

Luxembourg, 19.12.2023

Environmental and Social Data Sheet

Overview

Project Name:	<i>MVM Green Bond Framework</i>
Project Number:	<i>2023-0602</i>
Country:	<i>Hungary</i>
Project Description:	<i>The operation concerns the purchase of Green Bonds to finance MVM's investments in renewable energy, electricity networks and clean transportation included in MVM's green bond framework.</i>
EIA required:	<i>Some of the underlying schemes may require an EIA</i>
Project included in Carbon Footprint Exercise ¹ :	no
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")	

Environmental and Social Assessment

The EIB's participation consists of the purchase of publicly offered bonds issued by MVM Ltd. ("MVM", "the Promoter"). MVM is the state-owned Hungarian electricity utility. The proceeds of the green bonds will be used to finance investments in Hungary contributing to the Bank's "Climate Action" and/or "Environmental Sustainability" objectives (CA&ES). In this specific operation, the bonds will be issued under the Promoter's Green Finance Framework (GFF), which sets out the applicable eligibility criteria, selection of use of proceeds, and reporting processes. The GFF was presented in 2021 and updated in May 2023, and received a second party opinion indicating that the Framework is aligned with the ICMA Green Bond Principles 2021 and with the EU Taxonomy, the latter on a "best effort basis" ².

The EIB environmental and social due diligence focused on the promoter's capacity to implement the projects to be financed by the bonds in line with the EIB Environmental and Social Standards.

All projects under this operation are expected to be in line with EIB Climate Action and Environmental Sustainability (CA&ES) requirements, and to have limited negative environmental impacts when properly mitigated.

Due to their technical characteristics, some of the investments are expected to fall under Annex I of Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring an environmental impact assessment to be performed. For the remainder of the investments, the competent authority may require an environmental impact assessment to be performed.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

² The SPO provider indicates that it has evaluated the alignment with the EU Taxonomy on a "best efforts basis" because "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". In addition, the Promoter's GFF indicates that "the Framework also complies, on a best effort basis, with the EU Taxonomy".



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For all projects financed with the proceeds of the bonds, the Promoter will be required to ensure compliance with relevant EU Directives. In all cases where an EIA is required, the Hungarian competent authorities ensure that the EIA reports are made accessible to the public. In turn, the Promoter shall be required to retain appropriate records evidencing the fact that all projects financed with the proceeds of the bond are in line with national and EU environmental and social legislation.

EIB Paris Alignment for Counterparties (PATH) Framework

MVM Energetika Zrt, as the head of the Group (the parent) including the promoter, is in scope and screened in because it is considered high emitting and of high vulnerability for counterparties framework (PATH). MVM already meets the requirements of the PATH framework with its existing decarbonisation plan objectives and physical vulnerability adaptations.

Social Assessment

Certain projects may require expropriation of the right-of-way of overhead or underground power lines, or the electricity substations sites. Landowners are compensated in accordance with national legislation. In order to ensure compliance with EIB E&S Standard 6, the Promoter will undertake not to allocate EIB funds to projects that entail physical or economic displacement of informal occupants.

All schemes need to comply with EU and national law and the Bank's requirements, including applicable provisions of the relevant Bank Labour Standard (EIB E&S Standard 8). The promoter has a Code of Ethics in place, rejecting the use of any form of forced or compulsory labour in compliance with the applicable provisions of the relevant E&S standards of the Bank (including Standard 8 – Labour – of EIB E&S Standards). Some of the projects financed by the bonds will be solar PV plants. Given the potential for forced labour in the PV panel supply chain, the Promoter will undertake to perform supply chain due diligence to mitigate the risk of forced labour in the PV supply chain of the projects. As part of this due diligence, the Promoter shall aim to obtain a complete mapping of the supply chain of the PV module manufacturers reaching the level of silicon/polysilicon suppliers. In any case, the Promoter shall obtain signed declarations by the PV module manufacturers concerning the origin of the components used in the PV modules. The Promoter shall pass down to their suppliers the requirement to avoid forced labour.

Public Consultation and Stakeholder Engagement

Public consultations, when necessary, are organised by the competent authority, as part of the permitting process.

Other Environmental and Social Aspects

The Promoter assesses environment, climate and social risks through a certified Environmental Management System (EMS) in accordance with ISO 14001 standard, which forms part of its Corporate Management System. The EMS comprises all the activities performed in all its facilities and work centres to assess primarily environmental interactions, but takes into account the impact on social, economic, and ethical dimensions more widely.

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Conclusions and Recommendations

The Bank has reviewed the E&S risks associated with the operation as well as the E&S capacity of the Promoter. The promoter's E&S policies and management and its capacity to comply with the EIB's Environmental and Social Standards have been assessed and found to be adequate and commensurate with the E&S risk of the underlying projects.

The operation is considered acceptable for Bank financing from a social and environmental point of view, with the following undertakings:

- None of the projects allocated to EIB financing will entail physical or economic displacement of informal occupants of the project site or right-of-way.
- Whenever applicable, the Promoter undertakes to fulfil the requirements of the environmental impact studies (EIA studies or/and others) and Environmental Permits.
- For all projects financed with the bonds that require an EIA, the Promoter will include a link on its web page to the competent authorities' websites where EIA studies are electronically accessible to the public.
- For all projects financed with the bonds that may have an impact on a nature conservation site, the promoter shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation, that the scheme does not have a significant negative impact on any such site. The Promoter shall not use the proceeds of the bond to finance projects with significant negative impacts on a nature conservation site.
- All the projects financed with the bonds will comply with the EIB Climate Action and Environmental Sustainability eligibility criteria³ and with its Environmental and Social Sustainability Framework⁴.
- For all projects financed with the bonds where it will be relevant, the Promoter undertakes to perform on a best-efforts basis supply chain due diligence to mitigate the risk of forced labour in the PV supply chain of the projects. As part of this due diligence, the Promoter shall aim to obtain a complete mapping of the supply chain of the PV module manufacturers reaching the level of silicon/polysilicon suppliers. In any case, the Promoter shall aim to obtain signed declarations by the PV module manufacturers concerning the origin of the components used in the PV modules. The Promoter shall aim to pass down to its suppliers the requirement to avoid forced labour.

³ [European Investment Bank Climate Action - Eligible sectors and eligibility criteria \(eib.org\)](https://www.eib.org/en/press-releases/2021/01/eib-climate-action-eligible-sectors-and-eligibility-criteria)

⁴ Consisting of the Bank's [Environmental and social policy](#) and [Environmental and social standards](#).