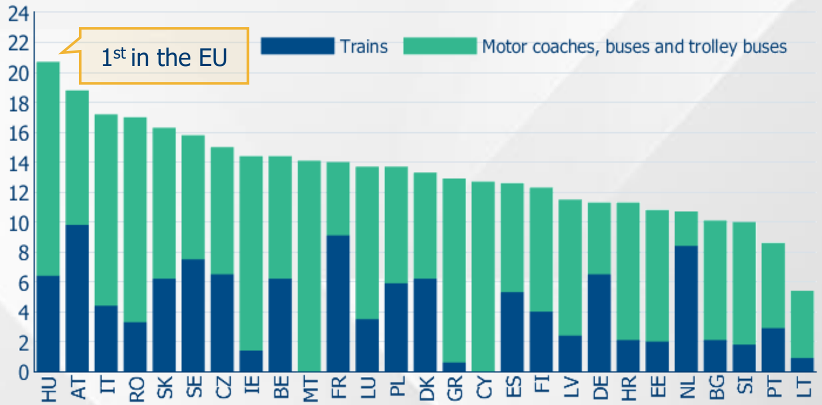
(million kilometres), 2018-2022



Source: MÁV Zrt., GYSEV Zrt.

Modal split of inland passenger transport

(percentage), 2021



Source: Eurostat

***Source:** HCSO, National Energy and Climate Plan*

FOSTERING SUSTAINABILITY IN INDUSTRY AND IN RESIDENTIAL AND COMMERCIAL SECTOR

Key highlights of industry sector

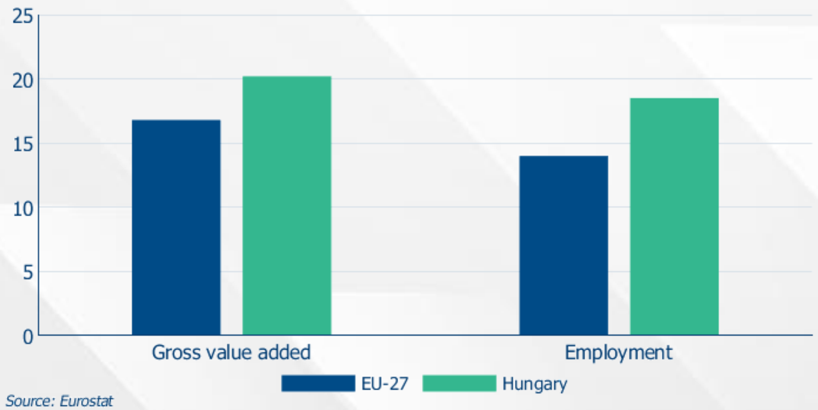
- Total industrial sales are dominated by manufacturing
- Approaches to reduce GHG emission include:
  - Primarily **energy efficiency investments** and technological shift (to electric power)
  - Application of **low-carbon** or **green hydrogen** in energy-intensive sectors, where electrification is challenging (e.g. chemical, steel)
  - Additionally Hungary plans to adopt technologies focusing on **carbon capture storage (CCS)** in the future
- The **Baross Gábor Capital Program** or the **Factory Rescue Program** provides support for industrial companies to improve **energy efficiency** and **green developments and resilience towards excessive energy prices increases**
- The **Just Transition Fund** supports regions and **carbon-intensive industries** in transitioning to climate neutrality

Key highlights of residential and commercial sector

- Approximately **2.6 million** residential properties require some level of energy modernization
- About **42%** of **primary energy consumption** derives from buildings according to National Building Energy Strategy (NÉeS)
- **Three-quarters 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
- 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

Share of manufacturing in GDP and employment

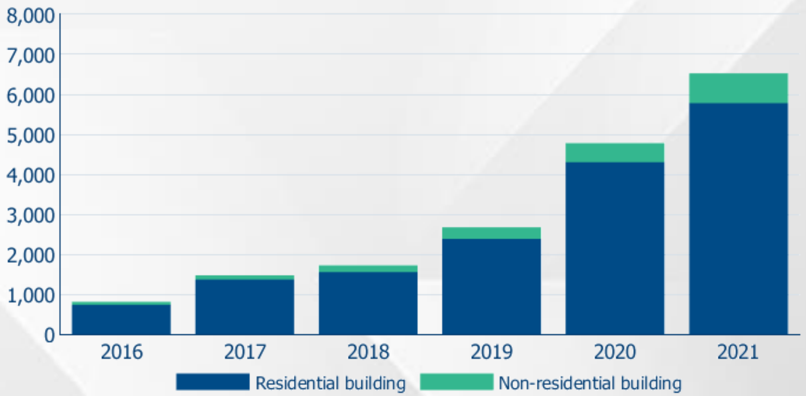
(percent), 2022



Source: Eurostat

Number of near to zero-energy buildings in use

(pcs), 2016-2021



Source: HCSO

Source: *National Building Energy Strategy (NÉeS), National Energy and Climate Plan*

IMPLEMENTING ENVIRONMENTAL PRACTICES IN AGRICULTURE, LULUCF AND WASTE SECTOR

Key highlights of agriculture and LULUCF sector

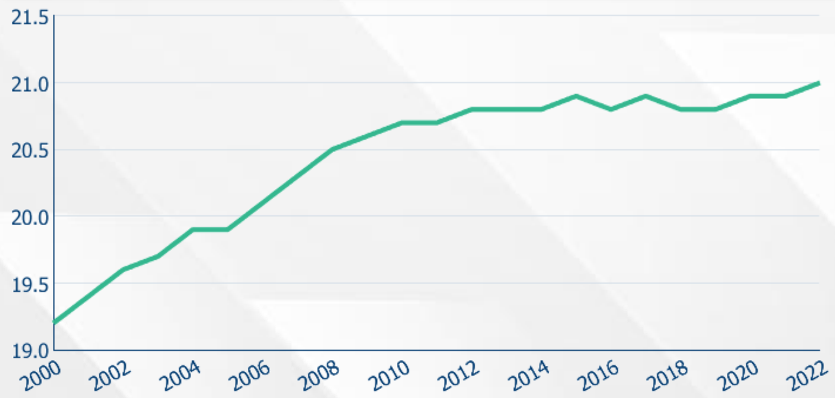
- The Hungarian **CAP Strategic Plan** 2023-2027 aims to:
  - Cut GHG emissions in agriculture, boost **carbon sequestration** the LULUCF sector by reducing GHG and ammonia emission in the livestock sector, using **forestry measures** to decrease GHG and gases, investing in **renewable energy** production and improve **soil** and **ecosystem carbon sequestration**
- The **Soil Protection Action Plan** will ensure the attitude formation and training of farmers in order to implement sustainable agricultural land use
- Based on the National Forest Strategy, the increase of forest areas is expected in order to increase **CO_2 absorption capacity**
- The country aims to continue to increase its forest areas under the **National Afforestation Program (NEtP)** to reach **27% of** forest coverage by 2050

Key highlights of waste sector

- The **National Waste Management Plan 2021-2027** (with the **National Prevention Program** and **Action Program** being its integral component) sets ambitious objectives including:
  - The quantity of **municipal waste** recycled and prepared for reuse must reach **55%** by 2025 (with a derogation 50%)
  - Regarding packaging waste, the **minimally required recycling rate** should increase to **70%** without derogation by 2030
- The government introduced the **Deposit Return System** and a new **concession-based system** where the **waste management responsibilities**, including municipal waste collection and pre-treatment will be delegated to the concessionaire
- Additionally, various programs, such as the **nationwide asbestos removal program** support legal waste disposal and eradicate illegally dumped waste

Forest area coverage of the country's total land area

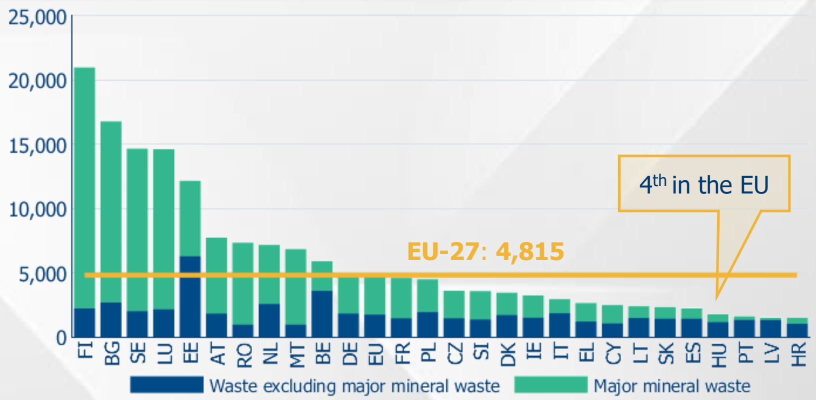
(percent), 2000-2022



Source: HCSO

Waste generation

(kg per capita), 2020



Source: Eurostat

Source: *National Energy and Climate Plan, Waste Management Program, Hungary 2023 National Annual Reform Program*

II. 2. GREEN FINANCE IN HUNGARY

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

Diversification of the investor base

Increasing alignment to the EU Taxonomy

Supporting the transition to a **greener** economy

Ensuring and strengthening international market presence

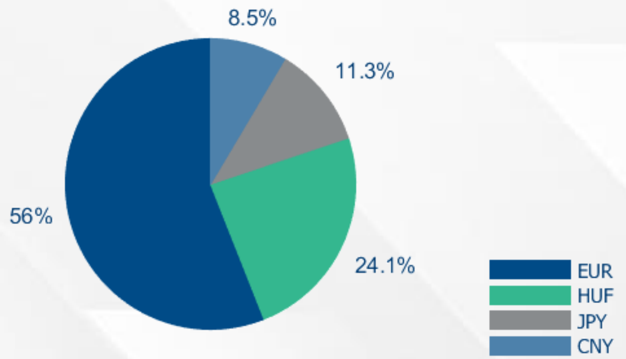
Meet evolving investor demand

GREEN BOND ISSUANCES 2020-2023

Key highlights

- Hungary issued its **first Green Bond** in May 2020
- Between 2020 and 2023 Hungary successfully issued Green Bonds on the domestic (HUF) and international (EUR, JPY, CNY) markets
- Hungary's current (as of December 2023) green outstanding debt amounts to **1,709 billion HUF** which is **3.4%** of the total debt
- Average term to maturity is **8.8 year**
- **EUR bonds** take the **highest share** of the issued green bonds

Share of green instruments based on currency
(%)



Source: AKK

Note: *As of 31/12/2023*

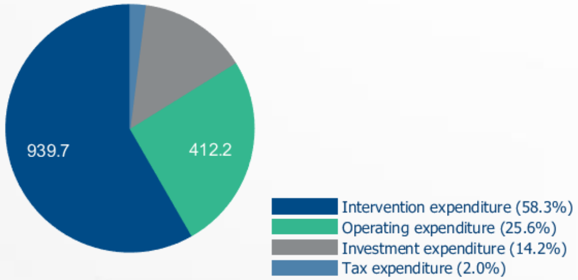
Total Green Hungarian outstanding debt

ISIN	Currency	Issue Date	Tenor (year)	Total outstanding debt (bn HUF)
XS2181689659	EUR	05/06/2020	15	574.2
XS2558594391	EUR	21/11/2022	4	382.8
				957.0
HU0000404991	HUF	28/04/2021	30	150.5
HU0000405535	HUF	26/01/2022	10	261.7
				412.2
P534800CL92	JPY	18/09/2020	7	37.8
JP534800DL91	JPY	18/09/2020	10	11
JP534800BN26	JPY	25/02/2022	5	114.3
JP534800DN24	JPY	25/02/2022	7	11.5
JP534800CN25	JPY	25/02/2022	10	19
				193.6
CND10004QFJ7	CNY	16/12/2021	3	48.6
CND10005WTB0	CNY	17/11/2022	3	97.2
				145.8

Note: *Date of first issuance, tap issuances of HUF bonds are not showcased*
As of 31/12/2023

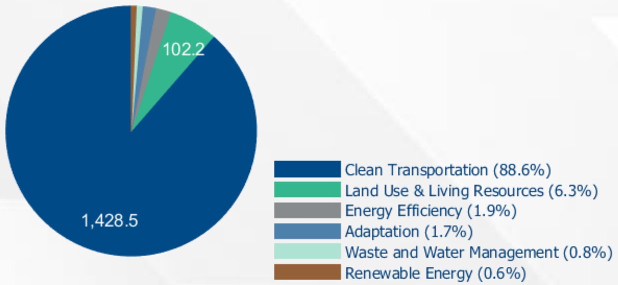
THE ALLOCATION OF THE PROCEEDS FROM GREEN BONDS ISSUED BETWEEN MAY 2020 AND MAY 2023

Allocated amount by green expenditures types
(%, HUF billions), 2018-2021



Source: Ministry of Finance

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

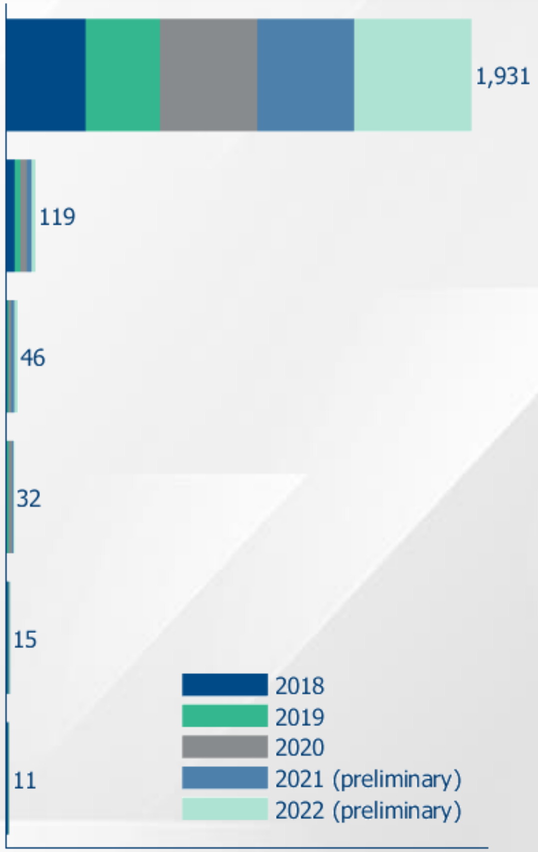


Source: Ministry of Finance

Green categories

- Clean Transportation
- Land Use and Living Natural Resources
- Energy Efficiency
- Adaptation
- Waste and Water Management
- Renewable Energy

Eligible green expenditures
(HUF billions), 2018-2022



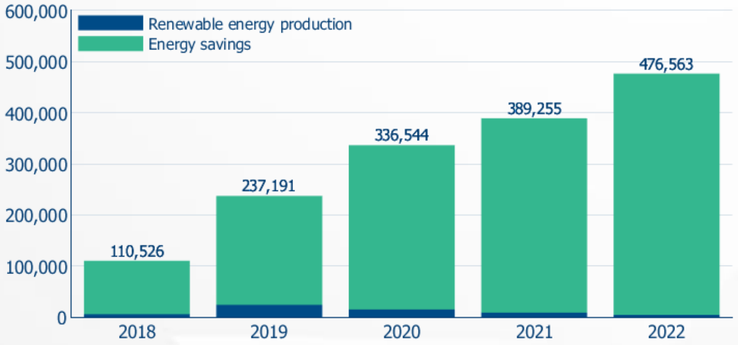
Source: Ministry of Finance

Note: *Based on 2020 , 2021 and January 2022 – May 2023 issuances according to the allocation criteria defined under the Hungary's Green Bond Framework 2020, while issuances from May 2023 will be allocated according to Hungary's Green Bond Framework 2023.*

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*

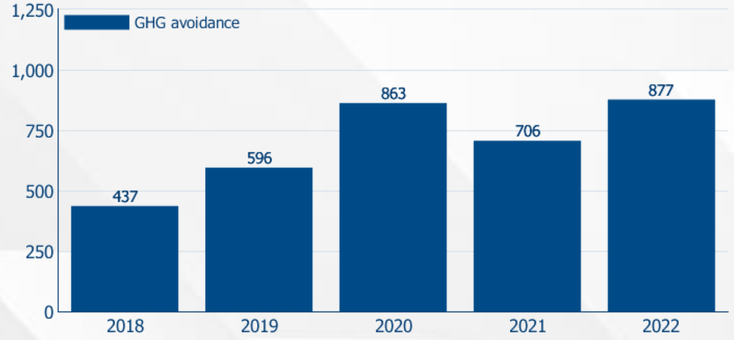
THE ENVIRONMENTAL IMPACT OF THE GREEN BONDS ISSUED BETWEEN MAY 2020 AND MAY 2023

Total annual energy saved and produced
(in MWh), 2018-2022



Source: AKK

Total annual emission avoided
(tCO_2eq), 2018-2022



Source: AKK

Green categories	Positive impacts of each green category	
Clean Transportation	3,103	**Kilotons of CO_2eq** saved
Land Use and Living Natural Resources	1.3m	**Hectares** of forest and agricultural areas under Natura 2000 supported by compensation payments
Energy Efficiency	365	**Kilotons of CO_2eq** saved
Adaptation	11	**Developments** supported the **implementation of the Water Framework Directive**
Waste and Water Management	787	**Metres per kilometres increase in length of sewage system** of drinking water system
Renewable Energy	10.5	**Kilotons of CO_2eq** saved

Note: *Based on 2020 , 2021 and January 2022 – May 2023 issuances. 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.*

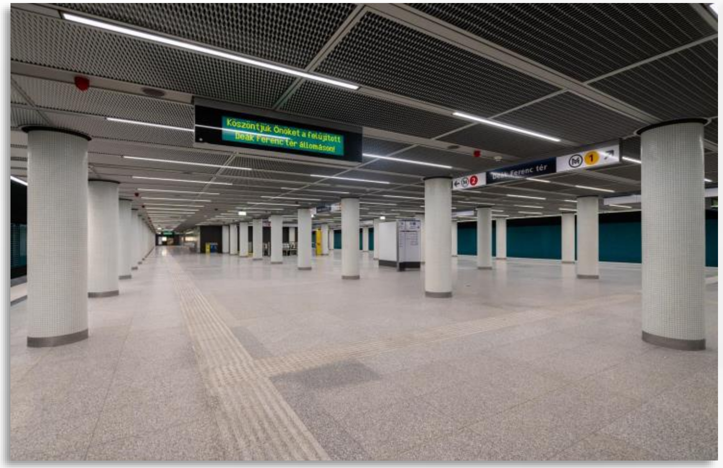
Source: *Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2022: https://www.akk.hu/content/path=integrated_report_2022 ; Integrated Report on the Allocation and Environmental Impact of Hungary's Green Bond Proceeds, 2021: https://www.akk.hu/content/path=integrated-report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

CASE STUDY I – THE UPGRADE OF M3

Project objective description

- **Upgrading the Metro Line M3** is a multi-year public transport development project
- 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
- 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



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*

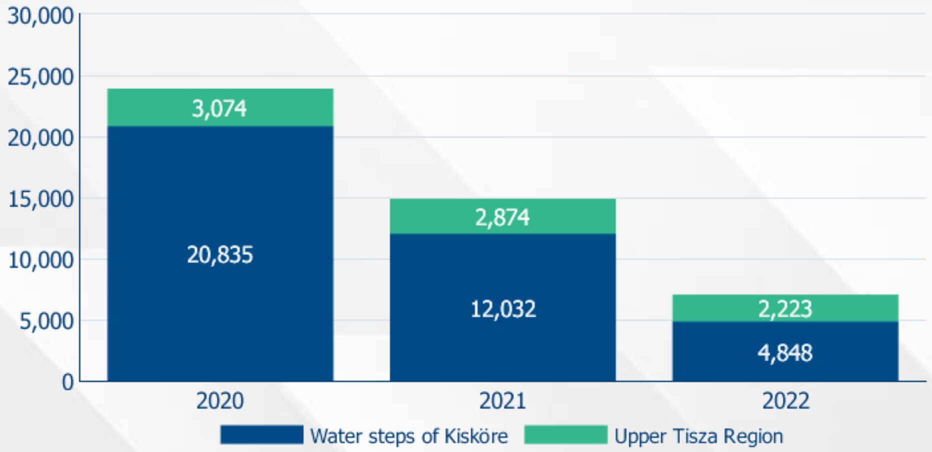
CASE STUDY II – WASTE MANAGEMENT IN THE UPPER TISZA REGION AND AT THE WATER STEPS OF KISKÖRE

Project objective description

- 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**

Annual gross amount of waste collected and treated or disposed of

(in m^3)



Source: OVF

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*

GREEN BOND AWARDS

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Year	Award	Awarded by
2023	**Most Impressive ESG Bond Issuer in CEEMEA** category **III. place**, based on the votes of market participants	GlobalCapital
2023	**Largest Sovereign Green Bond 2023 winner** for 30-year institutional HUF government bond, called the Green Hungarian Government Bond	AIFC
2022	Most **impressive CEE issuer winner** for low interest, long-term dollar, euro and green bonds	GlobalCapital
2021	Sovereign **Green Market Pioneer Award** recognizing Hungary's issuance of a EUR 1.5 billion sovereign green bond in June 2020	Climate Bonds Initiative
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	capitaleye Investments
2021	**Sustainable Finance award** for 2020 Japanese Green Samurai Bond issuance	RIEF Sustainable Finance Awards
2021	**Nikkei Veritas Award** for recognising the Hungarian Green Samurai Issue by the Japanese economic press	

II. 3. HUNGARY'S UPDATED GREEN BOND FRAMEWORK

THE GREEN BOND FRAMEWORK 2020

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Principles, standards	▪ **ICMA Green Bond Principles** 2018 ▪ The **proposed EU Green Bond Standard** by the EU TEG was also taken into consideration ▪ Japanese Ministry of Environment **Green Bond Guidelines** and the **Guidelines on Green Note of Non-Financial Enterprise** published by NAFMII
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 ▪ **6 eligible green categories** defined based on ICMA Green Bond Principles ▪ **3 exclusion criteria:** nuclear power, armament and defence sector, fossil fuel production and power generation
2. Project Evaluation and Selection	▪ **Ministry of Finance with ÁKK is in charge of coordinating the process** ➢ Inter-Governmental Working Group (IWG) evaluates potential green expenditures ➢ Steering Committee approves Eligible Green Expenditure
3. Management of Proceeds	▪ **Ministry of Finance 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,** the **current year** and **future years**
4. Reporting	▪ **Allocation** and **Impact Report** (from 2022 onwards an Integrated Report is provided)
External review	▪ Second-Party Opinion by **Cicero** on Hungary's Green Bond Framework ▪ **Mandatory review on Allocation report but not on Impact report** (although Hungary provided external review on Impact report)

Source: *Green Bond Framework Hungary 2020: https://akk.hu/content/path=green-framework*

THE GREEN BOND FRAMEWORK 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 of Finance with ÁKK is in charge of coordinating the process** ➢ Inter-Governmental Working Group (IWG) evaluates potential green expenditures ➢ Steering Committee approves Eligible Green Expenditure
3. Management of Proceeds	▪ **Ministry of Finance 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
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

EU TAXONOMY ASSESSMENT BY A THIRD PARTY

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Key highlights

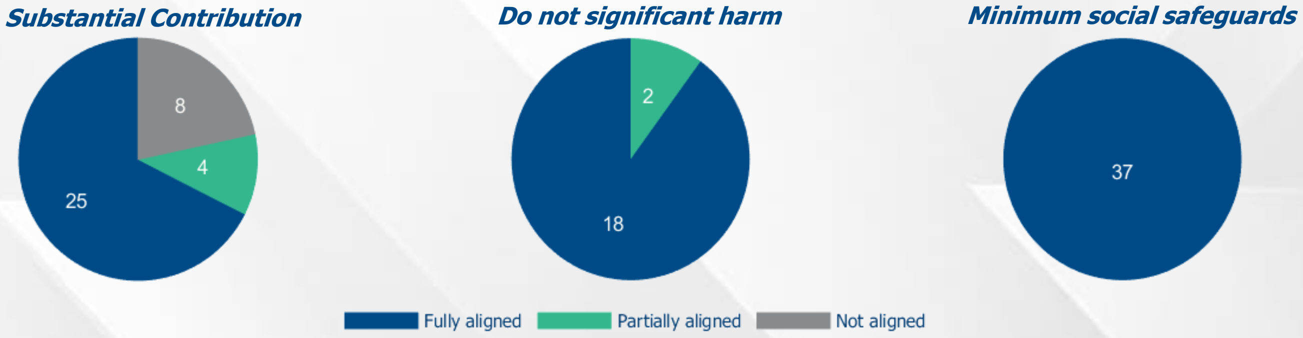
- **EU Taxonomy** and **Climate Delegated Act assessment** within the **I. Climate Mitigation** objective:
  - **6 categories** involved with **37 Taxonomy eligible** activities
  - **37 activities** assessed for **Substantial contribution** and **Minimum Safeguards** criteria
  - **20 activities** assessed for **DNSH criteria** including Clean Transportation, Energy efficiency (incl. Green buildings), Renewable energy category
  - The activities included in **Climate adaptation** and **Research, innovation and awareness raising** categories were not Taxonomy-eligible, therefore could not be assessed

Alignment with the EU Taxonomy *(green categories)*

Green Category	**SC criteria** (37 assessed activities)	**DNSH criteria** (20 assessed activities)	**MS criteria** (37 assessed activities)
Clean Transportation			
Land use and living natural resources		*Not assessed*	
Energy efficiency (incl. Green buildings)			
Renewable energy			
Pollution prevention & control		*Not assessed*	
Sustainable water & wastewater management		*Not assessed*	

Fully aligned | Partially aligned | Not aligned

Activity alignment with the EU Taxonomy *(activities)*



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

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	7 Affordable and clean energy; 11 Sustainable cities and communities; 13 Climate action	**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	13 Climate action; 14 Life below water; 15 Life on land	**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	7 Affordable and clean energy; 11 Sustainable cities and communities; 13 Climate action	**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	7 Affordable and clean energy; 13 Climate action	**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*

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	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**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	6 CLEAN WATER AND SANITATION	**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	13 CLIMATE ACTION	**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	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 15 LIFE ON LAND	**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*

PROJECT EVALUATION AND SELECTION

Screening

- **Line-by-line analysis by each Ministry** identifying potential eligible expenditures, **providing the Inter-Governmental Working Group (IWG) relevant information** to identify the **eligible expenditures** are under the criteria of the Framework

Evaluating

- The **IWG** after consolidating the received information analyses the **compliance of the potential green expenditures** and **excludes** budget expenditures which already have obtained dedicated funding **to avoid double counting**

Selecting

- The **IWG** performs the **selection of the eligible green expenditures**

Validating

- The **Ministry of Finance prepares the table containing the eligible green expenditures** which is **validated with the IWG** by providing data and participating in interviews and consultations

Annual review

- The **IWG performs an annual review of the expenditures** and **assesses the compliance** of the expenditures with regards to the eligibility criteria of the Green Bond Framework

Replacement

- **In case of material ESG controversy or non-compliance** with the criteria described in this Framework, the **IWG reallocates the proceeds** to expenditures compliant with the Framework

Updating

- The **IWG regularly updates the Green Bond Framework if necessary** to reflect both the evolution of the sustainable finance market and the green expenditures of the Hungarian Government

Reporting

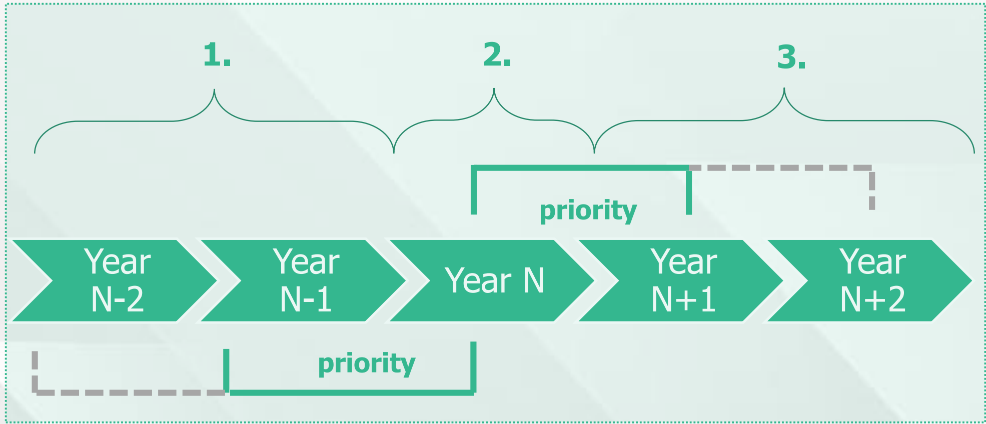
- The **IWG** is in charge of the **publication** and the **Steering Committee** is responsible for the **approval** of the Integrated Green Bond Report

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

MANAGEMENT OF PROCEEDS

Allocation rule

1. Expenditures within the 2 budget years preceding the year of issuance **(n-2)** (with a **priority** given to expenditures within the **n-1** budget year, to the extent possible)
2. Expenditures made in **the same year (N)** as the issuance
3. Expenditures from the next 2 calendar year's budget **(n+2)** (with a **priority** given to expenditures within the **n+1** budget year, to the extent possible). This one applies in case when proceeds for a year turn out to be superior to the available expenditures of the current and two previous years



Management tasks

The Inter-Governmental Working Group, Ministry of Finance, Steering Committee is responsible for the management of proceeds.

Tasks	Responsible entity
Data collection and monitoring of Eligible Green Expenditures	**Inter-Governmental Working Group**
Approval of proceeds allocation as part of the Integrated Report	**Steering Committee**
Keeping record of unallocated Eligible Green Expenditures	**Ministry of Finance**

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

REPORTING AND EXTERNAL REVIEW

Pre-issuance

- **Hungary has 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*

III. HUNGARY’S PROGRESS ON SOCIAL AND GOVERNANCE STRATEGY

SOCIAL PROFILE

Dimensions	International comparison based on publicly available Eurostat data	
Employment	▪ **Employment as % of population**[1] (2022)**:** ➢ Hungary **80.2%** (7th highest in EU) vs. EU average **74.6%**	▪ **Unemployment as % of labour force**[2] (2022)**:** ➢ Hungary **3.6%** (6th lowest in EU) vs. EU average **6.2%**
Housing	▪ **Housing cost overburden rate by degree of urbanisation** (2022)**:** ➢ Cities: Hungary **7%** vs. EU average **10.6%** ➢ Rural areas: Hungary **7.4%** vs EU average **6.6%**	▪ **Overcrowding rate** (2022)**:** ➢ Hungary **17.0%** vs. EU average **16.8%**
Consumption	▪ **Actual individual consumption per capita** (in PPS, 2022): ➢ Hungary **71** vs. EU average **100**	▪ **Hourly labour costs in EUR**[3] (2022)**:** ➢ Hungary **EUR 10.7** vs. EU average **EUR 30.5**
Poverty	▪ **People at risk of poverty or social exclusion** (2022)**:** ➢ Hungary **18.4%** vs. EU average **21.6%**	▪ **Severe material and social deprivation rate** (2022): ➢ Hungary **9.1%** vs. EU average **6.7%**
Health	▪ **Healthy life years in absolute value at birth** (2021)**:** ➢ Hungary **62.5** vs. EU average **63.6**	▪ **Infant mortality rate** (2021)**:** ➢ Hungary **3.3%** vs. EU average **3.2 %**
Demography	▪ **Life expectancy at birth** (2022, provisional, Eurostat estimate)**:** ➢ Hungary **76.2** years vs. EU average **80.7** years	▪ **Crude rate of natural change of population** (2022, break in time series, provisional)**:** ➢ Hungary **-4.9%** vs. EU average **-2.8%** (estimated)
Safe living	▪ **Population reporting occurrence of crime, violence or vandalism in their area** (2020): ➢ Hungary **5.3%** vs. EU average **10.7%** (estimated)	
Education	▪ **Early leavers from education and training**[4] (2022)**:** ➢ Hungary **12.4%** vs. EU average **9.6%**	▪ **Tertiary educational attainment**[5] (2022): ➢ Hungary **31.9%** vs. EU average **42%**
Gender	▪ **% of gender employment gap**[6] (2022)**:** ➢ Hungary **9.8%** vs. EU average **10.7%**	▪ **Employed women being in managerial positions**[7] (2022)**:** ➢ Hungary **37.5%** vs. EU average **35.1%**

Notes: *1: age class – from 20 to 64 years; 2: age class - from 15 to 74 years; 3: whole economy, in enterprises with 10 or more employees; 4: age class from 18 to 24 years; 5: age class from 25 to 34 years; 6: age class from 20 to 64 years; 7: age class from 15 years*

Source: *Eurostat (2023)*

RELEVANT STRATEGIES

Name	Goals
National Social Inclusion Strategy 2030	**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	**Development of human resources**; **institutional system and services**; **communication** (shaping attitude and information dissemination) in long-term care
The Public Education Strategy 2021 - 2030	**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
Healthy Hungary 2021-2027	**Maintaining health**; **reducing differences in health status** of residents; **reducing child poverty** and its effects; ensuring opportunity to start a **healthy life**; **early prevention of chronic diseases; establishing health centres** for children and youth
National Youth Strategy 2009-2024	**Supporting the development of young people; creating a social environment** that helps the improvement of living conditions; **supporting youth workers**
National Crime Prevention Strategy 2013-2023	The four **priority areas: enhancement of urban security**; **prevention of juvenile delinquency**; **prevention of victimisation** and **providing support** for victims; **preventing the repetition of offences**
5th National Environmental Protection Programme	Besides environmental goals, the Programme aims to: **protecting the health** and **quality of life** of Hungarian families and communities; contributing to the **promotion** and wider **spread** of **sustainable lifestyles** and **consumption** among inhabitants

AMBITIOUS FAMILY SUPPORT AND HIGH LEVEL OF FINANCIAL INCLUSION

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Family Support System

Objective

- **The population is decreasing** and **aging** in Hungary
- In order to **halt the demographic crisis** caused by a falling birth rate and rising emigration and to ensure **safe living conditions**, the **government** strongly **supports families**
- The family policy has **three main objectives**:
  - Supporting childbirth
  - Reducing income inequality and poverty risk
  - Increasing the internal stability of families

Programmes

- **Baby expecting subsidy** offering couples interest-free loan
- **CSOK** (CSOK Plusz from 2024) (Family Housing Support Program) allows the possibility of a grant and a low interest-rate loan to be used for buying/building a home
- **Personal income tax** (PIT) **exemptions** (for mothers under 30, for mothers with four or more children, for young people under the age of 25)
- Expansion of **subsidies for mortgage loans**
- **Nursery development** programs
- **House renovating** subsidy (2021-2022)
- **Car purchase support** for large families (2019-2022, currently not available)

Government Retail Debt Programme

ESG aspects of the programme

- Promotes **financial inclusion** through the contribution of the **UN 17th SDG Goal** of Agenda 2030 (Partnerships for the goals)
- Offers **equality and diversity** through its availability for anyone and easy online and offline accessibility
- Investors are being treated as an **equal partner**
- High level of **quality** and **safety**, the products are considered **reliable, low-risk investment**
- Documents, information are provided to ensure **clear** and **easy understanding** of the programme
- **Strengthen** the population's **financial awareness**
- Functioning as a **type of entry into investing**
- **Raises environmental awareness** supporting the **shift towards sustainability**
- Contributes to **sustainability of the debt portfolio**

Source: *Ministry of Culture and Innovation*

HIGH IMPORTANCE OF SUSTAINABILITY IN EDUCATION WITH AMBITIOUS EFFORTS

Key highlights

Sustainability in NAT

- In the **National Core Curriculum** (NAT) 2020, sustainability education is prominently featured in the curriculum requirements of various subjects
- The updated textbooks for the new NAT are available **digitally**
- **Sustainability** is an optional subject in secondary schools
- From 2024, it is also possible to choose the subject of **sustainability** as one of the school leaving exam

Hungarian Eco-School Network

- Founded in 2000, being the **first national** and **official environmental education network** in Hungary
- **Eco-schools** operate according to **sustainability principles** at an institutional level
- The **network is open** to all public education and vocational training institutions in Hungary

Green Kindergarten Network

- Since 2006, **1,100** members of the network (about **25%** of all kindergarten in Hungary) meaning that **every fourth child** can attend a green kindergarten in Hungary
- 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

Ambitious events

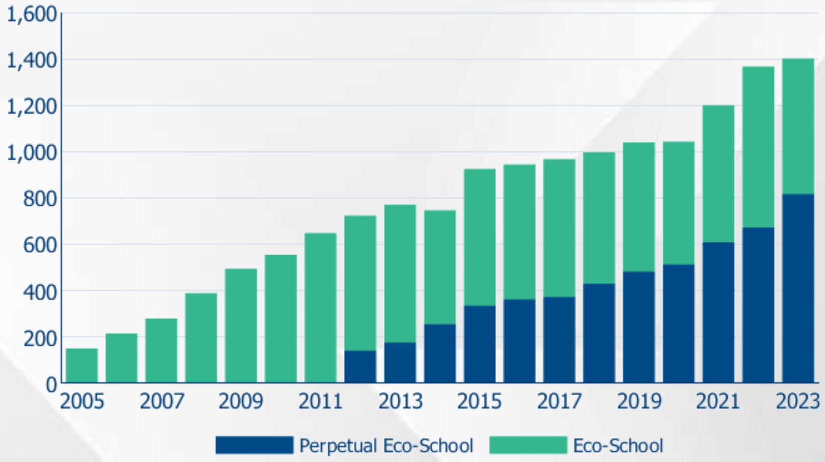
Sustainability Theme Week

- In 2023, **420,110** students participated from **1,796** schools
- **Goal: introducing sustainability** through specific classes, series of programs, teacher training and workshops

World's Largest Lesson

- In 2022, nearly **92,300 students** from **580** schools joined
- **Goal:** drawing students' **attention to the Sustainable Development Goals**

Hungarian Eco-School Network
(2005-2023)



Source: Ministry of Interior
Note: To be awarded with Perpetual eco-school certificate, schools need to gain the Eco-School certificate at least 3 times in a row each year

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 **Labor Safety** mandates safe work environments, worker health protection, accident prevention, and oversight by relevant authorities *(1993. évi XCIII. törvény)* ▪ 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 *(2010. évi CXXXI. törvény)* ▪ 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 *(2012. évi C. törvény)*
Labour rights	▪ The Government Decree on mandatory minimum wage and the guaranteed minimum wage ensures compliance with **minimum wage standards** for all employees *(508/2023. (XI. 20.) Korm. rendelet)* ▪ The **Act on employment promotion** and **unemployment benefits** provides subsidies for the unemployed and employers hiring disadvantaged workers *(1991. évi IV. törvény)* ▪ **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*

THANK YOU FOR YOUR ATTENTION