



## Second Party Opinion

Eximbank Zrt.

Green Finance Framework

2 January 2024

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# Scope of the Second Party Opinion

Deloitte Advisory and Management Consulting Private Limited Company (Deloitte Co. Ltd.) (“Deloitte”) was engaged to provide a Second Party Opinion (“SPO”) on the alignment of Eximbank Zrt.’s (“Eximbank”) Green Finance Framework (“Framework”) as described below:



## Subject of the SPO

The Green Finance Framework version 3 of Eximbank effective as of 2 January 2024, approved in English, and referenced Annexes (see Appendix 3. Scope of Assessment – Referenced Documents List).



## Scope of Work

To perform the Second Party Opinion in line with ICMA’s Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews<sup>1</sup>, regarding:

- **Part A:**  
Alignment of the Green Finance Framework with the four core components of the Green Loan Principles 2023 (“GLP”),
- **Part B:**  
Alignment of the Green Finance Framework with the Green Loan definition of the Green Loan Principles 2023,
- **Part C:**  
Alignment of the definition of eligible categories and the corresponding Technical Screening Criteria with the EU Taxonomy and/or with the Climate Bonds Taxonomy’s Green or Orange Light categories, and/or with the criteria set in national regulations and principles determined by the Hungarian National Bank (“MNB”),
- **Part D:**  
Alignment of the Green Finance Framework’s Green bonds financing with the four core components, and with the Green Bond definition of the Green Bond Principles 2022 (“GBP”).



## Relevant Standards

- ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews<sup>2</sup>,
- Green Loan Principles 2023<sup>3</sup> (as of February 2023),
- Green Bond Principles 2022<sup>4</sup> (as of June 2022),
- Taxonomy Regulation and Delegated Acts<sup>5</sup> (“EU Taxonomy”, as of 9 March 2022),

<sup>1</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf)

<sup>2</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf)

<sup>3</sup> <https://www.lma.eu.com/download?p=545718941-7226>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

<sup>5</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02021R2139-20230101>

- Climate Bonds Taxonomy<sup>6</sup> issued by Climate Bonds Initiative (“CB Taxonomy”, as of September 2021),
- National regulations and principles determined by the Hungarian National Bank<sup>7</sup> in its Green Preferential Capital Requirement Programme (“MNB Principles”, as of September 2023)



## Validity

We examined Eximbank’s Green Finance Framework and referenced documents (version 3, effective as of 2 January 2024), approved in English, see Appendix 3. Scope of Assessment – Referenced Documents List). The SPO’s validity does not extend to any future or updated versions of the relevant standards, of the International Capital Market Association (ICMA) Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews (“ICMA Guidelines for External Reviews”)<sup>8</sup> or to any amendments or subsequent reissuance of the Green Finance Framework.

<sup>6</sup> [https://www.climatebonds.net/files/files/Taxonomy/CB\\_Taxonomy\\_Tables-08A%20%281%29.pdf](https://www.climatebonds.net/files/files/Taxonomy/CB_Taxonomy_Tables-08A%20%281%29.pdf) and <https://www.climatebonds.net/standard/sector-criteria>

<sup>7</sup> <https://www.mnb.hu/letoltes/tajekoztato-zvt-20230906-public.pdf>

<sup>8</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf)

# Executive Summary

## Our Responsibility

Our responsibility is to provide an independent conclusion, based on our Second Party Opinion procedures, on the alignment of the Green Finance Framework, based on the requirements of the ICMA Guidelines for External Reviews. The preparation of the Green Finance Framework is the responsibility of Eximbank's management.

The Second Party Opinion was performed by the members of the Sustainability and Climate Change team and the Financial Institutions Risk & Regulatory team of Deloitte.

We planned and performed our work to provide a Second Party Opinion about whether Eximbank's Green Finance Framework is aligned with the LMA Green Loan Principles, EU Taxonomy, CB Taxonomy, MNB Principles, and GBP requirements. The conclusion of the SPO should be read along with the Limitations section of this SPO.

We applied Deloitte's quality control standards in performing this engagement.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

## Our Methodology<sup>9</sup>

Deloitte's engagement is performed based on ICMA's "Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews".

The SPO is structured in 4 sections (Part A, B, C and D) in which the alignment of the Green Finance Framework with the selected relevant market standards is described.

**Part A:** Alignment with the four core components of the Green Loan Principles 2023,

**Part B:** Alignment with the Green Loan definition of the Green Loan Principles 2023,

**Part C:** Alignment of the definition of "eligible categories" and the corresponding Technical Screening Criteria with the EU Taxonomy and/or the Climate Bonds Taxonomy's Green or Orange Light categories, and/or with the criteria set in national regulations and principles determined by the Hungarian National Bank ("MNB"),

**Part D:** Alignment of the Green Finance Framework's Green bonds financing with the four core components, and with the Green Bond definition of the Green Bond Principles 2022 ("GBP").

As part of the SPO, Deloitte determines whether Eximbank's Green Finance Framework is in alignment with the core components of GLP, EU Taxonomy, CB Taxonomy, MNB Principles, and GBP, or not. Deloitte does not assess partial alignment<sup>10</sup>. If the Framework meets all criteria required by GLP, EU Taxonomy, CB Taxonomy, MNB Principles, and GBP, Deloitte issues the Second Party Opinion on alignment.

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<sup>9</sup> Please see our detailed methodology in Appendix 4. Detailed Methodology.

<sup>10</sup> Please see further the Limitations section



# General Observations

Based on Eximbank's Green Finance Framework we observed the following:

Eximbank's Green Finance Framework aligns with the required criteria set for Green Loans in LMA's Green Loan Principles 2023. We note that the Framework does not align with all of GLP's recommended criteria. The Green Finance Framework's Green bonds financing aligns with the required criteria set for Green Bonds in ICMA's Green Bond Principles 2022. We note that the Framework's Green bonds financing does not align with all of the GBP's recommended criteria. The latter does not affect the issuance of the SPO on alignment.

Under "Section A" of the Framework ("Transactions selected based on international standards and taxonomies") 18 economic activities are in alignment with the EU Taxonomy Technical Screening Criteria (TSC), Do No Significant Harm criteria (DNSH) and the Minimum Social Safeguard criteria (MSS), whereas 20 are not defined from an EU Taxonomy perspective. 20 economic activities in the Framework are aligned with the Climate Bonds Taxonomy criteria, whereas 18 are not defined or are under development in the CB Taxonomy. Furthermore, we note that these economic activities do not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria.

Under "Section B" of the Framework ("Transactions selected based on national regulations and principles of MNB") the 19 economic activities identified are in alignment with the national regulations and principles as determined by the Hungarian National Bank ("MNB Principles")<sup>11</sup>, however, these are not fully aligned with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies.

Under "Section C" of the Framework ("Transactions selected based on MDB's guidelines") the economic activities identified follow the principles and criteria determined by Multilateral Development Banks ("MDBs"), which are not fully aligned with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor the MNB Principles.

## Assessment Summary of the SPO<sup>12</sup>

Based on Eximbank's Green Finance Framework, we assessed the following:

### Part A

GLP component	Assessment	Rationale of assessment
<b>Use of Proceeds</b>	Aligned	The Framework's requirements and definitions align with the requirements of the Green Loan Principles ("GLP") regarding the requirement for the utilisation of loan proceeds for Green Projects (as defined in GLP), including other related and supporting expenditures, including R&D, and the requirement for appropriate description and definition of the use of proceeds and the expected environmental benefits thereof.

<sup>11</sup> Including: <https://www.mnb.hu/letoltes/10-2022-zold-ajanlas.pdf>, <https://www.mnb.hu/letoltes/tajekoztato-zvt-20230906-public.pdf>, and <https://www.mnb.hu/letoltes/vallalati-tkk-q-a-kiegeszitett-v20211221-clean-1.pdf>

<sup>12</sup> Please see the Second Party Opinion section regarding the conclusions on the alignment of the Framework with GLP, EU Taxonomy, CB Taxonomy, MNB Principles, and GBP.

<b>Project Evaluation and Selection</b>	Aligned	The Framework's requirements and definitions align with the requirements of the GLP. The Framework requires that the borrower of the green loan clearly communicates to its lender its environmental sustainability objectives, the process by which the borrower determines how the projects fit within the eligible categories set out in Appendix 1. Use of proceeds- The eligible Green Projects categories and the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the proposed projects. Furthermore, the lender clearly communicates the Technical Screening Criteria, the Do No Significant Harm criteria and the Minimum Social Safeguard criteria which determine the conditions under which an economic activity qualifies eligible.
<b>Management of Proceeds</b>	Aligned	The Framework's requirements and definitions align with the requirements of the GLP. The lender requires that the proceeds of a green loan will be credited to a dedicated account maintained by the borrower to maintain transparency and promote the integrity of the product; where a green loan takes the form of one or more tranches of a loan facility, each green tranche must be clearly designated, with the amounts of the green tranche credited to a separate account or tracked by the borrower in an appropriate manner.
<b>Reporting</b>	Aligned	The Framework's requirements and definitions align with the requirements of the GLP. The lender requires the borrower to keep readily available up to date information on the use of proceeds, which will be renewed annually until fully drawn, and as necessary thereafter in the event of material developments. This should include a list of the Green Projects to which the green loans have been allocated and a brief description of the projects, the amounts allocated and their expected impact.

## Part B

GLP component	Assessment	Rationale of assessment
<b>Green Loan definition</b>	Aligned	<p>The Green Loan definition of the Framework is in alignment with the GLP's use of proceeds and Green Loan definition. Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. Considerations for revolving credit facilities are set out in Appendix 2.</p> <p>Application to Revolving Credit Facilities. Green loans must align with the four core components of the GLP, as set out above.</p> <p>All loans originated, extended or refinanced according to the Framework after 9 March 2023 fully align with the 2023 version of the GLP. Green loans should not be considered interchangeable with loans that are not aligned with the four core components of the GLP.</p> <p>Eximbank defines green loans in the Renewable energy production, Energy storage, Manufacture of hydrogen, Sustainable real estate, Electromobility, Waste management, Water management sectors, Sustainable real estate investment, Energy efficiency technologies, and Sustainable agriculture sectors.</p>

## Part C

Taxonomy component	EU or CB Taxonomy Assessment	MNB Principles Assessment	Rationale of assessment
<b>Eligible categories</b> <i>"Section A" of the Framework ("Transactions selected based on international standards and taxonomies")</i>	Aligned	Not fully aligned	<p>Within the Framework, <i>"Section A"</i> ("Transactions selected based on international standards and taxonomies"), the definition of eligible categories and the corresponding TSC align with the EU Taxonomy and/or with the Climate Bonds Taxonomy's Green or Orange Light categories, and they do not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria. 18 economic activities are in alignment with the EU Taxonomy TSC, DNSH and MSS criteria, whereas 20 are not defined in the EU Taxonomy. 20 economic activities are aligned with the Climate Bonds Taxonomy criteria, whereas 18 are not defined or are under development in the CB Taxonomy. Appendix 5 lists the economic activities. All 38 economic activities are covered by either the EU Taxonomy or the Climate Bonds Taxonomy.</p>



<b>Eligible categories</b> <i>“Section B” of the Framework (“Transactions selected based on national regulations and principles of MNB”)</i>	Not fully aligned	Aligned	Within the Framework, “Section B” (“Transactions selected based on national regulations and principles of MNB”), the definition of eligible categories and the corresponding TSC align with the criteria of the MNB Principles, however, do not fully align with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies. The defined 19 economic activities do not fully align with the EU Taxonomy and/or with the Climate Bonds Taxonomy’s Green or Orange Light categories, as they are in alignment with the national regulations and principles as determined by MNB. Appendix 5 lists the economic activities. All 19 economic activities are covered by MNB Principles.
<b>Eligible categories</b> <i>“Section C” of the Framework (“Transactions selected based on MDB’s guidelines”)</i>	Not fully aligned	Not fully aligned	Within the Framework, “Section C” (“Transactions selected based on MDB’s guidelines”), the definition of eligible categories and the corresponding TSC do not fully align with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor with the MNB Principles, as they are following the principles and criteria as determined by MDBs.

## Part D

GBP component	Assessment	Rationale of assessment
<b>Use of Proceeds</b>	Aligned	The Framework’s Green bonds financing requirements and definitions align with the requirements of the Green Bond Principles (“GBP”) regarding the requirement for the utilisation of the proceeds of the bond for Green Projects (as defined in GBP), and the requirement for appropriate description and definition of the use of proceeds and the expected environmental benefits thereof.
<b>Project Evaluation and Selection</b>	Aligned	The Framework’s Green bonds financing requirements and definitions align with the requirements of the GBP. The Framework requires that the borrower of the green bond clearly communicates to its lender its environmental sustainability objectives, the process by which the borrower determines how the projects fit within the eligible categories set out in Appendix 1. Use of proceeds-The eligible Green Projects categories and the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the proposed projects.

<b>Management of Proceeds</b>	Aligned	The Framework's Green bonds financing requirements and definitions align with the requirements of the GBP. The lender requires that the proceeds of a green bond will be credited to a sub-account, moved to a sub-portfolio, or tracked by the borrower in an appropriate manner.
<b>Reporting</b>	Aligned	The Framework's Green bonds financing requirements and definitions align with the requirements of the GBP. The lender requires the borrower to keep readily available up to date information on the use of proceeds, which will be renewed annually until fully drawn, and as necessary thereafter in the event of material developments. This should include a list of the Green Projects to which the green bonds have been allocated and a brief description of the projects, the amounts allocated and their expected impact.




GBP component	Assessment	Rationale of assessment
<b>Green Bond definition</b>	Aligned	<p>The Green Bond definition of the Framework's Green bonds financing is in alignment with the GBP's use of proceeds and Green Bond definition. Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects. Green bonds must align with the four core components of the GBP, as set out above.</p> <p>Green bonds should not be considered fungible with bonds that are not aligned with the four core components of the GBP.</p>




# Second Party Opinion

To the management of Eximbank:

Eximbank has prepared a Green Finance Framework under which it intends to finance or refinance, in whole or in part Green Projects. We were engaged by Eximbank to provide a Second Party Opinion on the alignment of this Green Finance Framework with the four core components of the Green Loan Principles 2023, the Green Loan definition of the GLP, the EU Taxonomy, the CB Taxonomy, and the MNB Principles. Furthermore, the scope of the Second Party Opinion included the alignment of the Green Finance Framework's Green bonds financing with the four core components of the Green Bond Principles 2022 and with the Green Bond definition of the GBP. We performed our work based on the ICMA Guidelines on External Reviews as detailed in Our Methodology, Our Responsibility and Limitations sections of this SPO.

Overall, based on the documents provided by Eximbank and as described above, nothing came to our attention that would make us believe that there are material exceptions regarding the Green Finance Framework's alignment with the four core components of the Green Loan Principles 2023, the Green Loan definition of the GLP and the alignment of the Green Finance Framework's "Section A" ("Transactions selected based on international standards and taxonomies") with the eligibility criteria of the EU Taxonomy and the CB Taxonomy. We note that "Section A" does not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria. The Green Finance Framework's "Section B" ("Transactions selected based on national regulations and principles as determined by MNB") aligns with the eligibility criteria of the MNB Principles, however, does not fully align with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies. We note that the Green Finance Framework's "Section C" ("Transactions selected based on MDB's guidelines") does not fully align with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor the MNB Principles. We also note that the Green Finance Framework's Green bonds financing aligns with the four core components of the Green Bond Principles 2022, and with the Green Bond definition of the GBP.

SPO Conclusion		Alignment
Part A.		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding the Green Finance Framework's alignment with the required criteria stated in the Green Loan Principles 2023.</i>
Part B.		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding the Green Finance Framework's alignment with the Green Loan definition of the Green Loan Principles 2023.</i>
Part C.		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding "Section A" of Eximbank Green Finance Framework's ("Transactions selected based on international standards and taxonomies") alignment with the definition of eligible categories and the corresponding Technical Screening Criteria of the EU Taxonomy and/or of the Climate Bonds Taxonomy's Green or Orange Light categories. Furthermore, this section does not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria.</i>

		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding “Section B” of Eximbank Green Finance Framework’s (“Transactions selected based on national regulations and principles as determined by MNB”) alignment with the criteria of the MNB Principles. However, this section does not fully align with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies.</i>
		<i>The economic activities identified in “Section C” of Eximbank Green Finance Framework (“Transactions selected based on MDB’s guidelines”) are not fully aligned with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor with the MNB Principles.</i>
<b>Part D.</b>		<i>Nothing came to our attention that would make us believe that there are material exceptions regarding the Green Finance Framework’s Green bonds financing alignment with the required criteria stated in the Green Bond Principles 2022, and with the Green Bond definition of the GBP.</i>



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Partner, Member of the Board of Directors

Budapest: 02 January 2024

# SPO Analysis

The following SPO analysis should be read in conjunction with Eximbank's Green Finance Framework and related documentation, as described in Appendix 3. Scope of Assessment – Referenced Documents List.



## Part A

### Alignment with the LMA Green Loan Principles 2023

The main goal of the Framework is to establish the guiding principles of green lending within Eximbank and to meet regulatory requirements and market expectations. The main guiding principle of the document is the GLP. To meet varying needs, Eximbank has adapted two taxonomies (EU and CB) into its green evaluation process in "Section A" of its Framework. "Section B" of Eximbank's Framework is based on the national regulations and principles of MNB, whereas "Section C" is based on the principles and criteria of MDBs.

The Framework has six chapters. Chapter 1 is the Introduction including the company mission and its commitment towards responsible financing. In the second chapter the guiding market standards are introduced: the Green Loan Principles, the EU Taxonomy, the CB Taxonomy, the MNB Principles and MDBs. Chapter 3 contains a detailed description of the use of proceeds, and the list of eligible activities. Furthermore, it describes the process for evaluation and selection, while Chapter 4 introduces the details of the management of proceeds. Chapter 5 describes the reporting, and Chapter 6 provides an overview of the organisation's approach to Green bonds. Annexes 1 to 4 contain EU Taxonomy based TSC and DNSH criteria, Annexes 5 and 6 present the eligibility criteria for CB Taxonomy based activities. Annexes 7 and 8 include the list of required documentation for pre-screening, screening, and monitoring, while 7 further Appendices include additional details and clarifications regarding TSC and MNB criteria as well as questionnaires used for assessing DNSH and MSS considerations.



According to our assessment presented below, the Framework aligns with all the criteria required by GLP, while it does not align with some of the recommended criteria. Note that the detailed criteria definitions of the GLP Considerations presented below can be found in Appendix 4. Detailed Methodology.

#### 1. Use of Proceeds

Chapter 3 of the Green Finance Framework describes the criteria considered regarding the use of proceeds, for a loan to be eligible for financing within the Framework.

No.	GLP Consideration <sup>13</sup>	Comments	Alignment
1.1	Utilization of green loan proceeds	<i>The utilization of proceeds and how the eligible Green Projects will contribute to GLP's Eligible Project Categories are clearly defined.</i>	
1.2	Clear environmental benefits	<i>Environmental benefits are defined for all eligible Project Categories.</i>	

<sup>13</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology

Recommended criteria			
1.3	Refinanced Green Projects	<i>The Framework scope includes refinancing loans, but it does not define requirements on additional data collection compared to financing loans.</i>	
1.4	Share of financing vs. refinancing	<i>The Framework does not require the borrower to provide an estimate of the share of financing versus refinancing.</i>	

## 2. Process for Project Evaluation and Selection

In the Framework transactions are classified into a green category and the conformity assessment is carried out in a multi-stage process.




The Framework sets out a process to assess the alignment with TSC, DNSH, and MSS criteria through a multi-step approach: pre-screening and selection, and validation. The pre-screening and selection process establishes a decision tree to select eligible proceeds based on their alignment with the TSC, DNSH and MSS criteria based on the EU Taxonomy, the Climate Bonds Taxonomy's Green or Orange Light categories, and the criteria based on national regulations and principles as determined by MNB. The assessment is based on criteria and questionnaires included in the Framework Annexes and Appendices. The validation stage of the Framework sets out a process for approving the allocation of the proceeds as eligible.

Eximbank keeps separate records of disbursements for which the costs recognised have been verified in relation to the green credit goal. The Framework prescribes a set of criteria which should be examined to ensure TSC, DNSH and MSS criteria are met for the overall investment for each industry and/or project type.

In certain cases of refinancing, Eximbank evaluates and selects projects based on the green finance frameworks of respective banks. Project selection is subject to the necessary framework documentation including an external review on the alignment of the frameworks to the Green Loan Principles, and the alignment of respective projects to taxonomies, such as the CB or EU Taxonomy, and the MNB Principles, to ensure alignment with the criteria of the Eximbank Green Finance Framework.





The Framework sets out, that it is the responsibility of the borrowers to provide the information and data necessary for the decision.

Further explanation of the process for project evaluation and selection is presented in Part C of this document.

No.	GLP Consideration <sup>14</sup>	Comments	Alignment
2.1	Environmental sustainability objective	<i>Environmental sustainability objectives of eligible Green Projects are clearly defined.</i>	
2.2	Eligible green project category	<i>Eligibility Criteria for Green Projects are clearly defined in the Framework and referenced annexes (see Appendix 3. Scope of Assessment – Referenced Documents List).</i>	
2.3	Borrower's eligibility criteria (TSC, DNSH, MSS)	<i>The assessment of a borrower's eligibility criteria is clearly described in the Framework and is completed through a green assessment process, which incorporates the requirements in line with GLP.</i>	

<sup>14</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology



2.4	Lender's screening of eligibility criteria (TSC, DNSH, MSS)	<i>The assessment of project eligibility criteria from a lender perspective is aligned with the requirements of the GLP. Eligible projects are selected through a green alignment assessment process, which includes the screening of clients from the aspects of Technical Screening Criteria, Do No Significant Harm criteria, and Minimum Social Safeguards.</i>	
<b>Recommended criteria</b>			
2.5	<i>Environmental strategy, policy, and objectives</i>	<i>The Framework does not require that borrowers position their environmental sustainability objectives within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability.</i>	
2.6	<i>Green standards or certifications</i>	<i>The Framework does not require that borrowers provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including, if applicable, exclusion criteria, and disclose any green standards or certifications to which they are seeking to conform.</i>	
2.7	<i>Social and/or environmental impacts</i>	<i>The Framework does not require the borrowers to have a process for identifying mitigants to known or potential material risks of negative social and/or environmental impacts from the relevant project.</i>	

### 3. Management of Proceeds

Eximbank registers transactions under the Green Finance Programme in its internal databases. The database contains at least the following information (in addition to the data content required for all Eximbank credit transactions):

1. the exact classification of the green credit goal,
2. green loan target ratio,
3. the total amount allocated, and the part disbursed for green credit purposes,
4. expected environmental impact indicators,
5. results of periodic monitoring.







The amounts spent on approved green purposes will be recorded in the client's records and investment documentation in a clearly established manner. For each disbursement, the proportion of the green loan may be different from the green rate set for the whole project, but it must reach the minimum green ratio set out in the contract when the total amount is allocated.

To draw down funds, the client submits documents (e.g., invoices) proving the use, from which the extent of the eligible costs for green credit purposes can be clearly established.

Eximbank will carry out the monitoring of ongoing and completed investments for sustainability purposes and the fulfilment of the DNSH, MSS criteria after activation, examining the fractional calendar year following the year of the activation, and then every full calendar year thereafter. In case material changes happen regarding the project, an additional monitoring event is triggered. In the event of a derogation/non-performance, Eximbank shall take a decision considering the circumstances of the specific transaction and the extent of the derogation:

- (a) if achieving the green credit target is not considered possible, it will permanently withdraw the transaction from the green loan register; or
- (b) if the backlog or non-fulfilment of the commitments can be corrected in Eximbank's opinion, it will temporarily withdraw the transaction from the green loan register, but once the correction has been




made and the conditions have been met, the transaction may be returned to the green credit register.

No.	GLP Consideration <sup>15</sup>	Comments	Alignment
3.1	Transparent tracking of green proceeds	<i>The Framework prescribes that proceeds of the green tranches of loans must be credited to a separate account, or if not possible, they should be tracked by the borrower in an appropriate manner. Additionally, borrowers are expected to keep up-to-date records on their Green Projects, amounts allocated and the realised impact, to ensure the integrity of the green proceeds.</i>	
3.2	Tracking of green vs. non-green tranches	<i>The Framework prescribes that proceeds of the green tranches of loans must be credited to a separate account, or if not possible, they should be tracked by the borrower in an appropriate manner.</i>	
3.3	Formal process for Green Projects	<i>The Framework prescribes for the borrowers to have a formal process related to the lending and investment operations for Green Projects.</i>	
3.4	Balance of unallocated proceeds	<i>The Framework prescribes for the borrowers to describe types of temporary placement for the balance of unallocated proceeds.</i>	
<b>Recommended criteria</b>			
3.5	<i>Borrower's internal governance</i>	<i>The Framework doesn't prescribe for the borrowers to create internal governance processes to track the allocation of funds, however it prescribes regular detailed reporting requirements towards the lender.</i>	
3.6	<i>Monitoring and withdrawal of green flag</i>	<i>The Framework describes the monitoring activities for transactions with an assigned green flag, and it defines the conditions and processes under which the green flag should be revoked in case of deviation from the original green aspects of the loan.</i>	

#### 4. Reporting

Borrowers should keep up-to-date and immediately available information on the use of proceeds until the total amount of credit is paid out and should report any material changes that may occur in the subsequent period. This includes an accurate description of the investments related to the green credit targets, the costs and documentation incurred in connection with them, permits and the planned environmental impact of the achievement of the loan objective. The assumed environmental impact should be defined in qualitative and, where possible, quantitative performance indicators, including the methodology used for the calculation (in the absence of a methodology required by Eximbank). The definition of environmental impact indicators is a mandatory element of the credit agreement. This information shall be reported by borrowers to Eximbank for monitoring at intervals prescribed by Eximbank (by default, annually). In the event of a significant change during the year, the borrower is obliged to prepare an extraordinary report for Eximbank. Examples of quantitative indicators required/recommended for each loan target can be found in Annex 8 of the Framework.

<sup>15</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology

No.	GLP Consideration <sup>16</sup>	Comments	Alignment
4.1	Borrower's annual green reporting	<i>The Framework requires the client to provide the Bank with all the necessary documents and data to ensure that the loan meets the criteria of a green loan at any given time, at least annually, or at the time of any material developments.</i>	
4.2	Updated green project details	<i>The Framework details the dimensions of data required as part of the borrower's annual green reporting, and these dimensions are aligned with the requirements of the GLP.</i>	
<b>Recommended criteria</b>			
4.3	<i>ESG KPIs and methodology</i>	<i>The Framework requires that the borrower uses qualitative and/or quantitative performance indicators.</i>	

<sup>16</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology



## Part B

### Alignment with the Green Loan definition of the Green Loan Principles 2023.

The definition used by the Framework for green loans is included in the Green Finance Framework and is aligned with the Green Loan Principles. Furthermore, Eximbank defines green loans as transactions with a specific use of proceeds that have to be fully, or partly directed to a designated or earmarked activity which demonstrates alignment with clearly defined TSC, DNSH, and MSS, or equivalent criteria.

No.	GLP Consideration <sup>17</sup>	Comments	Alignment
5.1	Green Loan definition	<i>Eximbank's definition for green loans is aligned with the Green Loan definition of the GLP 2023 and the criteria for the Use of Proceeds.</i>	

<sup>17</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology



## Part C

# Alignment of the definition of “eligible categories” and the corresponding Technical Screening Criteria with the EU Taxonomy and/or with the Climate Bonds Taxonomy’s Green or Orange Light categories, and/or with the criteria set in national regulations and principles determined by the Hungarian National Bank (“MNB”)

The main guiding principle of Eximbank’s Framework is the GLP. To meet varying needs, Eximbank has adapted two taxonomies (EU and CB) into its green evaluation process in “Section A” of its Framework. “Section B” of Eximbank’s Framework is based on national regulations and principles as determined by MNB, whereas “Section C” is based on the principles and criteria of MDBs. The Framework sets out separate procedures for “Section A”, “Section B” and “Section C” in terms of the TSC, DNSH, MSS criteria for the Use of Proceeds and it sets out uniform procedures in terms of Project evaluation and selection, Management of Proceeds, and Reporting. “Section A”, “Section B”, and “Section C” align with the GLP, however, “Section C” is not fully aligned with the TSC, DNSH, MSS criteria of EU and CB Taxonomies, nor with the criteria of the MNB Principles, as it is based on the principles and criteria determined by MDBs.

The Framework sets out a multi-step process to classify eligible proceeds for “Section A”, “Section B”, and “Section C” of the Framework. The Pre-screening and selection process establishes a decision tree to select eligible proceeds and decides whether the Use of proceeds shall be considered under “Section A”, “Section B”, or “Section C” of the Framework.

Assessment of proceeds under “Section A” covers Technical Screening Criteria of the EU Taxonomy, the Climate Bonds Taxonomy’s Green or Orange Light categories, Minimum Social Safeguard criteria, and Do No Significant Harm criteria. Assessment of proceeds under “Section B” covers clearly defined screening criteria based on national regulations and principles of MNB. Assessment of proceeds under “Section C” covers clearly defined criteria based on the principles and criteria of MDBs. While the criteria set out in “Section A” of the Framework align with EU or CB Taxonomies, they do not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria. “Section B” of the Framework is in alignment with the national regulations and principles as determined by MNB, however it is not fully aligned with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies. “Section C” of the Framework establishes a selection process based on criteria that follow the principles and criteria of MDBs. However, it does not fully align with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor the MNB Principles.

The table below summarizes our conclusions on the alignment between the Framework’s screening criteria for economic activities and the screening criteria of EU or CB Taxonomies, and the criteria of MNB Principles.

Taxonomy component	EU or CB Taxonomy Assessments	MNB Principles Assessment	Rationale of assessment
Eligible categories <i>“Section A” of the Framework  (“Transactions selected based on international standards and taxonomies”)</i>	Aligned	Not fully aligned	Within the Framework, <i>“Section A”</i> (“Transactions selected based on international standards and taxonomies”), the definition of eligible categories and the corresponding TSC align with the EU Taxonomy and/or with the Climate Bonds Taxonomy’s Green or Orange Light categories, whereas do not fully align with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria. 18 economic activities are in alignment with the EU Taxonomy TSC, DNSH and MSS criteria, whereas 20 are not defined in the EU Taxonomy. 20 economic activities are aligned with the Climate Bonds Taxonomy criteria, whereas 18 are not defined or are under development in CB Taxonomy. Appendix 5 lists the economic activities. All 38 economic activities are covered by either the EU Taxonomy or the Climate Bonds Taxonomy.
Eligible categories <i>“Section B” of the Framework  (“Transactions selected based on national regulations and principles of MNB”)</i>	Not fully aligned	Aligned	Within the Framework, <i>“Section B”</i> (“Transactions selected based on national regulations and principles of MNB”), the definition of eligible categories and the corresponding TSC align with the criteria of the MNB Principles, however, do not fully align with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies. The defined 19 economic activities do not fully align with the EU Taxonomy and/or with the Climate Bonds Taxonomy’s Green or Orange Light categories, as they are in alignment with the national regulations and principles as determined by MNB. Appendix 5 lists the economic activities. All 19 economic activities are covered by MNB Principles
Eligible categories <i>“Section C” of the Framework  (“Transactions</i>	Not fully aligned	Not fully aligned	Within the Framework, <i>“Section C”</i> (“Transactions selected based on MDB’s guidelines”), the definition of eligible categories and the corresponding TSC do



*selected based on MDB's guidelines")*

not fully align with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor with the MNB Principles, as they are following the principles and criteria as determined by MDBs.

### **"Section A":**

"Section A" of Eximbank's Framework sets out detailed conditions selected on the basis of TSC, DNSH, and MSS criteria of the EU or CB Taxonomy detailed in Annexes 1 to 6 of the Framework. Section A.1 includes the EU Taxonomy aligned economic activities and entails renewable energy production, and energy storage (Annex 1), manufacturing (Annex 2), sustainable real estate (Annex 3), and electromobility (Annex 4). Section A.2 includes the CB Taxonomy aligned activities and entails waste management (Annex 5), and water management (Annex 6). These economic activities are not fully aligned with the criteria of the MNB Principles, given that the above two Taxonomies have stricter screening criteria.

The table below summarizes our conclusions on the alignment between the Framework's screening criteria for economic activities defined for EU Taxonomy based assessment and the screening criteria of the EU Taxonomy.

Alignment with EU Taxonomy	Alignment with TSC	Alignment with DNSH	Alignment with MSS	Overall alignment
Electricity generation using solar photovoltaic technology	✓	✓	✓	✓
Electricity generation using concentrated solar power (CSP) technology	✓	✓	✓	✓
Electricity generation from wind power	✓	✓	✓	✓
Electricity generation from geothermal energy	✓	✓	✓	✓
Electricity generation from bioenergy	✓	✓	✓	✓
Production of heat/cool from solar thermal heating	✓	✓	✓	✓
Production of heat/cool from geothermal energy	✓	✓	✓	✓
Production of heat/cool from bioenergy	✓	✓	✓	✓
Production of heat/cool using waste heat	✓	✓	✓	✓
Manufacture of renewable energy technologies	✓	✓	✓	✓
Manufacture of hydrogen	✓	✓	✓	✓
Construction of new buildings	✓	✓	✓	✓

Renovation of existing buildings	✓	✓	✓	✓
Acquisition and ownership of buildings	✓	✓	✓	✓
Urban and suburban transport, road passenger transport	✓	✓	✓	✓
Freight transport services by road	✓	✓	✓	✓
Storage of electricity	✓	✓	✓	✓
Storage of thermal energy	✓	✓	✓	✓

The CB Taxonomy based alignment assessment step covers the assessment of the project based on the relevant sector criteria. If the proceeds meet the requirements of the screening criteria described in the Framework, then the transaction can be classified as aligned to the CB Taxonomy, whereas it is not fully aligned with the criteria of the EU Taxonomy or with the MNB Principles.

The table below summarizes our conclusions on alignment between the Framework's screening criteria for economic activities defined for CB Taxonomy based assessment and the sector criteria of the CB Taxonomy.

Alignment with Climate Bonds Taxonomy	Alignment with asset classification	Alignment with screening indicators (if applicable)	Overall alignment
Reuse	✓	✓	✓
Recycling	✓	✓	✓
Waste collection	✓	✓	✓
Composting	✓	✓	✓
Anaerobic digestion	✓	✓	✓
Pre-sorting	✓	✓	✓
Waste incineration or gasification & energy recovery	✓	✓	✓
Decommissioned landfill only, with gas capture & energy generation	✓	✓	✓
Illustrative built infrastructure assets covered by the Water Infrastructure Criteria			
Water monitoring	✓	✓	✓
Water storage	✓	✓	✓
Water treatment	✓	✓	✓
Water desalination	✓	✓	✓
Water distribution	✓	✓	✓
Flood defense	✓	✓	✓
Illustrative nature-based-solutions and hybrid infrastructure covered by these Water Infrastructure Criteria			
Water storage	✓	✓	✓
Flood defences	✓	✓	✓
Drought defences	✓	✓	✓
Water treatment	✓	✓	✓
Stormwater management	✓	✓	✓
Ecological restoration / management	✓	✓	✓

**“Section B”:**

“Section B” of Eximbank’s Framework is based on national regulations and principles as determined by MNB and therefore, it did not aim to fully align with the TSC, DNSH, and MSS criteria of EU and/or CB Taxonomies. Based on our review as part of the SPO, “Section B” is not fully aligned with the TSC, DNSH and MSS criteria of the EU and CB Taxonomies. “Section B” includes the MNB Principles aligned economic activities and entails renewable energy production and energy storage (Annex 1), electromobility (Annex 4), which are not fully aligned with the EU or CB Taxonomies, sustainable real estate investment criteria, which align with the EU Taxonomy (Appendix 2), sustainable real estate investment criteria for SME debtors (Appendix 3) and for large corporate debtors and project financing (Appendix 4), energy efficiency technologies, which are not fully aligned with the EU or CB Taxonomies. Appendix 5 of the Framework describes the investments serving environmental objectives related to sustainable agriculture. Eximbank’s Social and Environmental Impact Assessment Questionnaire is presented in Appendices 6 and 7.

The table below summarizes our conclusions on the alignment between the Framework’s screening criteria for economic activities defined for MNB Principles based assessment and the screening criteria of the MNB Principles.

Alignment with MNB Principles	Aligned category
Electricity generation using solar photovoltaic technology	✓
Electricity generation using concentrated solar power (CSP) technology	✓
Electricity generation from wind power	✓
Electricity generation from geothermal energy	✓
Electricity generation from bioenergy	✓
Production of heat/cool from solar thermal heating	✓
Production of heat/cool from geothermal energy	✓
Production of heat/cool from bioenergy	✓
Production of heat/cool using waste heat	✓
Manufacture of renewable energy technologies	✓
Construction of new buildings	✓
Renovation of existing buildings	✓
Acquisition and ownership of buildings	✓
Storage of electricity	✓

Storage of thermal energy	✓
Procurement of vehicles with zero direct (exhaust) CO <sub>2</sub> emissions for urban and suburban passenger transport	✓
Procurement of vehicles for the transport of goods by road with zero direct (exhaust) CO <sub>2</sub> emissions	✓
Investment resulting in energy efficiency improvements, including upgrading of existing technologies, production processes, facilities, and infrastructure	✓
Sustainable agricultural asset or other environmental sustainability investment	✓

***“Section C”:***

*“Section C”* of the Framework is based on the principles and criteria as determined by MDBs and therefore, it did not aim to align with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor with the MNB Principles. Based on our review as part of the SPO, *“Section C”* is not fully aligned with the selection criteria of neither the EU Taxonomy, the CB Taxonomy, nor with the MNB Principles. *“Section C”* includes the MDBs aligned economic activities and entails renewable energy production, energy efficiency, and sustainable real estate.



## Part D

### Alignment of the Green Finance Framework's Green bonds financing with the four core components, and with the Green Bond definition of the Green Bond Principles 2022

The main goal of the Framework is to establish the guiding principles of financing green bonds by Eximbank and to meet regulatory requirements and market expectations. Under Part D, we examined that the Framework's Green bonds financing is in alignment with the four core components, and with the Green Bond definition of the Green Bond Principles 2022.

According to our assessment presented below, the Framework's Green bonds financing aligns with all the criteria required by GBP, while it does not align with some of the recommended criteria.

The criteria set out in Part A cover the equivalent areas of the GBP criteria (see Part A section above), accordingly those are considered applicable in the case of GBP alignment review as well, while the criteria set out below are considered specific additional criteria for the assessment of alignment with the GBP.


No.	GBP Consideration <sup>18</sup>	Comments	Alignment
6.1	Utilization of green bond proceeds	<i>The utilization of proceeds and how the eligible Green Projects will contribute to GBP's Eligible Project Categories are clearly defined.</i>	
6.2	Impact reporting templates	<i>The Framework's Green bonds financing requires that the borrowers refer to adopt where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting.</i>	
<b>Recommended criteria</b>			
6.3	<i>Use of external auditor, or other third party</i>	<i>The Framework's Green bonds financing requires that the borrowers decide on a case-by-case basis, that the issuer's management of proceeds shall be supplemented or not by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the green bond proceeds.</i>	

<sup>18</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology



## Second Party Opinion – Green Finance Framework

The definition used by the Framework for green bonds is included in the Green Finance Framework's Green bonds financing and is aligned with the GBP.

No.	GBP Consideration <sup>19</sup>	Comments	Alignment
6.4	Green Bond definition	<i>Eximbank's definition for green bonds is aligned with the Green Bond definition of the GBP 2022.</i>	

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<sup>19</sup> Detailed criteria definitions are presented in Appendix 4. Detailed Methodology

# Limitations

The present SPO is valid for Eximbank's Green Finance Framework, version 3 effective as of 2 January 2024, approved in English. The SPO's validity does not extend to any future or updated versions of the relevant standard and ICMA Guidelines for External Review or to any amendments or subsequent reissuance of the Green Finance Framework. The SPO is issued in connection with Eximbank's Green Finance Framework only and does not apply to any loans granted in accordance with this framework. The Green Finance Framework and any loans granted in accordance with it are the responsibility of Eximbank's management.

We have not carried out an audit or review in accordance with international or national standards or regulations in the course of this assessment and we do not issue an auditor's opinion or any other assurance.

The SPO and information presented is based on information received from Eximbank. The alignment with the selection criteria is based solely on the documents submitted by Eximbank. While Deloitte exercised due care in compiling the SPO, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. The SPO does not provide any legal, financial, or other advice.

Our responsibility in performing this SPO is to the management of Eximbank, and we do not accept or assume responsibility for any other purpose or to any other party. Any reliance placed on the Green Finance Framework by any third party is entirely at its own risk.

The SPO, while reflecting on the alignment of the Green Finance Framework with relevant standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. The measurement and reporting of the actual impact achieved through projects financed with the proceeds of loans granted under the Green Finance Framework is the responsibility of Eximbank's management.

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# Appendices

## Appendix 1. Use of proceeds – The eligible Green Projects categories<sup>20</sup>

The eligible Green Projects categories, listed in no specific order, may include, but are not limited to:

- renewable energy – including production, transmission, appliances and products;
- energy efficiency – such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products;
- pollution prevention and control – including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy;
- environmentally sustainable management of living natural resources and land use – including environmentally sustainable agriculture, environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture, environmentally-sustainable forestry including afforestation and reforestation, and preservation or restoration of natural landscapes;
- terrestrial and aquatic biodiversity conservation – including the protection of coastal, marine and watershed environments;
- clean transportation – such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions;
- green technologies – such as carbon extraction technologies and energy storage systems;
- sustainable water and wastewater management – including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation;
- climate change adaptation – including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems;
- circular economy adapted products, production technologies and processes – such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services; and/or certified eco-efficient products; and
- green buildings that meet regional, national, or internationally recognised standards or certifications for environmental performance.

The list is intended to be indicative and captures the most commonly used types of projects. There are several categories and sets of criteria defining Green Projects already in existence in the market that can be used as complementary guidance. Borrowers and other stakeholders can refer to examples through links listed on the ICMA webpages at [www.icmagroup.org/sustainable-finance/resource-centre/bond-index-service-mapping/](http://www.icmagroup.org/sustainable-finance/resource-centre/bond-index-service-mapping/).

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<sup>20</sup> LMA Green Loan Principles 2023

## Appendix 2. Application to Revolving Credit Facilities

The GLP were drafted such that they can be applied to a wide variety of loan instruments, including term loans, contingent facilities and/or revolving credit facilities.

One of the fundamental determinants of a green loan is the utilisation of the loan proceeds, which should be appropriately described in the finance documents and, if applicable, marketing materials. The use of proceeds component of a term loan is often easily identifiable. Revolving credit facilities, however, may not identify in similar detail such green use of proceeds in the legal documentation, but in any case, proceeds should be utilised for eligible Green Project(s) throughout the lifetime of the revolving credit facility.

The parties to any proposed green loan taking the form of a revolving credit facility will need to determine how best to evidence the flow of funds to an agreed upon Green Project or Green Projects when applying the GLP to such a loan. A revolving credit facility may include a specific green tranche but, where not possible, a borrower may seek to report to the lenders the use of any revolving borrowings and/or identify Green Projects supported by the revolving credit facility.

Lenders are recommended to monitor and track the sustainability information provided by the borrower during the life of the loan, mindful of the need to preserve the integrity of the green loan product. In the absence of sufficient internal expertise at the lender to monitor the loan, external review is strongly recommended. Revolving credit facilities for general corporate purposes should not be categorised as “green” without satisfying the components listed in the GLP.

## Appendix 3. Scope of Assessment – Referenced Documents List

Eximbank's responsibility as part of the Second Party Opinion was to provide information and documentation regarding:

- Eximbank's Green Finance Framework.

The key document reviewed as part of the Second Party Opinion were:

Document Number	Document name	Description
1.	Eximbank Green Finance Framework (version: v3, approved in English on 4 December 2023, effective as of 2 January 2024)	Eximbank's Green Finance Framework effective as of 2 January 2024, describing the company's requirements regarding green financing.
2.	Management representation letter (approved on 13 December 2023)	Management representation letter (approved on 13 December 2023), describing the management's key statements in connection with Eximbank's Green Finance Framework.

## Appendix 4. Detailed Methodology

The Second Party Opinion is based on ICMA Guidelines for External Reviews, and it applies the below criteria in analysing the alignment of the scope:

**Part A.** Alignment with the four core components of the Green Loan Principles 2023

**Part B.** Alignment with the Green Loan definition of the Green Loan Principles 2023

**Part C.** Alignment of the definition of eligible categories and the corresponding Technical Screening Criteria with the EU Taxonomy and/or with the Climate Bonds Taxonomy's Green or Orange Light categories and/or with the national regulations and principles determined by the Hungarian National Bank ("MNB").

**Part D.** Alignment of the Green Finance Framework's Green bonds financing with the four core components, and with the Green Bond definition of the Green Bond Principles 2022

### Part A. Alignment with the Green Loan Principles 2023

Part A investigates the alignment with the Green Loan Principles. The GLP comprise voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction, that seek to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be categorised as "green".

The GLP aim to promote the development of the green loan product by providing a recommended framework of market standards and guidelines for use across the green loan market, whilst allowing the loan product to retain its flexibility. The GLP build on and refer to the Green Bond Principles (GBP) administered by the International Capital Market Association, with a view to promoting consistency across financial markets. The GLP are internationally recognised voluntary guidelines that promote transparency, disclosure and reporting in the Green Loan market.

The GLP provides an international standard in form of voluntary recommended guidelines based on four core components: 1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds, and 4. Reporting. Within these components criteria have been identified that form the core of the SPO Methodology for analysing alignment between the Framework and the GLP.

When performing the SPO, we assess the following criteria regarding each component.

#### 1. Use of Proceeds

Criterion 1.1: Does the creditor have processes in place to ensure that the utilisation of the proceeds from loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) for Green Projects (including other related and supporting expenditures, including R&D) is appropriately described in the finance documents and, if applicable, marketing materials?

Criterion 1.2: Does the creditor have processes in place to that the designated Green Projects provide clear environmental benefits, which will be assessed, and where feasible, quantified, measured, and reported by the borrower?

Recommended criteria:

Criterion 1.3: Does the Framework require the borrower to clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green Projects?



Criterion 1.4: Where funds are to be used, in whole or part, for refinancing does the creditor require the borrower to provide an estimate of the share of financing versus refinancing?

## 2. Process for Project Evaluation and Selection

Criterion 2.1: Does the creditor have processes in place to ensure that the borrower of a green loan clearly communicates to its lenders its environmental sustainability objectives?

Criterion 2.2: Does the creditor have processes in place to ensure that the borrower of a green loan clearly communicates to its lenders the process by which the borrower determines how the project(s) to be funded fits within the eligible Green Projects categories?

Criterion 2.3: Does the creditor have processes in place to ensure that the borrower of a green loan clearly communicates to its lenders any complementary information on the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant project(s)?

Criterion 2.4: In case the borrowers do not fully provide the above described set of information, does the Framework have appropriate processes in place to identify the main sustainability objectives, alignment with eligible categories, alignment with Technical Screening Criteria and “Do No Significant Harm” criteria?

Recommended criteria:

Criterion 2.5: Does the creditor require that the borrowers position the above-described information within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability?

Criterion 2.6: Does the creditor require that borrowers provide information, if relevant, on the alignment of projects with official or market-based taxonomies, related eligibility criteria, including, if applicable, exclusion criteria, and also disclose any green standards or certifications referenced in project selection?

Criterion 2.7: Does the creditor require that borrowers have a process in place to identify mitigants to known or potential material risks of negative social and/or environmental impacts from the relevant project(s)?

## 3. Management of Proceeds

Criterion 3.1: Does the creditor prescribe that the proceeds of a green loan should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, to maintain transparency and promote the integrity of the product?

Criterion 3.2: Does the Framework prescribe that if a green loan takes the form of one or more tranches of a loan facility, the tranche(s) applicable to the Green Project(s) are clearly labelled, with proceeds of the green tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner?

Criterion 3.3: Does the creditor require borrowers to have the management of proceeds attested to in a formal process linked to the borrower’s lending and investment operations for Green Projects?

Criterion 3.4: Does the creditor require borrowers to make known to the lenders any intended types of temporary placement for the balance of unallocated proceeds?

Recommended criteria:

Criterion 3.5: Does the creditor require that borrowers establish an internal governance process through which they can track the allocation of funds towards Green Projects?

Criterion 3.6: Does the creditor have appropriate policies and processes in place which ensure the withdrawal of the green designation of a loan in case it no longer satisfies the criteria which were required to flag it as a green loan at inception?

## 4. Reporting

Criterion 4.1: Does the creditor have processes in place to ensure that the borrower provides up to date information on the use of proceeds on an annual basis until fully drawn (or until the loan maturity in the case of a revolving credit facility) and, if necessary, thereafter in the event of material developments?

Criterion 4.2: Does the creditor have processes in place to ensure that as part of the annual report, the borrower provides a list of the Green Projects to which the green loan proceeds have been allocated, their brief description, the amounts allocated and their expected and, where possible, achieved impact?

Recommended criteria:

Criterion 4.3: Does the creditor require that the borrower uses qualitative performance indicators and, where feasible, quantitative performance measures (for example, energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, etc.) and the disclosure of the key underlying methodology and/or assumptions used in the quantitative determination?<sup>21</sup>

## Part B. Alignment with the Green Loan definition of the Green Loan Principles 2023

The GLP provides an international standard based on four core components: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting and a Green Loan definition. Green loans must align with the four core components of the GLP, as set out above. Green loans should not be considered interchangeable with loans that are not aligned with the four core components of the GLP.

Criterion 5.1: Does the Framework definition for green loan align with the following?

Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects - being those projects falling within the non-exhaustive categories of eligibility set out in Appendix 1. Use of proceeds-The eligible Green Projects categories (Green Projects may relate to more than one category). Considerations for revolving credit facilities are set out in Appendix 2.

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<sup>21</sup> Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports. Transparency is of value in communicating the expected impact of projects.

Part C. Alignment of the definition of eligible categories and the corresponding Technical Screening Criteria with the EU Taxonomy and/or with the Climate Bonds Taxonomy's Green or Orange Light categories, and/or with the national regulations and principles determined by the Hungarian National Bank ("MNB").

The EU Taxonomy is based on listed economic activities with performance criteria to assess the activities' substantial contribution towards six environmental objectives: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems<sup>22</sup>. The assessment must ensure that at least one objective must be met by each defined financed activity. The creditor can only provide green loan for activities, which do no significant harm to any of the other objectives and meet the Minimum Social Safeguard criteria, which must be checked in line with thresholds defined by the EU Taxonomy.

EU Taxonomy alignment criteria: Do the TSC, DNSH and MSS criteria of the Framework align with the prescriptions of the EU Taxonomy?<sup>23</sup>

A traffic light system has been adopted in the CB Taxonomy to mark projects whether they are compatible with a 2-degree decarbonisation trajectory. While Green Light is compatible, Orange Light is potentially compatible, depending on whether more specific criteria are met, and Red Light is incompatible.

Climate Bonds Taxonomy alignment criteria: Does the creditor have processes in place to ensure that projects are only accepted if they are compatible with the 2-degree decarbonisation trajectory, therefore projects that fall under the category of Green Light, or satisfy the more specific criteria prescribed for Orange Light?<sup>24</sup>

The Hungarian National Bank ("MNB") has launched a Green Preferential Capital Requirement Programme, providing banks with a domestic taxonomy. This taxonomy has a specific list of economic activities for which it provides clear screening criteria. While the local taxonomy is inspired by European green definitions, such as GLP green definition and the EU Taxonomy, it includes adaptation to the local market reality, therefore it is not fully aligned with the EU and/or with the Climate Bonds Taxonomy's Green or Orange Light categories.

MNB Principles alignment criteria: Do the criteria of the Framework align with the prescriptions of the MNB Principles?<sup>25</sup>

<sup>22</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en)

<sup>23</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02021R2139-20230101>

<sup>24</sup> [https://www.climatebonds.net/files/files/Taxonomy/CB\\_Taxonomy\\_Tables-08A%20%281%29.pdf](https://www.climatebonds.net/files/files/Taxonomy/CB_Taxonomy_Tables-08A%20%281%29.pdf)

<sup>25</sup> <https://www.mnb.hu/letoltes/tajekoztato-zvt-20230906-public.pdf>

## Part D. Alignment of the Green Finance Framework's Green bonds financing with the four core components, and with the Green Bond definition of the Green Bond Principles 2022

Part D. investigates the alignment with the Green Bond Principles. The GBP comprise voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.

The GBP emphasise the required transparency, accuracy and integrity of the information that will be disclosed and reported by issuers to stakeholders through core components and key recommendations.

The GBP provides an international standard in form of voluntary recommended guidelines based on four core components: 1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds, and 4. Reporting. Within these components criteria have been identified that form the core of the SPO Methodology for analysing alignment between the Framework and the GBP. The criteria set out in Part A cover the equivalent areas of the GBP criteria (see Part A section above), accordingly those are considered applicable in the case of GBP alignment review as well, while the criteria set out below are considered specific additional criteria for the assessment of alignment with the GBP.

Criterion 6.1: Does the creditor have processes in place to ensure that the utilisation of the proceeds of the bond for Green Projects is appropriately described in the legal documentation of the security?

Criterion 6.2: Does the creditor require that borrowers refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting?

Recommended criteria:

Criterion 6.3: Does the creditor require that borrowers supplement the management of proceeds by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds?

## Appendix 5. Economic Activities Overview for the Green Finance Framework’s “Section A” and “Section B”

Economic activities	EU Taxonomy	CB Taxonomy	MNB Principles
Electricity generation using solar photovoltaic technology Electricity generation using concentrated solar power (CSP) technology Electricity generation from wind power Electricity generation from geothermal energy Electricity generation from bioenergy Production of heat/cool from solar thermal heating Production of heat/cool from geothermal energy Production of heat/cool from bioenergy Production of heat/cool using waste heat Manufacture of renewable energy technologies Manufacture of hydrogen Construction of new buildings Renovation of existing buildings Acquisition and ownership of buildings	Aligned	Not defined	Not fully aligned
Urban and suburban transport, road passenger transport Freight transport services by road			Not defined
Storage of electricity Storage of thermal energy			Not fully aligned
Reuse Recycling Waste Collection Composting Anaerobic Digestion Pre-sorting Waste Incineration or Gasification & Energy Recovery Decommissioned Landfill only, with Gas Capture & Energy Generation			Not defined



<i>Illustrative built infrastructure assets covered by the Water Infrastructure Criteria:</i>			
<ul style="list-style-type: none"> <li>Water monitoring</li> <li>Water storage</li> <li>Water treatment</li> <li>Water desalination</li> <li>Water distribution</li> <li>Flood defence</li> </ul> <i>Illustrative nature-based-solutions and hybrid infrastructure covered by these Water Infrastructure Criteria:</i> <ul style="list-style-type: none"> <li>Water storage</li> <li>Flood defences</li> <li>Drought defences</li> <li>Water treatment</li> <li>Storm water management</li> <li>Ecological restoration / management</li> </ul>	Not defined	Aligned	Not defined
<ul style="list-style-type: none"> <li>Procurement of vehicles with zero direct (exhaust) CO<sub>2</sub> emissions for urban and suburban passenger transport</li> <li>Procurement of vehicles for the transport of goods by road with zero direct (exhaust) CO<sub>2</sub> emissions</li> </ul>	Covered (under urban and suburban transport, road passenger transport and freight transport services by road)	Not defined	Aligned
<ul style="list-style-type: none"> <li>Investment resulting in energy efficiency improvements, including upgrading of existing technologies, production processes, facilities and infrastructure</li> <li>Sustainable agricultural asset or other environmental sustainability investment</li> </ul>	Not defined		