

MVM 2024

GREEN FINANCE REPORT

May 2024

MVM

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Introduction

MVM Group (“**MVM**”) is the leading energy & utility company in Hungary, assuming an eminent role in implementing the country’s energy strategic targets through its successful and competitive activities. MVM’s expanding portfolio covers the entire Hungarian energy sector.

MVM is the 2nd largest company in Hungary, and the 10th largest in Central Europe on a revenue basis. The present MVM Group practically embraces all segments connected to the energy sector: generation, storage, trade, transmission, distribution, retail, provision of services, planning and design, construction, data transfer, and incubation¹.

MVM, through its activities that span across all segments of the energy sector, is striving to supply affordable and clean energy to its customers in a sustainable manner. MVM is currently active in 23 countries, counts more than 100 subsidiaries and has over 19,000 employees. The company has become indispensable for Hungary’s power sector, accounting for almost 60% of the country’s power generation.

MVM issued its inaugural green bond on Thursday, 1st June 2023. The bond was issued in accordance with MVM’s Green Financing Framework published in May 2023. The Framework is aligned with the ICMA Green Bond Principles 2021 (with June 2022 Appendix 1)² and complies, on a best effort basis, with the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation adopted in June 2021 (the “EU Taxonomy”)³. ISS Corporate Solutions provided a positive Second Party Opinion on the Framework and assessed its use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting as aligned with the ICMA Green Bond Principles and LMA Green Loan Principles. ISS also evaluated the Framework as aligned, on a best-efforts basis, to the EU Taxonomy’s Climate Change Mitigation Criteria, Do No Significant Harm Criteria, and Minimum Safeguards requirements.

The Framework and the Second Party Opinion are available on MVM’s website⁴.

This report presents information on the allocation of MVM’s Green Finance Instruments’ proceeds and their associated environmental impact and outcomes. Deloitte have provided an independent limited assurance over the below listed information of this report, available on MVM’s website [[Link](#)].

- Assessment of the amount allocated to asset and capital investments eligible for Green financing (or re/financing),
- A category-by-category assessment of the amount allocated to the appropriate Green portfolio,
- Evaluation of the compliance of asset and capital investments allocated to the appropriate Green Portfolio with EU Environmental Goals (EU Taxonomy)
- Verification of the quantification of unused amounts,
- Assessment of impact indicators of the selected green instruments.

¹ MVM Group Consolidated Annual Financial Reports, see [here](#)

² ICMA Green Bond Principles 2021 (with June 2022 Appendix), see [here](#)

³ EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation, June 2021, see [here](#)

⁴ MVM Sustainability Reports, Green Finance Framework and Second Party Opinion, see [here](#)

Final terms of MVM's Green Bond due June 2028

| | |
|---|--|
| Issuer | MVM Energetika Zártkörűen Működő Részvénytársaság (hereinafter "MVM" or "MVM Ltd") |
| Issue Ratings (S&P / Fitch) | BBB- (stable) / BBB (negative) |
| Issuer LEI | 529900ELI5AQ9F74PF85 |
| Authority that approved the prospectus | Central Bank of Ireland |
| Format | Regulation S (Cat 1), Registered |
| Ranking of Notes | Senior Unsecured |
| Currency | USD |
| Size | 750 million |
| Tenor | 5 Year |
| Pricing Date | 1 June 2023 |
| Settlement date | 9 June 2023 |
| Maturity | 9 June 2028 |
| Coupon | 7.500% |
| Minimum Denominations | USD 200,000 x USD 1,000 |
| Listing | Euronext Dublin |
| ISIN | XS2634075399 |

Use of Proceeds in MVM's Green Financing Framework






An amount equivalent to the net proceeds of MVM's Green Financing Instruments has been used to finance and refinance, in whole or in part, Eligible Green Projects that meet the eligibility criteria below. Green Projects are expected to be aligned, on a best-efforts basis, with the EU Taxonomy Regulation and Delegated Acts on Climate Change Mitigation, including the Do No Significant Harm (DNSH) and Minimum Safeguards (MS) criteria.

Eligible Green Projects may comprise physical assets and capital expenditures related to improvement and extension of Eligible Green Projects, as well as acquisitions of 'pure player' companies specialized in any of the eligible Green Bond Categories. Eligible capital expenditures are subject to a 2-year look-back period and a 2-year look-forward period.

Assets and expenditures related to fossil-fuel based electricity generation facilities and other fossil-fuel related infrastructure are excluded and deemed ineligible. Eligible Green Projects are net of customer contributions to construction, any dedicated green funding, project financing, and any State or European subsidies.

Full Eligibility Criteria are available in MVM's Framework⁵.

⁵ MVM Investor Relations Publications, Green Finance Framework and Second Party Opinion, see [here](#)

| Eligible Green Projects | Eligible Green Projects and related Eligibility Criteria | EU Taxonomy Alignment | UN SDGs Alignment |
|-----------------------------|--|---|---|
| Renewable Energy | <ul style="list-style-type: none"> Solar PV Wind Hydropower Geothermal energy Manufacture of low-carbon hydrogen | <ul style="list-style-type: none"> 3.10 Manufacture of Hydrogen (NACE C20.11) 4.1 Electricity generation using solar photovoltaic technology (NACE D35.11, F42.22) 4.3 Electricity generation from wind power (NACE D35.11, F42.22) 4.5 Electricity generation from hydropower (NACE D35.11, F42.22) 4.6 Electricity generation from geothermal energy (NACE D35.11, F42.22) |  |
| Electricity Networks | <ul style="list-style-type: none"> Electricity transmission and distribution projects aimed at maintaining and / or enhancing the networks to ensure a safe and reliable use of electricity Electricity transmission and distribution projects enabling a greater integration and use of renewable energy in the power networks Direct connection of low carbon electricity generation plants | <ul style="list-style-type: none"> 4.9 Transmission and distribution of electricity (NACE D35.12, D35.13) |  |
| Energy Efficiency | <ul style="list-style-type: none"> Projects and equipment that contribute to the reduction of energy losses and the improvement of the overall efficiency of the assets Expenditures associated with the manufacture of energy efficiency equipment and their key components for buildings | <ul style="list-style-type: none"> 3.5 Manufacture of energy efficiency equipment for buildings (NACE C25.21, C25.29, C27.5, C28.11, C28.12, C28.13) 4.9 Transmission and distribution of electricity (NACE D35.12, D35.13) 4.10 Storage of electricity 4.12 Storage of hydrogen |  |
| Waste Management | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 5.8 Composting of bio-waste (NACE E38.21, F42.99) |  |
| Clean Transportation | <ul style="list-style-type: none"> Electric charging points, electricity grid connection upgrades, hydrogen fuelling stations, or electric road systems (ERS) | <ul style="list-style-type: none"> 4.9 Transmission and distribution of electricity (NACE D35.12, D35.13) 6.15 Infrastructure enabling low-carbon road transport and public transport (NACE F42.11, F42.13, F71.1, F71.20) |  |

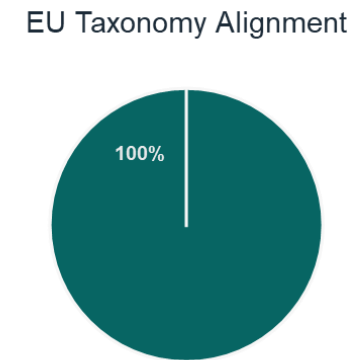
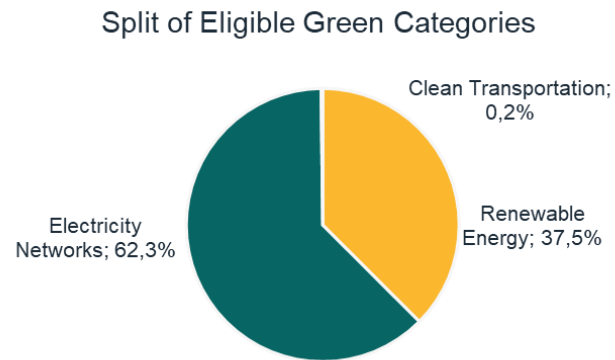
Allocation Report

All investments are located in Hungary.

While MVM's Framework allows for Eligible Green Projects to consist of physical assets, the current allocation is made to capital expenditures only.

Per MVM's Green Financing Framework, Eligible Green Projects are expected to be aligned with the EU Taxonomy on a best effort basis. For this green bond, MVM decided to go a step further, and all use of proceeds included in the Eligible Green Portfolio are 100% aligned with the EU Taxonomy requirements, including the Substantial contribution, DNSH, and MS criteria, contributing to the EU Environmental Objective of Climate Change Mitigation. This alignment is externally verified by Deloitte as MVM's internal procedures require all capital expenditure to go through an EU Taxonomy assessment, with only those that are considered aligned allocated to Green Financing Instruments. In the future, a "best effort" approach to Taxonomy alignment may be used if allocation is made to physical assets, as retroactive Taxonomy alignment cannot always be shown for such projects.

The USD 750 million in proceeds was immediately swapped to EUR in June 2023 in order to limit FX risks, and then, gradually, in line with utilisation, the euro funds were exchanged to HUF. Therefore, for the sake of transparency, MVM uses an average exchange rate for all investments, of 350.54 HUF/USD.



USE OF PROCEEDS ALLOCATION TABLE

| Eligible Green Portfolio 2021-2024 ⁶ | | | | | Green Funding | | | |
|--|---------------------------------------|---------------------------------------|-------------------------------|-------------------|----------------------------------|------------------------|--|---|
| Eligible Green Categories | EU Taxonomy Activity | Total Invested Amount ⁷ | Signed Amount ⁸ | Eligibility Ratio | Allocated Amount ⁹ | Share of allocation | EU Taxonomy alignment ¹⁰ | Green Financing Instrument |
| | | (USD millions) | (USD millions) | % | (USD millions) | % | % | |
| Renewable Energy | EU TSC 3.10, 4.1, 4.3, 4.5 and 4.6 | 453.86 | 347.77 | 76.6% | 281.11 | 37.5% | 100% | Green Bond ISIN: XS2634075399 Issue Date: 9 June, 2023 Maturity Date: 9 June, 2028 |
| Electricity Networks ¹¹ | EU TSC 4.9 | 1,161.13 | 658.98 | 56.8% | 467.54 | 62.3% | 100% | |
| Clean Transportation | EU TSC 6.15 | 8.38 | 2.41 | 28.8% | 1.34 | 0.2% | 100% | |
| Total | | 1,623.38 | 1,009.17 | 62.2% | 750.00 | 100.0% | 100% | 750.00 |
| % of Unallocated proceeds | | | | | | | | 0.0% |
| % of Eligible Green Portfolio allocated to Green Bond | | | | | | | | 74.3% |
| % Refinancing¹² | | | | | | | | 69.0% |

⁶ **Allocation Report** covers the period from 1st January 2021 to 31st January 2024.

⁷ **Total Invested Amount** represents the total amount of investment MVM spent on the respective activities between 1st January 2021 and 31st January 2024. This amount includes investments that were 100% aligned to the EU Taxonomy, those that were aligned on a best-efforts basis, and those not Taxonomy-aligned

⁸ **Signed amount** represents the amount legally committed by MVM to the project, portfolio of projects that is eligible for Green financing. This amount includes only 100% Taxonomy-aligned projects.

⁹ **Allocated Amount** represents the sum allocated to the Green Financing Instruments. All proceeds have been allocated on CAPEX basis, from CAPEX of the period between 1st January 2021 and 31st January 2024.

¹⁰ **EU Taxonomy:** All expenditures allocated to the Green Financing Instruments contribute to the EU Environmental objective of Climate Change Mitigation. Alignment was verified on a limited assurance basis by MVM's auditor, Deloitte.

¹¹ **Electricity Networks Green Ratio:** Signed amounts of electricity transmission and distribution expenditures are allocated to the use of proceeds pro-rata, based on the share of low carbon electricity production of MVM's electricity generation mix, referred to as Green Ratio.

Green Ratio was:

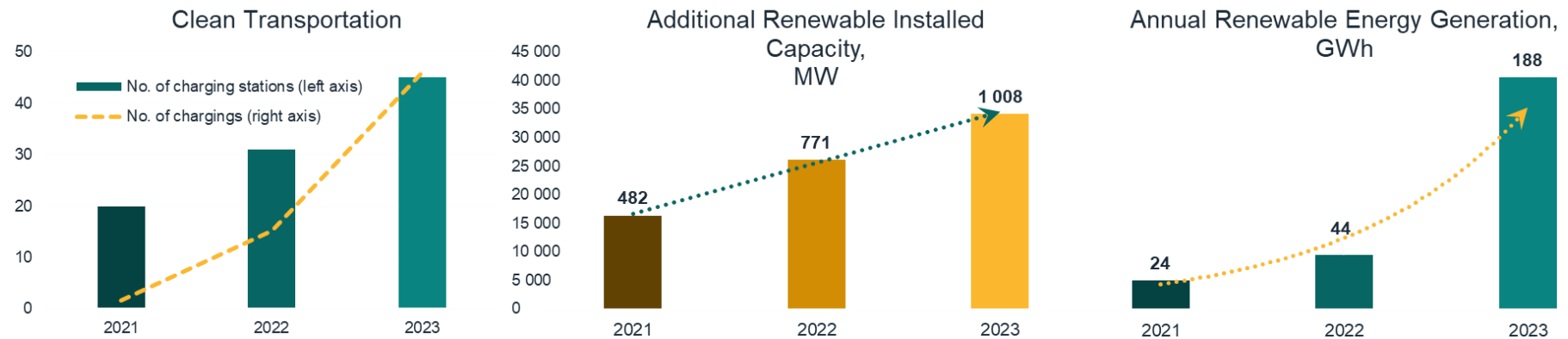
- 81.8% in 2021
- 82.7% in 2022
- 85.9% in 2023.
- No 2024 electricity network investments were allocated to the Green Financing Instruments.

¹² **Refinancing** is defined as expenditures incurred in financial years 2021 or 2022.

Impact Report

The following metrics are calculated to measure the environmental benefits related to Eligible Green Projects funded by the Green Financing Instruments. The impact reporting period is 1st January 2021 to 31st December 2023. Since such data are generated annually, for January 2024, impact information is not yet available. All reported impact is the calculated / measured actual impact of investments financed from the Green Financing Instruments. No future expected / estimated impacts are included under these figures. The impact calculations are based on the impact attributable to the Green Financing Instruments on a pro-rata basis, depending on the share of the projects financed by the Green Financing Instruments.

Impact reporting table was prepared aligned with the portfolio approach impact reporting described in “Handbook - Harmonized Framework for Impact Reporting (June 2023)”.



IMPACT REPORT

| Eligible Green Category | Eligible amount | Allocated Amount | Share of allocation | tCO ₂ emissions avoided ¹³ | Annual renewable energy generation (GWh per year) ¹⁴ | | | Additional Renewable Installed Capacity ¹⁵ | Share of Network Developments Allowing Renewable Integration ¹⁶ | No. of electric charging stations installed | No. of utilization (charging) on electric charging stations ¹⁷ | Contribution to specific UN SDGs |
|-------------------------|-----------------|------------------|---------------------|--|---|--------------|---------------|---|--|---|---|---|
| | (USD millions) | (USD millions) | % | (tCO ₂ e) | 2021 | 2022 | 2023 | (MW) | % | | | |
| Renewable Energy | 347.77 | 281.11 | 37.5% | 46,552 | 23.55 | 44.12 | 188.32 | 517.31 | | | | 7 (Affordable and Clean Energy); 9 (Industry, Innovation and Infrastructure); 13 (Climate Action) |
| Electricity Networks | 658.98 | 467.54 | 62.3% | | | | | 2,261.00 | 55.8% | | | 7 (Affordable and Clean Energy); 9 (Industry, Innovation and Infrastructure); 13 (Climate Action) |
| Clean Transportation | 2.41 | 1.34 | 0.2% | | | | | | | 96 | 56,443 | 11 (Sustainable Cities and Communities) |
| Total | 1,009.17 | 750.00 | 100.0% | 46,552 | 23.55 | 44.12 | 188.32 | 2,778.31 | 55.8% | 96 | 56,443 | |

¹³ **tCO₂ emissions avoided:** Avoided CO₂ emissions represent the amount of emissions that would have been produced if the same amount of electricity had been generated using MVM's average GHG emissions intensity from its electricity production plants.

¹⁴ **Annual renewable energy generation (GWh per year):** Actual amount of electricity generated by the renewable capacity financed from the Green Financing Instrument.

¹⁵ **Electricity Network Additional Renewable Capacity** represents the additional renewable energy capacity connected to the Hungarian grid (both to TSO and DSOs) during the Impact Time Period (2021-2023).

¹⁶ **Share of Network Developments Allowing Renewable Integration** includes all necessary investments - direct or indirect - indicated by DSO companies and performed by the TSO MAVIR in order to connect new renewable capacities to the grid, for which license had been requested. During the period 2021-24, MAVIR invested a total of 230 million USD on the integration of renewable capacities to network, that equaled to 55,78% of the total amount spent for such investments. However, Electricity Network Investments also include an acquisition where such details cannot be calculated.

¹⁷ **No. of utilization (charging) on electric charging stations:** Number of all recorded occasions when electric charging stations financed from Green Financing Instrument was utilized for vehicle charging.

External Verification



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INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Management Board of MVM Zrt.

Szentendrei út 207-209.

1031 Budapest

Scope of the work performed and applicable criteria

We have carried out an engagement providing limited assurance on review that MVM Zrt.'s (the "Company") Green Financing Report (hereinafter "Report") covering the period from 1 January 2021 to 31 January 2024, use of proceeds from priced 1, June 2023 Green Bond ISIN XS2634075399 in accordance with provisions of the Green Bond Framework published by the Company on 30 May 2023 (the "Framework") and comply, in all material respects the requirements of the International Capital Markets Association Harmonised Framework for Impact Reporting ("ICMA Impact Reporting").

The scope of our work covered the following:

- Assessment of the amount allocated to projects or asset and capital investments that is eligible for Green financing (or re/financing),
- A category-by-category assessment of the amount allocated to the appropriate Green portfolio,
- Evaluation of the compliance of asset and capital investments allocated to the appropriate Green Portfolio with EU Environmental Goals (EU Taxonomy)
- Verification of the quantification of unused amounts
Assessment of impact indicators of the selected green instruments

Responsibilities of the Board of Directors

The Management Board of the Company is responsible for the preparation and presentation of Report in accordance with the Framework, which complies with requirements of ICMA Impact Reporting. This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. necessary to enable the preparation of the Report that is free from material misstatements, whether intentional or unintentional. The Company's Board of Directors is also responsible for providing true, fair, and accurate information and for the correct preparation of the documentation provided.

Independence and quality control

In performing the service, we have complied with the independence and other ethical requirements set out in the Code of Ethics for Auditors (including the International Independence Standards) developed and approved by the International Ethics Standards Board of Accountants, which includes independence requirements and other requirements based on integrity, objectivity, professional competence and due care, confidentiality and good professional conduct.

We maintain and implement a comprehensive quality management system in accordance with the International Standards on Auditing and Assurance Services (ISQM 1) of the International Auditing and Assurance Standards Board (IAASB), which operates on an ongoing and iterative basis and responds to changes in the nature and circumstances of the Company and to its recommendations.

Our responsibility

Our responsibility is to provide a limited assurance conclusion on the content of the Report and the information contained therein based on the procedures performed and the evidence obtained. We have performed our limited assurance engagement in accordance with the International Auditing and Assurance Services Standards Board's ISAE 3000 (Revised) Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires us to design and perform our engagement to obtain limited assurance regarding the subject matter of the engagement.

The procedures performed under a limited assurance engagement are different in nature and more limited in scope compared to a reasonable assurance engagement. As a result, the level of assurance obtained through a limited assurance service is significantly lower than the level of assurance that can be obtained through a reasonable assurance service.

The procedures we performed were based on our professional judgment, our assessment of the risk of material misstatement of the Report due to intentional acts or misstatements, and included interviews, observation of processes performed, examination of documents, analytical procedures, evaluation of calculation methods, and reconciliation with underlying records.

As part of the engagement, we carried out, amongst others, the following procedures:

- Review that the content of the Entity's Green Financing Report meets and the data it includes are in line with the following requirements set out in the ICMA Impact Reporting guidelines:
 - Core Principles and Recommendations for Reporting
 - Sector Specific Guidance and Reporting Metrics
- Conducting interviews with relevant staff involved in the preparation of the Green Financing Report on the preparation process, the actions required to prepare the report and the information contained in the Report
- Accordance of the presentation of the impact indicators of the selected green instruments with the ICMA Impact Reporting guidelines:
 - #1) Annual energy savings in MWh/GWh (electricity)
 - #2) Annual GHG emissions avoided in tonnes of CO2 equivalent

We are of the opinion that the evidence obtained is sufficient and appropriate to form the basis of our limited assurance conclusion.

Inherent limitations

The process which the Company adopts to define, gather, and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection, and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Sustainability Report is subject to inherent limitations given its nature and the methods for determining, calculating, or estimating such information.

Our review did not address the following issues:

- Assessment of the impact indicators of future green assets:
 - #1) Estimated annual energy savings in MWh/GWh (electricity)
 - #2) Estimated annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
- Examination of the assumptions underlying the models used for the Entity's calculations and the resulting numerical data presented in the Report.
- Evaluation of further information disclosed in the Report.

Conclusion

Based on the procedures carried out and the evidence obtained, nothing has come to our attention that would lead us to believe that the Report covering the period from 1 January 2021 to 31 January 2024 did not comply in all material respects with the Green Bond Framework published by the Client in 30 May 2023 and ICMA Impact Reporting guidelines.

Restrictions on use and other restrictions

The report has been prepared solely for the information of the Management Board of MVM Zrt. This report is therefore not intended to provide third parties with support in making any investment or financial decisions. Our responsibility with respect to our Client, is governed by the Engagement Letter dated 8 February 2024. We do not assume any responsibility to any third party.

Budapest, May 21, 2024



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