

# Act CVIII of 2023

## **laying down the rules of corporate social responsibility taking into account environmental, societal and social considerations to promote sustainable finance and unified corporate responsibility, and amending certain related Acts**

The National Assembly,

in order to ensure that the activities of certain economic operators, or specific segments thereof, may also be objectively assessed from a sustainability perspective, thereby enabling business partners, typically actors in the financial and capital markets, to obtain a more comprehensive understanding of the entity or its activities;

in support of the implementation of the European Green Deal, and to ensure that the legal framework is aligned with the sustainability frameworks, standards and regulations in place in the European Union, while also taking into account international accounting principles;

in order to require undertakings to disclose adequate information concerning the sustainability risks and opportunities they face, as well as their impacts on people and the environment, thereby providing economic operators with comprehensive information on the current state and future directions of sustainability and unified corporate responsibility;

with a view to laying down the rules of responsible corporate governance taking into account environmental, societal and social considerations to promote sustainable finance and unified corporate responsibility, adopts the following Act:

*Chapter I*

## MINISTRY OF JUSTICE GENERAL PROVISIONS HUNGARY

### 1. Scope of the Act

**Section 1** (1) The scope of this Act shall extend to the following entities having their seat in Hungary:

a) large undertakings which are public-interest entities, where at least two of the three following index values on the balance sheet date exceeded the limits for each of the last two consecutive financial years before the financial year:

aa) balance sheet total: 10 000 million forints,

ab) annual net turnover: 20 000 million forints,

ac) average number of employees: 500; and

b) large undertakings whose main activity on the balance sheet date was classified in one of the divisions of the Statistical Classification of Economic Activities listed in Annex 1 for each of the last two consecutive financial years before the financial year, and where the following index values exceed the limits:

ba) annual net turnover: 90 000 million forints, and

bb) average number of employees: 500;

c)

(hereinafter jointly “undertaking”).

(2)

(3) Organisations not falling within the scope of paragraph (1) which by way of a unilateral juridical act or a contract voluntarily undertake ESG data provision under this Act or for which ESG data provision is made mandatory by law shall be obliged to comply with the provisions of this Act.

(3a) The scope of this Act shall also extend to an organisation which is not an undertaking or an organisation under paragraph (3), but which seeks ESG data provision falling, in terms of content, within the scope of this Act from the undertaking or the organisation under paragraph (3).

(3b) The provisions of section 11 (2) j), section 11 (3) and (4), section 27 (4) to (6) and Chapter IX shall apply to the organisation referred to in paragraph (3a).

(4) The scope of this Act shall extend to the following:

a) ESG certifiers conducting ESG report audits within the territory of Hungary;

b) ESG consultants providing sustainability consultancy services within the territory of Hungary;

c) undertakings that distribute or produce ESG software within the territory of Hungary;

d) institutions providing training for ESG consultants within the territory of Hungary;

e) ESG rating providers, and organisations which, although not classified as ESG rating providers, conduct ESG rating activities falling, in terms of content, within the scope of this Act in relation to undertakings under section 1 (1) or organisations under section 1 (3).

(4a) The scope of this Act shall extend to unauthorised ESG contributor activities as defined in this Act.

(5) The scope of this Act shall not extend to the following:

- 1.
2. regulated financial service providers which have their seat or a branch in Hungary, and
3. the Hungarian National Bank and companies under the Hungarian National Bank's majority control as defined in section 8:2 of Act V of 2013 on the Civil Code (hereinafter the "Civil Code").

(6) Notwithstanding paragraph (5), the scope of this Act shall extend to regulated financial service providers that conduct ESG contributor activities, in respect of these activities.

## 2. Principles

**Section 2** (1) In accordance with the principles of openness and transparency, the register of ESG reports published by the undertaking shall be public, its content shall be accessible without restriction and may be inspected by anyone.

(2) The register referred to in paragraph (1) shall be maintained for the purpose of enabling auditability and ensuring timely information.

(3) In fulfilling its sustainability due diligence obligations, the undertaking shall comply with the requirement for transparency of information.

**Section 3** (1) The principle of materiality ensures that undertakings disclose, as part of the ESG report, adequate information concerning the ESG risks and opportunities they face.

(2) Observing the principle of materiality, and as part of its sustainability due diligence obligations, the undertaking shall, without prejudice to any trade secrets, make available to anyone the following as part of the ESG report:

1. how sustainability issues affect the undertaking's performance, position and development,
2. the ESG risks and opportunities the undertaking faces, and
3. the impact of the items referred to in points 1 and 2 on people and the environment.

**Section 4** In fulfilling its sustainability due diligence obligations and exercising its related rights, the undertaking shall act in accordance with the requirements of good faith and fair dealing.

**Section 5** In the course of its business activities, the undertaking shall take into account long-term sustainability opportunities and provide for their integration into its business strategy, in order to promote the principle of environmental sustainability.

**Section 6** (1) In line with the principle of social responsibility, the undertaking shall assess and manage the social and environmental impacts of its operations in the course of its business activities, and shall contribute to the promotion of the values enshrined in the Fundamental Law, in particular the implementation of family-friendly policies.

(2) As part of its corporate social responsibility, the undertaking shall place particular emphasis on supporting families, the nation and culture.

(3) In line with the requirements for social responsibility and environmental due diligence, the undertaking shall exercise due care with regard to its supply chains to prevent or minimise social responsibility or environmental risks, or to eliminate breaches of social responsibility or environmental obligations.

### 3. Interpretative provisions

**Section 7** For the purposes of this Act, the following definitions shall apply:

1. *parent undertaking* means an undertaking within the meaning of this Act which is a parent undertaking as defined in section 3 (2) 1 of Act C of 2000 on accounting (hereinafter the “Accounting Act”);

2. *group* means a parent undertaking and its subsidiary undertakings included in consolidation;

3. *supply chain* means all activities, both within the territory of Hungary and abroad, related to all products and services of the undertaking, which are necessary for the production of products and the provision of services, from the extraction of raw materials to delivery to the end users, including the undertaking’s activities within its own business scope, as well as the activities of direct suppliers and indirect suppliers;

4. *ESG* means a set of criteria related to sustainability issues that evaluates the impacts and factors concerning the environment, society and governance at a specific undertaking from a sustainability perspective;

5. *ESG data provision* means any information regarding sustainability issues transmitted or disclosed to another organisation or individual, including the ESG report;

6. *minimum requirements for the ESG report* means the information that the undertaking discloses when reporting on its policies, actions, metrics or objectives;

6a. *ESG risk* means an environmental risk, a social responsibility risk or a corporate governance risk;

6b. *ESG contributor* means an ESG certifier, an ESG consultant or an ESG rating provider;

7. *ESG rating provider* means an economic operator as defined in Act CXXX of 2016 on the Code of Civil Procedure (hereinafter the “Civil Procedure Code”) or a foreign legal person that prepares an opinion, a score, or a combination of both, regarding the ESG characteristics of an organisation operating in the territory of Hungary, the content of the questionnaire annexed to the ESG report or the additional data provision pursuant to section 27 (5) falling within the scope of this Act, as well as concerning its risks arising in relation to sustainability issues, and provides such services to third parties;

8. *ESG software* means an ICT product that supports the undertaking or the legal or natural person appointed by it in complying with the ESG data provision obligation, in data collection and management, and in conducting performance evaluation;

9. *ESG consultant* means an economic operator as defined in the Civil Procedure Code or a person that conducts ESG-related expert corporate governance services and information and consultancy services related to the ESG data provision in the territory of Hungary, contributes to the successful and timely implementation of the corporate sustainability due diligence obligations, participates in the collection and analysis of data related to sustainability issues, in the preparation of the corporate social responsibility strategy, as well as in the implementation of rules regarding risk management, risk analysis and preventive measures;

10. *ESG certifier* means an accredited conformity assessment organisation having legal personality which certifies ESG reports;

11. *sustainability issues* means the term as defined in section 95/D (1) 2 of the Accounting Act;

12. *branch* means a branch within the meaning of section 7 (2) of Act V of 2006 on public company information, company registration and winding-up;

13.

14.

15. *ICT product* means the term as defined in Regulation (EU) 2019/881 of the European Parliament and of the Council;

15a. *associated person* means any of the following:

a) a person over which the ESG contributor directly or indirectly has majority control in accordance with the Civil Code;

b) a person that directly or indirectly has majority control over the ESG contributor in accordance with the Civil Code;

c) a person over which a third party directly or indirectly has majority control in accordance with the Civil Code provided that this third party also directly or indirectly has majority control in accordance with the Civil Code over the ESG contributor, with the proviso that close relatives who have majority control over the ESG contributor and over the other person shall be considered to be third parties;

d) a foreign legal person which has with the ESG contributor one of the relationships defined in subpoints a) to c);

e) the foreign branch of the ESG contributor and the person which has with the ESG contributor having its seat abroad one of the relationships defined in subpoints a) to c);

f) a person in respect of whom the ESG contributor exercises decisive influence over business and financial policy decisions due to the alignment of executive management;

g) a person of which an employee of, or a worker employed under an employment-like relationship by, the ESG contributor or its foreign or Hungarian branch is a member, employee, or worker employed under an employment-like relationship;

h) a person that is a member of an auditor network as defined in section 2 17 of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the activities of auditors and the public oversight of auditors, of which the ESG contributor or its foreign or Hungarian branch is also a member.

16. *adverse impact* means a direct or indirect effect of an activity or omission on the environment or on human rights that, by its nature, is particularly significant, affects a substantial number of individuals or a significant area, is irreversible, or is especially difficult to remedy considering the measures necessary to restore the situation to the state existing prior to the impact;

17. *small undertaking* means a company where at least two of the three following index values on the balance sheet date did not exceed the limits for the financial year preceding the financial year that includes the date of the ESG data provision obligation:

a) balance sheet total: EUR 4 million;

b) annual net turnover: EUR 8 million;

c) average number of employees during the financial year: 50;

18. *environmental risk* means a risk that refers to the possibility of negative changes arising from environmental damage caused by use, pressure or pollution, or from changes in climate or natural events or factors;

19. *medium-sized undertaking* means a company which is not a micro-, small or large undertaking;

20. *public-interest entity* means the term as defined in section 2 19 of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the activities of auditors and the public oversight of auditors;

21. *indirect supplier* means any undertaking, other than a direct supplier, which, in the context of an established business relationship, provides products or supplies, or carries out activities, which are necessary for the production of the products or the provision and use of the services concerned of the undertaking;

22. *direct supplier* means a contracting party to a supply or service contract whose supplies or services are, in the context of an established business relationship, directly necessary for the production of the products or the provision and use of the relevant service of the undertaking;

23. *subsidiary* means the term as defined in section 3 (2) 2 of the Accounting Act;

24. *material information* means any information, taking into account the principle of materiality, the omission or misstatement of which could reasonably be expected to influence the decisions made by users of the information on the basis of the undertaking's financial statements, with the proviso that the materiality of individual pieces of information shall be assessed in the context of other similar items;

25. *micro-undertaking* means a company where at least two of the three following index values on the balance sheet date did not exceed the limits for the financial year:

- a) balance sheet total: EUR 350 thousand;
- b) annual net turnover: EUR 700 thousand;
- c) average number of employees during the financial year: 10;

26. *large undertaking* means a company where at least two of the three following index values on the balance sheet date exceeded the limits for the financial year preceding the financial year that includes the date of the ESG data provision obligation:

- a) balance sheet total: EUR 25 million;
- b) annual net turnover: EUR 50 million;
- c) average number of employees during the financial year: 250;

27. *net turnover* means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover;

28. *own business scope* means all activities carried out by the undertaking to achieve its business objective, which includes all activities related to the creation and exploitation of products and services, regardless of whether they are carried out in the territory of Hungary or abroad;

28a. *regulated financial service provider* means any of the following:

- a) a credit institution and a financial holding company as defined in the Act on credit institutions and financial undertakings;
- b) an investment firm as defined in the Act on investment firms and commodity exchange service providers, and on the regulations governing their activities;
- c) an investment fund manager (AIFM) and a UCITS management company as defined in the Act on collective investment forms and their managers, and amending certain finance-related Acts;
- d) an insurance undertaking, a reinsurance undertaking, an insurance holding company and a mixed financial holding company not exempted from group supervision as defined in the Act on insurance business;
- e) a central counterparty, a central securities depository, a crowdfunding service provider and a special purpose vehicle as defined in the Act on capital markets;
- f) a payment institution and an electronic money institution as defined in the Act on certain payment service providers; and
- g) a crypto-asset service provider as defined in the Act on crypto-asset market.

29. *social responsibility risk* means a risk arising from the failure to observe fundamental rights, the lack of support for families, the failure to ensure fair working conditions, or from social inequalities, as well as from unfair, non-transparent or malicious business practices;

29a. *corporate governance risk* means a risk arising from inadequate corporate behaviour or corporate governance activities, measures or regulations, including the lack of measures against money laundering, bribery and corruption, violations of laws applicable to the operation of the undertaking, in particular tax regulations, and deficient complaints mechanisms;

30. *corporate social responsibility* means the responsibility of undertakings for their impact on society, culture, and the living conditions of future generations;

31. *person in a protected legal position* means an individual who has suffered a violation of human rights and fundamental freedoms as set out in the European Convention on Human Rights.

## Chapter II

### MANAGEMENT OF TASKS RELATED TO SUSTAINABILITY DUE DILIGENCE OBLIGATIONS

#### 4. Tasks of the minister responsible for economic development

**Section 8** (1) The Government shall carry out its tasks related to sustainability due diligence obligations referred to in this Act through the Minister.

(2) The Minister

- a) shall perform governmental tasks arising from European Union legal provisions;
- b) shall perform governmental professional management, coordination and harmonisation tasks related to ESG sustainability due diligence obligations;
- c) shall supervise support programmes for educating, preparing and improving undertakings.

**Section 9** (1) The Minister shall perform the following tasks through the *Magyar Gazdaságfejlesztési Ügynökség Közhasznú Nonprofit Korlátolt Felelősségű Társaság* (Hungarian Economic Development Agency Public Benefit Non-Profit Limited Liability Company) as the enterprise development agency (hereinafter “enterprise development agency”):

- a) launching support programmes aimed at preparing and developing small and medium-sized undertakings to fulfil ESG sustainability due diligence obligations, and providing ESG awareness-raising and ESG consultancy services under the conditions specified in the relevant support programme;
- b) organising the information and training of ESG consultants and the ESG consultant training institutions;
- c) maintaining a register of ESG consultant training institutions;



- d) accrediting institutions providing ESG consultant training within the territory of Hungary;
- e) performing other ESG-related tasks as defined in a decree of the Minister.

(2) In performing its tasks set out in paragraph (1) c) and d), the enterprise development agency shall act in its capacity as an authority; however, these authority proceedings shall not be conducted in the form of summary proceedings.

**Section 10** (1) The Minister shall establish and operate a National ESG Council (hereinafter the “Council”).

(2) The president of the Supervisory Authority of Regulatory Affairs (hereinafter the “Authority”) shall seek the advisory statement of the Council in defining the minimum requirements for ESG reporting.

(2a) At the request of a party seeking data provision pursuant to section 27 (5), the Council shall provide a professional opinion regarding the data provision.

(3) The Council shall operate as a professional advisory body composed of persons designated by the following:

- a) the minister responsible for coordinating sustainable development tasks in the context of circular economy and waste management,
- b) the Minister,
- c) the minister responsible for information technology,
- d) the minister responsible for family policy,
- e) the president of the Hungarian Chamber of Commerce and Industry,
- f) the president of the Authority,
- g) the minister responsible for coordinating social policy,
- h) the president of the National Association of Entrepreneurs and Employers,
- i) the managing director of the enterprise development agency, and
- j) the political director of the Prime Minister.

(4) The Council shall be chaired by the Minister.

(5) The detailed rules on the operation of the Council shall be laid down in the internal rules adopted by it.

## 5. Tasks of the Supervisory Authority of Regulatory Affairs

**Section 11** (1) The Authority shall supervise, with regard to sustainability issues, the compliance of undertakings with their sustainability due diligence obligations and the transparency of ESG data provision processes.

(2) Acting within its functions and powers under paragraph (1), the Authority

a) shall maintain a register of the following:

aa) ESG certifiers;

ab) ESG consultants;

ac) ESG software;

ad) ESG rating providers;

b) shall accredit the ESG consultants;

c) shall conduct administrative audits to verify the fulfilment of the obligations of the undertakings provided for in this Act or in any other law issued on the basis of authorisation by this Act;

d) shall monitor the operation of the complaints handling systems of undertakings;

e) shall operate the Hungarian online ESG management platform to facilitate the ESG data provision obligation and to support its fulfilment;

f) shall operate an accredited support management centre;

g) shall publish, by 30 September each year, an annual report based on the ESG reports submitted by the undertakings falling within the scope of this Act in the period of one year before 30 June of the same year;

h) shall conduct administrative audits to verify the fulfilment of the obligations of the ESG contributors and the organisations under section 1 (3a) provided for in this Act or in any other law issued on the basis of authorisation by this Act;

i) shall authorise requests for data provision pursuant to section 27 (5);

j) shall take action against those performing unauthorised ESG contributor activities.

(3) The accredited status pursuant to paragraph (2) b) shall be valid for three years; for ESG consultants, this period may be renewed each time for a further period of three years in accordance with the provisions of the decree of the president of the Authority laying down the procedural rules on accreditation of ESG consultants and on the registration of ESG consultants.

(3a) For submitting applications for accreditation under paragraph (2) b) and applications for renewal of the accreditation status, applicants shall be required to use electronic administration services.

(4) The Authority shall revoke the accreditation status pursuant to paragraph (2) b) if, due to a change in the circumstances on which the accreditation was based, the basic requirements for accreditation are no longer met, and the ESG consultant or ESG certifier fails to remedy this within the time limit set in the Authority's call.

(5) The proceedings of the Authority shall not be conducted in the form of summary proceedings.

(6) The applicant shall attach the professional opinion of the Council referred to in section 10 (2a) to the application for data provision pursuant to section 27 (5). In its proceedings under paragraph (2) i), the Authority shall take into account the professional opinion of the Council. If in its decision on authorisation the Authority departs from the Council's professional opinion, it shall state its reasons for the departure in the decision.

**Section 12** (1) The president of the Authority shall establish and operate an ESG Accreditation Committee (hereinafter the "Committee").

(2) The Minister shall seek the professional opinion of the Committee in defining the accreditation requirements for ESG consultants.

(3) The Committee shall operate as a professional advisory body composed of persons designated by the following:

a) the Minister,

b) the minister responsible for coordinating sustainable development tasks in the context of circular economy and waste management,

c) the minister responsible for information technology,

d) the minister responsible for family policy,

e) the president of the Authority, and

f) the managing director of the enterprise development agency.

(4) The Committee shall be chaired by the president of the Authority.

(5) The detailed rules on the operation of the Committee shall be laid down in the internal rules adopted by it.

### *Chapter III*

#### *OBLIGATIONS OF THE UNDERTAKING*

##### 6. Common rules on sustainability due diligence obligations

**Section 13** The sustainability due diligence obligations of the undertaking shall include the following:

- a) establishment of a risk management system,
- b) development of an internal responsibility strategy and system,
- c) performance of regular risk analyses,
- d) identification of preventive and corrective measures within the undertaking's own business scope and with respect to its direct suppliers,
- e) compliance with the ESG data provision obligation, and
- f) obtaining a statement from direct suppliers regarding any ESG risks they face.

**Section 14** In assessing compliance with sustainability due diligence obligations, the undertaking shall take into account the following:

- a) the type of the undertaking's business activity and the size of the undertaking;
- b) the undertaking's capacity to influence the cause of social responsibility risk or environmental risks, or breaches of social responsibility or environmental obligations;
- c) the typically expected severity of the breach, its reversibility, and the likelihood of breach of social responsibility or environmental obligations; and
- d) the nature of the undertaking's causal contribution to the social responsibility risk or environmental risk or to the breach of social responsibility or environmental obligations.

**Section 15** The undertaking shall fulfil the sustainability due diligence obligations in accordance with the detailed rules laid down in a decree of the president of the Authority, document the fulfilment of these obligations in the manner and frequency specified in a decree of the Minister, and retain the documentation for seven years from the date of its creation.

**Section 15/A (1)** The undertaking shall notify the Authority of the names and registration numbers of the ESG contributors who have a contractual relationship with the undertaking, as well as the start date of the contractual relationship, within 15 days from the conclusion of the contract.

(2) The undertaking shall notify the Authority of any changes in the data referred to in paragraph (1) within 15 days of their occurrence.

(3) The data referred to in paragraph (1) shall be processed for the purpose of keeping information on ESG contributors updated and of enabling the Authority to carry out its administrative audit functions.

## 7. Risk management

**Section 16** (1) The undertaking shall establish an adequate and effective risk management system to ensure compliance with sustainability due diligence obligations. Measures shall be considered effective if they enable the identification and management of material social responsibility and environmental risks with adverse impact, as well as the prevention or elimination, or minimisation of the extent, of breaches of social responsibility or environmental obligations in cases where the undertaking itself caused or contributed to them within the supply chain. Only an ESG software specified by and registered pursuant to this Act may be used for supply chain due diligence, risk analysis and rating.

(2) The undertaking shall integrate risk management tasks into all relevant business processes.

(3) The undertaking shall designate at least one person from among its employees to be responsible for operating the risk management process. The person responsible for risk management shall, on a regular basis, at least once a year, inform the management of the undertaking of the tasks he performed in risk management.

(4) The person responsible for risk management shall not be instructed in the performance of his risk management activities under paragraph (3) and shall be accountable solely to the management for the exercise of his functions.

(5) The undertaking shall design the risk management system to take into account the interests of its employees, the employees within the supply chains, and of persons in a protected legal position who may be directly affected by the economic activities of the undertaking or the economic activities of any undertaking in its supply chains.

## 8. Risk analysis

**Section 17** (1) As part of risk management, the undertaking shall conduct regular comprehensive risk analyses to identify material social responsibility and environmental risks within its own business scope and the activities of its direct suppliers.

(2) The undertaking shall conduct risk analyses at least every 12 months, and additionally on an *ad hoc* basis when the undertaking faces significantly changed or expanded risk situations in the supply chain, including, in particular, the introduction of new products or projects, and entry into a new business sector. The *ad hoc* risk analysis may specifically target the changed or significantly expanded risk situation. The results of the risk analysis shall be presented to the undertaking's management in accordance with the provisions of a decree of the president of the Authority.

(3) The undertaking shall design the risk analysis system in accordance with the provisions of a decree of the president of the Authority.

## 9. Preventive measures

**Section 18** (1) Undertakings under section 1 (1) a) and b) shall prepare a corporate social responsibility strategy. The corporate social responsibility strategy shall be made publicly available on the undertaking's website.

(2) If the undertaking identifies a material social responsibility or environmental risk with a substantially probable occurrence during the risk analysis, it shall take appropriate preventive measures without undue delay. A measure shall be considered appropriate if it is proportionate to the severity and likelihood of the adverse impact, and the necessary means to implement the measure are reasonably available to the undertaking, considering the circumstances of the case, including the characteristics of the economic sector and the specific business relationship, and the undertaking's influence on them, and considering also the prioritisation of the measures according to the adverse impact.

(3) The undertaking shall review the effectiveness of preventive measures

a) at least once a year and

b) on an *ad hoc* basis when the undertaking faces a significantly changed or expanded risk situation in its own business sector or at its direct supplier, including, in particular, the introduction of new products or projects, and entry into a new business sector.

(4) The *ad hoc* review may specifically target the changed or significantly expanded risk situation.

**Section 19** (1) As preventive measures, the undertaking shall ensure regarding its direct suppliers and subsidiaries that

a) social responsibility and environmental expectations are observed when selecting direct suppliers,

b) its direct supplier makes a statement as to whether it complies with the human rights and environmental expectations required by the undertaking's management and properly addresses these along the supply chain.

(2) The Authority may, *ex officio* or upon a complaint or public-interest report, call upon the undertaking to submit statements related to obligations concerning subsidiaries and direct suppliers under paragraph (1) b).

## 10. Corrective measures

**Section 20** If the undertaking detects that a breach of a social responsibility or environmental obligation has occurred or is likely to occur within its own business scope, at its subsidiaries, or at its direct supplier, it shall without delay take the corrective measures necessary to prevent or eliminate the breach, or to minimise its extent.

**Section 21** (1) If a direct supplier of the undertaking does not eliminate a breach of a corporate responsibility or environmental obligation at the direct supplier within 90 days from the date the undertaking became aware of it, the undertaking shall without delay develop and implement a plan (hereinafter the “plan”) to eliminate or minimise the breach. The plan shall include a detailed timetable.

(2) In developing and implementing the plan, the undertaking shall in particular ensure that:

a) the plan is developed and implemented jointly with the direct supplier responsible for the breach,

b) it cooperates with other undertakings in sectoral initiatives and sectoral standards in order to increase the ability to influence direct suppliers that cause or may cause harm.

(3) To minimise risk, the undertaking shall be obliged to suspend business relationship with its direct supplier for 30 days if

a) the breach of a protected legal position or environmental obligation persists even after the corrective measures taken,

b) the implementation of the measures set out in the plan does not resolve the situation after the expiry of the time limit specified in the timetable of the plan, and

c) the undertaking has no less stringent means available and increasing the influence ability is unlikely to lead to success.

(4)

(5) The undertaking shall be exempt from the obligations under paragraphs (3) and (4) if complying with the obligation would:

a) jeopardise energy supply security, including fuel supply, or

b) in the case of an irreplaceable direct supplier in a dominant position, result in greater environmental harm or risk than maintaining the business relationship with the direct supplier concerned.

**Section 22** The effectiveness of the corrective measures shall be reviewed at least once a year prior to the submission of the ESG report, and additionally on an *ad hoc* basis if the undertaking faces significantly changed or expanded risk situations within its own business scope or at the direct supplier, including, in particular, the introduction of new products or projects, and entry into a new business sector. The *ad hoc* review may specifically target the changed or significantly expanded risk situation.

## 11. Provisions on ESG report

**Section 23** (1) To comply with the data provision obligation pursuant to section 13 e), the undertaking shall prepare, except in the case of the consolidation exemption pursuant to section 23/A, an ESG report on the fulfilment of the sustainability due diligence obligations of the preceding financial year annually; the undertaking shall be required to have the ESG report audited by an ESG certifier. The ESG report shall be approved by the management body of the undertaking.

(2) The undertaking shall submit the ESG report approved and audited in accordance with paragraph (1) to the Authority within six months following the end of the financial year, and shall make it publicly available free of charge on its website.

(3) In its ESG report, the undertaking shall disclose the information necessary to understand the impacts of its activities on sustainability issues, as well as the information necessary to understand how sustainability and social issues affect the development, performance and position of the undertaking and its relationship with society.

(4) The ESG report shall include the following:

a) description of the sustainability due diligence process carried out in respect of sustainability issues;

b) the undertaking's findings on whether it has identified social responsibility and environmental risks, or breaches of obligations related to human rights or the environment, and if so, which;

c) the measures, and the outcomes of the measures, taken by the undertaking to prevent, mitigate or remediate actual or potential adverse sustainability impacts;

d) explanation of how the undertaking evaluates the impact and effectiveness of the measures referred to in point c);

e) summary of the conclusions drawn by the undertaking regarding future measures; and

f) the stakeholders identified with regard to corporate social responsibility, the objectives set, a description and the outcomes of the sustainability due diligence process carried out, as well as the measures, and the outcomes of the measures, taken to prevent, mitigate or remediate potential adverse impacts.

(5) The undertaking may also involve an ESG consultant registered with the Authority in the preparation of the ESG report.

(6) The undertaking may amend the ESG report in accordance with the provisions of the decree of the president of the Authority on the registration of ESG reports, ESG certifiers and ESG software. The amended ESG report shall be approved by the management body of the undertaking and audited by an ESG certifier.



**Section 23/A** (1) A subsidiary shall be exempt from the obligation under section 23 if the parent undertaking includes the subsidiary and its subsidiaries in a consolidated ESG report prepared pursuant to section 23.

(2) The exemption under paragraph (1) shall be applicable once the exempted subsidiary notifies the Authority of the following:

- a) the fact that the undertaking is exempt from the obligation under section 23, and
- b) the name and seat of the parent undertaking whose consolidated ESG report includes the subsidiary.

**Section 24** (1) The ESG report shall be prepared in Hungarian, in electronic format, in accordance with the content and form requirements set out in a decree of the president of the Authority, and shall be certified by a person authorised to represent the undertaking or parent undertaking, in the manner prescribed by law. The ESG report shall be deemed authentic if it bears at least the advanced electronic signature or advanced electronic seal of the person authorised to represent the undertaking, along with a time stamp.

(2) The president of the Authority shall, after seeking an opinion from the Council, establish the detailed content requirements of the ESG report in a decree.

**Section 25** Information concerning current developments or issues under negotiation may be omitted from the ESG report if the management body of the undertaking considers, with due justification, that disclosure would seriously harm the undertaking's commercial interests, provided that such omission does not affect the accurate and impartial understanding of the undertaking's development, performance and position, and of the impact of its activities.

**Section 26** (1) The management body of the undertaking shall be responsible for preparing and publishing the ESG report in compliance with the sustainability requirements laid down in this Act and European Union legal acts.

(2)

**Section 27** (1) An organisation under section 1 (3) shall fulfil its ESG data provision obligation either by preparing an ESG report or by completing the questionnaire annexed to the ESG report or the questionnaire to be sent to direct suppliers as defined in the decree of the president of the Authority laying down detailed rules for compliance with the corporate sustainability due diligence obligations (hereinafter the "supplier questionnaire").

(2) If the organisation under section 1 (3) fulfils its ESG data provision obligation by means of an ESG report, the ESG report shall be approved by its management body. The rules of this Act applicable to undertakings shall apply to the preparation and amendment of the ESG report with the exception of the provisions of sections 13 to 22, section 23 (1) and sections 28 to 34.

(3) The organisation under section 1 (3) may have an ESG certifier audit its ESG report; in such case, the provisions of Chapter IV shall apply. Notwithstanding section 23 (6), the organisation under section 1 (3) shall only be required to have the amended ESG report audited by an ESG certifier if the ESG report subject to amendment was audited.

(4) Where data are requested from the undertaking or the organisation under section 1 (3) in relation to the questionnaire annexed to the ESG report or the supplier questionnaires, and such data provision falls, in terms of content, within the scope of this Act, and the undertaking or the organisation under section 1 (3) agrees to comply with such request, the undertaking or the organisation shall be required to complete only the questionnaire annexed to the ESG report or the relevant part of the supplier questionnaire to which the request relates.

(4a) By way of derogation from paragraph (4), prior to requesting ESG data provision from a medium-sized undertaking, the requesting party shall invite the medium-sized undertaking to make a statement as to whether it holds an ESG rating issued by the state ESG rating provider.

(4b) If the medium-sized undertaking

a) holds an ESG rating issued by the state ESG rating provider and sends it to the requesting party referred to in paragraph (4a), the requesting party shall use that ESG rating, instead of the supplier questionnaire, for the purpose of fulfilling its sustainability due diligence obligations or conducting the risk analysis as required under this Act;

b) does not hold an ESG rating issued by the state ESG rating provider or does not send it to the requesting party referred to in paragraph (4a), the requesting party may send a supplier questionnaire to the medium-sized undertaking. (5) Where additional data are sought from the undertaking or the organisation under section 1 (3) beyond the content of the questionnaire annexed to the ESG report as defined by this Act or by a decree of the president of the Authority, and such data provision falls, in terms of content, within the scope of this Act, an application for authorisation of such data provision shall be submitted to the Authority. The application for data provision shall be submitted by the party who seeks additional data from the undertaking or the organisation under section 1 (3). Where the undertaking or the organisation under section 1 (3) agrees to provide data as authorised by the Authority, it shall act in accordance with the provisions of the decree of the president of the Authority during the provision of data.

(6) Any person to whom ESG data provision falling, in terms of content, within the scope of this Act is made, shall be obliged to make available to the Authority, completely and in the form specified in the decree of the president of the Authority laying down reporting formalities, the data received in the framework of such data provision within the relevant quarter no later than 45 days following the last day of that quarter.

(7) To assist direct suppliers in completing the questionnaires sent to them, the undertaking shall provide direct suppliers free of charge with a preparatory programme (hereinafter “preparatory programme”) in accordance with a decree of the Minister.

## 12. Complaints handling

**Section 28** (1) The undertaking shall establish an internal or external complaints handling system capable of receiving reports from anyone concerning social responsibility and environmental risks, as well as breaches of social responsibility or environmental obligations arising from the economic activities of the undertaking itself, its subsidiary or its direct supplier.

(2) The undertaking may fulfil its obligation to establish a complaints handling system by means of an internal abuse-reporting system established in accordance with Act LXV of 2013 on complaints, public-interest reports and rules relating to abuse reports.

(3) The undertaking shall retain the outcomes of complaints handling for a period of 5 years following the closure of complaints handling proceedings initiated on the basis of reports received by both the internal and external complaints handling systems.

**Section 29** (1) The internal complaints handling system shall be operated by a person employed by the undertaking and designated for this task, who shall not be instructed in this capacity, or by an organisational unit of the undertaking that shall not be instructed in this capacity. The operator of the internal complaints handling system shall handle matters within its competence separately from other organisational units.

(2) At its discretion, the undertaking may involve an independent external organisation in handling reports received by the internal complaints handling system.

**Section 30** The undertaking may participate in an external complaints handling system only if the system meets the following conditions:

a) the undertaking establishes the internal rules for the process in writing, and they are publicly available to anyone;

b) the persons tasked by the undertaking to conduct the procedure guarantee impartiality, are independent, and are not instructed in the performance of their duties;

c) the undertaking provides clear and comprehensible information about the accessibility and operation of the external complaints handling system, and publishes it to make it publicly available to anyone.

**Section 31** (1) The undertaking shall devise the internal or external complaints handling system in such a way as to enable the reporting of social responsibility or environmental risks, as well as breaches of social responsibility or environmental obligations, even where these arise from the economic activities of an indirect supplier of the undertaking.

(2) If the undertaking becomes aware that a breach of social responsibility or environmental obligations occurred at an indirect supplier, it shall without delay

a) carry out a risk analysis, and

b) take appropriate preventive measures.

#### *Chapter IV*

#### *CERTIFICATION*

#### 13. ESG certifier

**Section 32** (1) The ESG report shall be audited by an ESG certifier registered in the register of ESG certifiers maintained by the Authority (hereinafter the “Certifiers Register”).

(2) The detailed rules on the professional quality assurance of the activities under sections 33 and 34 of, and the provision of assurance services by, ESG certifiers, the ethical standards applicable to their professional activities and their professional confidentiality, as well as their organisation of work shall be laid down in a government decree.

(3) ESG certifiers shall develop their professional knowledge via mandatory training and continuing professional development. The detailed rules for fulfilling the training and continuing professional development requirements shall be laid down in a government decree.

(4) Within the territory of Hungary, a legal person and its associated person may not perform ESG certification activities in relation to an undertaking, or an organisation under section 1 (3), or any of their subsidiaries, for which they act or have acted as ESG consultant regarding the report in question and two consecutive financial years.

#### 14. Certification of the ESG report

**Section 33** (1) The registered ESG certifier shall, during the certification audit, assess compliance with the sustainability-related professional criteria defined in a decree of the president of the Authority, acting in accordance with the provisions laid down in a government decree.

(2) Only registered ESG certifiers shall be authorised to certify the supplier declarations referred to in section 19 (1) b) and the results of their due diligence.

(3) During certification audit, the ESG certifier shall be liable according to the provisions governing civil liability for its proceedings and findings.

(4) The certification process shall conclude with a report documenting the results of the certification audit. If the report confirms the compliance of the ESG report with the relevant criteria, the ESG certifier shall issue a Hungarian-language assurance opinion on the ESG report (hereinafter “ESG certificate”). The ESG certificate shall indicate the date of issuance and the validity period of the certification.

(5) The ESG certifier shall carry out the certification audit within 45 days of receipt of the ESG report.

**Section 34** (1) The undertaking may request a registered ESG certifier to carry out a pre-audit of the draft ESG report for the current year prior to uploading it to the ESG management platform.

(2) If the ESG certifier identifies any significant discrepancy or contradiction between the draft ESG report for the current year and the targets or commitments set out in the ESG report of the preceding year, the undertaking shall, within 30 days, devise and implement corrective measures and revise the draft ESG report for the current year accordingly, in line with the results of the pre-audit. If the pre-audit finds the draft ESG report to be consistent with the ESG report of the preceding year, the undertaking shall upload the ESG report for the current year to the ESG management platform for a certification audit pursuant to section 33.

## *Chapter V*

### *ESG RATING PROVIDER*

**Section 35** (1) In addition to its obligations under this Act, based on its own business decision, an undertaking may also engage an ESG rating provider to assess the undertaking in terms of ESG compliance and progress. The ESG rating provider may assess undertakings falling within the scope of this Act in terms of ESG compliance and progress on the basis of the ESG report submitted via the ESG management platform, and with corporate data accessible from publicly certified databases and public sources.

(2) The ESG rating provider shall publish and periodically review its rating methodology in accordance with international standards and applicable laws.

(3) A company under the majority control of the State may also act as an ESG rating provider (hereinafter the “state ESG rating provider”) if designated by the Government in a decree.

(4) A legal person and its associated person may not act as an ESG rating provider in respect of any undertaking, organisation under section 1 (3), or their subsidiaries for which it acts as ESG consultant regarding the relevant financial year.

(5) The state ESG rating provider shall act and operate in accordance with the provisions laid down in a government decree.

(6) If, in the absence of a mandate from, and without the consent of, the undertaking or the organisation under section 1 (3), an evaluation which, in terms of content, qualifies as an ESG rating (hereinafter for the purposes of this paragraph “rating”) is made public or provided to a third party, the person carrying out the rating shall without delay notify the rated organisation of the rating result and its detailed methodological presentation; the rated organisation may in the context of rating result lodge a complaint concerning the information used, and may request re-assessment from the party carrying out the rating. During re-assessment, the party carrying out the rating shall assess also the information provided by the rated organisation.

(7) Except for the case specified in section 45/A (3), only organisations listed in the register of ESG rating providers referred to in section 43 may perform ESG rating activities.

## *Chapter VI*

### *ESG CONSULTANT, AND ESG CONSULTANT TRAINING INSTITUTION*

**Section 36** (1) Within the territory of Hungary, a legal person, a natural person and their associated person may not offer consulting in support of ESG data provision in respect of any undertaking, organisation under section 1 (3), or their subsidiaries for which they also provide or have provided independent assurance services as ESG certifier regarding the same report and two consecutive financial years, or act or have acted as ESG rating provider.

(2) Legal and natural person ESG consultants shall be accredited by and registered with the Authority in accordance with a decree of the Minister.

(3) ESG consultant training institutions shall be accredited by and registered with the enterprise development agency in accordance with the provisions of a decree of the Minister.

### *Chapter VII*

#### *ESG SOFTWARE*

**Section 37** Any ESG software supporting the ESG data provision process shall be required to have a national or European cybersecurity certificate or statement of conformity issued under the Act on the cybersecurity of Hungary (hereinafter the “Cybersecurity Act”).

### *Chapter VIII*

#### *REGISTERS*

15.

#### **Section 38**

16. ESG reports register

**Section 39** The Authority shall maintain a register of the ESG reports prepared by the undertakings, which shall include the following:

- a) name and seat of the undertaking;
- b) the ESG report prepared by the undertaking;
- c) date of issuance and validity period of the ESG certificate of the ESG report;
- d) name and contact details of the ESG certifier that issued the ESG certificate.
- e) further data not qualifying as personal data, as required by the decree of the president of the Authority.

17. ESG certifiers register

**Section 40** (1) The Authority shall maintain the Certifiers Register, a register of ESG certifiers. The Certifiers Register shall include the following:

- a) identification data of the ESG certifier,
- b) where the ESG certifier is not an organisation established in the European Union but offers services within the territory of Hungary and designates a representative established in Hungary, the name or company name, mailing address, telephone number and electronic mailing address of the representative,
- c) the data and documents referred to in section 43/B (1),

d) the fact if the Authority has prohibited the ESG certifier from performing ESG certification activities,

e) documents supporting the fulfilment of the conditions specified in a decree of the president of the Authority, and

f) further data not qualifying as personal data, as required by the decree of the president of the Authority.

(1a) The Authority shall publish on its website the data referred to in paragraph (1) a) of ESG certifiers who are authorised to perform ESG certification activities.

(1b) The data referred to in paragraph (1) shall be processed with the objective of keeping information on ESG certifiers updated and of enabling the Authority to carry out its administrative audit functions.

(2) Registration in the Certifiers Register shall be subject to the following conditions:

a) proof that the ESG certifier has been accredited by the accreditation organ designated under the Act on national accreditation, taking into account the requirements specified in a government decree;

b) confirmation that the ESG certifier has no public dues;

c) confirmation that the ESG certifier is not subject to bankruptcy proceedings, winding-up proceedings, compulsory strike-off proceedings or liquidation proceedings;

d) confirmation that the ESG certifier performs its certification activities for undertakings registered in Hungary in the Hungarian language; and

e) fulfilment of the conditions specified in a decree of the president of the Authority.

(3)

(4) To comply with the conditions set out in paragraph (2) c) and d), the ESG certifier shall state in a private deed of full probative value that:

a) it is not subject to bankruptcy proceedings, winding-up proceedings, compulsory strike-off proceedings or liquidation proceedings; and

b) it performs its certification activities in Hungarian language.

(5) To be registered in the Certifiers Register, the ESG certifier shall prove the following:

a)

b) where the ESG certifier is not included in the public dues clearance database referred to in the Act on the rules of taxation, it shall prove its public dues clearance status by presenting a negative tax certificate or a tax certificate confirming that tax debt does not exceed the amount

specified in section 22 (1) a) of Government Decree 465/2017 (28 December) laying down detailed rules for tax administration procedure.

(5a) The Authority shall remove the ESG certifier from the Certifiers Register if, due to a change in the circumstances on which the registration was based, the requirements for registration are no longer met, and the ESG certifier fails to remedy this within the time limit set in the Authority's call.

(6) The ESG certifier shall notify the Authority of any changes in the data referred to in paragraph (1) within 15 days of their occurrence.

(7) If the ESG certifier no longer performs ESG certification activities, the Authority shall delete the data referred to in paragraph (1) from the register five years after the notification of the end of the activities.

(8) If the ESG certifier notifies the Authority of any changes in the data referred to in paragraph (1), the Authority shall delete from the register the data recorded prior to the registration of the change five years after the registration of the change.

#### 18. ESG consultants register

**Section 41** (1) The Authority shall maintain an electronic register of natural and legal persons providing consultancy services related to ESG data provision.

(2) The register shall include the following in respect of a natural person ESG consultant:

1. the consultant's family and given name, family and given name at birth, place of birth, date of birth, mother's name, nationality, contact details, vocational qualification,

2. the consultant's registration number,

3. the data and documents referred to in section 43/B (1),

4. the start and expiry dates of the validity period of accreditation;

5. the fact that the accreditation status of the natural person ESG consultant:

a) is valid,

b) is suspended, specifying the duration of suspension,

c) is revoked, or

d) has ceased,

6. date of acquisition of the ESG Consultant qualification,

7. start date of the consultancy relationship,



8. names and tax numbers of the legal persons with which the consultant has a contractual relationship for consultancy services related to ESG data provision,

9. declaration of incompatibility or conflict of interest,

10. documents supporting compliance with the accreditation requirements specified in the Minister's decree,

11. further data not qualifying as personal data, as required by the decree of the president of the Authority.

(2a) Where the natural person applicant intends to carry out ESG consultancy activities under an employment relationship or other employment-related relationship, or as a personally assisting member, the register shall include this fact and, if the relationship already exists, the name and tax number of the person employing the natural person applicant under an employment relationship or other employment-related relationship, or the name and tax number of the limited partnership or general partnership in which the natural person applicant is a personally assisting member.

(2b) Where the natural person applicant intends to carry out ESG consultancy activities as a private entrepreneur, the register shall include this fact and the private entrepreneur's registration number and tax number.

(3) The register shall include the following in respect of a legal person ESG consultant:

1. name, seat and tax number of the consultant;
2. contact details of the consultant;
3. the number of employees of the consultant, broken down by vocational qualification;
4. name of the person acting as the representative of the consultant;
5. names and tax numbers of the legal persons with which the consultant has a contractual relationship for consultancy services related to ESG data provision, as well as the start date of the consultancy relationship;
6. declaration of incompatibility or conflict of interest;
7. documents supporting compliance with the accreditation requirements specified in the Minister's decree;
8. family and given name and registration number of any natural person ESG consultant registered in the ESG consultants register who
  - a) is employed by the legal person ESG consultant under an employment relationship or other employment-related relationship of at least 30 hours per week, or
  - b) is a personally assisting member of the limited partnership or general partnership that qualifies as the legal person ESG consultant;

9. the data and documents referred to in section 43/B (1),

10. further data not qualifying as personal data, as required by the decree of the president of the Authority.

(4) The ESG consultant shall notify the Authority of any changes in the data referred to in paragraph (2) or (3) within 15 days of their occurrence.

(5) If the ESG consultant no longer performs ESG consultancy activities, the Authority shall delete the data referred to in paragraphs (2) and (3) from the register five years after the notification of the end of the activities.

(6) If the ESG consultant notifies the Authority of any changes in the data referred to in paragraphs (2) and (3), the Authority shall delete from the register the data recorded prior to the registration of the change five years after the registration of the change.

(7) In respect of ESG consultants who are authorised to perform ESG consultancy activities, the Authority shall publish on its website the following data from the register referred to in paragraph (1):

a) family and given name and contact details of the natural person consultant,

b) the data referred to in paragraph (3) 1 and 2 in respect of the legal person consultant.

(8) The data referred to in paragraphs (2) and (3) shall be processed with the objective of keeping information on ESG consultants updated and of enabling the Authority to carry out its administrative audit functions.

## 19. ESG software register

**Section 42** (1) The Authority shall maintain a register of ESG software, which shall include the following:

a) name, version number and other identifying details of the ESG software,

b) name of the ESG software producer,

c) tax number and company registration number of the producer,

d) seat of the producer,

e) documentation verifying the existence of a national or European cybersecurity certificate or statement of conformity issued under the Cybersecurity Act,

f) further data not qualifying as personal data, as required by the decree of the president of the Authority.

(2) The Authority shall publish on its website the data referred to in paragraph (1) a) to d) of the register referred to in paragraph (1).

(3) The data referred to in paragraph (1) shall be processed with the objective of keeping information on ESG software updated and of enabling the Authority to carry out its administrative audit functions.

## 20. ESG rating providers register

**Section 43** (1) The Authority shall maintain an electronic register of ESG rating providers.

(1a) The following shall not be eligible for registration:

- a) those who employ, under an employment relationship or other employment-related relationship, a person who has a legal relationship with the Authority as defined by the Act on special status organs and the legal status of persons employed by them,
- b) those who employ, under an employment relationship or other employment-related relationship, a person who is a close relative, within the meaning of section 8:1 (1) 1 of the Civil Code, of a person who has a legal relationship with the Authority as defined by the Act on special status organs and the legal status of persons employed by them,
- c) those whose owner is a person who has a legal relationship with the Authority as defined by the Act on special status organs and the legal status of persons employed by them,
- d) those whose executive officer or personally assisting member has a legal relationship with the Authority as defined by the Act on special status organs and the legal status of persons employed by them.

(2) The register shall include the following:

1. name and seat of the ESG rating provider;
2. contact details of the ESG rating provider;
3. the number of employees of the ESG rating provider, broken down by vocational qualification;
4. name of the person acting as the representative of the ESG rating provider;
5. names and tax numbers of the legal persons with which the ESG rating provider has a contractual relationship for conducting activities under this Act;
6. declaration of incompatibility or conflict of interest;
7. method and location of public access to the rating methodology used by the ESG rating provider;
8. data and documents referred to in section 43/B (1),
9. further data not qualifying as personal data, as required by the decree of the president of the Authority.

(3) The Authority shall publish on its website the data referred to in points 1, 2, and 7 of paragraph (2) of the register referred to in paragraph (1).

(4) The data referred to in paragraph (2) shall be processed with the objective of keeping information ESG rating providers updated and of enabling the Authority to carry out its administrative audit functions.

(5) The ESG rating provider shall notify the Authority of any changes in the data referred to in paragraph (2) within 15 days of their occurrence.

#### 20/A. Common rules on the registration of ESG certifiers, ESG consultants and ESG rating providers

**Section 43/A** (1) Notwithstanding the Act on the general rules on taking up and pursuit of service activities, if the Authority did not decide within the applicable administrative time limit on registration in a register referred to in section 40 (1), section 41 (1) or section 43 (1), the applicant shall not be entitled to take up and to pursue the activity indicated in the application, and the general rules concerning an authority's failure to act as laid down in the Act on the Code of General Administrative Procedure shall apply.

(2) A person whom the Authority has found, in a decision with administrative finality, to perform unauthorised ESG contributor activities shall not be entered in the register referred to in section 40 (1), section 41 (1) or section 43 (1) for one year after the decision has reached administrative finality.

**Section 43/B** (1) If the applicant for accreditation as an ESG consultant or for registration in the Certifiers Register or the register referred to in section 43 (1) is not a natural person and does not have a seat in Hungary, the application shall indicate an agent for service of process along with the agent's name and address or seat. The agent for service of process shall be an organisation with a seat in Hungary or a natural person with permanent residence in Hungary. The application shall be accompanied by a private deed of full probative value, or a public deed, relating to the appointment of the agent for service of process and the acceptance of appointment.

(2) The agent for service of process shall be responsible for receiving documents created in relation to the registration of the applicant, or ESG contributor, who has no seat in Hungary (hereinafter "principal"), to be served on the principal by the Authority, and for forwarding such documents to the principal. For the purposes of authority proceedings and administrative audits, the agent for service of process shall be deemed an authorised recipient within the meaning of the Act on the Code of General Administrative Procedure.

(3) Within 15 days following the termination of the mandate referred to in paragraph (1), the agent for service of process shall notify the Authority of the termination of the mandate.

(4) If the notification obligation under paragraph (3) is not fulfilled, the Authority may impose on the agent for service of process an administrative fine in the amount specified in a government decree.

(5) If the Authority becomes aware that the agent for service of process cannot be located or that the mandate has been terminated, and the ESG contributor has neither notified the Authority of a new agent for service of process nor remedied this deficiency within the time limit specified in the Authority's call, the Authority

- a) shall revoke the accreditation status of the ESG consultant,
- b) shall remove the ESG rating provider from the register referred to in section 43 (1).
- c) shall remove the ESG certifier from the Certifiers Register.

(6) The Authority shall communicate the call and decision referred to in paragraph (5) by public notice. The public notice shall be published on the Authority's website for 15 days.

### *Chapter IX*

#### *ADMINISTRATIVE AUDIT AND AUTHORITY PROCEEDING*

**Section 44** (1) The Authority shall conduct administrative audits to verify the fulfilment of the sustainability due diligence obligations, as well as the obligations of undertakings, organisations under section 1 (3) and (3a) and ESG contributors provided for in this Act or in any other law issued on the basis of authorisation by this Act.

(2) The Authority shall take the necessary measures to detect, eliminate and prevent breaches of the obligations referred to in paragraph (1); to this end, in the course of its administrative audit, it shall be entitled to:

- a) carry out on-site audit, during which it shall be entitled to enter the premises, buildings and other facilities of the undertaking, the organisation under section 1 (3) or (3a) or the ESG contributor,
- b) inspect any documents related to the matter at issue, including those containing trade secrets, make copies or extracts thereof, and request data provision or other information, and
- c) examine any object or work process connected with the matter.

(3) Unless otherwise provided in an Act, data generated during the Authority's proceedings shall not be public.

**Section 45** If, in the course of the audit, the Authority:

- a) finds a breach of the obligations provided for in this Act or in any other law issued on the basis of authorisation by this Act, it shall issue a warning or, considering all the circumstances of the matter, impose an administrative fine as specified in a government decree, and shall, in its decision, setting a time limit of 15 days, require the undertaking or ESG contributor to eliminate the breach and to take the necessary preventive or corrective measures, with the proviso that the fine may be imposed again if the requirement is not complied with,

b) finds no breach, it shall issue an official certificate to that effect in all cases where the audit was conducted at the request of the party; where the audit was conducted *ex officio*, the official certificate shall be issued only at the request of the party.

**Section 45/A** (1) The Authority may impose on any person performing unauthorised ESG contributor activities an administrative fine in the amount specified in a government decree. When determining the amount of the fine, the Authority shall take into account the criteria set out in Act CXXV of 2017 on the sanctions for administrative violations. A warning shall not be applicable as an administrative sanction.

(2) The following shall be considered unauthorised ESG contributor activities:

a) performing ESG certification activities by a person not listed in the register referred to in section 40 (1);

b) performing ESG consultancy activities by a person not listed in the register referred to in section 40 (1); or

c) performing ESG rating activities by a person not listed in the register referred to in section 43 (1);

including offering services aimed at carrying out such activities.

(3) If the undertaking, or the organisation under section 1 (3), rated by a rating provider not registered in the register referred to in section 43 (1) has given its consent to the making public of the applicable rating by way of a declaration or bilateral agreement, the rating activities shall not be considered unauthorised ESG rating activities referred to in paragraph (2) c).

(4) If the Authority establishes that:

a) a data request under section 27 (5) took place without authorisation or with a content different from that authorised, or

b) an obligation under section 27 (6) was breached,

it shall impose on the infringer an administrative fine in the amount specified in a government decree. A warning shall not be applicable as an administrative sanction.

(5) In the event of a breach of section 36 (1), the Authority shall suspend the ESG consultant's accreditation status for a period of six months or until the expiry date of the validity period of accreditation, whichever is shorter. An ESG consultant whose accreditation status the Authority has suspended shall not be entitled to perform ESG consultancy activities.

(6) In the event of a breach of section 32 (4), the Authority shall prohibit the ESG certifier from performing ESG certification activities for a period of six months.

**Section 46** (1) In the event of any obstruction of the audit, the Authority may impose a procedural fine on any person who, due to his own fault, violates his obligation.

(2) The maximum amount of the procedural fine shall be one million forints.

**Section 47** By 30 June each year, the Authority shall publish on its website a report on the audit activities conducted in the preceding calendar year, which shall include the infringements identified and the measures imposed by the Authority.

### *Chapter X*

#### *APPLICATION OF THE ESG CERTIFICATE WITHIN THE FRAMEWORK OF PUBLIC PROCUREMENT RULES*

**Section 48** In defining the contractual conditions pursuant to section 132 (1) of Act CXLIII of 2015 on public procurement, the ESG report and the related certificate or the ESG rating issued by the state ESG rating provider may be taken into account.

### *Chapter XI*

#### *ESG MANAGEMENT PLATFORM*

**Section 49** (1) The ESG management platform is an electronic interface through which an undertaking or an organisation under section 1 (3) that intends to fulfil its ESG data provision obligation by means of an ESG report can prepare and submit its ESG report to the Authority free of charge via a digital form, and publish the ESG certificate related to the ESG report. The ESG management platform shall operate as a one-stop shop for the submission of ESG reports and the submission of relevant documents during administrative audits, in accordance with the rules laid down in a decree of the president of the Authority.

(2) The undertaking and the organisation under section 1 (3) shall access the ESG management platform using the central identification agent service.

(3) The database of the ESG management platform shall be considered publicly certified only with respect to reports accompanied by an ESG certificate.

(4) The state ESG rating provider shall have access to the ESG data of the undertaking and the organisation under section 1 (3) stored on the ESG management platform.

### *Chapter XII*

#### *ACCREDITED SUPPORT MANAGEMENT CENTRE*

**Section 50** (1) The Authority shall operate an accredited support management centre to ensure the transparency and verifiability of support programmes with an impact on sustainability issues announced by the following:

- a) budgetary organs,
- b) local governments, national minority self-governments,
- c) established churches, and

d) organisations carrying out public-benefit activities registered in Hungary pursuant to the provisions of Act CLXXV of 2011 on the right of association, the public-benefit status and the operation of and support to non-governmental organisations.

(2) Acting within its functions laid down in paragraph (1), the accredited support management centre

a) shall, through its free-of-charge electronic platform, provide for the announcement of social responsibility support programme elements with an impact on sustainability issues of the organisations under paragraph (1);

b) shall verify the formal and substantive compliance of the announced programme elements, taking into account the intended impact;

c) shall grant access to the documents, performance documentation, technical specifications and other annexes of the published programme elements to the undertakings, ESG certifiers, ESG rating providers and ESG consultants;

d) shall monitor the publication of the annual report presenting the social responsibility support programme elements with an impact on sustainability issues of the organisations under paragraph (1).

(3) Support programmes announced through the accredited support management centre shall be mandatorily taken into account in the ESG certificate.



*Chapter XIII*

*CONTACT WITH THE EUROPEAN SECURITIES AND MARKETS AUTHORITY*

**Section 51** The Authority shall, within its functions under this Act, be the sole national entity responsible for maintaining contact with the European Securities and Markets Authority.

*Chapter XIV*

*FINAL PROVISIONS*

**21. Authorising provisions**

**Section 52** (1) Authorisation shall be given to the Government to determine in a decree the following:

a) the requirements for the accreditation of ESG certifiers;

b) the detailed requirements concerning the professional quality assurance of, and the provision of assurance services by, ESG certifiers; their training, continuing professional development and examination; their professional ethical standards and professional confidentiality obligations; their organisation of work, and the conduct of certification audits performed by ESG certifiers;

c) the state ESG rating provider;



- d) the rules related to the proceedings and operation of the state ESG rating provider;
  - e) the level of fines that the Authority may impose, the criteria for their determination, and the detailed procedural rules for payment modalities;
  - f) the detailed procedural rules for the accreditation of ESG consultant training institutions, as well as the detailed procedural rules for maintaining a register of ESG consultant training institutions.
- (2) Authorisation shall be given to the Minister to determine in a decree the following:
- a) the method and frequency of documenting compliance with the sustainability due diligence obligations of undertakings;
  - b) the ESG-related tasks of the enterprise development agency;
  - c) the requirements for the accreditation of ESG consultant training institutions, the rules for ESG consultant training, and the rules concerning training and examination fees;
  - d) the detailed rules governing the provision of preparatory programmes.
  - e)
- (3) Authorisation shall be given to the Minister to determine in a decree the requirements for the accreditation of ESG consultants and the renewal of accreditation status.
- (4) The Minister shall issue the decree referred to in paragraph (3) after having sought the opinion of the Commission.
- (5) Authorisation shall be given to the president of the Authority to determine in a decree the following:
- a) the detailed rules for compliance with the sustainability due diligence obligations of undertakings;
  - b) the rules on the development of a system for risk analysis;
  - c) the procedural rules for the accreditation of ESG consultants;
  - d) the European or national cybersecurity certification system applicable to the cybersecurity certification of ESG software;
  - e)
  - f) the conditions for registration in the Certifiers Register; furthermore, the detailed procedural rules for the maintenance of the Certifiers Register, ESG reports register, ESG consultants register, ESG certifiers register and ESG software register, as well as the detailed rules concerning the registers' data content not qualifying as personal data;
  - g) the operational rules of the ESG management platform;

h) the detailed rules for the operation of the accredited support management centre.

(6) Authorisation shall be given to the president of the Authority to determine in a decree the minimum requirements, content, form requirements and publication rules for ESG reports and the questionnaires annexed thereto, as well as the requirements for additional data provision pursuant to section 27 (5), and the rules for compliance with data provision authorised by the Authority.

(7) The president of the Authority shall issue the decree referred to in paragraph (6) after having sought the opinion of the Council.

## 22. Provisions on entry into force

**Section 53** (1) With the exceptions specified in paragraphs (2) to (5), this Act shall enter into force on 1 January 2024.

(2) Section 45 and section 46 shall enter into force on the 16th day following the promulgation of this Act.

(3) Section 102 shall enter into force on 1 July 2024.

(4) Section 72 and section 76 (1) shall enter into force on 1 January 2025.

(5) Section 26 (2) shall enter into force on 1 January 2026.

## 23. Transitional provisions

**Section 54** (1) The provisions relating to sustainability due diligence obligations shall be applied for the first time as follows:

a) undertakings under section 1 (1) a) shall apply these provisions for the first time in respect of their activities during the 2024 financial year, and they shall prepare their first ESG report in 2025,

b) undertakings under section 1 (1) b) shall apply these provisions for the first time in respect of their activities during the 2025 financial year, and they shall prepare their first ESG report in 2026,

c)

(2) Notwithstanding the provisions of sections 33 and 34, in 2025 undertakings shall not be required to conduct certification in respect of the ESG report on the fulfilment of the sustainability due diligence obligations for the financial year commencing in 2024 referred to in paragraph (1). The management body of the undertaking shall be responsible for the adoption of an ESG report compliant with the requirements provided for in this Act or in any other law issued on the basis of authorisation by this Act. The ESG report shall be adopted by the management body. The undertaking shall retain the ESG report, together with the written decision of the management body approving it, for a period of three years from the date of adoption.

(3) Notwithstanding the provisions of section 23 (2), with respect to the financial years 2024 to 2026, the undertaking and the organisation under section 1 (3) shall not send to the Authority the ESG report on the fulfilment of the sustainability due diligence obligations for the financial years commencing in 2024, 2025 and 2026, nor the related ESG certificate.

(4) In fulfilling the sustainability due diligence obligations for the financial years commencing in 2024, 2025 and 2026,

a) the undertaking and the organisation under section 1 (3)

aa) shall not be required to act in accordance with section 3 (2),

ab) notwithstanding the provisions of section 23 (2), shall not be required to make the ESG report on the fulfilment of the sustainability due diligence obligations publicly available free of charge on its website,

b) the undertaking, notwithstanding section 18 (1), shall not be required to make its prepared corporate social responsibility strategy publicly available on its website.

(5) Notwithstanding section 27 (4), until 30 June 2027, ESG data provision shall not be required from micro- or small undertakings, nor may a micro- or small undertaking assume an obligation to provide ESG data either by contract or by written declaration.

(6) Notwithstanding section 27 (4), until 30 June 2027, a medium-sized undertaking may not assume an obligation to provide ESG data either by contract or by written declaration.

(7) In defining the contractual conditions pursuant to section 132 (1) of Act CXLIII of 2015 on public procurement,

a) for the first time, the ESG report on the fulfilment of the sustainability due diligence obligations for the financial year commencing in 2026, together with the related ESG certificate, may be taken into account; and

b) the ESG report and the related certificate may be taken into account in public procurement procedures initiated after 31 August 2027.

#### 24. Compliance with the requirement of the Fundamental Law on cardinality

**Section 55** Sections 99 to 102 and section 103 a) to b) qualify as cardinal on the basis of Article 23 of the Fundamental Law.

#### 25. Compliance with the law of the European Union

**Section 56** (1) Sections 57 to 98 contain provisions for the implementation of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

(2) Sections 57 to 98 serve the purpose of compliance with Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

(3) This Act serves the purpose of compliance with Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market.

## 26. Amending provisions

**Section 57**

**Section 58**

**Section 59**

**Section 60**

**Section 61**

**Section 62**

**Section 63**

**Section 64**

**Section 65**

**Section 66**

**Section 67**

**Section 68**

**Section 69**

**Section 70**

**Section 71**

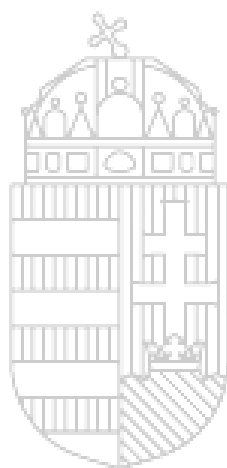
**Section 72**

**Section 73**

**Section 74**

**Section 75**

**Section 76**



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**Section 77**

**Section 78**

**Section 79**

**Section 80**

**Section 81**

**Section 82**

**Section 83**

**Section 84**

**Section 85**

**Section 86**

**Section 87**

**Section 88**

**Section 89**

**Section 90**

**Section 91**

**Section 92**

**Section 93**

**Section 94**

**Section 95**

**Section 96**

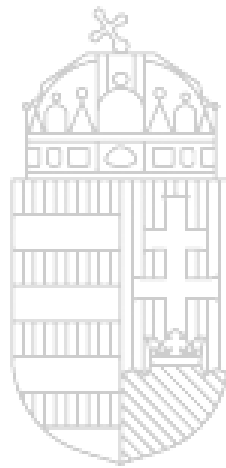
**Section 97**

**Section 98**

**Section 99**

**Section 100**

**Section 101**



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## Section 102

## Section 103

### *Annex 1 to Act CVIII of 2023*

Divisions according to the Statistical Classification of Economic Activities for the classification pursuant to section 1 (1) b)

	<b>A</b>
<b>1</b>	<b>Divisions according to the Statistical Classification of Economic Activities</b>
<b>2</b>	20 Manufacture of chemicals and chemical products
<b>3</b>	21 Manufacture of basic pharmaceutical products and pharmaceutical preparations
<b>4</b>	22 Manufacture of rubber and plastic products
<b>5</b>	23 Manufacture of other non-metallic mineral products
<b>6</b>	24 Manufacture of basic metals
<b>7</b>	25 Manufacture of fabricated metal products
<b>8</b>	26 Manufacture of computer, electronic and optical products
<b>9</b>	27 Manufacture of electrical equipment
<b>10</b>	28 Manufacture of machinery and equipment
<b>11</b>	29 Manufacture of motor vehicles, trailers and semi-trailers
<b>12</b>	30 Manufacture of other transport equipment
<b>13</b>	31 Manufacture of furniture
<b>14</b>	32 Other manufacturing
<b>15</b>	33 Repair, maintenance and installation of machinery and equipment
<b>16</b>	35 Electricity, gas, steam and air conditioning supply
<b>17</b>	46 Wholesale trade
<b>18</b>	47 Retail trade
<b>19</b>	49 Land transport and transport via pipelines
<b>20</b>	50 Water transport
<b>21</b>	51 Air transport
<b>22</b>	61 Telecommunication
<b>23</b>	62 Computer programming, consultancy and related activities
<b>24</b>	63 Computing infrastructure, data processing, hosting and other information service activities
<b>25</b>	64 Financial service activities, except insurance and pension funding
<b>26</b>	65 Insurance, reinsurance and pension funding, except compulsory social security
<b>27</b>	66 Activities auxiliary to financial services and insurance activities

### *Annex 2 to Act CVIII of 2023*