



SUSTAINABILITY PERCEPTION INDEX HUNGARY 2024

Compass in the Hungarian
Banking Sector's Green transition

REPORT

PUBLISHED IN SEPTEMBER, 2024



Contents

WELCOME	3
MNB FOREWORD	4
INTRODUCTION	6
EXECUTIVE SUMMARY	11
RESULTS OF SUSTAINABILITY PERCEPTION INDEX	13
BANK READINESS PERCEPTION	13
CONSUMER PERCEPTION	24
TRANSPARENCY	35
SUSTAINABILITY IN ACQUIRING OVERVIEW	42
SUSTAINABILITY OUTLOOK	44
SOCIAL SUSTAINABILITY OVERVIEW	44
REGULATORY OVERVIEW	48
SUSTAINABILITY-RELATED CHALLENGES	51
METHODOLOGY	54
REFERENCES	56
DEFINITIONS	60

Welcome



„We are dedicated to environmental sustainability, understanding that it is vital for both our business and the planet. We believe that discussing and taking action on this pressing issue is imperative.”

Gergely Márkus

**Mastercard Country Manager
for Hungary and Slovenia**

Climate change affects everyone in some form globally, including significant impacts on ecosystems such as biodiversity loss and habitat disruption. While climate change has occurred naturally in Earth's history, human activities are accelerating climatic variation, leading to an increase in extreme weather events and gradually rising sea levels. If we do not take immediate action, the consequences will intensify and become irreversible. Today presents a crucial opportunity to make lasting changes for future generations. It is our shared responsibility to protect life on our planet.

Transitioning to a sustainable society requires collaboration across all sectors. Financial institutions can play a pivotal role in advancing sustainability by integrating environmental, social and governance (ESG) criteria into their investment strategies. They have the potential to finance renewable energy projects, support green technologies and promote sustainable practices that not only mitigate environmental impact but also address social responsibility. This includes initiatives for community development, fair labor practices and inclusive economic growth.

At Mastercard, we are committed to supporting the financial sector in this essential transition. That is why we developed the Sustainability Perception Index. This multi-faceted analysis examines environmental sustainability perceptions within the Hungarian issuing banking sector with an outlook on acquiring banks, while also considering social sustainability aspects. By understanding market needs, identifying opportunities and addressing challenges, Mastercard is supporting banks on their journey toward a more sustainable and green future.

In the Index, we examine the Hungarian financial sector's mindset toward environmental sustainability from three perspectives:

- **Banks' perceptions of their sustainable operations and initiatives**
- **Consumers' perceptions of banks' sustainability performance**
- **Financial institutions' transparency through their disclosure activity**

MNB Foreword

Climate change is one of the most significant challenges of our time, posing an existential threat on Europe and the entire world. Last year, we exceeded the pre-industrial global average temperature level by 1.48 degrees Celsius, making 2023 the hottest year ever documented in history. In 2015, world leaders in Paris set the goal of keeping global warming below 2 degrees Celsius, and preferably below 1.5 degrees Celsius. According to the World Meteorological Organization's forecast, the year 2024 promises to set a new record, and in one of the next four years, there is a 66 percent probability that we will not only approach but also exceed the psychological threshold of plus 1.5 degrees Celsius. If we do not act soon, the warming will place an increasingly heavy burden on economies and societies.

According to the scientific consensus, human activities are responsible for the current situation through the use of fossil fuels and the destruction of vegetation. The global reduction of greenhouse gas emissions is essential to avoid the threat posed by climate change. In addition to limiting the increase in global average temperature and adapting to climate change, the Paris Climate Agreement also sets requirements for the financial sector: efforts must be made to ensure that 'financial flows are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'. Slowing climate change and preventing environmental and economic damage necessarily entail significant costs.

In order to address the above-mentioned problems, the European Green Deal aims to transform the European Union's economy into a modern, resource-efficient, and competitive economy. With the European Climate Law, the EU has made a legal commitment to become the world's first climate-neutral continent. To this end, the member states have committed to reducing their greenhouse gas emissions by at least 55 percent by 2030 compared to 1990 levels. The implementation of the European Green Deal will be supported by sustainable financing measures, which will boost private investment in green and sustainable projects. One such measure is the EU taxonomy regulation for the classification of green investments.

In line with the EU's climate goals, Hungary's climate policy is also ambitious, as we have committed to reducing our greenhouse gas emissions by 55 percent by 2030 and making our country climate-neutral by 2050 at the latest. Hungary is not resilient to global warming either. A significant part of the country's territory is considered to be among the regions of the European Union which are more vulnerable to climate change. The Central Bank of Hungary (Magyar Nemzeti Bank, MNB), empowered by the MNB Act with a green mandate, supports the government's environmental sustainability policies using the tools at its disposal, without jeopardizing its primary objective. In 2019, the Central Bank of Hungary announced its Green Programme, aimed at promoting environmental sustainability in the financial sector, which is considered a key factor for both long-term, healthy economic growth and the stability of financial markets. With the program, we aim to strengthen a financial system that is resilient to environmental economic shocks and prepared for future challenges, thereby becoming a driver of the green economic transition.

The MNB's Green Programme rests on three pillars. Under the first pillar, we strive to make environmental risks measurable and quantifiable – for example, by applying supervisory climate stress tests – that the financial sector will face in the coming years and decades. Additionally, we aim to enhance the awareness and preparedness of the domestic financial sector for managing climate-related and environmental risks through regulatory tools, recommendations,

and incentives. Also under this pillar, we seek to make green financing attractive through incentives, thereby promoting the sustainability transition. This is important because the attitude of banks in lending can play an active transformative role in financing the green economic transition.

In the context of climate change, identifying and managing risks is of paramount importance, but opportunities must also be uncovered. The Magyar Nemzeti Bank welcomes all initiatives, including the Mastercard Sustainability Perception Index, that place the sustainability efforts of the financial sector on a designated action path through data-driven analysis and make the achievements thus far visible to consumers.

The Sustainability Perception Index consists of three pillars: the self-assessment of banks' preparedness, the questionnaire-based measurement of consumer perceptions, and the evaluation of transparency based on available bank sustainability disclosures. The result is a composite indicator evaluating the Hungarian banking system on a scale from 0 to 100, along with separate indicators for each of

the three aforementioned dimensions. The Mastercard Sustainability Perception Index thus provides a detailed snapshot that, on one hand, gives feedback to market participants and policymakers about how their sustainability efforts are perceived externally, and on the other hand, highlights potential areas for action, guiding them on the path to making the Hungarian banking system more sustainable.

Most Hungarian banks have taken increasing amounts of steps toward achieving sustainability in recent years, ranging from carbon neutrality in their own operations to developing green products and improving their sustainability disclosures. This list is not exhaustive, and there is still a long way to go before the stated goals are fully achieved. The score of the Sustainability Perception Index – 62 points in 2024 – also indicates that there are still untapped opportunities within the banking system for improving sustainability. It is remarkable that, in addition to creating the index, Mastercard is also committed to exploring these opportunities, identifying potential directions for the Hungarian banks participating in the survey.



Dr. Csaba Kandrács

**Deputy Governor,
Magyar Nemzeti Bank**



Introduction

In 1987, the United Nations defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 2024).

The U.N. Sustainable Development Goals (SDGs) are a vital framework comprising 17 interconnected objectives to improve global well-being and address climate change impacts (United Nations, 2024). Among these goals, environmental sustainability stands out as a critical concern. Recent assessments based on the concept of Planetary Boundaries reveal that we have already exceeded six of the nine critical thresholds for Earth’s stability. This alarming situation could lead to a projected global temperature rise of 3.2 degrees Celsius by 2100, underscoring the urgency for prompt and targeted actions to protect our planet and future generations (Stockholm Resilience Centre, 2023).

While sustainability is a complex and constantly evolving issue, urgent and comprehensive actions are needed to achieve society-wide sustainable development and a green transition, which is a shift toward economically sustainable growth resulting in an economy not based on fossil fuels and the overconsumption of natural resources (Favas, 2023). The Paris Agreement, a legally binding international treaty on climate change aims to limit global warming to 1.5 degrees Celsius above pre-industrial levels (UNFCCC, 2024). Despite global efforts and rapid increases in renewable energy capacity driven by policy support and energy security concerns, emissions reached a record high in 2022, and the promised climate funding from wealthy nations remains unmet, undermining global cooperation (Nature, 2023).

From CEOs to young adults, a demand for action

Sustainability has become a crucial concern for a wide array of stakeholders, from multinational CEOs to environmentally conscious consumers. In 2022, three-quarters of organizations increased their investment in sustainability (Deloitte, 2023) and as of 2023, almost all major global firms were publishing sustainability reports, with a substantial number of Europe's largest public companies committing to net-zero emissions by 2050 (KPMG, 2022).

Regarding consumers across different generations, the younger ones notably experience varying degrees of anxiety about climate change, leading to mixed reactions and a sense of inertia. They often feel pessimistic about the future and look for guidance to better understand these challenges, advocating for collective action to achieve shared environmental goals (European Science-Media Hub, 2022). As people become increasingly informed about sustainability, a substantial number are also demanding green solutions and products from companies as well as financial institutions (Mastercard and Impetus Research, 2024).





Regional policies, global change

Policies around sustainability have become mainstream across industries globally. The EU committed to sustainability under the comprehensive framework of the European Green Deal, which encompasses a wide range of environmental policies and actions across the region (European Commission, 2024c). To mention a few of the other initiatives happening globally:

- The EU has banned single-use plastics since 2021 to combat plastic pollution (European Commission, 2021), and set a target of 2035 to phase out the sale of new diesel and petrol cars (European Parliament, 2022).
- The Net-Zero Industry Act shows the EU's commitment to expanding the manufacture of clean technologies (European Commission, 2024a).
- Some EU countries have restricted short-haul flights where viable train alternatives exist, as part of their strategy to achieve environmental goals (Forbes, 2023).
- The Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR) or the ESG Törvény (ESG Law) in Hungary aim to facilitate a green transition by enhancing ESG transparency and accountability.
- In the USA, the Securities and Exchange Commission (SEC) mandated in 2024 that companies disclose climate-related information, including greenhouse gas emissions, climate risks and transition plans, in their registration statements and periodic reports to ensure consistent and comparable data for investors (S&P Global, 2024a).
- ESG reporting is gaining importance in South Africa, as the country aims for net-zero emissions by 2050, supported by frameworks like the Green Finance Taxonomy (Greenstone, 2023).
- China has set up green finance policy pilot zones in Shenzhen and Chongqing to promote sustainable financial practices, with the aim of making green investments more transparent and encouraging financial institutions to focus on environmental issues (Green Finance & Development Center, 2023).

Although there is notable regulatory advancement globally, further strong and rapid involvement of regulators is needed to achieve a more sustainable economy.

A leadership role for financial institutions

Financial institutions play a fundamental role in the fight against climate change by influencing customer habits and corporate funding. Financing the green transition with projects like renewable energy requires the involvement of the private sector, thus climate neutral banking is essential in helping to prevent a climate crisis (World Economic Forum, 2024). This approach not only reduces financial risks from natural disasters but also opens up new business opportunities, such as attracting new clients or markets and developing new green products.

Prioritizing sustainable banking practices improves transparency, reduces data challenges and enhances brand value, making banks more attractive to consumers, employees, and investors over time (Forbes, 2022).

This year marks our second Mastercard Sustainability Perception Index report, designed to track the progress of the Hungarian banking sector's environmental sustainability performance based on perception. Our aim remains clear: to encourage a positive cycle in which informed consumers demand more sustainable solutions.

Supporting the Hungarian financial services sector's green transition coincides with Mastercard's sustainability mission: doing well by doing good. Our mission is to empower people to reach their full potential, advance equitable prosperity around the world and put innovative solutions to work protecting the planet. While all aspects of the ESG framework (environmental, social and governance) are equally important, this report mainly focuses on envi-

ronmental sustainability with topics that include greenhouse gas emissions, climate change, deforestation, biodiversity, waste, pollution and resource depletion, while also factoring in social sustainability aspects. While all consumers are important to financial institutions – personal (individual or retail banking clients) and business (small and medium-sized enterprises and corporations) – this report focuses on the business-to-consumer (B2C) segment due to their vital role in driving sustainability outcomes through evolving demand.

The index uses a set of objective criteria to assess (1) the current steps banks are taking toward environmental sustainability based on self-reported data, (2) consumers' perceptions of the Hungarian banks' environmental sustainability performance, and (3) banks' transparency based on their sustainability reports. The index measures three main dimensions on a scale of 0 to 100.

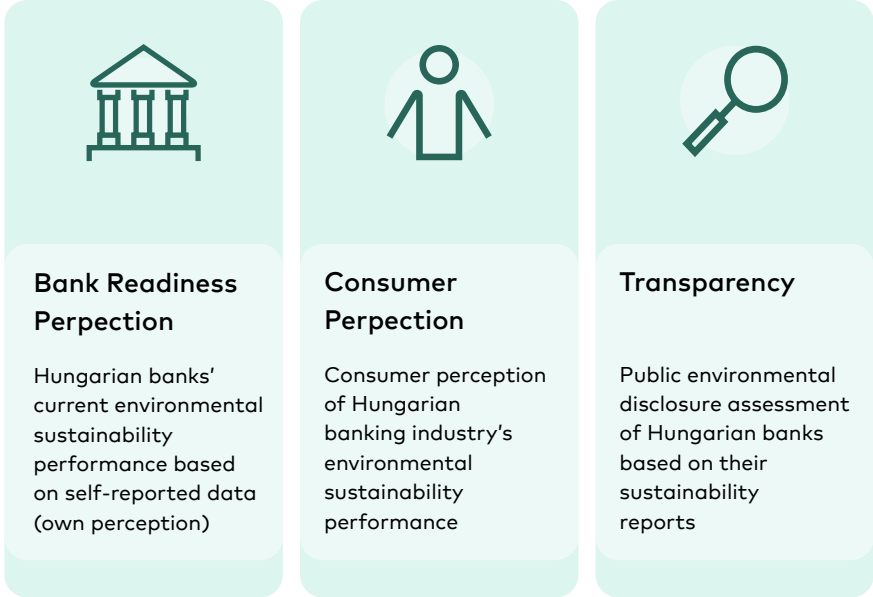


Figure 1: The three pillars of the Sustainability Perception Index

Focus & structure of the report

Key questions:

Where does the Hungarian banking sector stand in environmental sustainability perception?

What are the main gaps between how banks and consumers perceive Hungarian banks' environmental sustainability performance?

What improvements could financial institutions make to be more environmentally sustainable based on consumers' opinions?

Which environmental sustainability initiatives are common among Hungarian issuing banks?

What best practices could Hungarian banks adopt to fine-tune their sustainability reporting?

How do consumers perceive the banking sector from an environmental sustainability standpoint, and what are their sustainability-related expectations?

This report summarizes the index results and discusses the main components and indicators used to quantify the environmental sustainability performance perception of the Hungarian banking industry.*

*All analyses, insights and conclusions are the work and intellectual property of Mastercard.

Study structure

The study is structured as follows:

01

Executive summary

02

In-depth discussion of individual pillars to provide additional insights on key drivers of the index

03

Overview of the acquiring sector's environmental sustainability initiatives

04

Detailed sustainability context including social sustainability, regulatory overview, the index methodology and the sources used

Executive Summary

In 2024, the Sustainability Perception Index scored 62 out of 100, marking a 5-point rise from the previous year showing a gradual evolution.

This result is derived from specific scores across the pillars: Bank Readiness Perception scored 74, increasing significantly by 9 points; Consumer Perception remained stable with a 1-point increase to 41; and Transparency scored 81, increasing by 5 points. The sub-indices together provide a multi-faceted assessment of the perception of Hungarian issuing banks' environmental sustainability performance. Moreover, they explore the details of each pillar and identify future advancement opportunities for all three sub-indices.

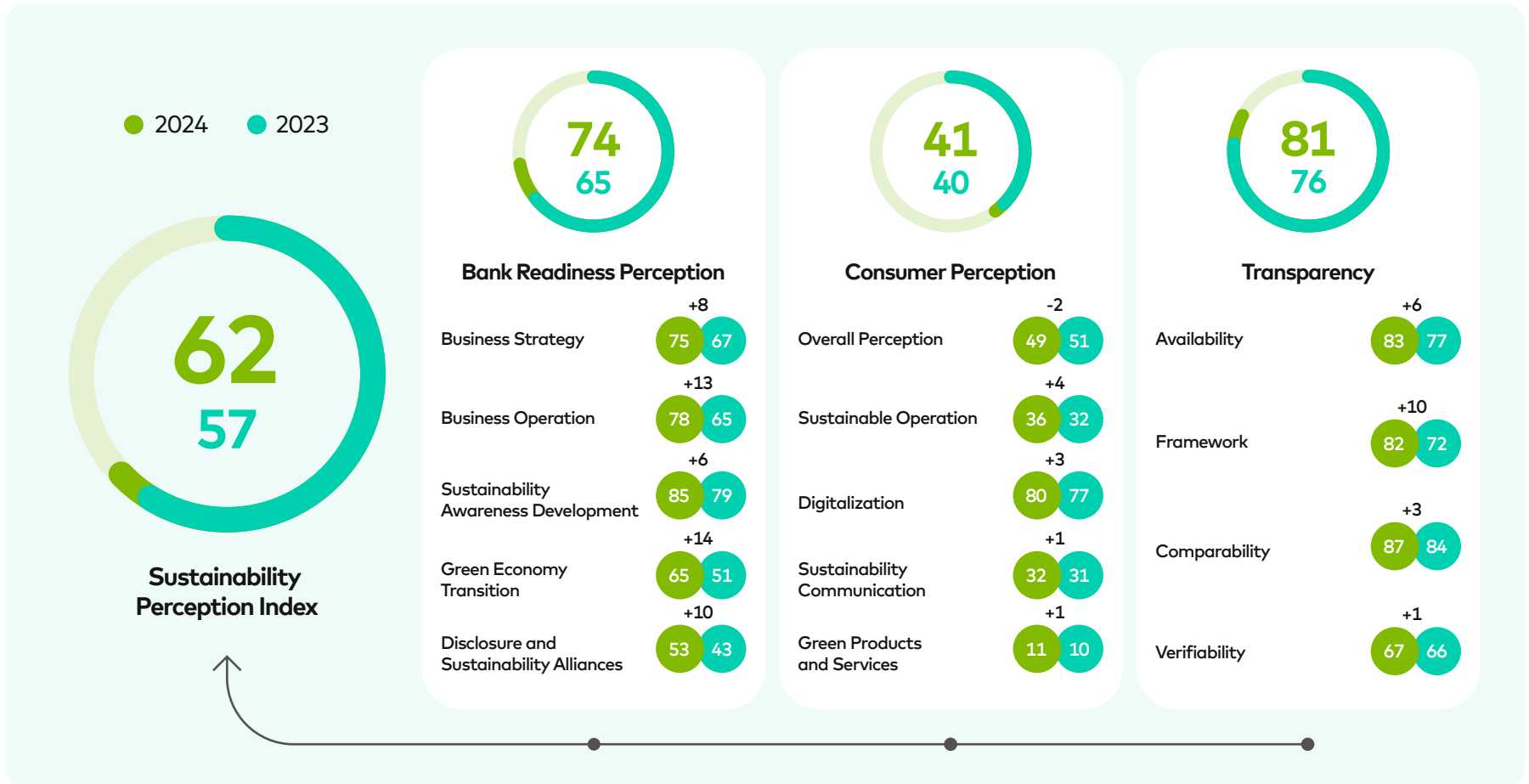


Figure 2: Results of the Sustainability Perception Index

1. BANK READINESS PERCEPTION



The Bank Readiness Perception sub-index increased by 9 points compared to last year's results, scoring 74 points. The most significant development can be seen in the green economy transition and business operation, reflecting banks' active role in the green shift. **Banks could find value by continuing innovating and offering more green products and services for retail and commercial clients such as virtual cards, green cards and green savings accounts.**

2. CONSUMER PERCEPTION



The Consumer Perception sub-index scored 41 points, showing a slight increase compared to 2023. The relatively low score continues to indicate a gap between banks' performance and Hungarian consumers' sustainability awareness. **Increasing their focus on educating consumers about sustainability solutions such as climate-linked products could help financial institutions further drive demand.**

3. TRANSPARENCY



The Transparency sub-index increased by 5 points to 81 points, indicating progress in the reporting practices of the Hungarian banking sector and a higher level of transparency about their sustainability efforts. **Banks could take another step toward maximum transparency by preparing integrated reports on a subsidiary bank level and by improving the verifiability of their ESG reports.**

4. SUSTAINABILITY IN ACQUIRING



Acquirers are mainly connected to commercial clients. Nonetheless, acquirers can have a positive environmental impact on both retail and commercial consumers and can influence their behavior through paperless operations and digitalization. **Acquirers could further drive digital and paperless solution adoption (e.g., digital receipts) while developing terminal-related activities.**

5. SOCIAL SUSTAINABILITY OUTLOOK



Environmental and social issues are deeply interconnected, and Hungarian banks already focus on donations and social banking by providing access to banking services for underserved populations while striving for financial education and inclusion. **Building client awareness around social sustainability is pivotal to intensifying banks' impact via elevated donations, volunteering and by providing access to banking services for underserved populations.**

6. REGULATORY OVERVIEW



While climate-neutral banking is largely voluntary at present, global, European and Hungarian regulations are becoming stricter, moving toward integrating sustainability aspects into the operation of corporations and financial institutions. **Regulations lay the foundations for a green transition in banking as the mindset is shifting from voluntary to mandatory.**

7. SUSTAINABILITY-RELATED CHALLENGES



Integrating sustainability into banking presents various challenges, such as education, data availability and attitudes. Banks also need to identify green investments that leverage existing frameworks, while balancing profitability with sustainability considerations. **Although challenges remain, banks experienced a positive change in data quality and sustainability attitudes compared to the previous year.**

8. FUTURE OUTLOOK



Sustainable banking is no longer a niche trend but a fundamental shift in the financial industry and banks are expected to continue their path in the green transition. Meanwhile, growth in consumer awareness will be essential to make a more profound impact. **Increasing customer knowledge takes considerable time. Thus, banks should consider additional educational efforts, particularly in the field of green banking products and services.**

Results of Sustainability Perception Index

Bank Readiness Perception

Definition:



The Bank Readiness Perception sub-index pillar provides an assessment of Hungarian issuer banks' perception of their environmental sustainability performance.

Sub-index results:



Result: The final score for the Bank Readiness Perception sub-index is 74 (+9 points compared to 2023), outperforming the overall Sustainability Perception Index (62).

Implication: The banking sector has significantly advanced in sustainability over the past year, indicating there is still room for improvement, though to a lesser extent than previously.

Figure 3: Key takeaways of the Bank Readiness Perception pillar

Definitions and objective

The Bank Readiness Perception sub-index pillar provides an assessment of the current environmental sustainability performance of Hungarian issuing banks based on self-reported data. This pillar has five components:

Business Strategy: Summarizes the extent to which surveyed banks include sustainability in their business strategy and financial planning.

Business Operation: Explores how strategy translates to business operations; whether action plans and sustainability KPIs have been

determined, monitored and audited; and whether sustainability aspects are considered when choosing financed entities and suppliers.

Sustainability Awareness Development: Examines the steps banks are taking internally (for employees) and externally (e.g., for consumers) to promote the importance of environmental sustainability.

Green Economy Transition: Investigates how banks consider environmental sustainability during their lending process (including credit assessment) and evaluates banks' green products and services offering.

Disclosure and Sustainability Alliances: Looks at the issuing banks' sustainability-focused alliance memberships, disclosure activity (beyond the sustainability report) and compliance with the pertinent ESG regulations.

Throughout this overview, Mastercard leveraged data and insights from primary research (interviews and surveys with participating banks), as well as public studies and reports (e.g., MNB, CDP).

The primary objective of this sub-index is to assess how surveyed Hungarian banks perceive their own environmental sustainability readiness. This section can provide insights into such questions as:

- What is the Hungarian banking sector's perception about their sustainability readiness?
- Which environmental sustainability initiatives are common among Hungarian issuing banks?
- In what aspects are Hungarian banks performing best, and which have the most development potential?



Figure 4: Results of the Bank Readiness Perception pillar

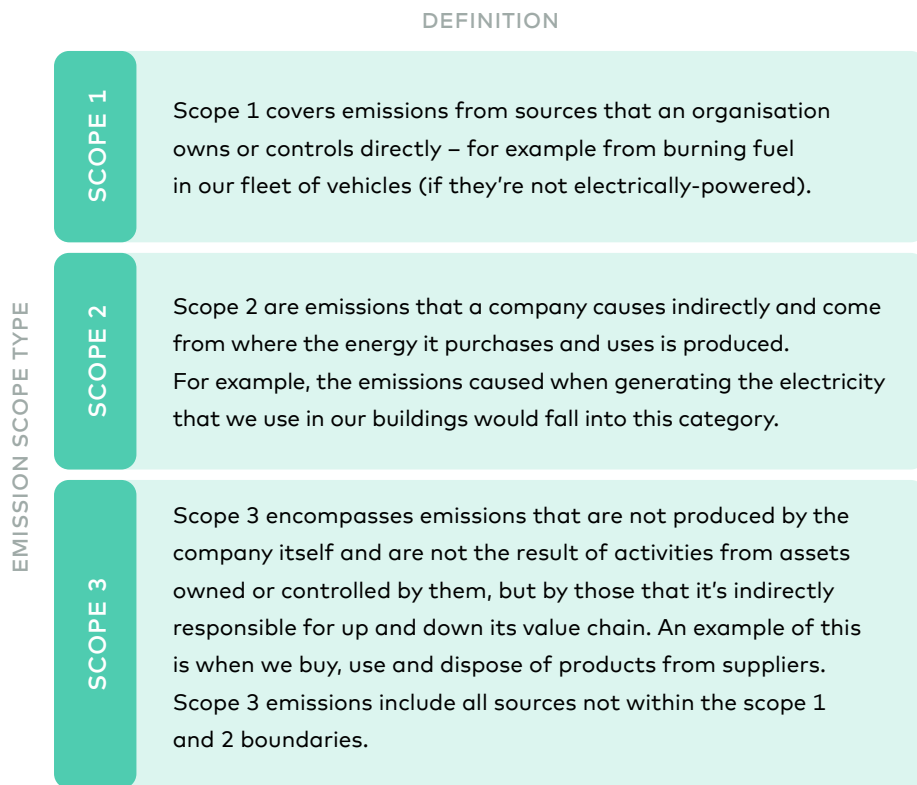


Figure 5: Emission scope definitions

Source: National Grid, 2023

Business Strategy

The Business Strategy component scored 75 points, 8 points higher than the previous year's results and narrowly surpassing the Bank Readiness Perception sub-index, which scored 74 points. This suggests that while the surveyed banks' performance in environmental sustainability strategic planning is above average, there remains room for improvement.

Nearly all the nine surveyed Hungarian issuing banks have developed an ESG strategy that aligns with their own business goals as well as the United Nation's SDGs and the Paris Climate Agreement. Each participating bank has published a summary of its sustainability strategy on its website, making this information easily accessible to clients. These banks focus on various aspects of environmental sustainability. Each of them outlines their greenhouse gas emission plans, demonstrating a commitment to reducing direct and indirect emissions (Scope 1, 2, and 3).

Additionally, eight out of nine banks have energy efficiency plans, and seven out of nine have carbon offsetting plans. However, fewer banks – only two to three – have plans for a circular economy, water conservation or biodiversity protection.

Nearly half of the surveyed Hungarian banks have committed to achieving net-zero emissions; their common goals are to reach net-zero direct emissions by 2030 and portfolio-related net-zero emissions by 2050.

Financial institutions are generally more cautious about committing to indirect emissions, which include the environmental impacts of all financed companies. This caution is due to challenges in measuring these impacts because of data availability constraints and client awareness limitations. All surveyed Hungarian banks have allocated specific financial resources to achieve the objectives outlined in their sustainability strategies. However, when asked whether they consider their organization's financial resources allocated to environmental

sustainability goals to be more of a cost or an investment, over half of the participating banks responded that they view these expenditures entirely as investments. Meanwhile, around 30% indicated that they see them more as expenses, reducing profits.

Moreover, many banks are cautious about achieving net zero emissions (Scope 1-3), partly due to limitations in current data accuracy and the belief that net zero would only be possible through the use of carbon credits. Starting in 2026, the European Union (EU) will ban the use of terms like “climate neutral” or “climate positive” that rely on carbon offsets without providing evidence, highlighting concerns that carbon credits, while funding environmental projects, may not drive real changes in business practices and could undermine genuine sustainability efforts (European Parliament, 2024; Raji, 2023).

Business Operation

The Business Operation component reached 78 points, a substantial improvement of 13 points compared to the previous year’s score, and higher than the score for the Bank Readiness Perception sub-index (74). This indicates that banks have taken significant steps to enhance operational performance by setting and monitoring target values and requiring sustainability practices from financed entities, providers and partners.

Every surveyed Hungarian bank has a sustainability officer overseeing its sustainability strategy and operations. Nearly 60% also have a sustainability team, though in some cases, the manager is responsible for sustainability along with other areas such as risk and strategy.

Nearly all banks have outlined the specific steps and plans necessary to implement their ESG/environmental sustainability strategy. There is a strong commitment to achieve environmental sustainability goals, with all surveyed banks having begun their greenhouse gas emission reduction plans, demonstrating their dedication to net-zero emission targets. Six banks have initiated energy efficiency plans, and an additional step would be to implement plans in less-common areas such as water conservation, biodiversity and circular economy. While it is difficult to pre-

cisely measure impacts in these areas, they are important due to banks’ financing activity.

All banks are monitoring their Scope 1 and Scope 2 emissions, which is a significant development compared to less than 50% last year. However, they face challenges in determining and monitoring Scope 3 (indirect) emissions, particularly financed emissions: only four out of nine banks are tracking their Scope 3 financed emissions. However, many banks monitor their energy efficiency (six out of nine), waste management (six out of nine), and paper usage (seven out of nine). Water usage is tracked by only two of the surveyed banks, indicating that while Hungarian banks are actively monitoring their environmental impact, accurately overseeing indirect emissions remains challenging due to data availability issues in the corporate sector, especially among SMEs. However, the availability of data is expected to improve in the future due to regulatory changes, such as the Corporate Sustainability Reporting Directive (CSRD), which came into force in 2023, imposing reporting requirements on companies operating in the European Union.

Most surveyed banks audit their monitored target values through internal or external processes. About six out of nine banks audit (officially inspection) their KPIs for Scope 1 and 2 emissions, energy efficiency and waste management, either internally or externally. However, most banks either do not audit or only internally audit their Scope 3 financed emissions. A next step would be to audit Scope 3 financed emissions both internally and externally, along with other less frequently audited KPIs, such as water conservation, currently audited by only around 40% of banks. Most banks claim they are on track to meet all the targets set in their ESG/environmental sustainability strategy on time.

Monitoring suppliers’ environmental sustainability practices is a significant differentiator among surveyed banks. Only about 40% request supporting documentation from suppliers about their sustainability practices and actions, while another 40% consider environmental sustainability without documentation. This underpins the difficulty in obtaining the necessary data to make decisions and monitor progress.

On the other hand, over 80% of surveyed banks request documentation about the sustainability operations of potential financed entities, which is similar to the previous year's results. As a result, companies may face more challenges during credit applications if they are not compliant with sustainability guidelines. Additionally, banks often impose lending restrictions on industries that are not considered ESG-compliant or ethical, such as weapons, fossil fuels or gambling (K&H Bank, 2024a). This shows that most surveyed banks are actively working to reduce their portfolio's emissions (financed Scope 3 emissions) and consider social sustainability aspects as well.

Using methodology from the Partnership for Carbon Accounting Financials (PCAF) to calculate emissions for banking portfolios is beneficial as it provides a standardized, transparent framework for measuring and reporting financed emissions. PCAF helps financial institutions measure specific emissions from their loans and investments, analyze their climate impact and report on these metrics consistently, enabling better management of their carbon footprint (Green Policy Center, 2023). Regarding risk management, all surveyed issuing banks have processes in place to identify key operational risks, however at around 40% of surveyed financial institutions, the effects related to climate change are not yet perceptible in the bank's operations. During interviews, banks reported varying degrees of stringency regarding their policies (e.g., some focus solely on the specific project requiring financing or local operations, while others look at activities on a global scale as well).

Sustainability Awareness Development

Of all the components assessed in our index, the surveyed banks achieved the highest score in Sustainability Awareness Development, reaching 85 points, which marks a 6-point increase from the previous year. This indicates that banks are already actively promoting sustainability through internal and external communication. The most notable improvements: more banks are promoting sustainable commuting by subsidizing public transport passes or providing private bus service for

commuting employees; several banks are transitioning their fleet to hybrid/electric vehicles; and all banks are using recycled paper for printing. Nearly 70% of participating banks now have a remuneration system that includes environmental sustainability criteria (e.g., for the bonuses of executive-level colleagues).

However, our representative consumer research reveals that 39% of respondents do not fully understand what sustainability means, and 5% have never even encountered the term. Financial institutions can play a crucial role in raising awareness.

According to our survey, almost 40% of Hungarian consumers believe the financial sector bears significant responsibility for educating the public on sustainability topics, alongside corporations, NGOs and governmental organizations.

The surveyed banks have implemented environmentally sustainable initiatives within their office operations. These include employee participation in environmental and social volunteer opportunities (such as tree planting and food distribution), promoting sustainable commuting to reduce the company's carbon footprint, and encouraging recycling, among other measures.

Sustainability Awareness Development is also reflected in banks' internal communications. In addition to incorporating environmental targets into management's performance evaluations, all surveyed banks provide training on environmental sustainability and regularly disseminate information on sustainability through internal newsletters and surveys. On the other hand, our research indicates that very few Hungarian banks have established processes for internal carbon pricing, which involves assigning a monetary value to climate risks and creating a standard metric to integrate low-carbon transition into financial decision-making.

Green Economy Transition

The Green Economy Transition component scored 65 points in 2024, up from 51 points the previous year, marking a significant improvement. Compared to the previous year, more banks were taking environmental risks into consideration during credit assessment phases such as collateral assessment (examining the environmental risk of the offered collateral to ensure financial solvency). Many banks also offered green products such as bonds, client education materials, and tree-planting opportunities. This indicates that Hungarian banks are taking steps to integrate environmental sustainability into their credit assessment processes and to offer green products and services to both retail and corporate clients. However, the score remains below the Bank Readiness Perception sub-index (74), highlighting room for further improvement.

These efforts are vital as financial institutions are instrumental in driving the transition to a greener economy through their lending practices, investments and other (sustainable) product offerings.

All surveyed banks incorporate environmental risks in their portfolio assessments, and seven out of nine also consider these risks to evaluate the creditworthiness of potential corporate clients. Over half of the banks factor in environmental risks in credit pricing and the remaining banks are developing processes to do so in the future. Nearly all banks consider these risks in risk classification and customer due diligence. About half of the banks use scenario analyses to set precise targets, identify main risks following global best practices, and are already noticing the effects of climate change on their operations.

Typically, banks consider environmental risks for loans above a certain threshold, as larger corporations have a more substantial impact and are more efficient at providing data. Consequently, companies will need to adopt more sustainable practices. While larger entities are often required to provide detailed ESG data, SMEs usually are not, although their ESG ratings from commercial data sources are considered. To standardize practices, the MNB (Central Bank of Hungary) plans to recommend a minimum set of questions for assessing ESG

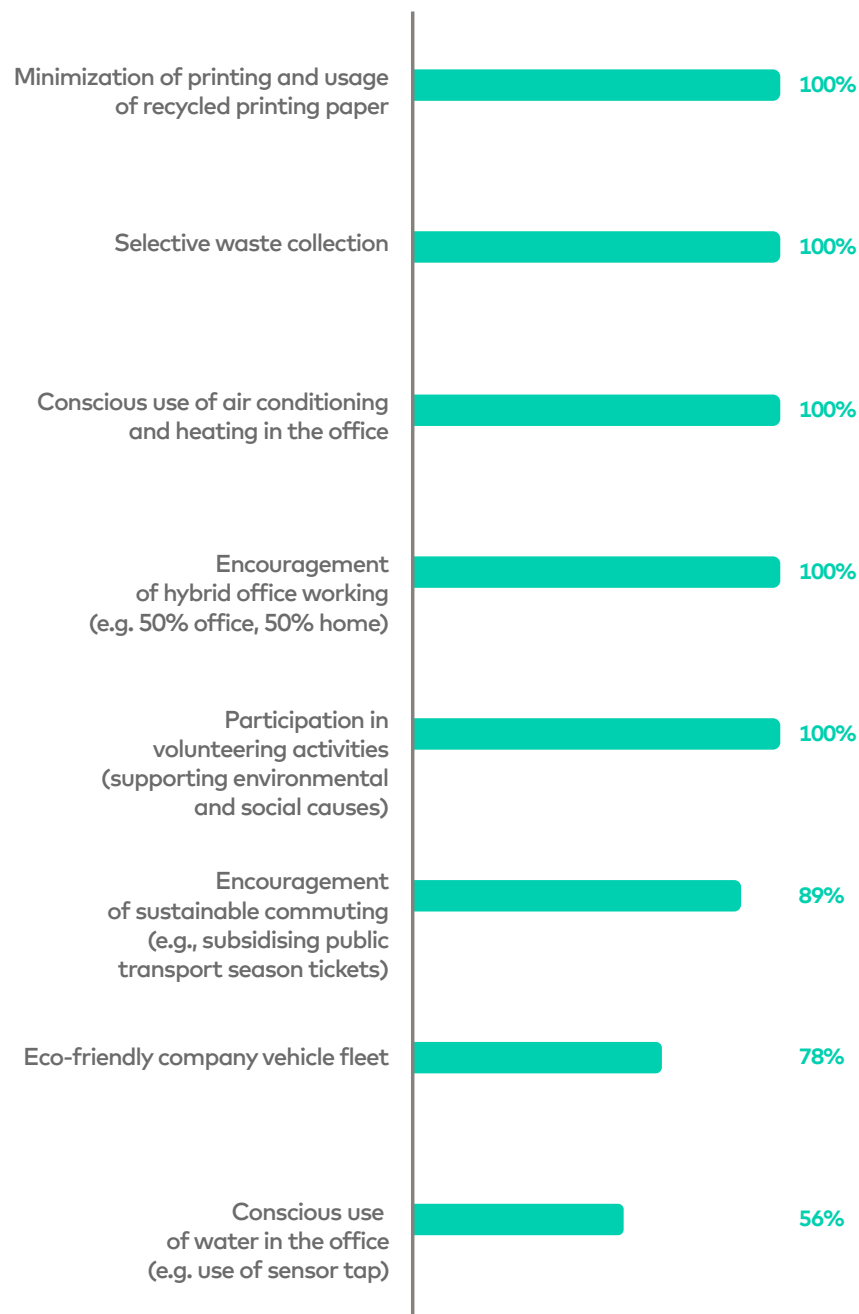


Figure 6: Sustainable initiatives available at the surveyed banks' offices (% of banks)



information. This will help domestic financial organizations and loan applicants assess their ESG risks and integrate these assessments into risk management processes (MNB, 2024).

Financial institutions in the EU are required to disclose their Green Asset Ratio (GAR) from 2024 onwards, showing the share of their Taxonomy-aligned assets (S&P Global, 2024b).

The reporting of the Green Asset Ratio (GAR) presents a significant challenge due to variations in data availability and the specific nature of different asset types.

SMEs, for instance, often struggle more with data availability compared to larger non-financial corporations that fall under the scope of the Non-Financial Reporting Directive (NFRD) and are required to disclose relevant information from January 2022. Additionally, some banks argue that households and retail counterparties should be excluded from disclosures since the Taxonomy Regulation does not directly apply to them (EBA, 2021).

The surveyed banks indicated that their Green Asset Ratio (GAR) currently stands at a low single-digit percentage of the total portfolio, suggesting substantial growth potential for sustainable, climate-neutral bank financing.

For financial institutions, the key sectors within sustainable finance include agriculture, commercial and residential real estate, aluminum, cement, coal, iron and steel, oil and gas, energy production, and transportation (Green Policy Center, 2023).

Most banks prefer to reward sustainable businesses with discounts rather than penalize those lagging behind. Some banks assess companies based on industry-level environmental risk information and have restrictions on financing non-ESG-compliant industries (e.g., tobacco and fossil fuels).

However, some banks are reluctant to stop financing corporations in non-sustainable industries, arguing that almost any firm can operate

sustainably and that refusing financing may not prevent unsustainable practices. This raises a dilemma between short-term profitability and long-term sustainability goals.

All surveyed banks offer green products and services to consumers and plan to continue innovating in this field. However, in the case of sustainability products, positive incentives such as interest rate discounts and lower returns on investments mean that someone must bear the additional short-term costs. While banks can absorb some of these costs, government involvement and help are crucial. Some banks are seeking support for initiatives like the green home renovation loan or the green mortgage loans. The introduction and continuation of supported programs are essential for sustaining these efforts in the future.

At the same time, there is a growing interest in green products, and almost 30% of consumers are willing to pay higher fees for a bank operating sustainably, while almost 40% would accept lower yields for green investments. Our survey found that 17% of consumers frequently and 45% occasionally seek information about their bank's green offerings, usually via social media, the bank's website, or web searches. This suggests that banks could enhance their green product visibility through targeted communication campaigns.

For retail customers, the most common green products offered are green mortgages, sustainable investment funds, virtual cards, and green home loans for renovation intended for energy efficiency im-

provement. Green credit cards, bonds, and savings accounts are less prevalent. Furthermore, based on the mapping of international best practices, banks also offer green life insurance and travel insurance, green microfinance loans, and even green pension funds for retail clients.

For businesses, green loans are commonly offered, but green leasing for cars and sustainable supply chain financing are rare, only offered by around 10% of banks. Our consumer research shows that over half of consumers consider the availability of green products from banks important.

A study conducted among European SMEs shows that nearly 60% of the surveyed SMEs are investing in their sustainable transition. However, securing sufficient funding remains a significant obstacle: only 35% of SMEs' investments are funded by external sources, with only 16% of this classified as sustainable finance. This highlights the need for increased access to tailored sustainable financing solutions that address their specific needs and support their sustainability initiatives effectively (SME United, 2023).

Beyond providing green products, banks can aid businesses in the green transition through education and by emulating best practices from other financial institutions. Some banks advise corporate clients on improving their sustainability performance for better credit scores, while others provide toolkits with sustainability recommendations.

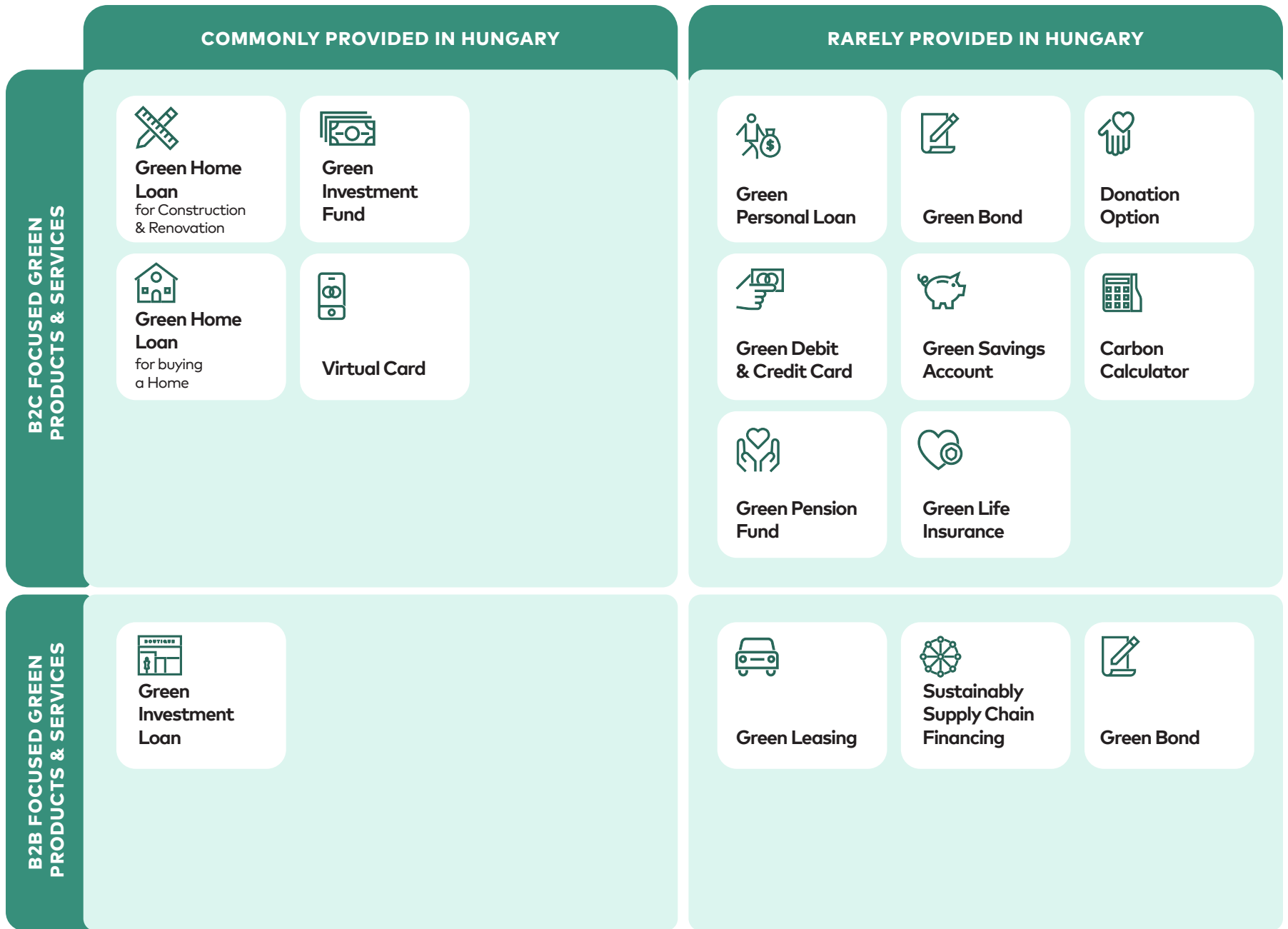


Figure 7: Green product and service offering in Hungary

Many surveyed banks also engage in social sustainability efforts like financial inclusion and gender equality. Several banks participate in social banking, providing inclusive financial services to small and fragile businesses that often lack easy access to credit, or donating to NGOs per card transaction, microfinancing, mentoring on social issues, profit donations, and social lending.

In conclusion, Hungarian banks are doing better at integrating environmental and social sustainability into their operations, but there is significant room for advancement. One challenge is the lack of a unified definition for green projects; some banks have their own definitions, while others use the EU taxonomy or the MNB capital requirement discount definition. A uniform, cross-sector definition would aid in the green transition by helping banks select and finance genuinely green projects.

Disclosure & Sustainability Alliances

Surveyed banks registered a score of 53 in the Disclosure and Sustainability Alliances component of the Bank Readiness Perception sub-index. Although this was 10 points higher than the previous year, it was still the lowest score of all components. More banks are prepared for and compliant with ESG laws and regulations such as the CSRD, the EU Taxonomy, and EBA ESG Pillar 3. Furthermore, over 70% of banks are part of the UN Responsible Banking Principles, at least on a group level. This score suggests that although Hungarian banks are on the good track, there is still room for improvement in meeting ESG-related regulations and participating in sustainability-focused alliances like the UN Principles for Responsible Banking framework.

Regarding regulatory compliance, more than half of the banks indicated full compliance with CSRD and the EBA ESG Pillar 3. Additionally, a significant percentage expressed confidence in achieving full compliance with CSRD, EU Taxonomy, and EBA ESG Pillar 3 regulations within the next year.



Currently, around 60% of Hungarian banks disclose their sustainability performance at least on a group level through CDP, a non-profit organization with a globally recognized data system that serves as a robust standard for companies to report and manage their environmental impacts (CDP, 2024). However, plans are underway to commence disclosure within the next 2-3 years, aligning with increasing transparency efforts on environmental impacts at the parent bank level.

A notable 80% of surveyed banks are signatories to the UN Principles for Responsible Banking framework, albeit primarily at the bank group level. This framework encourages banks to integrate their core strategies, decision-making processes, lending and investments with international agreements such as the Paris Climate Agreement and the UN Sustainable Development Goals (UNEP Finance Initiative, 2024a). Looking ahead, approximately one-third of banks plan to join the UN Net Zero Banking Alliance within 2-3 years. This global coalition aims to support ambitious climate actions, striving for net-zero greenhouse gas emissions by 2050 through science-based targets by 2030 or sooner (UNEP Finance Initiative, 2024b).

Furthermore, a minority of Hungarian banks are members of the Global Alliance for Banking on Values, an international network that promotes transparency and positive economic, social and environmental impacts within the banking sector (Global Alliance of Banking on Values, 2024).

Future outlook

The Bank Readiness Perception sub-index rose to 74 from 65 the previous year, reflecting the Hungarian banking sector's active role in the green transition. Despite progress, key areas for improvement remain, particularly in green economy transition, such as improving sustainable asset share, voluntary disclosure (above ESG reports), and regulatory compliance.

The future outlook for sustainable banking is bright, offering significant opportunities for growth and a positive impact on global financial systems.

Sustainable finance has become a key focus for banks, driven by its benefits for the planet and increasing interest from investors and the wider population. This shift signifies a move toward integrating sustainability into the core strategic frameworks of financial institutions

(Barnes, 2024).

Sustainable banking is evolving with the development of various green financial solutions designed to support environmental and social goals. These instruments are becoming a substantial part of the global bond market and are crucial for the ongoing transition to a low-emissions future. The next phase of sustainable finance is expected to extend beyond clean energy projects to encompass a broader range of initiatives aimed at reducing emissions and enhancing sustainability across multiple sectors (McKinsey, 2022).

In Europe, sustainable banking is no longer a niche trend but a fundamental shift in the financial industry.

With improved regulatory frameworks and a commitment to responsible banking, Europe is paving the way for a more environmentally and socially conscious financial sector. To accelerate the execution of initiatives like The European Green Deal or CSRD, it is crucial to explore additional financial incentives, such as tax incentives for green investments and "Green Branding" (e.g., "EU Ecolabel for Retail Financial Products", an initiative aiming to define minimum environmental performance standards for financial products to encourage sustainable investments (Product Bureau, 2024)) for various financial products (Bacelar, 2024).

Despite the positive outlook, sustainable banking faces several challenges, including credit risks associated with sustainable investments and the lack of established standards for sustainability-related financial products. To fully realize the potential of sustainable finance and support the transition to a more sustainable global economy, banks will need to move beyond educating consumers about sustainability and climate-linked products to drive demand. They will need

to enhance their capacity to finance sectors such as clean energy, electrification, green mobility, energy infrastructure, emissions reduction, and emerging areas like grid-scale energy storage projects, green hydrogen, carbon capture and storage, by developing specialized products, managing risks, and setting sustainability standards (McKinsey, 2022).

Overall, sustainable banking has the potential to transform the financial landscape. As banks continue to prioritize sustainability, they will play a crucial role in supporting global efforts to combat climate change and promote environmental and social well-being. This shift toward sustainable finance represents a necessary evolution for the banking industry, promising both economic and societal benefits in the years to come (Barnes, 2024; McKinsey, 2022; Bacelar, 2024).



Consumer Perception

Definition:



The Consumer Perception sub-index pillar provides a comprehensive and reliable picture of consumers' perceptions and opinions about the environmental sustainability activities of Hungarian banks. It also offers insights about consumer needs for sustainable products and services.

Sub-index results:



Result: The Consumer Perception sub-index scored **41** (+1 point compared to 2023), indicating a slight increase compared to previous year's consumer perception results.

Implication: Given the large gap between consumers' and banks' perceptions of readiness, banks should put more effort into client communication to build awareness.

Figure 8: Key takeaways of the Consumer Perception pillar

Definitions and objective

The Consumer Perception sub-index pillar provides a comprehensive and reliable picture of consumers' perceptions and opinions about Hungarian banks' environmental sustainability activity and offers insights into their needs for sustainable products and services.

It is composed of five components:

Overall Perception: Summarizes how respondents feel about the environmental sustainability of their main bank and the trustworthiness of banks' sustainability communications.

Sustainable Operation: Reflects how consumers perceive the operation of Hungarian banks from an environmental sustainability perspective, focusing on visible elements (e.g., paperless banking, green branch operation, etc.).

Digitalization: Examines the channels banks use to communicate with customers and the channels consumers use to manage their banking administration (e.g., availability of digital channels such as video banking service).

Sustainability Communication: Reveals how consumers perceive Hungarian banks' communication from an environmental sustainability perspective.

Green Products and Services: Measures consumer awareness of Hungarian banks' green product and service offerings.

Consumers are key in driving the transition toward a more sustainable economy through their demand for sustainable products

and services, which financial institutions can improve through education and effective communication. While banks value all of their consumers — personal (individual or retail banking clients) and business (small and medium-sized enterprises and corporates) — our research focuses on the B2C segment.

This chapter is based on the results of the Sustainability Perception Index consumer survey (Mastercard and Impetus Research, 2024), which was launched to gain timely and relevant insights on environmental sustainability-related topics useful for industry participants (e.g., financial institutions).

Understanding the nature of consumer attitudes can help stakeholders identify the differences between consumers' and banks' perceptions of bank industry performance and pinpoint opportunities for closing the gap.

This can also help strengthen consumer trust toward sustainability solutions.

The primary objective of this sub-index is to assess consumers' perception of the Hungarian financial sector's environmental sustainability. This section can provide insights into such questions as:

- How do consumers perceive the banking sector from an environmental sustainability standpoint and what are their sustainability-related expectations?
- How familiar are consumers with their main bank's sustainable operation, communication and product offerings? Which sustainable products and services are consumers interested in?
- How could financial institutions become more environmentally sustainable based on consumers' opinions?

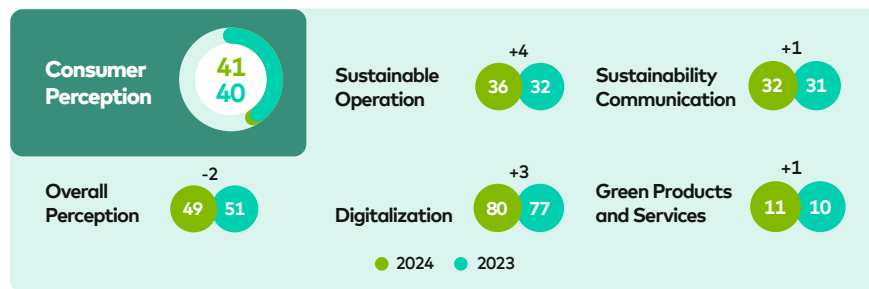


Figure 9: Results of the Consumer Perception pillar

Overall Perception

Based on our survey results, more than half (56%) of the Hungarian population know the meaning of sustainability, 5% have not heard the term, and roughly 4 out of 10 know the term but not the exact meaning. Similarly, 60% of Hungarians report that they discuss sustainability in their everyday lives with family and friends (either often or sometimes), with 12% talking about this topic often. Internationally, our results are similar to Finland, Denmark and Norway (61%, 59% and 57%, respectively) but lower than in the Netherlands (71%) and Sweden (66%) (Sustainable Brand Index, 2024). Our findings show a

slight positive change in sustainability education and interest in Hungary, as consumers are more aware of sustainability and more people talk about this topic compared to last year. Initiatives such as the availability of sustainability as a high-school subject for graduation (érettségi) can also help in creating more awareness among students (Greendex, 2024). Despite the slight improvement, climate change is of less interest to Hungarian consumers than other major topics related to the challenging global economy, such as managing daily life, inflation, healthcare, maintaining a healthy lifestyle and achieving personal goals.

Although the component score of 49 exceeds the average sub-index score (41), there is still development potential, especially since the score decreased by 2 points compared to 2023. Similarly to the 2023 edition, environmentally conscious, young (under 30), and lower-educated customer segments living outside the capital perceive banks' sustainability activity as better than other consumer segments.

Many consumers had no opinion at all on their banks' sustainability performance. Consumers with less favorable perceptions pointed to banks' extensive paper and energy usage and a lack of marketing or communication on sustainability. Respondents with favorable perceptions mostly highlighted banks' digitalization efforts and availability of green products and services.

When asked about the environmental sustainability of their main bank, around half of respondents believed that their main bank takes active steps to protect the environment, while more than 45% did not have an opinion (43% in 2023), suggesting persistent low awareness and interest. Based on our research, all banks in our sample communicate with their customers via social media or email. However, the high share of consumers without knowledge of environmental sustainability shows a pressing need for banks to rethink their communications in terms of channels, content and frequency.

Banks should provide authentic and credible messages to avoid greenwashing allegations and mistrust. Hungarian banks perform well in this aspect as **almost 6 out of 10 (57%) of respondents characterized their main bank's environmental sustainability communication as trustworthy and credible,** while slightly above one-third were neutral, similar to the previous year's results.

We also prepared a regression analysis based on our survey. The goal of the analysis was to identify the parameters that have an effect on the environmental sustainability perception of the (main) banks and to measure the strength of their effects.

Financial institutions need not only to be sustainable but to appear so in the marketplace. Being publicly identified as an environmentally-conscious bank engenders customer loyalty, reduces the likelihood of bank-switching, and creates a revenue opportunity since consumers are willing to pay higher fees for a sustainable bank. In fact, the environmentally-conscious consumer segment is one of the driving engines of the demand and already represents almost one-fifth of consumers.

From the 89 questions included in the analysis of the survey, **we identified five parameters that have a strong, positive effect on the environmental sustainability perception of financial institutions: sustainability perception of the banking sector, frequency and reliability of banks' sustainability-related communication, green banking product usage by clients, clients' expectations regarding development of green retail products, and green product portfolio needs.**

Combining all the factors in the regression model, our identified parameters explain 70% of the perception of banks regarding environmental sustainability.

Consumers' perceptions of the environmental sustainability of the Hungarian bank sector correlate strongly with how they perceive

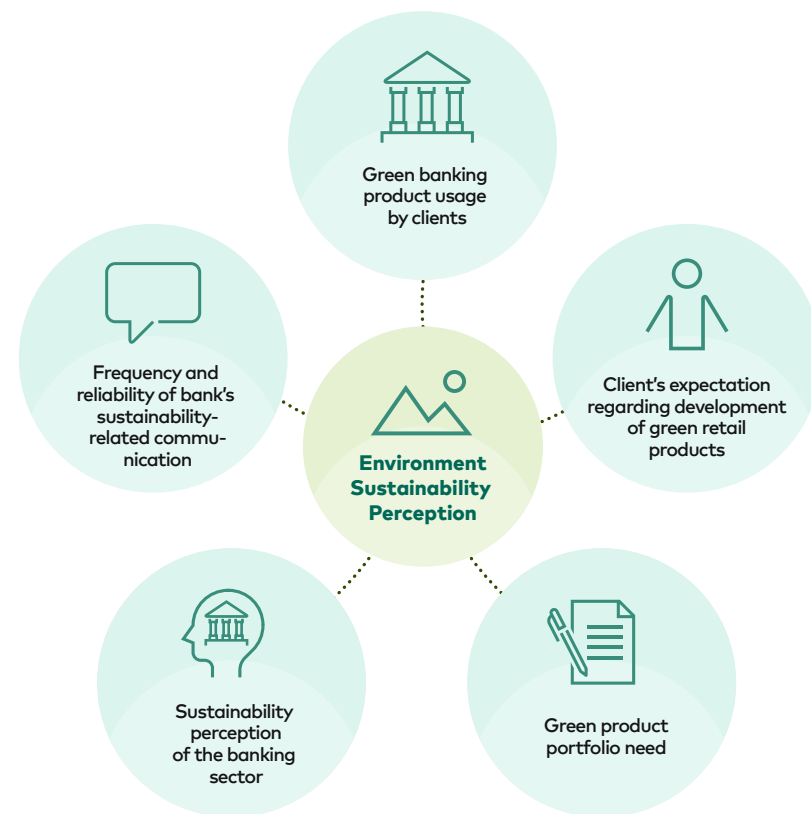


Figure 10: Key parameters affecting consumers' environmental sustainability perception

their main bank, according to our regression analysis. If the sustainability perception of the bank sector increases by 1 point (based on the question), the average sustainability perception of the main bank rises by 0.6 point (on a 0-10 scale). Most Hungarian banking clients have only one bank connection and the majority do not actively seek information about financial institutions; thus, their sustainability perception of the bank sector is driven mainly by the green perception of their own bank.

The frequency and reliability of banks' communication about sustainability are key influencers of consumer perceptions. Our data show that banks' marketing and communications about their green products and other sustainability-related efforts have a positive ef-

fect and influence the green perception of the (main) bank. For clients who rate bank communications better by one level according to any of these parameters, the evaluation of the banks would increase by 0.2-0.3 points per each parameter. This indicates that to be perceived as greener, more marketing and communications efforts are needed.

Customer usage of green investment products like bonds or shares increases the main bank's green perception. If the usage penetration of green bonds or shares increases, a bank's sustainability perception increases by 0.3 point

Client expectations for the development of green retail products, digital services, or sustainably operating bank branches have a positive effect on the main bank's green perception. If the need for those products or services increases, the main bank's green perception will also increase at least by 0.3-0.4 points.

Finally, having a green product portfolio also influences the main bank's green perception. Customers who feel it is important that a bank offers green products rate their bank's green perception as higher. If the green product portfolio's importance to clients increases by one point, the bank's green perception will increase by 0.1 point



Sustainable Operation

The score of 36 for Sustainable Operation suggests large development potential in this area, although the score increased 4 points since 2023. The change in the results can be explained by banks offering more sustainable services to clients and by consumers being more aware of them. Young (under 30), affluent and environmentally conscious segments report above-average results.

Perception of banks' sustainable operation influences customer loyalty and also has an effect on the willingness to switch banks.

Slightly more than three out of ten respondents are more loyal to banks taking steps toward more sustainable operation, while around 40% of young (under 30) and almost 70% of environmentally conscious consumers have higher loyalty toward green banks. On the other hand, due to high switching costs (including monetary, time, and effort considerations), only 3 out of 10 consumers would be willing to change to another financial institution that operates more sustainably. Again, the youth segment is more willing to switch banks for sustainability reasons, probably since they have fewer banking products. Not surprisingly, environmentally conscious consumers also report a higher willingness to switch banks (4 out of 10).

Figure 11 summarizes consumers' perceptions of their primary bank's sustainability-related offerings and the actual offerings of Hungarian banks. The majority of respondents (almost nine out of ten) state that their primary bank offers internet banking and has a mobile banking application, while almost two out of three customers are aware of an electronic signature option at their primary bank's branch, which resonates with the high score of the digitalization (80) component. Compared to last year, video banking with online contracting gained visibility, as almost half of customers were aware of this feature (vs. ~40% in 2023) although it is offered by all surveyed banks.

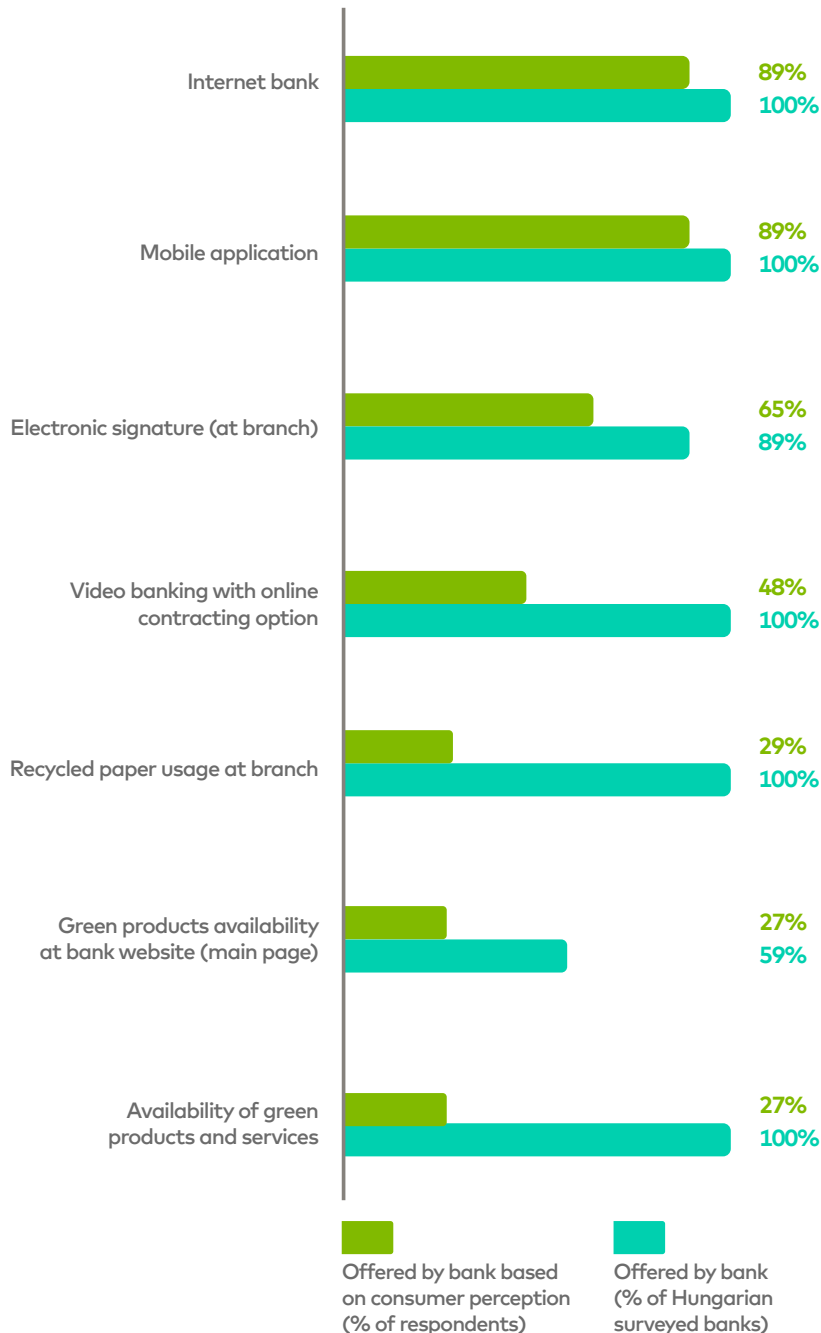


Figure 11: Perception of primary bank's sustainability-related offerings and actual offerings by Hungarian banks (% of respondents and % of Hungarian surveyed banks)

Customer perception of the availability of green products and services lagged other offerings (27%), but did improve over 2023 (21%). Customers also felt those services were easier to find on their primary bank's website (27% vs 24% in 2023). In reality, all surveyed banks had at least one green product or service, with offerings accessible on banks' websites in almost 60% of the cases. Based on this, financial institutions could further enhance the promotion and demonstration of their green products to educate consumers and increase awareness.

Figure 12 summarizes consumers' opinions about ways their primary bank could improve their journey toward environmental sustainability.

The priority development areas chosen by around one-fifth of consumers are consistent with those identified by retail clients in 2023: banks should offer debit and credit cards made from sustainable materials (e.g., recycled plastic, cornstarch, etc.), expand digital services and offer environmentally-friendly customer communication (e.g., via digital channels), operate green bank branches (e.g., digital signatures, recycled paper usage, efficient green energy usage, etc.) participate in tree planting programs and donate from bank's profit for sustainable purposes.

Educating consumers to learn more about green products, offering green products and services, reducing banks' greenhouse gas emissions, giving financial support to sustainable causes (e.g., water protection) and publishing tips and advice on sustainable life were also highlighted by almost one-fifth of respondents as essential elements.



Figure 12: Primary bank's improvement areas to be more environmentally sustainable (% of respondents)

Digitalization

The Digitalization component performed the best by far within the Consumer Perception sub-index with 80 points, affirming the development of Hungarian banks in this aspect. This is a 3-point increase compared to 2023, and the growth is due to the higher digitalization score given by the young customer segment (below 30 years).

This component examines the channels banks use to communicate with customers and the channels consumers use to manage their banking administration (e.g., bank account opening, bank transfer, etc.). Not surprisingly, the component scores above average with the affluent, highly educated and environmentally conscious segments as well as those living in urban areas. The high score shows that customers greatly value the availability of digital channels (such as the internet or mobile banking) for banking purposes.

More than four out of five customers (84%) receive their monthly settlement or account statement online (via email or internet bank), while 7% get it by post alone. Also, 63% responded that banking administration can be done solely or mostly online (or by phone), while slightly more than one-quarter said that it can be done both online and physically in a branch. Only a minority said that banking administration is limited to visiting a branch. Those responses are in line with the previous year's results and with banks' efforts to channel customer interactions into the digital space.

Half of the respondents considered digitalization to be environmentally sustainable, mainly because it minimizes paper and aids operational effectiveness. Therefore, there is a correlation between digital maturity and sustainability perception, which could be leveraged in marketing and communication activities to improve brand image.

Sustainability Communication

Sustainability Communication, with an average score of 32 (a 1-point increase compared to 2023), reflects how consumers perceive Hungarian banks' communication from an environmental sustainability perspective. We asked respondents about the availability of green communication in their primary banks from two aspects: communications related to a bank's green operation and communications drawing attention to environmental sustainability in general (e.g., overconsumption, renewable energy usage, etc.). We also asked consumers how frequently their primary bank communicates about its steps toward sustainability.

The score of 32 shows a minimal shift compared to the previous year and suggests an opportunity area for financial institutions, as the score is below the average sub-index score.

Similar to the 2023 findings, banks' sustainable communication campaigns were more effective and memorable for the young and the environmentally-conscious segments as they tend to be more receptive toward green innovations and products.

Consumers continue to demonstrate low awareness of banks' green communications.

Almost six out of ten respondents (57% vs. 60% in 2023) report they have never seen an advertisement or press release from their primary bank about sustainable operation or sustainability in general. Almost three out of 10 have seen such communications once or twice, while the remaining 14% (vs. 13% in 2023) say they see those announcements repeatedly. On the other hand, the majority of banks stated that they communicate about sustainability (e.g., via social media, email, events, marketing and donation campaigns, etc.) at least once annually. Banks' marketing and communication impact could be enhanced in two ways: (1) using popular communication channels (e.g., website, social media, email, etc.) and (2) taking a data-driven approach that targets specific customer groups (e.g., by product type,

customer value, tenure, etc.) with personalized and relevant content, while constantly monitoring its effectiveness.

Based on our research, four out of five respondents would like to receive communication about their primary bank's green products, services and other sustainability-related initiatives, while one in five show keen interest as they would welcome such messages on a monthly basis or even more often. The younger the consumer and the higher their level of education, the more likely they are to be receptive to marketing about green products and services.

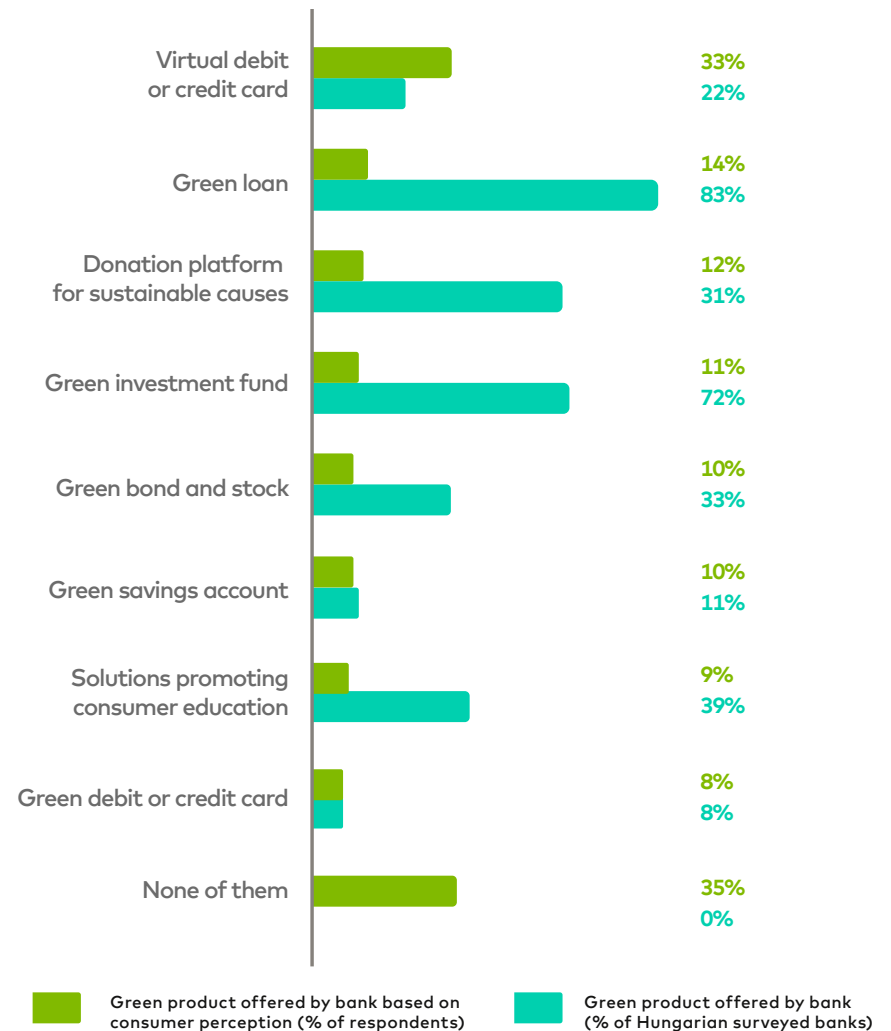
In terms of communication channels, consumers prefer email (50%) as the main channel over mobile banking apps (34%), online banking platforms (33%), bank websites (24%), and social media (17%). Regarding email frequency, consumers prefer quarterly communication (25%) versus bi-annually (19%) or monthly (16%).

Green Products and Services

Financial institutions lag the most in green products and services according to the public's opinion, scoring only 11 points — far below the main sub-index score of 41. This component only improved by 1 point since last year, indicating that consumer awareness about climate-linked products has not changed dramatically. This leaves a large opportunity for banks to launch new green products and make them more visible to retail clients. Similarly to the previous year, we measured slightly higher scores for the affluent (13), environmentally conscious (17) and younger customer segments (16). Except for the youth segment, these banking customers use more sophisticated products and are more familiar with the banks' offerings, so they notice new green innovations more readily.

Figure 13: Green products offered by customers' primary bank based on consumer perception and green products offered by Hungarian banks
(% of respondents and % of Hungarian surveyed banks)

Half of all consumers surveyed across demographic groups (income, age, education and location) said that climate-linked products and services are essential, with demand levels similar to the prior year. Not surprisingly, sustainable product offerings were especially important for environmentally conscious consumers, with nearly three out of four saying that financial institutions should offer green products.



Even though 35% of consumers were unaware of sustainable products available at their primary banks – which all banks offered – this result can be seen as a step forward since the percentage was 48% a year earlier.

The most recognized green product was the virtual debit or credit card (33% awareness), while only slightly more than 10% were familiar with green loans (14%) and donation products (12%) from their

primary bank. This shows fairly low awareness since the majority (~80%) of banks offer green loans to retail banking customers and various banks (~30%) have donation solutions. This result indicates the continuous need to raise awareness levels among consumers, particularly about the availability of green cards, solutions promoting consumer education (e.g., carbon tracker), green savings accounts, and green bonds and stocks besides green investment funds. Hungarian banks could also add more products to their green product portfolio so that more solutions are accessible to the wider public.

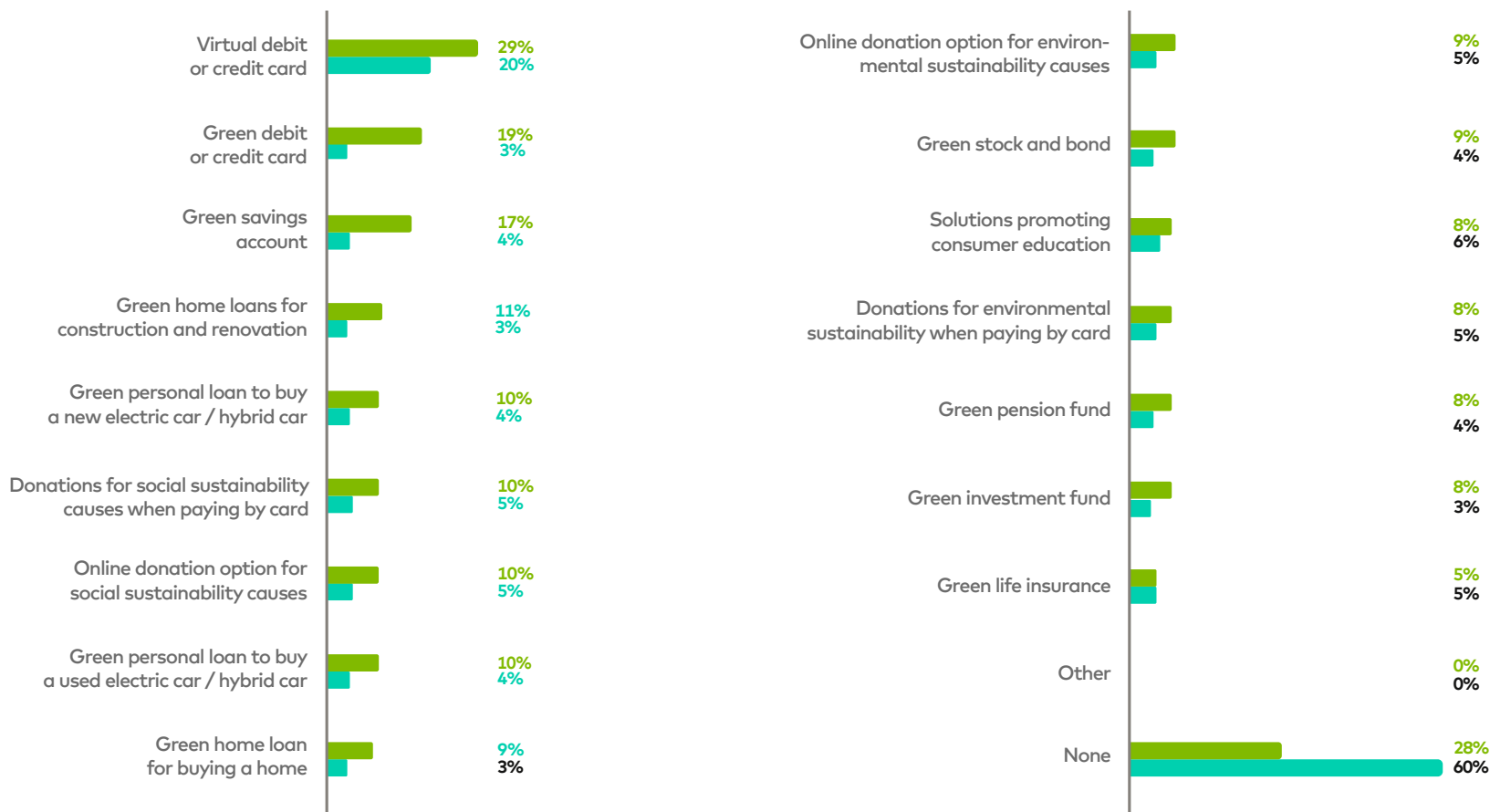


Figure 14: Consumer willingness to use climate-linked financial products and services and consumer share who already used the specific green products (% of respondents)

Sustainable card solutions, including virtual cards and green cards, remain the most preferred climate-linked products due to their simplicity and wide target audience.

Almost three out of ten customers would use a virtual debit or credit card, with a higher ratio for digitally savvy segments such as affluent consumers, while one-fifth of consumers already use this product. Other green products, such as donation solutions and green life insurance, had scant usage by consumers (5% maximum). Six out of 10 respondents have never used a climate-linked product, suggesting low awareness and availability at banks.

Every fifth consumer was interested in a green debit or credit card, which is made from eco-friendly material and rewards sustainable purchases (e.g., by giving extra cashback). In terms of green card product features, clients would like to have paperless banking and electronic receipts (86%), discounts and cashback after purchases at sustainable merchants (80%), a card from recycled material (79%), tree planting opportunities after purchases (76%) and incentives to promote a circular economy by reusing products (72%).

Almost the same share of bank customers (17%) were open to having a green savings account, and every ninth customer would consider applying for a green home loan. Typically, 10% of customers were interested in other sustainable products such as green personal loans as well as donation and green investment products. Similar to demand the previous year, 28% would not choose any sustainable banking products. Affluent, environmentally conscious and highly educated customers showed above-average interest in such products.

While all Hungarian banks offer some climate-linked products, our findings suggest they should consider widening their portfolio. However, banks' first priorities should be promoting current products and strengthening educational efforts to increase awareness and drive demand. Education would help clients understand existing green products (e.g., main benefits, impact on sustainability, cost implications, etc.) and identify which ones answer their needs.

Increasing the availability of sustainable products and services represents a business opportunity for banks. Environmentally conscious consumers already constitute a significant consumer segment, representing almost one-fifth of our respondents (both in this and previous year's research) and we expect this segment to grow over time. Our research also shows that three out of ten customers would pay a higher bank account fee to a financial institution taking steps toward sustainability with its products or services; this share rises to around 45% among young and environmentally conscious customers. Such a high level of support is significant considering that Hungarian consumers are price sensitive, an attribute supported by our research: daily living and inflation were the two most important topics for respondents with half being very engaged on these issues. One-quarter of respondents who were open to paying a higher fee said they would pay 500 to 1,000 HUF per month, while another quarter would pay 100 to 500 HUF. These results are almost identical to our 2023 research, demonstrating how committed clients are to paying more for a brand that values sustainability. Similarly, consumers across demographic groups were willing to realize lower yields from green investment products (e.g., green bonds, investment funds, etc.). Based on our research, four out of ten consumers would accept lower yields, while the share rose to around 50% for young and eco-friendly consumers.

Future outlook

Consumer awareness and perception of environmental sustainability scored 41, indicating a stagnation compared to 2023, suggesting that this is still an area with potential for improvement in Hungary. Compared to the previous year, there is a larger gap between how consumers and banks perceive their sustainability profile. This suggests that banks' fast-paced development of eco-sensitive practices, products and services is outrunning consumer awareness of these offerings.

While bank digitalization is advanced and highly appreciated by customers, awareness of almost all other components — from general perception and awareness of green products to environmental communication and bank operations — could be improved. Our findings suggest that consumers need more education about sustainability in general; financial institutions can play a leadership role in this effort, since almost 4 out of 10 consumers believe that banks have a high responsibility to inform and educate consumers about sustainability.

A shift in awareness and knowledge takes considerable time to achieve; thus, financial institutions need to make additional efforts. The moderate growth we measured in this sub-index reinforces this hypothesis.

Although banks face a range of global challenges, it is critical to maintain a continuous focus on sustainability and on customer education with genuine and frequent communication that resonates with customers (e.g., paperless banking, digitalization solutions, etc.). Improving consumer perceptions leads to stronger consumer trust.

This would create a positive cycle of knowledgeable consumers demanding more sustainable solutions from financial institutions and other companies, resulting in an even more attractive business opportunity.



Transparency

Definition:

The Transparency sub-index provides an assessment of the public environmental disclosure quality of issuer banks.



Sub-index results:

Result: The Transparency sub-index reached 81 points (+5 points compared to 2023), which is higher than the score of the Sustainability Perception Index (62) and is the highest of the three index pillars.

Implication: strong performance and slight progress in sustainability disclosure since last year due to regulatory and investors' pressure.



Transparency sub-index provides an assessment of the public environmental disclosure characteristics of issuing banks.

The data publication requirements of corporations, including financial institutions, are becoming stricter due to regulatory development. As such, examining financial institutions' publicly available information about their environmental impact is crucial when discussing the perception of environmental sustainability performance.

Figure 15: Key takeaways of the Transparency pillar

Definitions and objective

Banks are under mounting pressure to align with stakeholders' evolving demands concerning environmental, social and governance issues. New regulations, such as the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy, mandate enhanced transparency and comprehensive disclosure of ESG-related data. Investors, too, are increasingly focused on assessing the societal and environmental impacts of their investment choices.

The importance of ESG transparency in the financial sector extends beyond regulatory compliance and investor satisfaction. It fosters trust and credibility, demonstrating a bank's commitment to sustainable and ethical practices. By providing clear and detailed ESG disclosures, banks can better manage risks, identify opportunities for positive impact and contribute to a more sustainable global economy (Spuerkees, 2024). The





Mastercard leveraged publicly available bank sustainability reports to assess this sub-index. This pillar has four main components:

Availability: Summarizes basic information concerning the sustainability reports of issuing banks: covered time period, publication location and report type (e.g., integrated report, standardized report, etc.).

Framework: Examines the organization’s sustainability strategy and action plans.

Comparability: Investigates whether the published data is comparable to previous years and peers, and if quantitative data is used to describe the main environmental impacts.

Verifiability: Looks at the indicated data sources and whether the sustainability report is audited. The primary objective of this sub-index is to demonstrate the clarity and transparency of issuing banks’ sustainability reports (either local subsidiary bank or parent bank (banking group)) based on a determined set of criteria, inspired by international reporting standards (e.g., Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) standards). This section can provide insights into such questions as:

- How is the Hungarian banking sector performing from the environmental transparency perspective?
- In what components are Hungarian banks performing the best and which hold the most development potential?
- Which best practices could Hungarian banks adopt to fine-tune their sustainability reporting?

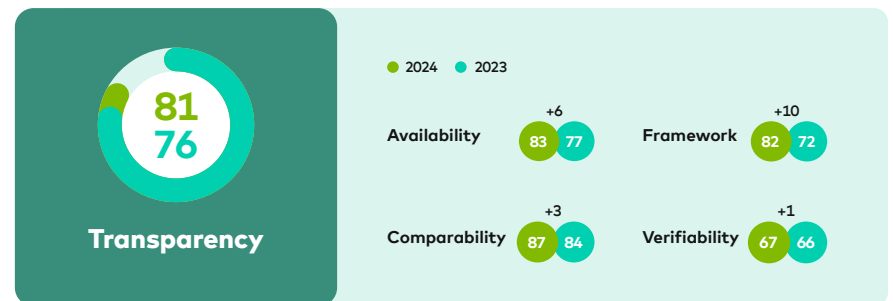


Figure 16: Results of the Transparency pillar

Availability

The first component of the Transparency sub-index is Availability, which, as last year, shows an exceptionally high value of 83. Compared to 2023, this measure has increased by 6 points, indicating that the examined banks have pressed forward in the transparent disclosure of their sustainability reports including emission data.

According to data from 2023, approximately half of the banks continue to publish their current ESG targets and annual achievements at the group level. While there is moderate progress, consolidation of this data at the affiliate level remains limited. Similarly to the previous year, this highlights an opportunity for banks to disclose key target KPIs and action plans on a subsidiary bank level (specifically for international bank groups), ensuring easy access to this information for local stakeholders.

Additionally, five out of nine Hungarian banks release externally audited environmental sustainability targets and performance in integrated reports based on internationally accepted reporting standards like the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB). The standards facilitate comparison among financial institutions' green achievements. These integrated reports outline the company's performance from both financial and ESG perspectives, thereby enhancing transparency and promoting the view that sustainability is an essential aspect of business performance.

Regarding report publication, all the Hungarian banks in our sample have diligently published their annual ESG reports on their official websites, with almost all in easy-to-find locations. Notably, seven out of nine banks prepared their reports for 2023 (as a reference period), indicating that banks are seeking to present their most up-to-date ESG strategy, results and further objectives on an annual basis.

REPORT TYPE	REPORT DEFINITION
Integrated Report	An externally audited report that has been prepared based on one of the internationally accepted reporting standards (e.g., GRI, SASB, etc.), and defines the company's performance both from a financial and ESG point of view.
Certified / Audited Report	Reports that have been prepared based on internationally accepted reporting standards (e.g., GRI, SASB, etc.) and are also audited externally.
Standardized Report	Reports that have been prepared based on internationally accepted reporting standards (e.g., GRI, SASB, etc.), but are not audited externally.
Simple Report	A non-financial report that contains information about environmental, social and governance issues that are important to the company, but are not aligned with any of the international reporting standards (e.g., GRI, SASB, etc.).

Table 1: Summary of report types for sustainability disclosure

Framework

The Framework component of the Transparency sub-index scored 82, marking a substantial 10-point improvement over the previous year's results. This progress indicates that most banks now disclose their sustainability strategies and action plans, account for the primary environmental impacts of their direct and indirect operations, and recognize the operational risks posed by climate change and global warming.

Regarding banks' ESG strategies, there has been notable progress, with the majority of banks clearly articulating their ESG strategies in their annual reports. This marks a 10% improvement over last year's results and demonstrates that banks are increasingly prioritizing the public disclosure of their sustainability goals, ambitions and visions. The published strategies offer ample qualitative and quantitative information about the institutions and their procedures. Additionally, the reports emphasize the financial institutions' commitment to contributing to the European Commission's long-term strategic vision for 2050 aiming to achieve a climate-neutral economy (European Commission, 2024b). Additionally, there is a noticeable improvement in banks' action plans, with a 100% rate compared to 90% the previous year, indicating that all banks are taking active steps to achieve their sustainability strategy targets. These findings are consistent with our interviews and surveys, where all banks reported having defined concrete steps to achieve their sustainability objectives.

There has been considerable progress in banks' risk assessment and management, with nearly 80% of examined banks disclosing the primary operational risks they face due to climate change. Banks are generally adopting a holistic approach, considering the impact of ESG factors on their business partners and invested assets too, while assessing related financial risks. Additionally, the examined banks have continued to implement and enhance internationally recognized best practices, such as climate stress tests and scenario analyses to evaluate impacts and risks. Despite this substantial progress, there remains potential for further development through collaboration to identify and publish the main operational impacts and risks that climate change poses for the entire financial sector.

As banks adopt an increasingly holistic view of sustainability, they are considering not only their own environmental and social impacts but also indirect impacts through the value chain (e.g., suppliers, partners, clients, etc.). Based on our interviews and the banks' strategic objectives, nearly 80% of banks consider not only their own impact but also the impact of their entire value chain on the environment and society.

An area for development is to identify and publish negative sustainability KPIs and acknowledge their adverse environmental impacts, as only two-thirds of banks currently do so. Since highlighting areas for improvement is crucial for transparency and for building trust, banks could make progress in this aspect to better inform various stakeholder groups.

Comparability

Comparability, the third component of the Transparency sub-index, achieved the highest score within Transparency for the second consecutive year. The exceptional score of 87 marks a 3-point increase over the previous year, indicating that Hungarian banks have continued to enhance their disclosure of quantitative sustainability data. The improvement reflects better application of internationally recognized reporting standards and industry-specific KPIs. Additionally, Hungarian banks have maintained their commitment to tracking annual changes and progress, further enhancing transparency in sustainability reporting.

Similar to last year, eight out of nine examined banks provided substantial quantitative and measurable data on their environmental sustainability performance in their annual reports. The disclosure of this data allows stakeholders, including customers, investors, regulators and the public, to assess the banks' performance objectively. Additionally, these metrics enable bank management and stakeholders to make informed decisions regarding investments, policies and strategic initiatives. It is also notable that the disclosure of this data is considered adequate, as 90% of banks make the most relevant KPIs readily accessible and use internationally recognized metrics for data representation (e.g., kiloton, kilowatt hour, liter, etc.).

Another key finding of the Comparability component is that the vast majority (~80%) published their sustainability performance based on internationally accepted reporting standards, such as the Global Reporting Initiative (GRI) standards or the Sustainability Accounting Standards Board (SASB) standards.

The GRI is an international, independent organization that assists businesses, governments and other entities in understanding and communicating the impact of business activities on critical sustainability issues, such as climate change. It also provides guidelines that reflect the perspectives of diverse stakeholders, aiming to enhance transparency (GRI, 2024). Similarly, SASB standards enable companies to disclose sustain-

ability-related information, including risks and opportunities affecting their business value and financial performance (SASB, 2023).

The adoption of standardized reporting frameworks, like those mentioned above, enables financial institutions to benchmark their operations and sustainability performance against peers, facilitating the identification of areas for improvement. While not all institutions adhere to these standards, all examined banks provided accurate information on their calculation methodologies, thereby enhancing the credibility of their reports.

When it comes to the publication of key industry-specific KPIs, there has been notable progress, as two-thirds of the examined banks disclosed essential figures that SASB advises. These metrics include carbon-related assets, gross exposure to carbon-related industries, number of loans for which a review of environmental or social risks was performed, etc. (IFRS, 2022). Another positive development is that all banks are using data visualisation tools (e.g., charts and graphs) for ease of interpretation, thus increasing transparency.

Furthermore, there has been a notable enhancement in the consistency of banks' data reporting, as 90% of banks consistently publish the same datasets year after year, enabling clear tracking of changes. It is also commendable that almost all banks publish these metrics in both nominal and normalized values (e.g., emission per unit), enhancing comparability.

Ensuring that sustainability report data is comparable to last year's performance is important, as it highlights improvements and helps banks focus on KPIs that are not progressing as planned.

Additionally, the comparability component also assessed if banks established goals and targets for the future and according to our research, nearly 80% of the banks in our sample have set short- or medium-term targets (for the next 2-5 years). Another factor that increases transparency is that all banks state their calculation methodology concerning their environmental sustainability performance, showing considerable improvement in their reporting practices.



Verifiability

The Verifiability component of the Transparency sub-index scored 67, marking the lowest score among its components for the second consecutive year, indicating future potential. This reflects a modest 1-point increase compared to the previous results. The relatively low score indicates that the examined banks' reports offer limited sources and supporting evidence for their calculations, assumptions and conclusions on sustainability. Additionally, these reports often lack sufficient data to thoroughly substantiate their claims, suggesting that financial institutions could enhance this component to increase stakeholders' trust. Banks could improve the Verifiability component mainly by providing more data to validate their claims about the impact of environmental risks on the company, thereby increasing stakeholder awareness and overall transparency.

Compared to last year's results, a modest improvement is evident in the data validation processes of the examined banks. About 80% of these banks now provide data to validate their statements regarding environmental impacts. These insights indicate that the examined banks have continued to actively monitor their footprint by evaluating direct and indirect emissions and other sustainability-related metrics. In contrast, significant weaknesses persist in banks' data validation regarding the operational effects of climate change, as only one out of three disclosed data to validate their statements on the impacts of environmental risks on the company.

An area for development remains for these institutions to provide justifiable quantitative data and to assess the impacts of sustainability-related risks on the bank, which would be of great interest to investors and other stakeholders.

The data usage of the examined banks shows moderate improvement, with 80% of the banks properly listing both external and internal sources used for assessments, thereby validating their statements. Internal sources include references to their methodology frameworks (e.g., calculations, internal audit, etc.), while external sources encompass studies, articles and other materials on which they base their

assumptions. Moreover, auditing is a crucial pillar of verifiability, and a closer look reveals no progress in this area. Our research showed that 20% of banks do not externally audit their sustainability-related impact, which can significantly undermine their credibility and erode trust, thus indicating a development area for Hungarian financial institutions.

Future outlook

As in 2023, the Transparency sub-index achieved the highest score out of the three pillars of the Sustainability Perception Index in 2024 as well. The score of 81 indicates further progress in the banking sector's sustainability strategy and performance disclosure, thereby enhancing transparency about their operations. Compared to last year, the reporting practices of Hungarian banks have continued to evolve and show an increasing commitment to sustainability due to emerging interest and regulatory pressure. Although it is promising that the sampled banks are already disclosing KPIs on their sustainability performance, there are still areas for improvement that could further enhance their transparency.

In terms of transparency among the banks examined this year, we identified two key areas for improvement. Firstly, there is a crucial need for banks to improve the verifiability of their sustainability reports by indicating data to validate statements about environmental risks' impact, listing sources of disclosed data and by conducting external audits. This practice not only ensures accuracy in reporting

sustainability practices and performance metrics but also enhances stakeholders' trust. By providing verified information on sustainability initiatives, banks could strengthen credibility and underscore their commitment to transparency and accountability.

Secondly, there is a strong recommendation for banks to enhance their reporting structures by not only disclosing sustainability performance at the group level but also for their affiliates. This step can significantly enhance trust among investors and consumers while bolstering local transparency.

Hungarian banks have demonstrated considerable progress in transparency compared to last year, although this sub-index was already the most developed in 2023. However, there remains room for improvement, particularly in ensuring the verifiability of sustainability disclosures and by developing local sustainability reports at a subsidiary bank level. Addressing these areas could further strengthen trust and accountability among stakeholders, thereby further improving transparency.

In conclusion, Hungarian banks have progressed further in transparency compared to last year, while this sub-index was already performing strongly. We expect that in the coming years, emerging regulatory pressure (e.g., CSRD, CSDDD), along with increasing interest from investors and consumers, will continue to drive banks' journey toward even more transparent and local ESG reporting.

Sustainability in acquiring overview

Although our research focuses on issuing banks, acquirers have also important in sustainability. Since they connect mainly to commercial clients, such as corporate merchants and SMEs, their sustainable activities may be largely unknown to retail banking consumers. Nonetheless, acquirers can have a positive environmental impact on consumers and influence their behavior through paperless operations and digitalization.

Traditional acquirers primarily have an indirect green impact on end consumers through their business strategy, business operation, awareness building and green economy transitioning.

Business strategy considerations include a commitment to net-zero emissions, a decrease in greenhouse gas emissions, energy efficiency plans and a dedicated budget for environmental sustainability, among others.

Within business operation, acquirers aim to run a carbon-neutral business, including the use of green energy for electronic payment acceptance. Data centers and processing facilities required for card transactions consume significant energy, often generated from non-renewable sources. Using renewable energy sources like wind or solar energy could be a potential enhancement area for those players. Additionally, acquirers can enhance their sustainable operations via careful partner selection and environmental impact monitoring, among other initiatives.

Acquirers can also build awareness about sustainability through education, internal and external communication, and promotion of sustainability-related initiatives for employees like commuting or volunteering.



Finally, acquirers are leveraging their digital and paperless strategies to transition to a greener economy. For example, the emerging Soft-POS terminal solution enables merchants to accept card payments directly on their phone devices, thus reducing the need for POS terminals.

Terminal providers have an additional layer of environmental responsibility throughout their value chain, including terminal manufacturing, logistics and waste management. For acquirers, a natural step toward a more sustainable operation is to manufacture and distribute terminals from recycled plastic and use recycled package materials for distribution, together with prioritizing phone payment acceptance solutions such as SoftPOS. The development of a comprehensive recycling and refurbishment program for POS devices is crucial to mitigate their environmental impact and promote a more sustainable lifecycle management approach. The expansion of terminal lifecycles is also key. Finally, educational efforts and incentives for business customers can help ensure that merchants reduce waste by complying with providers' terminal replacement recommendations.

As in many other countries, paper receipts are legally required in Hungary (National Tax and Customs Administration of Hungary, 2023). Thus, despite technological advances, transactions still result in printed receipts, contributing to paper waste and increased environmental burden. Promoting digital receipts — a solution well-received by end customers — would be one way to reduce paper consumption.

According to our consumer research, more than four out of 10 respondents do not usually take paper receipts after a debit or credit card purchase, while almost nine out of 10 (86%) say they would be willing to replace receipts with a mobile bank notification (Mastercard and Impetus Research, 2024).

These findings were similar to our 2023 consumer research, where we found that one in five respondents never took a receipt after a card purchase, while almost half of consumers typically asked for one. Also, even among those customers who commonly took a printed receipt, almost nine out of 10 claimed that a digital receipt would have been sufficient. This year's research is also similar to 2023 in that there is a strong correlation between monthly income level and openness to novel solutions (e.g., digital receipts): the higher the income, the greater the willingness to adapt to modern technologies. There is a similar correlation between level of education and openness to digital receipts.

The perception of digital receipts signals a shift in consumer mindset about paperless and digital payment solutions, but education about new digital alternatives is still needed. Acquiring banks could undertake educational programs and marketing campaigns to help merchants understand and adopt more sustainable attitudes and behaviors.

In conclusion, the acquiring sector has enormous potential to promote sustainable practices by reassessing operations across the complete value chain of acquiring and by encouraging merchants to adopt novel solutions and raise consumer awareness about sustainable solutions.

In the future, acquirers could further develop their sustainability-related activities in three ways that would help the green transition in the Hungarian economy:

- Enhance business operation-related aspects (e.g., commitment to net-zero operation, improved KPI monitoring, green energy usage across the whole business operation, etc.)
- Improve customer education (both business and individual consumers) to create higher demand and to further adopt digital and paperless solutions (e.g., SoftPOS, digital receipts, etc.)
- Develop terminal-related activities (e.g., lengthen terminal lifecycle, enhance terminal transportation and waste management practices, etc.)



Sustainability Outlook

SOCIAL SUSTAINABILITY OVERVIEW

The UN defines social sustainability as the development of an equitable, inclusive and cohesive society where all individuals have access to essential services, human rights and social justice, ensuring opportunities for all to fulfill their potential (United Nations, 2024).

While this study mainly focuses on environmental sustainability, that topic is only one within the ESG (environmental, social, governance) framework suggesting the complexity of sustainability. The 17 UN Sustainable Development Goals (United Nations, 2024) confirm the importance of social sustainability as those goals include elements such as no poverty, zero hunger, quality education, gender equality, decent work and economic growth, and reduced inequalities. Social challenges around the world are becoming increasingly urgent. The COVID-19 pandemic, ongoing civil unrest and the threat of a global economic downturn showed the pressing risk posed by growing inequality (BCG, 2022).

It is becoming evident that environmental and social issues are deeply interconnected. Climate change aggravates global inequities, and without an equitable energy transition, the chances of achieving significant climate action are diminished.

Social Banking's main objective is to contribute to the development of people and the planet today and in the future (ISB, 2021). Besides social banking, the financial sector plays a vital role in pursuing sustainability, contributing through the financing of commercial projects and by offering sustainable products to consumers and businesses. Social banking trends are increasingly focused on promoting financial

inclusion and supporting community development. Statistics show that poverty impacts one in five people in Central and Eastern Europe, amounting to 14 million individuals. This results in limited or no access to financial services and is often associated with severe social challenges such as unemployment, inadequate elderly care and a shortage of affordable housing (Erste Group, 2024).

Banks are implementing initiatives to provide access to banking services for underserved populations, including low-income individuals, small businesses and other organizations and foundations. These efforts include offering microfinance products (financial services for low-income individuals or groups who traditionally lack access to banking (CFI, 2024)) affordable credit, and financial literacy programs to economically empower communities. Additionally, banks support social and environmental sustainability causes through donations, humanitarian relief efforts, financing startups, and fostering innovation and growth in financial services. Furthermore, banks are adopting policies to promote gender equality within their workforce, recognizing the value of diverse perspectives in driving innovation and growth (MAPFRE, 2023).

Hungarian banks have been prioritizing social sustainability aspects for a considerable time, ensuring equal access to financial services for social organizations to extend their impact in serving disadvantaged people and promoting community development. They offer financial services and products (such as microloans, financial education and strategic training) tailored to individuals, organizations and foundations often excluded from traditional banking. These efforts include helping people in financial difficulties to improve their housing and financial stability, as well as providing financial support for start-ups and micro businesses that may contribute to local job creation and preservation.

In Hungary, social equality and poverty are somewhat more important than climate change for consumers (almost half of respondents are concerned about these social issues). However, they are less important than other issues driven by global economic challenges, such as ensuring daily living, inflation, healthcare, maintaining a healthy lifestyle, and achieving future goals (Mastercard and Impetus Research, 2024).



Although social banking practices have existed for a considerable time in Hungary, our customer research suggests that almost half of the respondents are not aware of those activities, while only one-tenth think their bank is contributing significantly to social sustainability. This lack of awareness resonates with our results in environmental sustainability.

Based on our research, customers primarily expect banks to be more involved in the circular economy (44%) (e.g., donating unused equipment), to financially assist healthcare institutions, hospitals and NGOs supporting people in need (43%), and to promote financial education (33%). Furthermore, customers consider it important for banks to offer scholarships to talented or needy young people (32%), donate to social causes through non-profit organizations (31%), and participate in or financially support food distribution efforts (26%).

Consumer research also revealed that 68% of respondents donate money to support social or environmental causes. However, only one-fifth are frequent donors, giving at least once per month, suggesting that donation frequency could be enhanced. Also, one-fifth of respondents expressed their willingness to engage in regular volunteer activities (at least annually).

The data suggests that while the desire to engage personally and directly with community issues remains robust among the Hungarian population, people are more willing to donate money than to volunteer in their free time. Observing the answers more closely, there is a clear correlation between age and the willingness to volunteer. Younger people (ages 18-29) showed a notable propensity to engage in regular volunteer activities, committing to a weekly basis (29%), while only 13% of older individuals (ages 60-69) would volunteer with similar frequency. As educational attainment and household net income increase, the likelihood of donating to worthy causes increases, while people who are more sensitive to sustainability are also more likely to give money to charitable causes.



Additionally, the survey revealed that 25% of respondents would volunteer for tree planting and 23% for litter picking and helping people who are sick or in need, making these the most commonly chosen objectives. When examining donation habits, almost one-fifth of respondents donate to charity at least on a monthly basis, while another 40% donate at least bi-annually. Therefore, financial institutions could further incentivize people to donate more frequently to social or environmental issues. The most commonly supported cause is helping sick people, chosen by almost four out of 10 respondents, followed closely by helping animals (one-third of consumers). The survey also indicates consumer preference for digital donations (e.g., bank transfers, text message, etc.) over cash-based donations and reveals an opportunity for banks and NGOs to encourage card-based donation options.

Social sustainability is already important for Hungarian banks, and the aforementioned initiatives (e.g., microloans, financial education, volunteering, etc.) reflect banks' strong commitment to social sustainability, aiming to create a more equitable and inclusive economy in Hungary. Additionally, there is a growing emphasis on gender equality within the workforce and leadership, ensuring diverse perspectives and fostering inclusive growth. Similarly to environmental sustainability, consumer awareness could be further enhanced in social sustainability by promoting donations and volunteering.

Overall, Hungarian banks have put significant efforts into social sustainability, integrating responsible practices into their core operations and community engagements. Their activities and actions are focused on empowering social organizations to expand their impact, supporting start-ups and micro businesses to create and preserve jobs, fostering financial inclusion and education, and addressing social inequalities (among others) through various initiatives and partnerships.

Social banking's relevance will further increase in the coming years as global warming significantly impacts social issues such as economic inequalities (IMF, 2021), and financial institutions are uniquely positioned to amplify their positive social impact.

We expect that banks will continue their journey in social sustainability, as these activities can create value for banks by accessing new segments (e.g., reaching micro businesses) and enhancing talent attraction and retention (BCG, 2022). Additionally,

building consumers' awareness of social sustainability is pivotal to increasing their donations and volunteering activities, thus intensifying banks' social impact.



REGULATORY OVERVIEW

Currently, climate-neutral banking remains voluntary in Hungary and the European Union, with no mandatory legislation in place (Green Policy Center, 2023). However, climate-related regulations apply to the entire economy, and thus indirectly to the banking sector as well.

This indicates that all entities in the corporate sector need to proactively engage in climate change mitigation.

Numerous sustainability-related regulations already exist, and those are expected to become stricter, requiring financial institutions to adhere to detailed disclosure requirements.

The European Climate Law and the European Green Deal are central to the EU's strategy to become the first climate-neutral region by 2050. The European Green Deal, launched in 2020, sets the framework for transforming the EU into a clean, resource-efficient, and competitive economy, aligning with the Paris Agreement's goals. The 2021 European Climate Law solidified the EU's commitment to climate neutrality by 2050, including a 55% emissions reduction target by 2030 compared to 1990 levels and an additional target of 90% reduction by 2040 (European Commission, 2024c).

The EU taxonomy is a crucial part of the EU's plan to achieve the goals of the European Green Deal. This classification system helps guide investments toward economic activities that support the transition to a sustainable economy, such as achieving net-zero emissions by 2050. Effective since July 2020, the taxonomy defines what activities qualify as environmentally sustainable, providing a common language for both financial and non-financial companies

(European Commission, 2024d). The Taxonomy has six green objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and

restoration of biodiversity and ecosystems (Doyle, 2021). The EU Commission set criteria based on the 2050 net-zero target to help banks achieve goals set in the Paris Agreement. Currently, only mitigation and adaptation criteria are available, with others in progress (Green Policy Center, 2023). Aligned activities are those making a substantial contribution to at least one environmental objective, while also meeting minimum human rights and labor standards as well as the DNSH (Do No Significant Harm) criteria, which ensure that activities related to one goal or project do not harm others (e.g., activities related to a solar power project must not damage the ecosystem) (Celsia, 2022).

The Non-Financial Reporting Directive (NFRD), introduced in 2014, mandated large companies with over 500 employees to disclose non-financial information alongside their financial reports. This non-financial information covered aspects such as environmental impact, social responsibility, employee-related matters, human rights, and anti-corruption efforts (European Union, 2021).

The Corporate Sustainability Reporting Directive (CSRD), which took effect on January 5, 2023, modernizes and expands the scope of the Non-Financial Reporting Directive (NFRD). It will apply to nearly 50,000 large companies (EU companies meeting at least two of the following: €50+ million in net turnover, €25+ million in assets, or 250+ employees and non-EU companies with over €150 million in EU turnover) and listed companies (except listed micro-enterprises) within the EU, which will have to report their climate and environmental impact (Schmidt, Farbstein, 2024). These companies are now required to disclose information related to social and environmental risks. The first companies will need to publish reports in 2025 for the 2024 financial year (European Commission, 2024e). According to PwC's Global CSRD Survey, while 63% of companies are optimistic about being prepared to meet the EU's Corporate Sustainability Reporting Directive (CSRD) requirements, many still struggle with the complexity of its implementation. The survey also reveals that 79% of companies headquartered outside the EU and 74% within the EU believe that the CSRD will lead to greater consideration of sustainability in decision-making (PwC, 2024).



Companies subject to the CSRD must report in accordance with the European Sustainability Reporting Standards (ESRS) which were adopted in 2023 (European Commission, 2024e). These standards aim to support the EU's transition to a sustainable economy by providing comprehensive guidelines on environmental, social and governance issues, including climate change, biodiversity, and human rights. The ESRS are designed to balance the reporting burden on companies with the need to demonstrate their efforts toward the EU's green deal agenda, facilitating access to sustainable finance. They ensure high interoperability with global standards from the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) to avoid redundant reporting. The implementation of these reporting requirements will be gradual, depending on the size and nature of the companies (European Commission, 2024f).

The European Commission's directive on corporate sustainability due diligence (CSDDD), adopted in February 2022 and approved in May 2024, aims to promote responsible corporate behavior and address adverse human rights and environmental impacts in global value chains. The directive requires large companies to conduct due diligence, focusing on human rights and environmental impacts, and adopt climate change mitigation plans.

It applies to large EU and non-EU companies (with over 1,000 employees and a turnover exceeding €450 million, covering activities from production and service provision to distribution, transport, and storage (European Council, 2024)), excluding micro companies and SMEs, with measures to minimize their burden (European Commission, 2024g).

Financial institutions only need to comply with CSDDD for their own operations and upstream supply chains (activities of their suppliers and partners who provide them with goods and services). Financial institutions are exempted from the downstream due diligence obligations of the CSDDD, which include requirements related to their investment and lending practices. However, they are still required to

report on their upstream activities concerning suppliers and partners. Critics argue this exclusion overlooks the role financial institutions play in preventing harm in value chains. The possibility of including the financial sector's downstream activities (such as investment or lending practices) is under review, but it is uncertain when this assessment will begin (Fred-Horsfall, 2024).

The regulatory landscape for financial institutions includes key rules aimed at transparency and sustainability. The EU Sustainable Finance Disclosure Regulation (SFDR), effective since March 2021, ensures transparency in financial products like portfolio management services, alternative investment funds, and pensions. Level 2 guidelines from 2023 further classify products to prevent greenwashing (Vasseur et al., 2023). The European Banking Authority (EBA) introduced Pillar 3 to enhance transparency by requiring banks to disclose ESG risk management and climate-related strategies (EBA, 2022). The European Green Bond Standard Regulation, published in November 2023, provides clear guidelines for green bonds, supporting their role in financing the shift to a low-carbon economy and promoting transparency (European Commission, 2024h). In Hungary, the Central Bank of Hungary (Magyar Nemzeti Bank, MNB) was granted its green mandate in 2021, marking a significant step toward promoting environmental sustainability as part of its statutory objectives. Subsequently, in 2022, the MNB published the Zöld Ajánlás (Green Recommendations) to aid banks in readiness for forthcoming regulatory shifts. These recommendations, while not replacing supervisory tools, offer guidance on managing climate-related risks (MNB, 2021, 2022a). The MNB also outlines that financial institutions are required to gradually meet specific regulatory expectations starting from September 2022, with subsequent deadlines in July 2023 and January 2025 (MNB, 2022b).

The Central Bank of Hungary has provided a capital requirement discount (Zöld Tőkekövetelmény-kedvezmény) since 2020 for household, corporate and municipal exposures with the aim of promoting a shift

toward environmentally sustainable (green) industries and clients. This initiative seeks to enhance the environmental sustainability of bank balance sheets by increasing the proportion of exposures to green industries and clients relative to 'brown' industries, which face stricter environmental regulations and pose higher long-term risks (MNB, 2023a). The most suitable investment projects for establishing climate-neutral financing are aligned with the EU Taxonomy definitions receiving a 7% discount (if the investment is first aimed at climate neutrality) or if they are based on the Climate Bonds Initiative taxonomy (Green Policy Center, 2023).

The Hungarian ESG law entered into force in 2023 and requires companies to identify and manage sustainability risks, aligning with EU regulations like the Taxonomy and CSRD. From 2024, it applies to large companies (companies with over 500 employees, total assets exceeding 10 billion HUF, and revenues over 20 billion HUF and for the financial year 2025, for companies with over 250 employees, total assets exceeding 10 billion HUF, and revenues over 20 billion HUF), extending to medium and small enterprises by 2026. Companies must conduct risk assessments, develop ESG strategies, and report annually, with reports audited and published within six months of the fiscal year's end. The Supervisory Authority for Regulated Activities (Szabályozott Tevékenységek Felügyeleti Hatósága) will oversee compliance, maintain a registry, and impose fines from 2026 (Pauza, 2023).

In conclusion, while climate-neutral banking is largely voluntary at present, global, European and Hungarian regulations are becoming stricter, moving toward integrating sustainability aspects into the operation of corporations and financial institutions. Climate change-related regulatory frameworks, the green recommendations of central banks and EU guidelines are laying the foundations for a green transition in banking as the mindset is shifting from voluntary toward mandatory.

SUSTAINABILITY-RELATED CHALLENGES

The financial sector faces multiple challenges regarding sustainability. Based on multiple studies and interviews with the main Hungarian issuing banks, we identified three key issues that underpin the complexity and difficulties involved in integrating sustainable practices into banking operations and policies: education, data availability, and attitude.

Education

We identified three sub-challenges within education: internal education initiatives for bank employees, retail consumer education for individuals, and commercial consumer education for businesses.

Internal education: Financial institutions have an opportunity to help employees better understand the principles of sustainability and the benefits it can bring to bank operations. Training and educational programs focusing on sustainable finance are essential to bridge this gap, enabling bank employees to make informed decisions that align with sustainability goals (Morgan Stanley, 2024). A notable example is BBVA, which has developed a comprehensive training program to equip all employees with essential knowledge to tackle sustainability challenges. The program is available at the bank's training center (Campus BBVA) and includes gamified experiences and both basic and advanced courses (e.g., sustainable finance, decarbonization, etc.). This initiative is crucial because it empowers employees to adopt sustainable practices, helping the bank contribute to global sustainability goals (BBVA, 2022).

Consumer education: In markets like Hungary, banks encounter the challenge of customers and businesses that lack knowledge of sustainability. While more than half (56%) of the Hungarian population know the meaning of sustainability, 5% have not heard the term, and roughly four out of 10 know the term but not the exact meaning. Also, 60% of Hungarians report that they discuss sustainability in their everyday lives with family and friends (either often or sometimes), with 12% talking about this topic





often. This places responsibility on banks and others (e.g., government, companies, NGOs, etc.) to inform clients about green products and their personal and environmental benefits. Based on Mastercard's customer survey, nearly 40% of consumers believe that financial institutions have a vital role in educating the public about sustainability (Mastercard and Impetus Research, 2024).

Business education: While large firms (annual sales revenue over HUF 4 billion) prioritize sustainability as per K&H Bank's Sustainability index, smaller businesses are falling behind in sustainability-related practices and initiatives. Despite positive attitudes, many executives find compliance with new regulations challenging. Banks could play a crucial role in educating businesses on sustainability, given their position as financial advisors. By offering tailored financial products, incentives and educational resources, banks can help smaller companies navigate regulatory complexities and adopt sustainable practices effectively (K&H Bank, 2024b).

Data availability

Despite improvements in ESG reporting, challenges remain in ensuring reliable and comparable sustainability data. Rapidly changing regulations and a wide range of reporting standards complicate efforts to provide clear information. Companies face difficulties in selecting metrics, assessing subjective ESG factors, and integrating sustainability into financial reporting. Overcoming these hurdles requires innovative strategies and collaboration to enhance transparency and stakeholder trust (Novisto, 2023). According to K&H Bank's sustainability index, less than one-tenth of companies measure carbon emission, while another 7% plan to measure it in the future. As of 2024, just one-quarter of companies adopted environmental management systems, with only one-third of firms planning to implement a system in the future (K&H Bank, 2024b). Similarly, based on PwC's Global CSRD Survey, participating companies highlighted data availability and quality (59%) as their biggest concern regarding compliance with CSRD requirements. Only one-fifth of companies required to report in the 2025 financial year confirmed the availability and completeness of data necessary for disclosures (PwC, 2024).

Many companies, particularly smaller ones, lack the awareness and capability to measure and report their emissions (Scope 1-3) accurately. The lack of quality data poses a significant challenge for banks in making informed lending decisions that align with their sustainability goals.

Banks are facing a fundamental challenge: define what constitutes a “green” initiative to be able to create a functional and accurate risk management framework and ensure a sustainable transition in their financing. Although there are existing classification systems, such as the EU Taxonomy, to provide guidance, there is no universal standard in Hungary to define what makes a project, product or practice environmentally sustainable. The CSRD regulation also helps banks by providing standardized frameworks and requirements, improving data availability and quality. However, banks may struggle with defining and standardizing green products and projects they finance, leading to inconsistent approaches and potential accusations of greenwashing. Any product or service marketed as green must genuinely be sustainable, and it must be perceived as such by the public to prevent such accusations from causing significant reputational damage. This requires stringent assessment and verification processes to ensure that green products and projects are truly sustainable. Certifications such as the EU Ecolabel for Retail Financial Products could help by defining minimum environmental performance standards for financial products.

Attitude

The global economic environment significantly impacts banks' ability to invest in sustainability, as downturns, market volatility, and competitive pressures can make short-term profitability a priority over long-term sustainability goals. This is challenging when sustainable investments, like renewable energy or sustainable agriculture, have longer payback periods or face regulatory changes affecting profitability (Morgan Stanley, 2024). During our bank interviews, this dilemma was highlighted: banks often face a choice between financing highly profitable but unsustainable projects or missing out on substantial profits, while these projects secure funding elsewhere.

Banks should balance short-term financial performance with long-term sustainability goals. This requires a strategic approach and mindset change to consider accepting lower returns in the short run for future benefits by incentivizing green investment projects. Governments can reduce the financial burden on financial institutions by supporting green projects with loans, subsidies and tax rebates, among other incentives, to facilitate a transition into a more sustainable economy.

In terms of consumers' attitudes toward sustainability, most people are primarily concerned about their everyday lives and spending, such as paying their bills and mortgage, as well as domestic political and economic issues. Sustainability is not a top priority on their list. However, environmentally conscious consumers already constitute a significant segment, representing almost one-fifth of our respondents, and we expect this share to grow. Our research also shows that three out of 10 customers would pay a higher bank account fee to a financial institution taking steps toward sustainability with its products or services. While attitudes toward these initiatives and products have gradually improved compared to the previous year, there remains significant room for further progress. Banks are taking steps toward offering more sustainable products and services, but the budget allocated to such projects varies. Some responding banks consider spending on sustainability-related purposes to be an investment and allocate more funds, while others see it as a cost.

Integrating sustainability into banking has many challenges. Banks need to navigate complex regulations, define and identify green investments and other products and services leveraging existing frameworks, ensure data quality, and manage reputational risks. Balancing profitability with sustainability considerations and educating retail and commercial clients adds to the complexity. Overcoming these challenges requires a concerted effort and commitment by the financial sector, and it is noteworthy to see Hungarian banks already making positive changes in data quality and attitudes toward sustainability compared to our report last year.

Methodology

The Sustainability Perception Index is a metric designed to measure the environmental sustainability performance of the Hungarian banking industry.

This report analyses the environmental sustainability level of the Hungarian issuing banking sector with an outlook on acquiring banks through quantitative and qualitative insights. Due to the limited availability of company-level hard data on environmental sustainability, the index methodology had to be adjusted accordingly.

The index consists of three different pillars, which together provide the final score of the Sustainability Perception Index: Pillar 1: Bank Readiness Perception, Pillar 2: Consumer Perception, and Pillar 3: Transparency. The basis of the methodology is to examine how the players in the banking sector see their own sustainability performance (Pillar 1) compared to the perception of consumers (Pillar 2) combined with Mastercard's evaluation on transparency (Pillar 3).

Pillar 1 of the index (Bank Readiness Perception) is based on primary research conducted by Mastercard with the cooperation of the selected banks and assesses the environmental sustainability performance of the players through self-reported data. Pillar 2 (Consumer Perception) explores the perception of consumers on the environmental sustainability of the banking industry in a measurable way and scales the general sustainability knowledge level of the Hungarian consumer groups. The dataset for this pillar has also been collected through primary research conducted by a third-party market research organization, Impetus Research. Pillar 3 of the index (Transparency) scores the selected banks based on their sustainability reporting performance to help them create trusted and informative sustainability reports that are aligned with the regulatory guidelines. This pillar of the index has been prepared based on desktop research conducted by Mastercard.



All indicators of the three pillars were indexed on a scale of 100 and they were aggregated into components to condense information from individual KPIs. All three pillars have a maximum of 100 points. The points value is then adjusted with weights (bank readiness perception: 40%, consumer perception: 40%, and transparency: 20%) to form the final index number for the banking industry – from the three pillars – for which the top scale is also 100. Model sensitivity was tested to assess the overall reliability of the index model.

A total of 61 indicators were included in the index. Nine banks from the Hungarian financial sector were included in the scope of the index. An important phase of the index development process was the choice of indicators. KPIs were included based on the availability and quality of data as well as their measurability, comparability and differentiability power.

Finally, the index was designed and structured to be replicable and easily expanded in the future to, for example, cover additional parts of the ESG framework (currently we are only focusing on 'environmental').

Data components

To construct this report two types of data sources have been leveraged:

Public sources: The Green Finance Report 2023 and the Green Recommendation and Sustainability Report 2022 published by the Central Bank of Hungary (MNB) served as a basis for designing our methodology and selecting the relevant indicators.

Primary research: Survey results were used to proxy poor or unavailable data points and add complementary insights to key findings. Impetus Research provided select findings from the Consumer Perception Survey, while Mastercard prepared and evaluated the Bank Readiness Perception Survey.

The Bank Readiness Perception and Consumer Perception pillars are based on inputs from primary research conducted by Impetus Research and Mastercard.

The Bank Readiness Perception survey was designed and prepared by Mastercard with the help of internal and external experts to form a 30–40-minute questionnaire. The questionnaire was filled out by the ESG Departments/Leads of the selected nine banks through in-person or online interviews. In addition to quantitative metrics, the interviews elicited important qualitative insights to enrich our analysis. These were then summarized in the study as separate chapters and not parts of the index itself.

The Consumer Perception survey was designed collaboratively with Impetus Research to form an 18-minute questionnaire that combined a series of self-assessment questions related to consumers' awareness of and attitudes toward environmental sustainability and its relation to the banking sector. A sampling of 1,100 consumers aged 18-69 was surveyed. Quotas were introduced to ensure that each large bank had at least 100 participants in the survey and each small bank had at least 30 participants. At the beginning of the survey, consumers were asked to identify their main bank and fill out the survey in reference to that.

References

Bacelar, G. (2024): Sustainable Banking Practices in the EU: Shaping the Future of Finance

Barnes, S. (2024): The future of sustainable banking looks bright

BBVA (2022): Report on TCFD

BCG (2022): Banks Can Bet Big on Social Impact

CDP (2024): Who we are

Celsia (2022): Taxonomy Terms Explained: a glossary for the EU taxonomy

CFI (2024): Microfinance

Deloitte (2023): New Deloitte research reveals majority of organizations increased sustainability investments over past year amid global uncertainty

Doyle, D.H. (2021): A Short Guide to the EU's Taxonomy Regulation

EBA (2021): Advice to the Commission on Article 8 Taxonomy Regulation

EBA (2022): Environmental Social and Governance Pillar 3 Disclosures

Erste Group (2024): Social Banking - For financial opportunities and social inclusion

European Commission (2021): EU restrictions on certain single-use plastics

European Commission (2024a):
Net-Zero Industry Act

European Commission (2024b):
EU 2050 long-term climate strategy,

European Commission (2024c):
The European Green Deal, Accessible at:

European Commission (2024d):
EU taxonomy for sustainable activities

European Commission (2024e):
Corporate sustainability reporting

European Commission (2024f): The Commission adopts
the European Sustainability Reporting Standards

European Commission (2024g):
Corporate sustainability due diligence

European Commission (2024h):
The European green bond standard – Supporting the transition

European Council (2024): Corporate sustainability due diligence:
Council gives its final approval

European Parliament (2022): EU ban on the sale of new petrol
and diesel cars from 2035 explained

European Parliament (2024): Greenwashing:
how EU firms can validate their green claims

European Science-Media Hub (2022):
Climate anxiety and young people

European Union (2021):
Non-financial Reporting Directive

Favas, M. (2023): The green transition
will transform the global economic order

Forbes (2022): Consumers Demand Sustainable Products And Shopping Formats

Greenstone (2023): ESG Reporting in South Africa – preparing for regulation

Forbes (2023): France Legally Bans Short-Haul Flights—Environmentalists Want More

GRI (2024): GRI Standards

Fred-Horsfall, A. (2024): The European Corporate Sustainability Due Diligence Directive (CSDDD): what happens now?

IFRS (2022): IFRS® Sustainability Disclosure Standard

Global Alliance of Banking Values (2024): Meet the Global Alliance for Banking on Values

IMF (2021): Linking Climate and Inequality

Greendex (2023): Idén először lehetett érettségizni fenntarthatóságból

ISB (2021): Definition of “Social Banking”

Green Finance & Development Center (2023): Green Finance trends in China (1): China’s Green Finance Policy Landscape

K&H Bank (2024a): A Felelős Befektetések kizárási szabályzata

Green Policy Center (2023): Klímasemleges banki finanszírozás - Kézikönyv a hitelintézeti portfóliók dekarbonizációjához

K&H Bank (2024b): K&H: az iparvállalatoknál fókuszba került a fenntarthatóság

KPMG (2022): Great ESG expectations

MAPFRE (2023): The impact of financial institutions on social aspects of sustainability

Mastercard Hungary; Impetus (2024): Sustainability Perception Index Hungary 2024 – Consumer Research

McKinsey & Company (2022): Banking on a Sustainable Path

MNB (2021): Zöld jegybanki eszköztár-stratégia

MNB (2022a): A Magyar Nemzeti Bank 10/2022. (VIII.2.) számú ajánlása

MNB (2022b): Megújított MNB-ajánlás: 2025-ig minden bank működése váljék zölddé

MNB (2023a): Tájékoztató a zöld vállalati és önkormányzati tőkekövetelmény-kedvezmény kiegészítéséről

MNB (2023b): Green Finance Report

MNB (2024): Zöld Pénzügyi Jelentés

Morgan Stanley (2024): Companies See Sustainability as Integral to Long-Term Value Creation

National Grid (2023): What are scope 1, 2 and 3 carbon emissions?

National Tax and Customs Administration of Hungary (2023): A számla, nyugta kibocsátásának alapvető szabályai

Nature (2023): The science is clear: sustainable development and climate action are inseparable

Novisto (2023): Four challenges of ESG reporting and key strategies

Pauza, D. (2023): Hatályba lépett az ESG törvény: a következő években egyre több vállalatot érint

Product Bureau (2024): Retail financial products

Schmidt, A., Farbstein, E. (2024): Corporate Sustainability Reporting Directive (CSRD), explained

PwC (2024): A CSRD feladja a leckét a vállalatoknak

Spuerkeess (2024): The ESG journey and how banks can help change the world

Raji, K. (2023): Is Carbon Offset a Form of Greenwashing?,

Stockholm Resilience Centre (2023): Planetary boundaries

SME United (2023): Access to sustainable finance for SMEs - a European survey 2023

Sustainable Brand Index (2024): Official Report 2024, Sweden

S&P Global (2024a): Addressing the New SEC Climate Disclosure Rule

United Nations (2024): Sustainable Development Goals

S&P Global (2024b): Your Three Minutes In Climate Disclosure: Benefits And Limitations Of The Green Asset Ratio For EU Banks

UNEP Finance Initiative, (2024a): Principles for Responsible Banking

SASB (2023): SASB® Standards

UNEP Finance Initiative, (2024b):
Net-Zero Banking Alliance

Vasseur, E., Parot, V., Pallu, M. (2023): A look back on the
implementation of level 2 of the EU Sustainable
Finance Disclosure Regulation

UNFCCC (2024): The Paris Agreement

World Economic Forum (2024): Delivering on the European Green
Deal: A Private-Sector Perspective

Definitions

CSRD

The Corporate Sustainability Reporting Directive (CSRD) modernizes and strengthens the rules about the social and environmental information that companies must report. CSRD will replace the NFRD and broaden its scope; therefore about 50,000 large companies and listed SMEs will now be required to report on sustainability.

EBA PILLAR 3

The European Banking Authority (EBA) is implementing a new policy strategy that aims to increase the efficiency of institutions' disclosures and reinforce market discipline by developing a comprehensive framework. According to the EBA Pillar 3 package, banks should be able to show how climate change may exacerbate other risks within their balance sheets and how they are mitigating those risks.

ESG FRAMEWORK

A set of criteria for evaluating an institution's performance in environmental, social and governance areas.

EU TAXONOMY

The Taxonomy regulation is a green classification system that transforms the EU's climate and environmental objectives into a list of environmentally sustainable economic activities for investment reasons. It recognizes environmentally friendly or "sustainable" economic activities that significantly advance at least one of the EU's environmental goals.

GREEN ASSET RATIO

A financial institution's assets financing sustainable economic activities (as defined by EU Taxonomy) divided by its total assets.

GREENHOUSE GAS (GHG) EMISSIONS

The emission of greenhouse gases, such as carbon dioxide, methane and nitrous oxide, that contribute significantly to global warming and are produced by the burning of fossil fuels, industrial production and land use.

GREENWASHING

Greenwashing is the act of making false or misleading statements about the environmental benefits of a product or service, practice etc.

NET ZERO BANKING ALLIANCE

The industry-led, UN-convened Net-Zero Banking Alliance brings together a global group of banks, currently representing over 40% of global banking assets, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

NFRD

Under the Non-Financial Reporting Directive (NFRD), large public-interest companies with more than 500 employees must publish information about social and environmental matters. These reporting rules apply to approximately 12,000 large companies and groups across the EU, including banks and insurance companies among others.

SBTI

The Science Based Targets initiative is a collaboration between CDP, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature. Since 2015, more than 1,000 companies have joined the initiative, which sets science-based climate targets.

SCOPE 1

Direct GHG emissions from sources owned or controlled by an organization.

SCOPE 2

Indirect emissions from the purchase and use of electricity, steam, heating and cooling

SCOPE 3

All other indirect emissions that occur in the upstream and downstream activities of an organization.

SFDR

The Sustainable Finance Disclosure Regulation (SFDR) requires specific firm-level disclosures on how sustainability risks are addressed and directs financial firms on how to transparently communicate these sustainability risks. The SFDR applies to all EU investment management firms and advisors, including asset managers, banks, and insurers, since March 2021.

SOCIAL BANKING

Social Banking describes banking and related financial services whose main objective is to contribute to the development of people and the planet, today and in the future.

SOFTPOS

Solution that enables acceptance of NFC payments on Android devices using only software (i.e., without terminal hardware).

SUSTAINABILITY

Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

SUSTAINABLE DEVELOPMENT GOALS

An integrated set of 17 goals adopted by UN member countries, which aims to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) is a large network of banks, insurers and investors that collectively catalyse action across the financial system to deliver more sustainable global economies.



mastercard.hu

About Mastercard

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realise their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

PRESS AND ENQUIRIES

aniko.sisa-molnar@mastercard.com
boris.martinovic@mastercard.com

BUDAPEST OFFICE

Paulay Ede St. 55,
Budapest 1061, Hungary