PRESS RELEASE

Hungary published its updated Green Bond Framework

Budapest, 24 July 2023 - Hungary published its updated Green Bond Framework (Hungary Green Bond Framework).

In line with international efforts, Hungary is strongly committed to fight climate change and biodiversity loss. Further to its Nationally Determined Contribution under the Paris Agreement, Hungary supported the EU climate neutrality target at the December 2019 European Council and will strive to achieve climate neutrality by 2050. Building on the National Energy and Climate Plan and the National Clean Development Strategy 2020-2050, the Hungarian Government is implementing wide and overreaching climate, energy and environmental policies to transition the country to a low-carbon and environment-friendly economy.

In 2020, Hungary published its Green Bond Framework and issued the inaugural Green Bond. Hungary successfully issued Green Bonds on the domestic (HUF) and international (EUR, JPY, CNY) markets for a total amount of HUF 1.6 tn (as of May 2023) between 2020 and 2023. Hungary's Green Bond issuances were acknowledged on the market and received several awards for their ambitiousness.

Since 2020, there has been significant developments in the sustainable finance market. This updated Green Bond Framework ensures that issuances or re-openings of Green Bond series are in line with best market practices and tightening investor demands. The goal is to effectively involve funds to successfully fulfil Hungary's ambitious climate targets.

Key characteristics of Hungary's updated Green Bond Framework

The new Green Bond Framework is based on the Green Bond Principles 2021 (with June 2022 Appendix 1) version published by the International Capital Markets Association (ICMA). Provisions of the EU Taxonomy (including the Climate Delegated Act) were also taken into consideration on a best effort basis when developing the Green Bond Framework, as well as the upcoming EU Green Bond Standard. The new Green Bond Framework also builds on the 2022 edition of the Japanese Ministry of Environment Green Bond Guidelines and the China Green Bond Principles (issued by China Green Bond Standard Committee).

Hungary has engaged Morningstar Sustainalytics to provide an independent Second-Party Opinion (SPO) on this Green Bond Framework. Morningstar Sustainalytics, a globally-recognized provider of ESG research, ratings and data, evaluated Hungary's Framework and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of the Framework. In no event the Second-Party Opinion nor any portion thereof shall be construed as part of the offering, nor shall be considered as an offer or advertisement to buy a security, solicitation of votes or proxies, investment advice, expert opinion or negative assurance letter as defined by the applicable legislation. The Second-Party Opinion is publicly available on ÁKK's website Green Bond section as well as on the Morningstar Sustainalytics website.

Proceeds of Hungary's future issuances under this Green Bond Framework are intended to finance or refinance, in whole or in part, expenditures within Hungary's central government budget that fall within one of the green categories and comply with the eligibility criteria presented in the Framework:

- Clean Transportation
- Land use & living natural resources
- Energy Efficiency (incl. Green buildings)
- Renewable energy
- Pollution prevention & control
- Sustainable water & wastewater management
- Climate adaptation
- Research, innovation & awareness raising

For the governance of Hungary's Green Bond Framework, the Ministry of Finance in cooperation with ÁKK has set-up a Steering Committee and an Inter-Governmental Working Group.

Credit Agricole CIB acted as lead green structuring advisor to ÁKK supported by KPMG Hungária Kft. for the update of this Green Bond Framework.

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