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MNB treasury



ADB Forum on Investment Management of  
Foreign Exchange Reserves

# GREEN INVESTMENTS AT THE MAGYAR NEMZETI BANK

Bali, 25 October 2023



# SUSTAINABLE FINANCE IN THE EUROPEAN UNION



Minimum **40%** cut in greenhouse gas emissions compared to 1990 levels



At least a **32%** share of renewables in final energy consumption



At least **32.5%** energy savings compared with the business-as-usual scenario



CLIMATE CHANGE MITIGATION



CLIMATE CHANGE ADAPTATION



SUSTAINABLE USE OF WATER AND MARINE RESOURCES



CIRCULAR ECONOMY

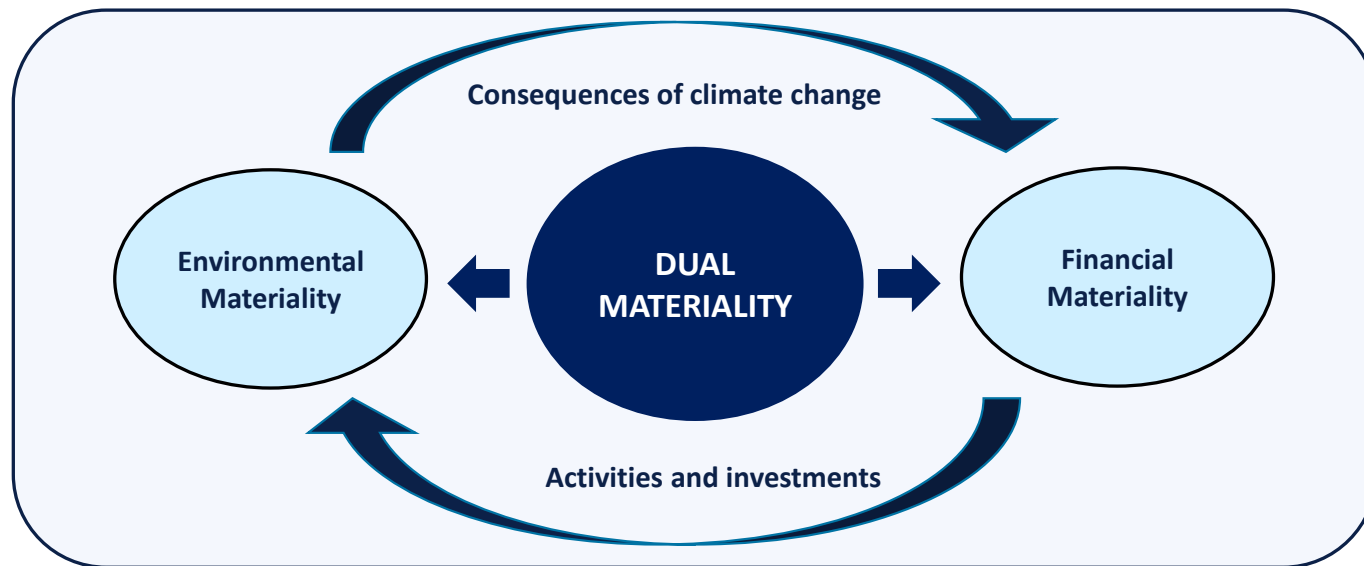


POLLUTION PREVENTION

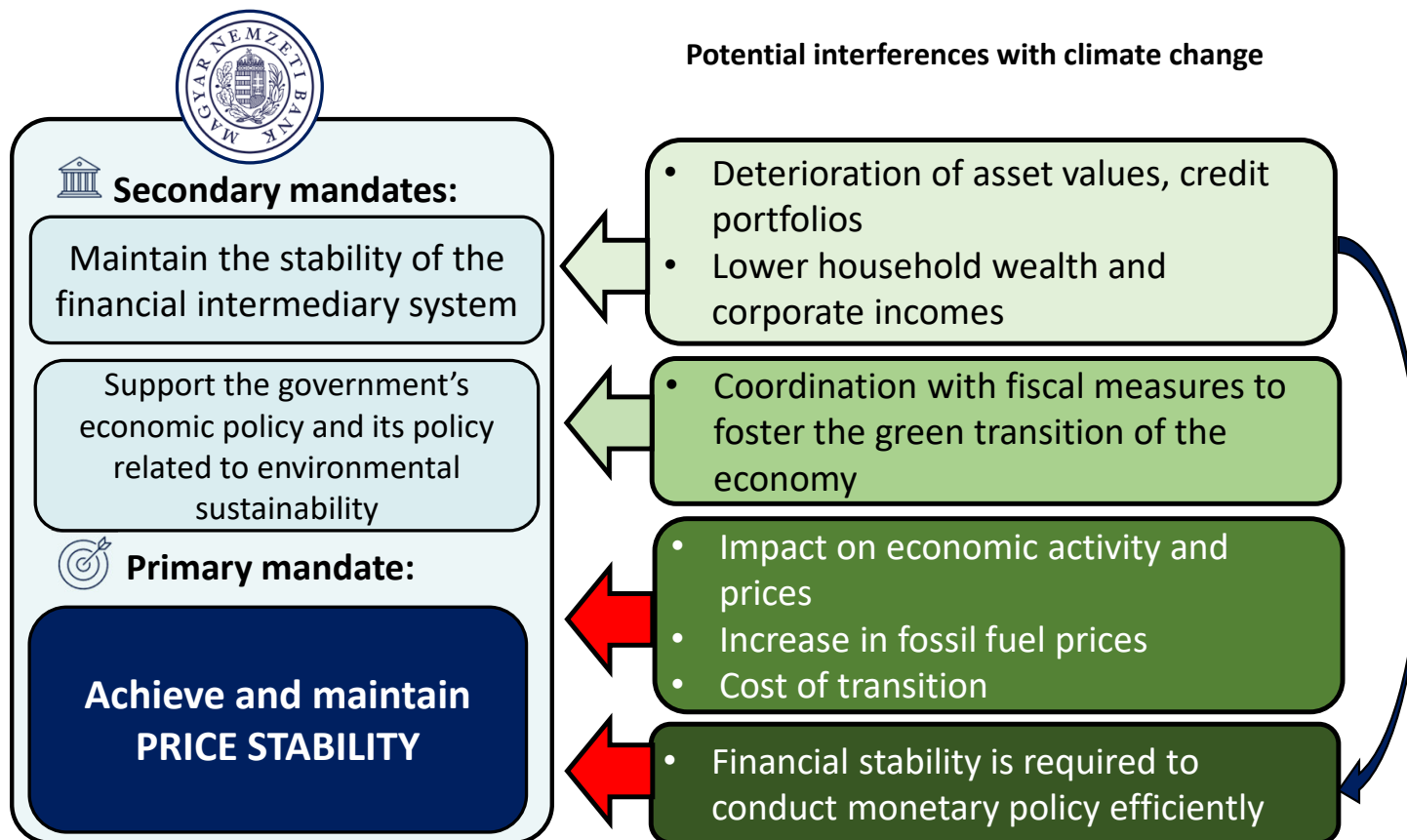


HEALTHY ECOSYSTEM

# „RISK” VS „IMPACT”



# MNB'S LEGAL MANDATE I.



## MNB'S LEGAL MANDATE II.



Core objectives of MNB is to **maintain price and financial stability.**

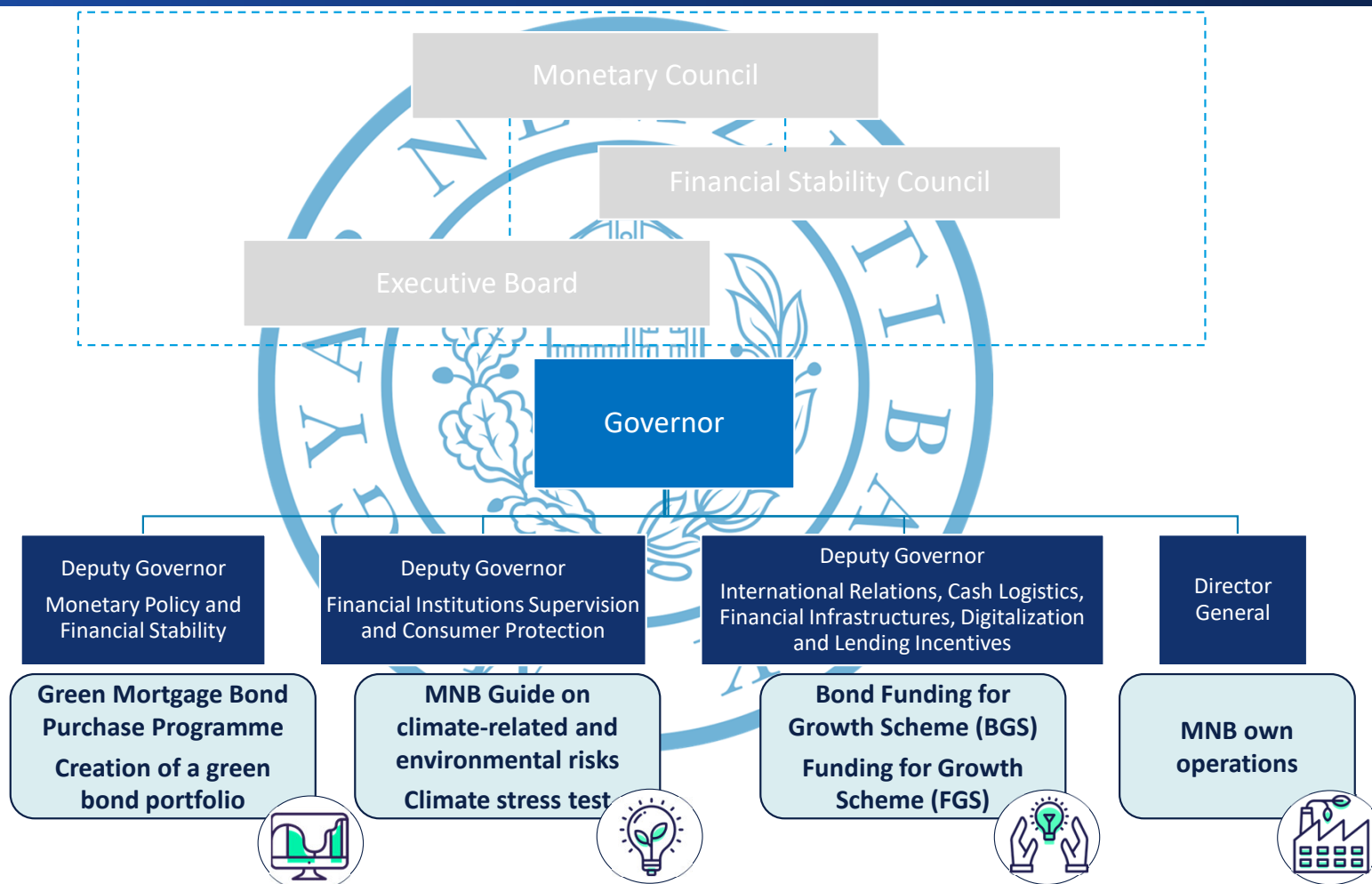


**In May 2021, MNB was among the first central banks in Europe to receive an explicit sustainability mandate by the parliament:**

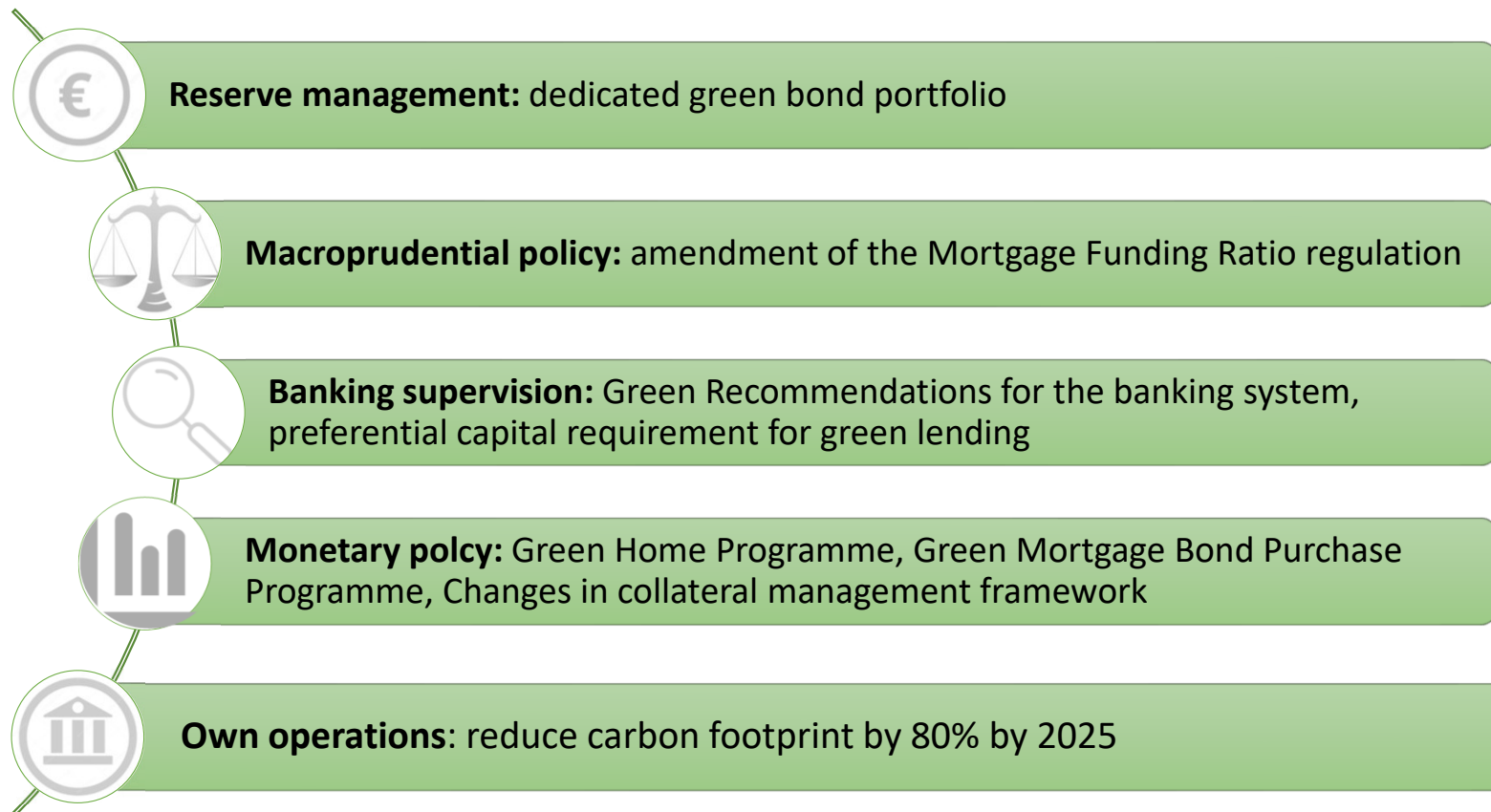
*„Without prejudice to its primary objective, ...and shall support the economic policy of the Government and its policy related to **environmental sustainability** using the means at its disposal.”*



# TOPICS WERE SPLIT ACCROSS THE ORGANIZATION



# MNB TOOK ALREADY SEVERAL STEPS IN EVERY STREAM



Broad set of assets covered by the report  
 Due to the lack of data and reliable methodology, full coverage is not (yet) achievable

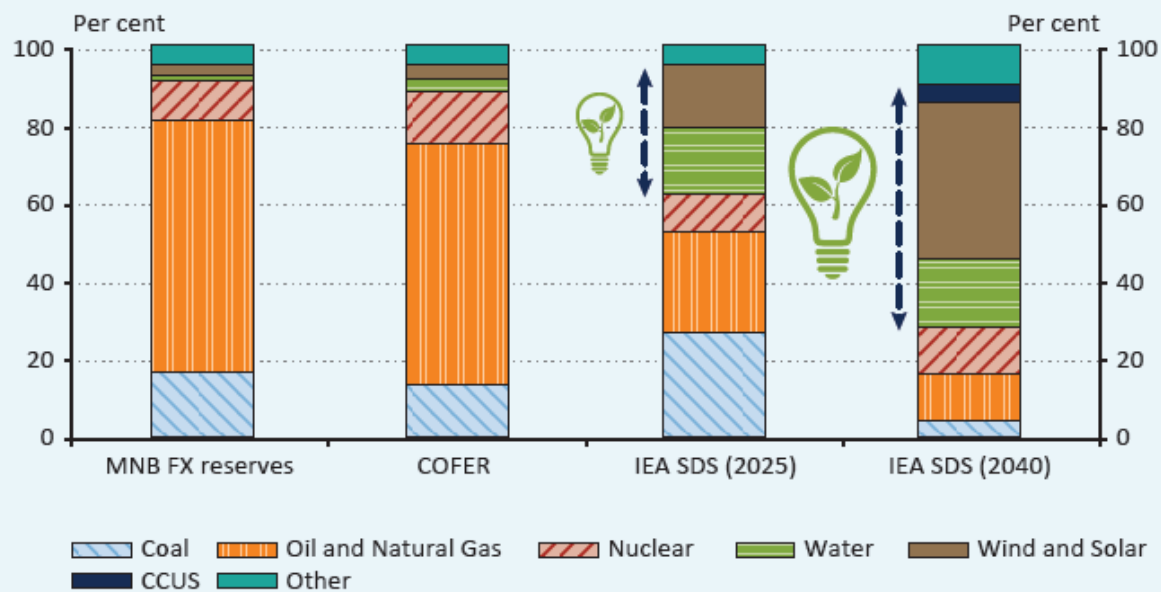


	Gold and Foreign Exchange Reserves	Government Securities Purchase Programme	Bond Funding for Growth Scheme (BGS)	Funding for Growth Scheme (FGS)	Mortgage Bond Purchase Programme	Collateral Management
Coverage in the Report	sovereign issues	Hungarian government securities	Hungarian corporate bonds	Hungarian SME-loans	Hungarian mortgage bonds	Hungarian government and corporate bonds
Metrics applied	WACI, energy mix, CAT, physical risk	WACI, energy mix, physical risk	WACI, brown share, physical risk	WACI, brown share, physical risk	saved GHG-emissions	WACI, brown share, physical risk



# ENERGY MIX OF SOVEREIGN SECURITIES IN FOREIGN RESERVES

Energy production by sources



Note: Carbon Capture, Utilisation and Storage (CCUS) refers to innovative technologies to reduce GHG emissions.

Source: MNB calculations based on 2021 energy production data from the International Energy Agency



# CARBON FOOTPRINT OF MNB'S OPERATIONAL ACTIVITIES

MNB has been continuously monitoring its operational carbon footprint for 10 years

The MNB aims to reduce its carbon footprint from its operational activities

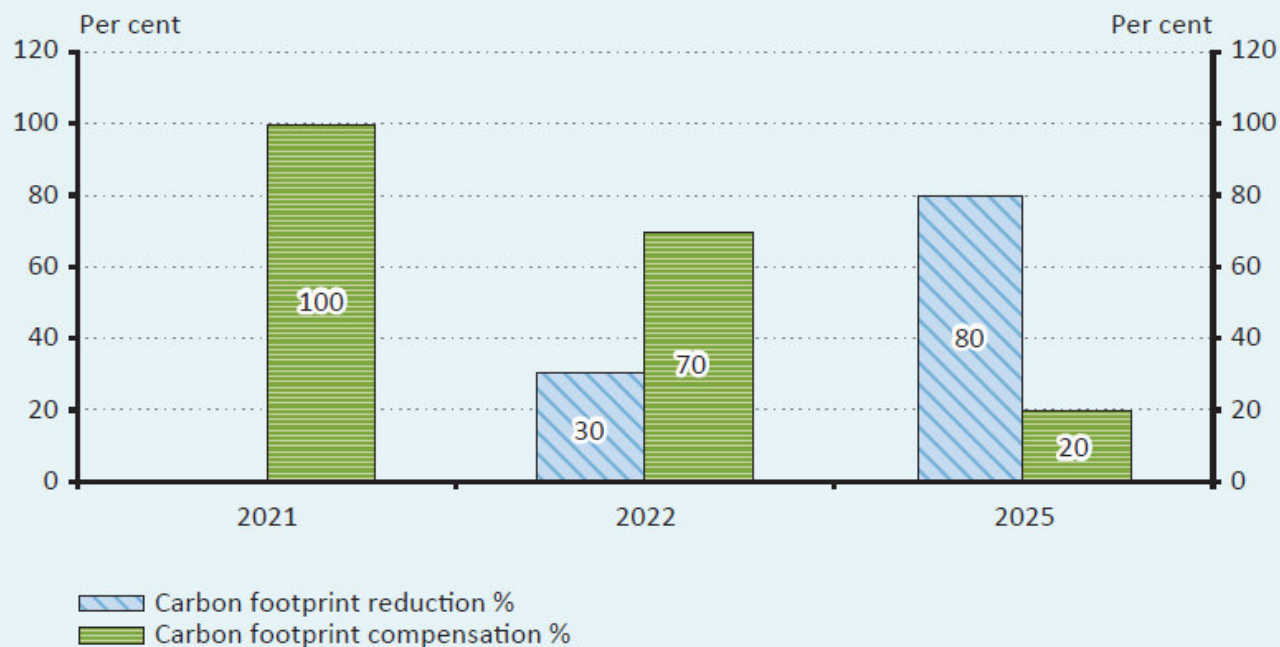
The MNB achieved to reduce its operational carbon footprint by 30% (2019-2021)

Carbon emissions/sources	Evolution of the carbon footprint (CO2 emissions in tons)					Change from base year 2019, %
	2017	2018	2019	2020	2021	
SCOPE 1 total	1,015	960	971	1,076	1,090	11.8
SCOPE 2 total	3,785	4,010	4,092	2,624	3,013	-28.5
SCOPE 3 total	1,136	857	958	383	170	-69.4
<b>SCOPE 1 - SCOPE 3 total</b>	<b>5,936</b>	<b>5,827</b>	<b>6,021</b>	<b>4,082</b>	<b>4,273</b>	<b>-29.4</b>
<b>Carbon footprint per capita (tons/capita)</b>	<b>4.7</b>	<b>4.5</b>	<b>4.6</b>	<b>3.1</b>	<b>3.2</b>	<b>-30.4</b>

# SUSTAINABILITY GOALS FOR OWN OPERATIONS



Timetable for the transition to carbon neutrality



# INVESTMENT APPROACHES IN FOREIGN RESERVES



# GREEN BOND PORTFOLIO IN MNB'S FX RESERVES



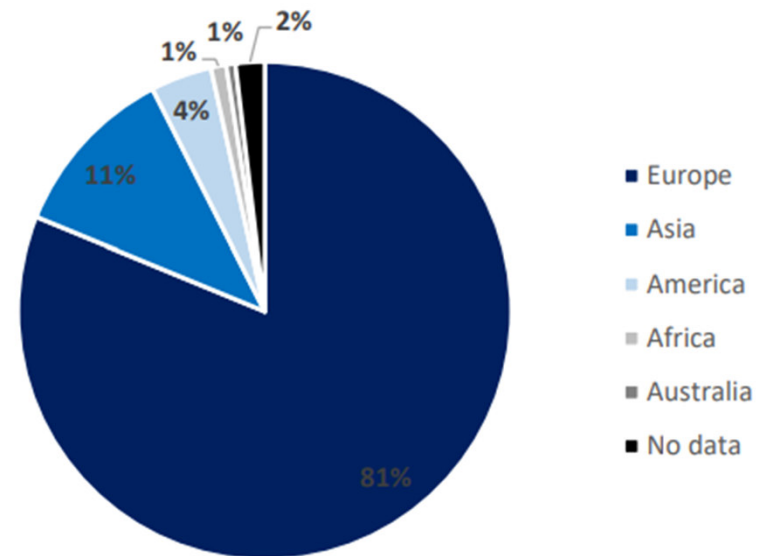
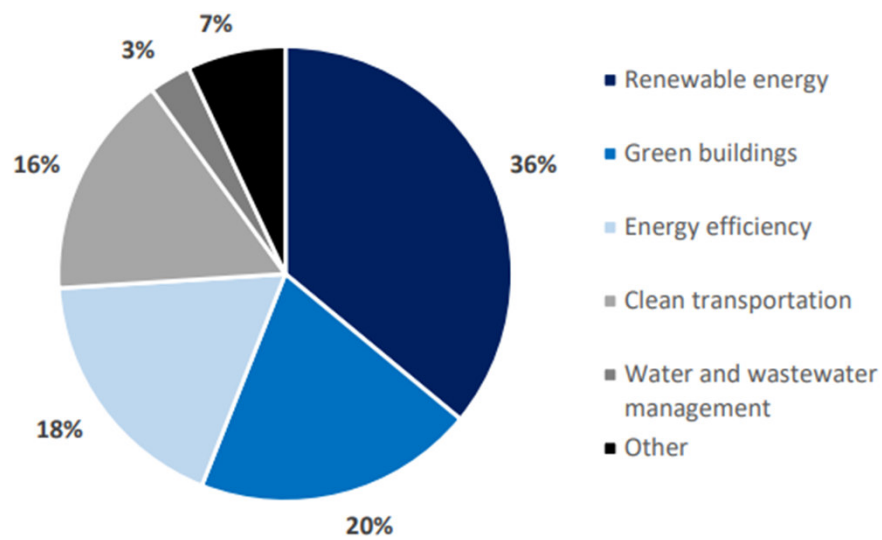
## WHY

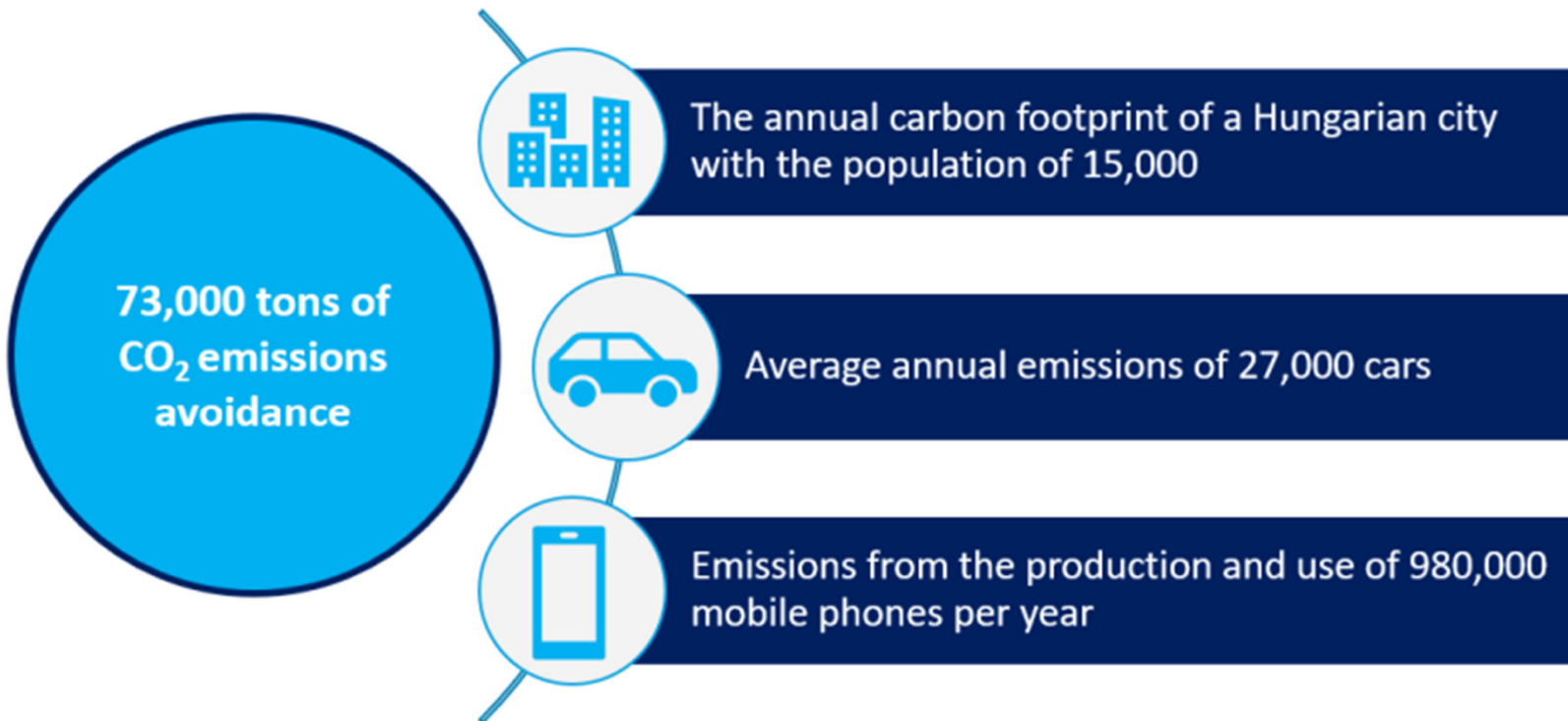
- **Many issuers in our investment universe are already in this space**
- **Fitting into our mandate from risk/reward perspective → greenium is offset mainly by the secondary performance**
- **More direct and measurable environmental impact than in other ESG approaches**

## WHAT

- **Dedicated green bond portfolio in EUR, started in 2019**
- **Semi-active, managed ag. GB BM filtered by internal requirements**
- **Financial performance + Impact measurement**
- **Longer duration target / govies, SSAs, credits / focus on primaries**

# IMPACT REPORT 2022





Source: MNB

# ISSUES AROUND IMPACT REPORTING



Project main data		
Borrower	Project location	Project description
SNCB Brussels	BE	Refinancing of 6 M6 coaches, mainly utilized in the domestic market and in some cross-country services with Luxemburg.

Impact data (per EUR 1M)***	
Annual CO <sub>2</sub> emissions reduced/avoided	Annual energy savings
Tons/ML€	GWh/ML€
168.0	0.2

Total portfolio (since 2018)

587.0 0.8

SDG	NEB Category	GHG emissions reduced or avoided <sup>5</sup>
		tCO <sub>2</sub> e/a
	Clean transport solutions	59 500
	Energy efficiency <sup>1</sup>	24 300
	Green buildings <sup>2</sup>	900
<b>Total pro-rated outcome / impact<sup>7</sup></b>		<b>1 096 750</b>

**Project Name  
(Number/Year Loan Approved)  
and Description**

**Indonesia: Java-Bali Electricity Distribution Performance Improvement (2619/FY2010):**  
Reduce distribution system losses; and, with an energy-efficient lighting program, reduce demand-side energy consumption.

**Annual GHG Emission Avoided (tons of CO<sub>2</sub> Equivalent)<sup>b</sup>**

330 000

Substitution factor for photovoltaic installations in Germany					
%	Nuclear energy	Lignite	Hard coal	Natural gas	Oil
Photovoltaic panels	0.5	17.5	49.4	32.6	0.0

Source: Umweltbundesamt (2020)

RE & EE | Transport | Water, Urban Infra | Blue

permission.





# Thank you!