



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Framework

MVM Group

30 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Financing Instruments – Green Bonds and LoansGreen Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)
Relevant standards	<ul style="list-style-type: none">Green Loan Principles, as administered by the LMA (as of February 2023)EU Taxonomy Climate Delegated Act (as of June 2021)
Scope of verification	<ul style="list-style-type: none">MVM Group’s Green Financing Framework (as of May 30, 2023)MVM Group’s Eligibility Criteria (as of May 30, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged.

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SCOPE OF WORK

MVM Group (“the Issuer” or “MVM” or “the company”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Financing Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. MVM’s Green Financing Framework (as of May 30, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), and Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the UN SDGs.
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)²
4. Linking the transactions to MVM’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.


MVM BUSINESS OVERVIEW

MVM Group operates in Hungary and is classified in Multi-Utilities industry, as per ISS ESG’s sector classification. The company is also present in other locations that include the Czech Republic, Romania and other countries in the Central and Eastern European (CEE) Region. The company engages in power generation, trade, transmission, distribution, retail markets, waste recycling, and mining services. Further, the company is also involved in the operation of network and IT systems and the manufacturing of steam boilers. As of 31st December 2022, the group had an estimated annual turnover of 7,647,782 million HUF.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a "best efforts basis".

² Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL](#)

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP/GLP	The Issuer has defined a formal concept for its Green Financing Instruments regarding the use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles and Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Green Finance Instruments will (re-)finance eligible asset categories which include: Renewable Energy, Electricity Networks, Energy Efficiency, Waste Management, and Clean Transportation.</p> <p>Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:</p> 	Positive
Part 3: Alignment with EU Taxonomy	<p>MVM's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁵. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria ▪ Aligned with the Minimum Safeguards requirements 	
Part 4: Linking the transactions to MVM's ESG profile	The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.	Consistent with Issuer's sustainability strategy

³ The evaluation is based on the MVM's Green Financing Framework (May 2023 version), on the analysed Eligibility Criteria as received on May 30, 2023, and on the Indicative Corporate Rating and applicable at the SPO delivery date.

⁴ Renewable Energy, Energy Efficiency, and Clean Transportation use of proceeds categories have a contribution to both SDGs 7 'Affordable and clean energy' and 13 'Climate action'. Waste Management use of proceed categories have contribution to SDG 12 'Responsible consumption and production' and 13 'Climate action'.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of the MVM's Green Financing Framework (as of May 30, 2023) with the ICMA GBP and LMA GLP.

GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by MVM's Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP and GLP, Criteria are defined in a clear and transparent manner. Environmental benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer sets an allocation period of 2 years and defines a look-back period of 2 years, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by MVM's Green Financing Framework is aligned with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer identifies alignment of their Green Financing Framework and their green projects with official or market-wide taxonomies, and involves various stakeholders in this process, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by MVM's Green Financing Framework is aligned with the GBP and GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects. The net proceeds are</p>

		<p>tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 2 years and has set a reallocation period of 2 years. Additionally, the Issuer discloses the nature of temporary investments, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by MVM’s Green Financing Framework is aligned with the GBP and GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. MVM explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting, on the information reported, the reporting frequency, and the scope and duration of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

CONTRIBUTION OF THE GREEN FINANCING INSTRUMENT TO THE UN SDGs⁵




Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Financing Instrument's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <i>Electricity generation from solar PV, wind power, hydropower⁶ and/or geothermal energy⁷</i>	Contribution	 
Renewable Energy <i>Manufacture of hydrogen below the threshold of 3tCO₂e/tH₂⁸, and related R&D</i>	Contribution	

⁵ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁶ Electricity generation from hydropower compliant with the following criteria:

(a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir.

(b) the power density of the electricity generation facility is above 5 w/m².

(c) life cycle GHG emission from power generation is lower than 100gCO₂e/kWh. The life cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018, ISO 14064-1:2018 or the G-res tool. Quantified life cycle GHG emissions are verified by an independent third party.

⁷ Life cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100gCO₂e/kWh. Life cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life cycle GHG emissions are verified by an independent third party.

⁸ Life cycle GHG emissions savings requirement of 73.4% for hydrogen [resulting in life cycle GHG emissions lower than 3tCO₂e/tH₂] and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO₂e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/200

Electricity Networks

Electricity transmission and distribution projects aimed at maintaining and / or enhancing the networks to ensure a safe and reliable use of electricity compliant with either of these criteria:

- more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis over a rolling five-year period.
- the average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis over a rolling five-year period.

If none of these criteria are met, then the expenditure and / or asset will be eligible pro-rata to the share of low carbon electricity generation in MVM's electricity mix.

Electricity Networks

Electricity transmission and distribution projects enabling a greater integration and use of renewable energy in the power networks are eligible without pro-rata, including:

- Direct connection of low carbon electricity generation plants
- Installation of transformers
- Equipment and infrastructure increasing the generation or use of renewable electricity
- Equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources (sensors and measurement tools, communication, and control
- Equipment to allow the exchange of renewable energy between users
- Interconnectors between transmission systems

Energy Efficiency

Smart metering systems

Contribution








Contribution



Contribution



<p>Energy Efficiency</p> <p><i>Storage of electricity (e.g., batteries, pumped hydropower storage)</i></p>	<p>Contribution</p>	
<p>Energy Efficiency</p> <p><i>Storage of hydrogen (construction of hydrogen storage facilities, conversion of existing gas storage)</i></p>		
<p>Energy Efficiency</p> <p><i>Expenditures associated with the manufacture of energy efficiency equipment and their key components for buildings:</i></p> <ul style="list-style-type: none"> ▪ <i>Space heating and domestic hot water systems⁹</i> ▪ <i>Cooling and ventilation systems¹⁰</i> 		
<p>Waste management</p> <p><i>Facilities for the composting of bio-waste, where the bio-waste is source segregated and collected separately and the compost is used as a fertilizer or soil improver</i></p>		
<p>Clean Transportation</p> <p><i>Electric charging points, electricity grid connection upgrades, hydrogen fueling stations, or electric road systems (ERS)</i></p>		

⁹ Space heating and domestic hot water systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.

¹⁰ Cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of MVM's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act¹¹ (June 2021), based on information provided by MVM. Where MVM's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

MVM's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.5 Manufacture of Energy Efficiency Equipment for Buildings
- 3.10 Manufacture of Hydrogen
- 4.1 Electricity Generation Using Solar Photovoltaic Technology
- 4.3 Electricity Generation from Wind Power
- 4.5 Electricity Generation from Hydropower
- 4.6 Electricity Generation from Geothermal Energy
- 4.9 Transmission and Distribution of Electricity
- 4.10 Storage of Electricity
- 5.8 Composting of Bio-waste
- 6.15 Infrastructure Enabling Low-carbon Road Transport and Public Transport





All projects financed under the Green Financing Framework are and will be located in the EU, with a particular focus on Hungary. Transmission and Distribution of Electricity activity will include a cross border project in Serbia as part of the European Interconnected System.

Note: In order to avoid repetition, the evaluation of the alignment of MVM's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section K.2. Similarly, the evaluation of the alignment to the DNSH to Sustainable Use and Protection of Water and Marine Resources is given in L.3, and the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section M.6. They are applicable to all of the above activities.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

¹¹ The EU Taxonomy Climate Delegated Act, https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

a) 3.5 - Manufacture of energy efficiency equipment for buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹²	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>MVM confirms that the activity manufactures the following: (i) Space heating and domestic hot water systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation, and (ii) Cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See l)	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>The Issuer’s environmental management system applies a life-cycle approach to its operations and complies with the systemic guidelines of the waste hierarchy, giving preference to waste transport and treatment partners who recycle all or as much of the waste they receive as possible.</p> <p>MVM confirms that an assessment regarding the availability of circularity has been carried out via a detailed questionnaire and techniques that support (i) reuse and use of secondary raw materials in products manufactured (ii) highly durable design, recyclability, disassembly, and adaptability (iii) waste management that prioritizes recycling in the manufacturing process are adopted when feasible. The non-compliant projects are excluded from MVM’s financing. The company states that the manufactured cooling/heating elements are designed according to the principle of increased durability and reuse, and a minimum amount of waste is generated during production. However, due to their integration into the concrete structure, the manufactured cooling/heating elements cannot be dismantled. Thus, their recyclability is limited. Yet the company confirms that it can be dissolved during the repair phase.</p> <p>Moreover, MVM has a waste management system in place which ensures all member companies and projects carry out their activities in compliance with Decree 43/2016 (28.VI.)¹³ on the list of disposal and utilization operations related to waste management, paying attention to the prevention of waste generation, the reduction</p>	

¹² This column is based on input provided by the Issuer.

¹³ Hungarian Government Decree 43/2016 (28.VI.) on the list of disposal and utilization operations related to waste management, <https://net.jogtar.hu/jogszabaly?docid=a1600043.fm>

of the volume and hazardousness of the waste generated and the appropriate recovery, recycling, and disposal of waste. In 2022, MVM recovered 56,734 tonnes of waste during its operations¹⁴. Moreover, MVM takes into account the use of substances of concern throughout the lifecycle of the manufactured product and includes this aspect in its questionnaire. The company confirmed that the projects do not include use of substances in the manufacturing process.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

MVM confirms that the projects do not contain substances that are listed in EU Taxonomy Annex 1, Appendix A. During manufacturing activities and operations, the company does not use substances that are harmful to the environment. The main components used in the production of surface heating and cooling systems are reported as PE-RT, PEXA, and galvanized steel sheets.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See m)



b) 3.10 - Manufacture of hydrogen

PROJECT CHARACTERISTICS AND SELECTION PROCESSES¹⁵

ALIGNMENT
WITH THE EU
TAXONOMY

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The activity complies with the life-cycle GHG emissions savings requirement of 73.4% for hydrogen [resulting in 3tCO₂eq/tH₂] and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO₂e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001.

Life-cycle GHG emissions savings are calculated using the methodology referred to in Article 28(5) of Directive (EU) 2018/2001 or, alternatively, using ISO 14067:2018119 or ISO 14064-1:2018120. Quantified life-cycle GHG emission savings are verified in line with Article 30 of Directive (EU) 2018/2001 where applicable, or by an independent third party.

Where the CO₂ that would otherwise be emitted from the manufacturing process is captured for the purpose of underground storage, the CO₂ is transported and stored underground, in accordance with the technical screening criteria set out in Sections 5.11 and 5.12, respectively, of the Annex.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

¹⁴ MVM Group Integrated ESG Report 2022, https://mvm.hu/-/media/MVMHu/Documents/Befektetoknek/ESG/HU/2022/2022_MVM_Csoport_Integralt_ESG_Jelentese.pdf

¹⁵ This column is based on input provided by the Issuer.

See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See l)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM has an internal screening and questionnaire process to the projects that will be financed as part of MVM Project Management Central Directive and Green Financing due diligence process. Based on the assessment result and externally verified supporting documents, the company confirms that only the following types of projects will be financed:</p> <ul style="list-style-type: none"> ▪ The projects where the emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the relevant best available techniques (BAT) conclusions, including for (i) chloralkaline and common wastewater and waste gas treatment/management system in the chemical sector, and for (ii) refining of mineral oil and gas, ▪ The projects where no significant cross-media effects occur. <p>MVM confirms that the non-compliant projects are excluded from financing based on the assessment result. Additionally, the company reports its emissions with respect to Global Reporting Initiative (GRI) on an annual basis.</p>	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓

c) 4.1 - Electricity generation using solar photovoltaic technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁶	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity generates electricity using solar PV technology. MVM confirms that for relevant projects, it requires Hungarian Energy and Public Utility Regulatory Authority (MEKH) permits to carry out the activity and, where applicable, a small-scale consolidated license for each solar park and individual PV sites.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM’s environmental management system applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The solar panels are planned with regard to the residual free dismantling process MVM ensures the criteria through a questionnaire and screening process. The non-compliant projects are excluded from MVM’s financing. The longevity of the panels is established through regular repairs, checkups, and maintenance. MVM endeavors to reuse and refurbish the functioning parts of the solar panel components if other parts of the plant are found defective or no longer available on the market. Furthermore, the company hands over the solar panels at the end of their lifecycle to a recycling and disposal company that carries over the process.</p> <p>Hungary complies with the EU Directive 2012/12/EU on waste electrical and electronic equipment (WEE). Furthermore, MVM has engaged with a Hungarian NGO regarding solar panel recycling, and working on a technological research, development, and innovation (R+D+I) project, regarding the construction of a waste recovery plant where the aim is to sell the recovered materials and possible technologies profitably.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓

¹⁶ This column is based on input provided by the Issuer.

d) 4.3 - Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁷	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The activity generates electricity from wind power. MVM has a consolidated small power plant license to carry out the activity.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: The financed projects are/will be only onshore wind.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM’s environmental management system applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The Issuer ensures the criteria through a questionnaire and screening process. The non-compliant projects are excluded from MVM’s financing. The wind plants are planned with regard to the residual free dismantling process. The longevity of the plants is established through regular repairs, checkups, and maintenance. MVM endeavors to reuse and refurbish the functioning parts of the wind turbine components if other parts of the plant are found defective or no longer available on the market. Furthermore, the company hands over the wind turbines at the end of their lifecycle to a recycling and disposal company that carries over the process.</p> <p>Within Hungary, the EU Directive 2012/12/EU on waste electrical and electronic equipment (WEEE) is transposed into Decree 197/2014. (VIII.1)¹⁸. The Issuer complies with the law and further noted that it is the producer's responsibility to take care of spare parts currently. In that regard, MVM ensures the producer’s compliance with the waste hierarchy and recycling during the contracting phase.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for this category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓

¹⁷ Ibid.

¹⁸ Hungarian Government Decree 197/2014. (VIII.1) on waste management activities related to electrical and electronic equipment, <https://net.jogtar.hu/jogszabaly?docid=a1400197.kor>

e) 4.5 - Electricity generation from hydropower

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The electricity generation facility is a run-of-river plant and does not have an artificial reservoir; the power density of the electricity generation is above 5W/m²; and the life-cycle GHG emission from power generation is lower than 100gCO₂e/kWh. The issuer confirms that the life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or alternatively using ISO 14067:2018, ISO 14064-1:2018, or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM confirmed that the company will only finance operation of existing hydropower plants. In that regard, the projects go through a regular screening and questionnaire process as part of MVM Project Management Central Directive and Green Financing due diligence process to ensure compliance with the EU Taxonomy Regulation as well as national laws. Based on the assessment result and externally verified supporting documents, the company confirms to finance only the projects where the taxonomy criteria are compiled:</p> <ul style="list-style-type: none"> ▪ All technically feasible and ecologically relevant mitigation measures have been implemented in accordance with Directive 2000/60/EC to reduce adverse impact on water and protected habitats and species. ▪ Measures to ensure downstream and upstream fish migration, minimum ecological flow, and to protect habitats have been implemented. ▪ The effectiveness of those measures will be monitored through permit approvals and authorization settings aimed at achieving good status on water body. <p>MVM confirms that the non-compliant projects are excluded from financing. Additionally, the company reports its projects' water consumption and measures taken in MVM ESG Integrated Reports with respect to Global Reporting Initiative (GRI) on an annual basis.</p>	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	

¹⁹ Ibid.

N/A: there is no EU Taxonomy criteria for the category

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See m)



f) 4.6 - Electricity generation from geothermal energy

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²⁰

ALIGNMENT WITH THE EU TAXONOMY

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

The life-cycle GHG emission from generation of electricity from geothermal energy are lower than 100gCO₂e/kWh. The issuer confirms that the life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or alternatively using ISO 14067:2018, ISO 14064-1:2018, or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.



2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

See k)



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

See l)



4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

N/A: there are no EU Taxonomy criteria for the category

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

MVM has an internal screening and questionnaire process to the projects that will be financed as part of MVM Project Management Central Directive and Green Financing due diligence process. Based on the assessment result and externally verified supporting documents, the company confirms that only the projects where adequate abatement systems are in place to reduce emission levels for the operation of high-enthalpy geothermal energy systems in order not to hamper the achievement of air quality limit values set out in (i) Directive 2004/107/EC related to arsenic, cadmium, mercury, nickel, and polycyclic aromatic hydrocarbons in ambient air and (ii) Directive 2008/50/EC related to ambient air quality will be financed. MVM confirms that the non-compliant projects are excluded from financing.



In Hungary, Directive 2004/107/EC and Directive 2008/50/EC of the European Parliament and of the Council is transposed into Decree 4/2002. (X. 7) KvVM regulation²¹, where the Issuer complies with. Additionally, the company reports its emissions with respect to Global Reporting Initiative (GRI) on an annual basis.

²⁰ Ibid.

²¹ [Hungarian Government Decree 2/2002. \(X.7\) KvVM Regulation, https://nit.hu/jogszabaly/2002-4-20-0N](https://nit.hu/jogszabaly/2002-4-20-0N)

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See m)



g) 4.9 - Transmission and distribution of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²²

**ALIGNMENT
WITH THE EU
TAXONOMY**

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

MVM complies with the requirements set out in the taxonomy.

1. The activity finances electricity transmission and distribution projects aimed at maintaining and/or enhancing the networks to ensure a safe and reliable use of electricity:

- More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis over a rolling five-year period
- The average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh measured on a life cycle basis over a rolling five-year period
- When the above criteria are not applicable to meet, the Issuer stated that the expenditure and/or asset will be eligible pro-rata to the share of low carbon electricity generation in MVM’s electricity mix²³.

2. The activity finances electricity transmission and distribution projects enabling greater integration and use of renewable energy in the power networks, including:

- Direct connection of low carbon (below the threshold of 100gCO₂e/kWh measured on a life-cycle basis) electricity generation plants
- Installation of transformers²⁴
- Equipment and infrastructure increasing the generation or use of renewable electricity
- Equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources (sensors and measurement tools, communication and control)
- Equipment to allow the exchange of renewable energy between users
- Interconnectors between transmission systems

Infrastructure dedicated to creating or expanding a direct connection to a non-renewable electricity generation facility is excluded. The currently financed projects are members of the European Network of Transmission System Operators for



²² Ibid.

²³ The low carbon electricity generation ratio (KPI GHG-16) is defined as the sum of the annual solar power generation, wind power generation, biomass power generation, hydropower generation, geothermal generation, and nuclear power generation, over the total annual power generation. This KPI is revised and published annually in MVM’s Integrated Report and follows the KPI E-GHG-16 definition.

²⁴ Transmission and distribution transformers comply with the Tier 2 EN 87 EN (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014 and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1.

Electricity (ENTSO-E) and the European Union Agency for the Cooperation of Energy Regulators (ACER), part of the Central European System Operating Region (CE-SOR) which was defined by ACER, and therefore the transmission system operated are part of the interconnected European system. The company confirmed that the activities generate electricity below the threshold of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

See k)



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

MVM requires all group companies and project operations to comply with the taxonomy. MVM’s environmental management system applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The Issuer ensures the criteria through a questionnaire and screening process. The non-compliant projects are excluded from MVM’s financing. The project activities are planned with regard to the residual free dismantling process. Longevity is established through regular repairs, checkups, and maintenance. MVM endeavors to reuse and refurbish the functioning parts of electricity components if other parts of the plant are found defective or no longer available on the market. Furthermore, the company hands over the lines at the end of their lifecycle to a recycling and disposal company that carries over the process.



The Issuer confirms that all its projects have a waste management plan that is in place and ensures maximal reuse or recycling at the end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections and official project documentation.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

MVM confirms and commits that the construction site activities for overground high voltage lines are in compliance with the IFC General Environmental, Health, and Safety Guidelines, and activities respect applicable norms and regulations to limit the impact of electromagnetic radiation on human health, including for activities carried out in the European Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz)¹⁸² and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP).



MVM confirmed that the future financed activities do not use Polychlorinated Biphenyls (PCBs). Two sub-stations that do not pass this criterion have been identified and the CAPEX, OPEX, and turnover related to them are marked as eligible but non-aligned. A statement has been made regarding the non-alignment of that

project, as the parts included in the assessment were old and no longer in use, and only the parts that do not contain PCBs are currently in use and financed. Hungary follows the international limit value recommendations of the EU and ICNIRP, and requires submitting yearly reports on projects' PCB values.

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See m)



h) 4.10 - Storage of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁵	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The issuer confirms that the activity is construction and operation of electricity storage including pumped hydropower storage and batteries. The chemical energy storage and hydrogen electricity storage are excluded.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See l). The projects financed will not be connected to a river body. Thus, the DNSH to sustainable use of water and protection of marine resources criteria specific in Section 4.5 of the EU Taxonomy does not apply.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM requires all group companies and project operations to comply with the taxonomy. MVM’s environmental management system applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The project activities are planned with regard to the residual free dismantling process. Longevity is established through regular repairs, checkups, and maintenance. MVM endeavors to reuse and refurbish the functioning parts of electricity components if other parts of the plant are found defective or no longer available on the market. Furthermore, the company hands over the lines at the end of their lifecycle to a recycling and disposal company that carries over the process.</p> <p>The Issuer confirms that all its projects have a waste management plan that is in place and ensures maximal reuse or recycling at the end of life in accordance with the waste hierarchy, including through questionnaires to project companies, contractual agreements with waste management partners, reflection in financial projections and official project documentation. The non-compliant projects are excluded from MVM’s financing.</p>	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓

²⁵ This column is based on input provided by the Issuer.

i) 5.8 - Composting of bio-waste

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁶	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity is composting bio-waste that is source segregated and collected separately. The Issuer confirms that the compost produced is used as fertilizer or soil improver and meets the requirements for fertilizing materials set out in Component Material Category 3 in Annex II to Regulation (EU) 2019/1009 or national rules on fertilizers or soil improvers for agricultural use.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there are no EU Taxonomy criteria for the category	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM has an internal screening and questionnaire process to the projects that will be financed as part of MVM Project Management Central Directive and Green Financing due diligence process. Based on the assessment result and externally verified supporting documents, the company confirms that they will only finance the projects where:</p> <ul style="list-style-type: none"> ▪ The emissions to air and water are within or lower than the mission levels associated with the BAT-AEL ranges set out for aerobic treatment of waste in the latest relevant BAT in conclusions for waste treatment for composting plants treating over 75 tonnes per day, ▪ No significant cross-media effects occur, ▪ The site has a system in place to prevent leachate reaching groundwater, ▪ The compost produced meets the requirements for fertilizing materials set out in Annex II to Regulation (EU) 2019/1009. <p>MVM confirms that the non-compliant projects are excluded from financing. Additionally, the company reports its emissions and waste with respect to Global Reporting Initiative (GRI) on an annual basis.</p>	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See m)	✓

²⁶ This column is based on input provided by the Issuer.

(j) 6.15 - Infrastructure enabling low-carbon road transport and public transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁷	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity covers operation of electric charging points, electricity grid connection upgrades, hydrogen fueling stations, and electric road systems (ERS) that enable the use of zero tailpipe CO₂ emissions vehicles. MVM has only control over the infrastructure and the infrastructure is not dedicated to the transport or storage of fossil fuels. MVM confirms that for relevant projects, it requires Hungarian Energy and Public Utility Regulatory Authority (MEKH) permits to operate e-charging facilities or works on a contract basis in which relevant criteria are covered within the contract.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See k)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See l)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>MVM requires all group companies and project operations to comply with the taxonomy. MVM’s environmental management system applies a life-cycle approach to its operations and adheres to the underlying five-level waste hierarchy: waste prevention, preparation to reuse, recycling, other processing, and disposal. The Issuer ensures the criteria through a questionnaire and screening process. MVM confirms that all its projects have a waste management plan that is in place and ensures maximal reuse or recycling at the end of life in accordance with the waste hierarchy complying with the EU Waste Framework Directive and the EU Construction and Demolition Waste Management Protocol, including through contractual agreements with waste management partners, reflection in financial projections and official project documentation. Non-compliant projects are excluded from financing.</p> <p>MVM hands over the components of e-charging, grids, and hydrogen fueling stations at the end of their lifecycle to a recycling and disposal company that carries over the process and confirms that at least 70% of the waste given to subcontractors are recycled. Furthermore, the company reports its waste generation, disposal, and recovery with respect to Global Reporting Initiative (GRI) on an annual basis.</p>	✓

²⁷ Ibid.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

The projects use human power with cordless drills and hand-digging e-charging stations are installed, so noise emissions from the process are marginal. During the installation of electric chargers, Decree 27/2008 (XII.3.)²⁸, the noise and vibration limits according to Joint KvVM-EüM Regulation are/will be complied with. The noise emission and vibration load of the noise source of the installation is assessed as not significant, its operation is short-lived. The traffic related to the establishment does not increase the background load or does not significantly increase it. Therefore, noise reduction is not applicable or required. MVM also confirmed that the construction and maintenance processes involve minimal dust emissions, and measures will be taken in line with the regulation when required.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See m)



k) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES²⁹

**ALIGNMENT
WITH THE EU
TAXONOMY**

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

MVM uses the Hungarian Government’s Guide to Estimating and Reducing Climate Risk in Projects Framework³⁰ as a methodological guideline to identify, manage, and report physical climate risks. As part of the Issuer’s periodic monitoring, a physical climate risk and vulnerability assessment has been carried out for all the current assets that MVM finances.

The increased number of heat days, increase in frequency and intensity of heat waves, increase in the number and intensity of storm weather events, floods and surface movement are identified as the physical climate risk indicators by MVM and screened for each project. To perform the analysis, MVM used the Intergovernmental Panel on Climate Change (IPCC) for physical risk (RCP) 4.5, temperature change scenario only, and considers 10 to 30-year climate projections scenario with the milestone year of 2050. The expected lifespan of the assets is identified and taken into account during the assessment process. The result of the assessments shows that some projects could be subject to non-material risks:

- Solar PV, wind power plants, and transmission line projects could be subject to the non-material risk of getting stains which may cause damage due to an increased number of intense stormy events. Frequent and regular checking



²⁸ KvVM-EüM Decree 27/2008. (XII.) on establishing environmental noise and vibration load limit values, <https://net.jogtar.hu/jogszabaly?docid=a0800027.kvy>

²⁹ This column is based on input provided by the Issuer.

³⁰ Klímapolitika Kft. on behalf of the Hungarian Prime Minister's Office, [Guide to estimating and reducing climate risk in projects | Széchenyi Plan Plus \(gov.hu\)](#)

on the conditions of the solar panels, wind plants, and power lines during the affected period, and the operation of a remote monitoring system using protection and automation tools and software where the location of the malfunction can be detected, are identified as the adaptation solutions. To manage the results of the solutions, MVM implements an operational logbook to record measures.

MVM’s risk assessment has not identified any imminent adaptation solutions that are required in the short term.

MVM commits to carrying out climate risk and vulnerability assessments systematically to all relevant future assets and developing adaptation solutions. The company reports on whether current assets fully comply with the requirements in the taxonomy and commits to reporting on future assets when applicable.

I) Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³¹

ALIGNMENT
WITH EU
TAXONOMY

3. WATER AND MARINE RESOURCES– DO NO SIGNIFICANT HARM CRITERIA

In Hungary, EU Directive 2011/92/EU has been transposed into Hungarian law, Gov. Decree 314/2005 (XII. 25.)³² and respects to Article 2, points (22) and (23), of Regulation (EU) 2020/852. MVM confirms that all of the projects are obliged to follow local legislation and are in compliance with the EU Water Framework Directive. Environmental Impact Assessments have been carried out when required, and assessments of the impacts on water bodies and the quality of water reserves have been taken into consideration.



³¹ This column is based on input provided by the Issuer.

³² Hungarian Gov. Decree 314/2005 (XII. 25.), <https://net.jogtar.hu/jogszabaly?docid=a0500314.kor>

m) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³³

ALIGNMENT
WITH EU
TAXONOMY

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

In Hungary, EU Directive 2011/92/EU has been transposed into Hungarian law, Gov. Decree 314/2005 (XII. 25.)³⁴. MVM confirms that all of the projects are obliged in the construction and operation contracts/permits to follow local legislation and to be in compliance in all material respects with all applicable laws in Hungary (e.g., with the corresponding EU Directives on Environmental Impact Assessment (EIA), Strategic Environmental Assessment, EU Conservation of Natural Habitats and Wild Fauna and Flora Directive, EU Conservation of Wild Birds Directive, and relevant EIA legislation and requirements of Hungary.

It states that for assets located in or near biodiversity-sensitive areas, which include Natura 2000 sites, national parks, and UNESCO World Heritage Site, appropriate EIAs are conducted as required by local legislation in Hungary. If required by the local authorities, any measures to mitigate and compensate for negative environmental effects will be implemented accordingly by the legal and compliance departments.

For the selected project categories, Gov. Decree 314/2005 (XII. 25.) requires the following:

Manufacture of energy efficiency equipment for buildings: MVM applies a screening process to determine risks and conducts EIA when needed. Considering the financed projects are part of a local industrial park, National law in Hungary does not require environmental impact assessments for projects that are not part of or affect biodiversity-sensitive areas.



Manufacture of Hydrogen: In Hungary, an environmental impact assessment and environmental use permit is required for the manufacture of hydrogen.

Solar PV: MVM applies a screening process to determine risks and conducts EIA when needed. National law in Hungary does not require environmental impact assessments for solar PV. However, the Hungarian national nature protection law transposes the EU's Habitats Directive and Birds Directive. It states among others that the state government may establish licensing requirements for projects which have adverse effects on nature or the landscape, particularly with regard to the objectives of nature conservation and landscape development.

Wind power: In Hungary, an environmental impact assessment is required for the construction of certain types of wind power plants that have above 0,6 MW capacity.

³³ This column is based on input provided by the Issuer.

³⁴ Hungarian Gov. Decree 314/2005 (XII. 25.), <https://net.jogtar.hu/jogszabaly?docid=a0500314.kor>

Hydropower: In Hungary, an environmental impact assessment is required for certain types of hydropower plants that have above 5 MW of electrical power.

Geothermal: In Hungary, an environmental impact assessment is required for the certain types of geothermal power plants that have above 20 MW capacity.

Transmission and distribution of electricity: In Hungary, an environmental impact assessment is required for overhead lines above 35kV.

Storage of electricity: MVM applies a screening process to determine risks when needed and conducts EIA. National law in Hungary does not require environmental impact assessments for electricity storage.

Composting of bio-waste: In Hungary, an environmental impact assessment is required for those that have a capacity above 10t/day.

Infrastructure enabling low-carbon road transport and public transport: MVM applies a screening process to determine risks when needed and conducts EIA. National law in Hungary does not require environmental impact assessments for e-chargers, grids, and hydrogen fueling stations.

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation³⁵ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁶	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>MVM is embedded in local legislation addressing European Convention on Human Rights, International Covenant on Civil and Political Rights, European Social Charter, and the International Covenant on Economic, Social, and Cultural Rights. The company has adopted and embedded a commitment to Human Rights Due Diligence into company' policies and procedures which have been laid out in the Issuer's Group Level Collective Agreement, MVM Code of Ethics, Anticorruption Policy, Procurement Policy, and Risk Management.</p> <p>MVM Code of Ethics, in particular, addresses the Organization for Economic Co-operation and Development (OECD) Responsible Business Conduct Due Diligence Guidelines. It reflects the MVM Group's commitment to the protection and respect of Human rights, including in particular the right to human dignity, the right to life, the right to liberty and security of person, the right to the highest attainable standard</p>	

³⁵ The EU Taxonomy Regulation, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

³⁶ This column is based on input provided by the Issuer.

of health, the right to just and favorable working conditions, the right to fair wages and to decent living conditions; the right to an adequate standard of living, the right to form and to join trade unions, the right to collective bargaining, the right to freedom from all forms of forced or compulsory labour, the right to freedom from child labour, the right to freedom from discrimination and the right to freedom of expression. The MVM Group is also committed to health, safety and environmental protection, equal treatment, privacy and protection of personal data. These company policies also cover suppliers. Moreover, MVM's has Anti-corruption Policy and Management System in place that is ISO 37001:2019 certified, to ensure the prohibition of corruption.

MVM's Compliance and Risk Management protocol enables regular checks and assessments of the human rights policies into a due diligence system. Through stakeholder engagement (questionnaires and interviews) and a materiality process based on Global Reporting Initiative (GRI) standards, MVM identifies and assesses adverse impacts of the company projects and operations. In order to identify and assess those risks, MVM engages in a consultation process with internal and external stakeholders³⁷. The company has an internal reporting system as part of MVM's risk management and compliance process.

MVM's internal team gathers information regarding the risks identified and the measures are set on a regular basis. With respect to the assessments, the Group and company policies are adapted when needed. To track the implementation of actions and their result, MVM determined several Key Performance Indicators in respect to GRI, and they serve as a tool to measure and monitor the actions taken. The Issuer also carries out internal measurements annually to assess the satisfaction of the results through employee/supplier surveys.

MVM externally communicates its human rights due diligence process approach and the actions that are taken to address adverse impacts on its annual integrated ESG reports. Furthermore, MVM has a mechanism that addresses complaints and concerns through its website, whistleblower system, and through public communication channels.

³⁷ MVM stakeholder engagement can be viewed in the MVM Group Integrated EGS Report, 2022, https://mvm.hu/-/media/MVMHu/Documents/Befektetoknek/ESG/HU/2022/2022_MVM_Csoport_Integralt_ESG_Jelentes.pdf

PART IV: LINKING THE TRANSACTIONS TO MVM'S ESG PROFILE

A. CONSISTENCY OF THE GREEN FINANCING INSTRUMENTS WITH MVM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

In 2022, MVM's ESG strategy was adopted, which presents the Group's ESG-based sustainability framework and ESG commitments. At the same time, the ESG strategy is aligned with MVM Group's priority SDG topics.

MVM Group's ESG program is based on four pillars, which reflect MVM's most important ESG-related priorities:

1. Decarbonization
 - a. Direct emission reduction initiatives
 - b. Fuel switch and electrification
 - c. Other voluntary carbon reduction measures
2. Resource conservation
 - a. Waste management
 - b. E-mobility
 - c. Digitalization
 - d. Energy efficiency
3. Social responsibility and solidarity
 - a. Workforce well-being
 - b. Health & Safety
 - c. Diversity & Inclusion
4. Responsible corporate governance and supply-chain
 - a. Responsible corporation
 - b. Ethics & Compliance
 - c. Corporate governance
 - d. Responsible purchasing

During the elaboration of the group's strategy, SDG 13 "Climate Action" was identified as the top priority collectively by the stakeholders. Therefore, MVM Group formulated Decarbonization Roadmap in 2021, prioritizing the actions and programs to implement during the 2021-2030 period to reach climate neutrality by 2050. To measure its commitment to decarbonizing its activities, MVM Group has set three climate change targets.

- Scope 1 & 2 greenhouse gas (GHG) emissions: MVM Group is committed to reducing Scope 1 & 2 GHG emissions to 3.2 MtCO₂eq (35% reduction compared to a 2020 baseline, and a further 24% reduction compared to the current 2025 target) by 2030. To achieve it they plan to phase -out from both their coal-based and coal-related activities. As well, MVM Group aims at achieving carbon neutrality³⁸ (operating at net zero emissions) by 2050, and defined a net-zero strategy³⁹, which concentrates direct emission reduction initiatives, fuel switches,

³⁸MVM uses the EU definition, that is also reflected in Hungary's Energy Strategy and Climate Plan

³⁹MVM Decarbonization Roadmap, <https://mvm.hu/-/media/MVMHu/Documents/Elkotelezodesink/Kornyezetvedelem/MVM-Decarbonization-roadmap-2021-May.pdf>

- sustainability programs, and other voluntary carbon reduction measures such as forestation.
- GHG intensity: MVM Group commits to a level of GHG intensity of its energy output (electricity and gas) of 120gCO₂e/kWh by 2030, representing approximately 40% reduction compared to 2022. The GHG intensity reduction plan will be made possible by (i) an ambitious renewable electricity generation capacity development plan, (ii) and the replacement of lignite-based production with flexible, natural gas-fired units (CCGT developments as coal replacement).
 - Share of own carbon neutral installed capacity compared to the total installed electricity capacity: MVM is committed to expand carbon neutral electricity generation fleet, adding new renewable energy sources capacities to its existing nuclear and RES capacities. MVM aims at having a 65% of its total installed capacity be carbon neutral by 2030.

To guide the Company's net zero transition, MVM Group has formalized in May 2022 its ESG Governance structure. MVM's CEO is directly responsible for the realization of the Group's ESG strategy, approves the main ESG-related documents, and monitors ESG-related initiatives. The ESG Committee, as a consultative body, supports the supervision of ESG-related topics.

MVM Group systematically monitors key aspects of business risk through its Environmental Management System and aims to manage and mitigate any potential negative environmental and social impacts associated with its activities. Since 2015, MVM Group publishes an Integrated Report every year including a Report on Sustainability. The Integrated Report is completed based on the set of standards of the Global Reporting Initiative (GRI), also subject to the sector-specific guidelines relating to the energy industry and the oil and gas industry: material GRI Standards, Electric Utilities Sector Disclosures, and Oil and Gas Sector.

MVM is a signatory of industry alliances such as Centre Detude Sur Levaluation (CEPN), European Nuclear Society, ETE Hungarian Scientific Society of Energy Economics, Social MET Hungarian Energy Society, BCSDH Business Council for Sustainable Development in Hungary, Hydrogen Europe, KÖVET Association for a Sustainable Economy, Hungarian Battery Association, Umbrella for the Arrears Foundation, MKET Hungarian Interconnected Energy Association, EUROLECTIC, Hungarian Geothermal Cluster, META Mátra Energy Regional Development Foundation, and WANO World Association of Nuclear Operators. The Issuer has never issued any GSSB/L before.

Rationale for issuance

To align its funding strategy with its mission and sustainability objectives, MVM Group established a Green Financing Framework to be able to issue green financing instruments

MVM utilizes Green Financing Instruments as a tool for channeling its investments to projects and assets which is in line with the company's sustainability objectives and the commitment to achieving net zero emissions by 2050. The projects that will be financed under this Framework all contribute to the EU Taxonomy objective "Climate Change Mitigation" and will enable MVM to roll out its decarbonization strategy.

This Green Financing Framework forms the basis for future Green Financing Instruments issuances of MVM Group and contributes to climate change mitigation.

Opinion: *The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. All the project categories financed are in line with the sustainability objectives of the Issuer.*

B. MVM’S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer’s industry

The Issuer is classified in the Multi-Utilities industry, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Protection of human rights and community outreach
Accessibility and reliability of energy and water supply
Promotion of a sustainable energy system and resource efficiency
Environmentally safe operation of plants and infrastructure

ESG strengths and points of attention related to the Issuer’s disclosures

Leveraging ISS ESG’s Research, the following strengths and points of attention⁴⁰ have been identified:

STRENGTHS	POINTS OF ATTENTION
The company has disclosed information on pipeline integrity and safety management that includes guidelines for design and construction, risk assessment, inspection methods, an emergency response plan, and best management practices to reduce methane emissions	The company has disclosed limited information on human rights covering policies, due diligence procedures, and supplier standards.
The company has a health and safety management system in place that covers elements of HSMS such as a formal health and safety policy, an occupational health and safety committee, audits, trainings, and awareness measures.	


⁴⁰ Please note that MVM is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Multi-Utilities sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

The company has taken some measures related to community outreach and consultation that include feedback mechanisms for public consultation.	
The company has disclosed its position on climate change. In addition, the company has also reported information on greenhouse gas emission inventories covering scope 1 and scope 2 emissions.	
The company has reported information on transmission and distribution losses of electricity from its grid and network systems.	

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁴¹	DIRECTION OF IMPACT	UN SDGS
Energy supply to residential customers	12%	CONTRIBUTION	

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Multi-Utilities industry are as follows: Anti competitor behaviour, failure to prevent water pollution, and failure to mitigate climate change impacts.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

⁴¹ Percentages presented in this table are not cumulative.

DISCLAIMER

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ANNEX 1: Methodology

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if MVM's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by MVM (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which MVM's Green Financing Instruments contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

MVM commissioned ICS to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the Green Bond Principles and Green Loan Principles and to assess the sustainability credentials of its Green Financing Instrument, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of June 2021 with June 2022 Appendix)
- LMA Green Loan Principles (as of February 2023)
- EU Taxonomy Climate Delegated Act (as of June 2021)

ISSUER'S RESPONSIBILITY

MVM's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation on the alignment of the project categories with the EU Climate Delegated Act

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by MVM has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and LMA Green Loan Principles.

The engagement with MVM took place from April to May 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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