

# Sustainable Finance Framework

March 2024



# Table of contents

1.	<b>OTP Group in Brief</b>	<b>3</b>
2.	<b>OTP Group's Sustainability Approach</b>	<b>4</b>
2.1.	ESG Programme	5
2.2.	Key areas of focus for a sustainable pathway	6
2.3.	ESG Goals	8
2.4.	Green credit portfolio plans and achievements	8
3.	<b>OTP Group's work with the UN Sustainable Development Goals</b>	<b>9</b>
4.	<b>OTP Group Sustainable Finance Framework</b>	<b>10</b>
4.1.	OTP Group's rationale for Sustainable Finance Framework	10
4.2.	OTP Group's Sustainable Finance Framework	10
5.	<b>Use of Proceeds</b>	<b>10</b>
5.1.	Green Eligible Categories	11
5.2.	Social Eligible Category	13
6.	<b>Process for Project Evaluation and Selection</b>	<b>14</b>
7.	<b>Management of Proceeds</b>	<b>15</b>
8.	<b>Reporting</b>	<b>15</b>
8.1.	Allocation Reporting	15
8.2.	Impact Reporting	15
9.	<b>External review</b>	<b>16</b>
9.1.	Second Party Opinion	16
9.2.	Verification	16
10.	<b>Appendix - Exclusion list for Eligible SME Loans</b>	<b>16</b>
11.	<b>Disclaimer</b>	<b>17</b>



## 1. OTP Group in Brief

OTP Group as a dominant banking player in Hungary and the Central and Eastern European region provides high quality financial services for its 17.4 million private and corporate clients in twelve countries through its 1,392 branches, agent networks, 4,620 ATMs, internet and electronic channels and with its more than 39,407 employees as at the end of 2023.

Since its 1949 founding, the company has developed to a universal financial service provider banking group. Currently the bank is characterized by dispersed ownership of mostly institutional (financial) investors.

In Hungary, OTP Bank Plc is the largest commercial bank when measured in terms of banking assets. OTP is a universal bank, providing full range of banking services, and through our domestic

subsidiaries and affiliates, a comprehensive range of other financial services, including fund management, leasing, and factoring.

OTP Bank Plc, as the consolidating entity of OTP Group has completed several successful acquisitions in the past years, becoming a key player in the region. Besides Hungary, OTP Group currently operates in 11 countries of the region via its subsidiaries: in Bulgaria (DSK Bank AD), in Slovenia (SKB Banka d.d. Ljubljana and Nova Kreditna Banka Maribor d.d.), in Croatia (OTP banka dioničko društvo), in Serbia (OTP banka Srbija akcionarsko društvo Novi Sad), in Albania (Banka OTP Albania SHA), in Montenegro (Crnogorska Komercijalna Banka AD Podgorica), in Uzbekistan (JSCMB 'IPOTEKA BANK'), in Russia (Joint Stock Company "OTP Bank"), in Ukraine (Joint-Stock Company OTP Bank), in Romania (OTP Bank Romania S.A.),\* in Moldova (OTP Bank S.A.).



\*On 9 February 2024 OTP Bank concluded an agreement to sell its directly and indirectly owned 100% shareholding in OTP Bank Romania S.A.

## 2. OTP Group's Sustainability Approach

Our operations impact on our stakeholders and create value for them. It is important for us to integrate sustainability into our operations, create new business opportunities, reduce risk and encourage the development of more sustainable business communities.

OTP Group considers sustainability a high priority in order to avoid negative environmental and social impacts. The Group's responsibility for sustainable development starts with its business activities; we contribute to a financial infrastructure that is key to a well-functioning society by reducing risks and help achieve a more sustainable future by creating business opportunities. In addition to economic considerations, ethical, social and environmental risks are incorporated into our business decision-making, our business development and our operations.

OTP Group approaches ESG from three main perspectives: as a responsible provider, as a responsible employer and as a responsible social actor. In addition to business opportunities, the strategy includes the management of relevant risks as well as social and corporate governance objectives. The strategy covers the period up to 2025, and our goal is to achieve full ESG integration at group level.

OTP Group is adopting significant measures in the following areas with the purpose of complying with ESG and sustainability objectives:

### ✓ ESG aspects in lending policy

OTP Group strictly follows the constantly evolving regulatory landscape of ESG related requirements on the lending activities, ESG aspects are incorporated into the non-retail lending process through policies and guidelines driven by Risk Management.

ESG Risk Management has been defined as one of the key programs of the Group's Risk Strategy for 2023-25. In 2023 the Non-retail ESG Credit Risk Management Framework has been updated and incorporated into the Group Credit Risk Policy (GCRP). OTP Group has extended its risk appetite with ESG-related elements, quantitative and qualitative ESG related limits have been defined in the Risk Appetite Statement (RAS) and in the Operative Lending Limits and Principles (OLLP) of the group members, both group level and entity level targets have been set.

OTP Group develops continuously its ESG credit risk management methodology and procedures as well as its ESG related risk appetite.

### ✓ Green Financing Programme

OTP Group is aiming to be the regional leader in financing a fair and gradual transition to a low-carbon economy and building a sustainable future through our responsible solutions. The objective is to develop a financing programme serving sustainability objectives, increase the role of green investments and develop a new mindset in order to achieve environmentally sustainable economic growth. Our goal for 2025 is to have green products available in all segments for OTP Group.

### ✓ OTP Mortgage Bank Ltd. Energy Efficient Mortgages Initiative

OTP Mortgage Bank Ltd. (100% owned by OTP Bank Plc.) was the first Hungarian credit institution to join the pilot of the Europe-wide Energy Efficient Mortgages Initiative (EEMI) platform. The aim of the Initiative is to allow the participating institutions (which also include energy companies, research centres, regulatory and supervisory authorities in addition to the credit institutions) to jointly develop best practices in green lending and to support the overhaul and energy modernisation of the housing stock.



## 2.1. ESG program



### Retail Green Home Program:

Since 2021 OTP provides Green Housing Loans and continuously keeps this product available for retail customers. Green Home Loans are available for construction or purchase of residential property (apartment or new family house), or for the modernization of a used residential property, if the property meets the required energy requirements.

### Green mortgage bonds:

OTP Mortgage Bank was the first entity within OTP Group and the first Hungarian mortgage bank to set up a green framework, as [OTP Mortgage Bank Ltd. – Green Mortgage Bond Framework 2021](#).

OTP Mortgage Bank issued the pioneer green mortgage bonds on the domestic market in August 2021. As of 31 December 2023, the total outstanding volume of green mortgage bonds issued by OTP Mortgage Bank was HUF 120 billion.



### Green corporate lending:

OTP Group implemented a Green Loan Framework, which was developed in cooperation with the Bank's business units responsible for lending in each respective sector.

The OTP Bank Green Loan Framework has identified a broad list of categories to define green lending activities throughout OTP Bank. The criteria of the Green Loan Framework are based on the EU Taxonomy and the Climate Bonds Initiative's Taxonomy. To ensure the robustness of the OTP Bank Green Loan Framework, KPMG, as a Second Party Opinion provider has been involved in the process of verifying the eligible activities and related criteria.

The SPO backed Green Loan Framework was approved by the National Bank of Hungary in May 2023 and is published on the webpage of OTP Bank. ([Green Loan Framework](#), [Second Party Opinion](#)).

### Signing UN PRB in October 2021:

OTP Bank has become an official **Signatory of the UN Principles for Responsible Banking** – a single framework for a sustainable banking industry developed through a partnership between banks worldwide and the United Nations Environment Program Finance Initiative (UNEP FI) in October 2021.

OTP Group has selected the following targets:

- **Financial literacy**
- **Financed portfolio decarbonization**

OTP has initiated joining to UNEP FI's Net Zero Banking Alliance (NZBA). The Guidelines for Climate Target Setting for Banks of NZBA will be considered for OTP Group's decarbonization plan.

OTP plans to disclose its portfolio decarbonization baseline, targets and pathways in 2025, as part of its annual integrated report to meet the regulatory deadline set by the National Bank of Hungary and meet investor expectation.

## 2.2. Key areas of focus for a sustainable pathway

### Retail Banking: Households, residential communities, and private customers

**The products of our OTP Group contribute in countless ways to the achievement of individual financial stability and welfare and the implementation of fundamental needs.**

#### ✓ Young People

OTP Group offers special preferential products for young people in nine countries. 11 percent of the whole OTP Group's customers (1.7 million persons) are aged below 26. The selection of products varies from country to country. It includes account packages, savings for children, overdraft facilities, bank cards and student loans. Some subsidiaries (e.g. KKB) provide preferential terms for accounts held for the receipt of scholarships.

#### ✓ The elderly, pensioners

In many countries, pensioner customers account for more than 10% of the total clientele. Therefore, in Bulgaria, Serbia, Croatia, Montenegro, Albania and Ukraine special products are offered to pensioners and elderly customers.

#### ✓ Bank account for low-income customers

OTP Group banks, that operating in EU Member States offer the EU basic payment account for low-income retail customers; in addition, we offer minimum packages for customers who need a limited range of services. Minimum packages are available for customers who require a narrower range of services. Access to basic financial services is provided by such accounts. The Croatian bank offers a preferential package for socially disadvantaged customers.

#### ✓ Access to real estate, modernization

Green loans were issued in Hungary and the Balkan countries in which we have subsidiaries financing renewable energy, sustainable real estate and mobility (primarily electro-mobility) projects. The use of the funds is strictly regulated under the Sustainable Finance Framework; for instance, real estate projects have to meet energy efficiency requirements, while renewable energy projects must not exceed the applicable whole life cycle CO<sub>2</sub>-emission limits. We provide predictable loans that are aligned with the debt service capacities of our customers, and promote the use of energy-efficient solutions:

- Certified consumer-friendly housing loans
- Subsidized housing loans
- OTP Condominium Grant
- Green Home Program

#### ✓ Environment-friendly use of energy

The demand for energy investments that improve environmental benefits and energy efficiency is increasing towards cost reduction projects that can be implemented with a short market and economic payback time.

Energy efficiency and renewable energy in Hungary: projects received a particularly high support rate through the state supported Széchenyi Investment Loan MAX scheme.

#### ✓ Investment Funds promoting environmental and social characteristics

In 2022, in accordance with the SFDR, each of the OTP Group members adopted their investment sustainability risk management policy and supplemented the information provided for its customers with the content of that policy. OTP Group has started to amend the management regulations of three funds within the Group in order to meet the criteria of a fund

promoting environmental or social characteristics or a combination thereof, i.e. Sustainable Finance Disclosure Regulation (SFDR) Article 8.

#### ✓ Investment services

OTP Group constantly integrates sustainability approach into the investment services activities.

- Discretionary portfolio management: The introduction of investment strategies with sustainability focus are planned from 2025 onwards.
- Investment advisory activities: Dedicated model portfolios for private banking clients with sustainability preferences and for the whole clientele by offering a suite of diversified multi asset portfolios with a dual mandate that prioritize environmental, social, and governance (ESG) factors alongside traditional financial considerations. The aim is to generate long-term value for investors while simultaneously contributing positively to society and the environment.



## Micro, small and medium-sized (SME) business customers

Providing sustainability related services for small and medium-sized businesses is a highly important objective of OTP Groups corporate banking activities.

### ✓ Providing equal and fair conditions for banking services in socioeconomically disadvantaged regions

Due to the geographical distribution of OTP Group's branch network, the Group is present in socioeconomically disadvantaged areas of Central and Eastern European countries. For OTP Group it has always been a top priority to provide fair and equal terms and conditions of banking services in each region within the countries where it operates.

With this goal OTP Group contributes to employment generation, economic growth and the reduction of the negative effects of less favourable socioeconomic conditions, through the financing of micro-, small- and medium-sized enterprises (SMEs).



## Large corporate projects with environmental benefits

With regards to project financing, and investment loans to large corporate clients, OTP Group has given high priority for supporting renewable energy projects, electro-mobility, and green office buildings.

### ✓ Green Financing

In 2021 OTP Group started green lending in selected sectors: renewable energy, commercial real estate, and clean transportation.

- **Renewable Energy**  
The green portfolio size was **EUR 430 651 780 as of the end of 2022.**
- **Green office building**  
The total portfolio size amounted as **EUR 462 022 863 as of the end of 2022.**
- **Clean Transportation**  
Electric Railways, trains financing sized **EUR 120 792 723 as of the end of 2022.**

OTP Group has published its Green Bond allocation and impact reports first in 2022 on ICMA portfolio approach basis first for the 2022 financial year. [OTP Green Bond Allocation Report 2022.](#)  
[OTP Green Bond Impact Report 2022.](#)

## Agro sector customers

OTP Group continues to assign special significance to serving agro sector customers.

### ✓ EU subsidy pre- and co-financing

Green Corridor, Subsidy factoring and Double SAPS products support utilisation of the EU subsidies by offering a simplified lending process and are major agri-products of the OTP Group in EU countries. In numerous cases, the projects financed under the Rural Development Programme support the implementation of environmental/ conservationist purposes; energy efficiency and restoring the state of the ecosystems are among their main priorities.

### ✓ Financing Micro and small enterprises

Dedicated products aim agrarian micro and small producers at several subsidiaries in cooperation with international financing and state institutions.

### ✓ Green agricultural investment and working capital loans

Since 2021, in line with our ESG Strategy we provide loans with green conditions, focusing on afforestation and irrigation projects.



2.3. ESG Goals

	Short term	Long term
Building the green book	Green credit portfolio <b>by 2022:</b> ✔ Corporate: HUF 150 billion ✔ Retail: HUF 80 billion	Green credit portfolio <b>by 2025:</b> ➤ Corporate: HUF 1,000 billion ➤ Retail: HUF 500 billion
Reducing own emissions	OTP Bank (Hungary) Carbon neutrality by the end of 2022	Carbon neutrality on Group level by the end of 2030
Transparent responsibility	Member of UN's Principles for Responsible Banking Initiative	OTP to be part of DJSI ESG index by 2025

2.4. Green credit portfolio plans and achievements

Green credit portfolio	Plan 2022	Fact 2022	Plan 2023	Fact 2023
Corporate	➤ HUF 150 billion	✔ HUF 163 billion	➤ HUF 284 billion	✔ HUF 477 billion
Retail	➤ HUF 80 billion	✔ HUF 107 billion	➤ HUF 130 billion	✔ HUF 148 billion





# 3. OTP Group's work with the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDG) formulated by the UN set up a new, universal measure for development by 2030, taking a stand for the elimination of poverty, the fight against climate change and the reduction of inequalities. In defining its sustainability focal points and objectives, OTP Group is committed to facilitate the SDGs. Our activities impact – or support the achievement of – SDG objectives and indicators as follows:

## Stability



## Tax payment



## Lending



## Access to financial services



## Improving financial literacy



## Employment



## Environment



## Local Communities



## 4. OTP Group Sustainable Finance Framework

### 4.1. OTP Group's rationale for Sustainable Financing

In alignment with the broader OTP Group corporate responsibility strategy, OTP Group has established a Sustainable Finance Framework (hereinafter referred to as the **"Framework"**) to be able to issue Sustainable Finance Instruments to finance and refinance projects which enable the transition to a low carbon and climate resilient economy, and/or provide positive societal impact and to mitigate social problems. OTP Group is committed to promoting sustainable business activities in the industry sectors and regions where the bank is operating. By issuing Sustainable Finance Instruments, OTP Group will provide additional transparency around funded projects and assets that carry environmental and social benefits. OTP Group promotes further investments into environmentally and socially sustainable assets that will assist in reaching the targets set forth by the Paris Climate Agreement and the UN SDGs.

### 4.2. Principles of OTP Group Sustainable Finance Framework

OTP Group has established this Sustainable Finance Framework under which it or any of its subsidiaries can issue green and social finance instruments (such instruments hereinafter referred to as **"Sustainable Finance Instruments"**), which may include covered bonds, senior bonds (preferred and non-preferred), subordinated bonds, medium-term notes and commercial papers to finance and/or refinance green and/or social loans with a positive environmental and/or social benefit.

**The Sustainable Finance instruments that can be issued under this Framework are defined below:**

- Green Finance Instruments to finance and/or refinance Eligible Green Loans (as defined in the Use of Proceeds section under Green Eligible Categories)
- Social Finance Instruments to finance and/or refinance Eligible Social Loans (as defined in the Use of Proceeds section under Social Eligible Categories)

**This Sustainable Finance Framework is based on the:**

- ICMA Green Bond Principles 2022 (with June 2022 Appendix)<sup>2</sup>
- ICMA Social Bond Principles 2023<sup>3</sup>
- LMA Green Loan Principles 2023<sup>4</sup>
- LMA Social Loan Principles 2023<sup>5</sup>.

**The Framework is presented through the following key pillars:**

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also follows the recommendations of the Green Bond Principles and Social Bond Principles regarding External Review<sup>6</sup>.

The Framework defines the loans, credits and investments (such loans, credits and investments hereinafter defined as **"Eligible Loan Portfolio"**)<sup>7</sup> eligible to be funded by the proceeds of Sustainable Finance Instruments issued by OTP Group. The documentation for any

Sustainable Finance Instrument issued shall provide a reference to this Framework under the use of proceeds section.

This Framework may, from time to time, be updated and will be applied to any Sustainable Finance Instrument issued by OTP Group. For instance, future changes to the Green Bond Principles and/or Social Bond Principles may be implemented in future versions of this Framework. Any future version of this Framework will either keep or improve the current level of transparency and reporting disclosures, including the corresponding review by an external consultant. For the avoidance of doubt, any future change to the Eligibility Criteria may not necessarily apply to Green, Social or Finance Instruments issued under this framework.

## 5. Use of Proceeds

An amount equal to the net proceeds from Sustainable Finance Instruments issued by OTP Group will be used to finance and/or refinance a portfolio of eligible loans as defined by the Eligibility Criteria in this Framework.

For each Green and Social Bond issue, OTP Group will provide an estimate of the share of existing green and social portfolio and provide estimation of the portfolio generation of the forthcoming periods.

For clarification purposes, Sustainable Finance Instruments will not be used to finance loans to fossil energy generation, nuclear energy generation, weapons and defence, mining, gambling or tobacco.

In alignment with OTP Group's broader sustainability strategy and support of the UN SDG 2030 agenda, the Eligibility Criteria contemplated under this Framework, directly contribute to the achievement of UN SDGs<sup>8</sup> and EU Environmental Objectives<sup>9</sup>.

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

<sup>4</sup> [https://www.lma.eu.com/application/files/8916/9755/2443/Green\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf)

<sup>5</sup> [https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf)

<sup>6</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>




<sup>7</sup> The Eligible Loan portfolio consists of the following OTP Group countries: Hungary, Bulgaria, Slovenia, Croatia, Serbia, Montenegro, and Albania. Since on 9 February 2024 OTP Bank concluded an agreement to sell its directly and indirectly owned 100% shareholding in OTP Bank Romania S.A., starting with 2024 no new eligible loan will be selected from Romania.

<sup>8</sup> Mapping between ICMA Eligible Categories and UN SDGs based on ICMA High Level Mapping to the Sustainable Development Goals: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds06-2019-100619.pdf>

<sup>9</sup> 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, [see here](#)





## 5.1. Green Eligible Categories

GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDG's	Contribution to EU Taxonomy Environmental Objective	EU Taxonomy Activity <sup>10</sup>
<b>Green Buildings<sup>11</sup></b>	<p><b>Financing and/or refinancing new or existing buildings:</b></p> <p><b>Construction and ownership of new buildings</b></p> <ul style="list-style-type: none"> <li>✓ with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the local market</li> <li>✓ for buildings larger than 5 000 m<sup>2</sup> <ul style="list-style-type: none"> <li>robust and traceable quality control processes are in place during the construction process OR testing for air-tightness and thermal integrity upon completion</li> <li>the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed</li> </ul> </li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>✓ Hold at least one of the following valid certifications: <ul style="list-style-type: none"> <li>BREEAM "Very Good" or above</li> <li>LEED "Gold" or above</li> <li>DGNB "Gold" or above</li> <li>HQE "Excellent" or above</li> </ul> </li> </ul> <p><b>Acquisition and ownership of buildings</b></p> <ul style="list-style-type: none"> <li>✓ Buildings built before 31 December 2020: <ul style="list-style-type: none"> <li>with EPC label ≥ "A"</li> <li>belonging to the top 15% of the national building stock based on primary energy demand (PED)<sup>12</sup></li> </ul> </li> <li>✓ Buildings built after 31 December 2020: <ul style="list-style-type: none"> <li>with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the local market<sup>14,12</sup></li> </ul> </li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>✓ Hold at least one of the following valid certifications: <ul style="list-style-type: none"> <li>BREEAM "Very Good" or above</li> <li>LEED "Gold" or above</li> <li>DGNB "Gold" or above</li> <li>HQE "Excellent" or above</li> </ul> </li> </ul>	  	<p><b>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>	<p>Construction and ownership of new buildings</p> <p>Acquisition and ownership of buildings</p> <p>Renovation of existing buildings</p>



<sup>10</sup> Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, [see here](#)

<sup>11</sup> OTP focuses on the substantial contribution technical screening criteria of the EU Climate Delegate Act and, where possible, OTP may report on compliance with the remaining technical screening criteria as well Do No Significant Harm (DNSH) criteria. Alternatively, we rely on international green building certification.





<sup>12</sup> OTP may engage external consultants to define the top 15% and NZEB-10% in the context of the national building stock in the countries where any eligible green building assets are located. In countries where there is no definition of NZEB or there is no practical solution to implement NZEB, OTP may choose to rely on the top 15% approach.

GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDG's	Contribution to EU Taxonomy Environmental Objective	EU Taxonomy Activity <sup>10</sup>
<b>Green Buildings<sup>11</sup></b>	<p><b>Renovation of existing buildings</b></p> <p>✓ Buildings that have been refurbished resulting in a reduction of primary energy demand of at least a 30%<sup>13</sup></p> <p><b>OR</b></p> <p>✓ The building renovation complies with the energy performance standards set out in the applicable building regulations for "major renovations" transposing the Energy Performance of Buildings Directive</p> <p><b>OR</b></p> <p>✓ Hold at least one of the following valid certifications:</p> <ul style="list-style-type: none"> <li>• BREEAM "Very Good" or above</li> <li>• LEED "Gold" or above</li> <li>• DGNB "Gold" or above</li> <li>• HQE "Excellent" or above</li> </ul>	  	<p><b>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>	<p>Construction and ownership of new buildings</p> <p>Acquisition and ownership of buildings</p> <p>Renovation of existing buildings</p>
<b>Renewable Energy</b>	<p><b>Financing and/or refinancing of the construction or production of renewable energy systems including transmission, distribution, and storage of energy:</b></p> <p><b>Electricity, heat/cooling or co-generation from:</b></p> <p>✓ <b>Solar power:</b> Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities</p> <p>✓ <b>Wind power:</b> Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes</p> <p>✓ <b>Geothermal power:</b> Geothermal energy projects with life cycle emissions of less than 100g CO<sub>2</sub>e/kWh</p> <p>✓ <b>Hydropower:</b> Small-scale hydropower projects (less than 25MW) with either</p> <ul style="list-style-type: none"> <li>• Life cycle emissions of less than 100g CO<sub>2</sub>e/kWh or</li> <li>• Power density greater than 5W/m<sup>2</sup> or</li> <li>• The electricity generation facility is a run of river plant and does not have an artificial reservoir</li> </ul>	 	<p><b>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.a) Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid</p>	<p>Electricity generation using solar photovoltaic technology</p> <p>Electricity generation from wind power</p> <p>Electricity generation from geothermal energy</p> <p>Electricity generation from hydropower</p> <p>Transmission and distribution of electricity</p> <p>Storage of electricity</p> <p>Production of heat/cool from solar thermal heating</p> <p>Cogeneration of heat/cool and power from geothermal energy</p>



GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDG's	Contribution to EU Taxonomy Environmental Objective	EU Taxonomy Activity <sup>10</sup>
<b>Clean Transportation</b>	<p><b>Loans to finance or refinance, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructures:</b></p> <ul style="list-style-type: none"> <li><b>Low-carbon vehicles and rail rolling stock</b> <ul style="list-style-type: none"> <li>✓ Fully Electric, Hydrogen or otherwise zero-emission passenger vehicles</li> <li>✓ Electrified rail transportation for passenger and freight (e.g light rail transit, metro, tram, trolleybus, bus and wagons)</li> </ul> </li> <li><b>Low-carbon transportation infrastructure:</b> <ul style="list-style-type: none"> <li>✓ EV charging, electrified railway, hydrogen fuelling stations</li> </ul> </li> </ul>	 	<p><b>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</b></p> <p>1.c) Increasing clean or climate-neutral mobility</p>	<p>Urban and suburban transport, road passenger transport</p> <p>Infrastructure enabling low-carbon road transport and public transport</p> <p>Passenger interurban rail transport</p> <p>Freight rail transport</p> <p>Infrastructure for rail transport</p>

## 5.2. Social Eligible Category

SBP/SLP Category	Description Eligible Social Loans: Eligibility Criteria	Contribution to UN SDG's	Social benefits	Target groups
<b>Employment Generation, and Programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing</b>	<p><b>Loans and credits to finance and refinance SMEs.</b></p> <ul style="list-style-type: none"> <li><b>Loans dedicated to the financing of SMEs, meeting the following criteria</b> <ul style="list-style-type: none"> <li>✓ SMEs are enterprises as defined in European Commission Recommendation 2003/361/EC<sup>14</sup></li> <li>✓ SMEs are subject to negative screening based on their activity, as per SMEs Exclusion List (see Appendix)<sup>15</sup></li> <li>✓ SMEs must be located in socioeconomically disadvantaged areas in the countries, where OTP Group operates in socioeconomically disadvantaged areas defined as NUTS 2 (2021) regions<sup>16</sup>, meeting the following criteria: the GDP PPS<sup>17</sup> per capita is lower than 75% of the EU-27 average<sup>18</sup>.</li> </ul> </li> <li>In case of EU candidate countries, where timely standardized data at Eurostat are not available (i.e. Serbia, Montenegro, Albania), OTP Group will select loans based on latest available published data of the official national statistic providers</li> </ul>	   	<p>Employment generation and retention</p> <p>Reduction of social and economic inequalities</p> <p>Foster economic growth in deprived areas</p>	<p>SMEs in socio-economically disadvantaged areas</p>

<sup>14</sup> European Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (<https://eur-lex.europa.eu/eli/reco/2003/361/oj>)

The SME selection, and the negative screening of SMEs according to the Exclusion List (Appendix) is made on the data of internal controlling, or reporting databases of OTP Bank Plc.

<sup>15</sup> The SME selection, and the negative screening of SMEs according to the Exclusion List (Appendix) is implemented based on the data of internal controlling, or reporting databases of OTP Bank Plc.

<sup>16</sup> NUTS 2 (2021) regions: The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU and the UK, and also of EU candidate countries.

The currently valid [NUTS 2021 classification](https://ec.europa.eu/eurostat/web/nuts/background) is valid from 1 January 2021. (<https://ec.europa.eu/eurostat/web/nuts/background>).

<sup>17</sup> PPS: purchasing power standard, derived by dividing any economic aggregate of a country in national currency by its respective purchasing [power parities](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Purchasing_power_standard_(PPS)). ([https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Purchasing\\_power\\_standard\\_\(PPS\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Purchasing_power_standard_(PPS))).

<sup>18</sup> In case of Montenegro, the entire country is a NUTS 2 region (called Crna Gora), therefore only condition (ii) applies.

## 6. Process for Project Evaluation and Selection

OTP Group has established a clear decision-making process to determine the eligibility of the nominated eligible loans, in accordance with the description of the eligibility criteria mentioned in the Use of Proceeds section of this Framework.

Eligible loans will be selected by a dedicated Sustainable Finance Working Group (hereinafter referred as to the **"Working Group"**) set up within OTP Bank Plc (Hungary). This Working Group is formed by members of Green Program Directorate (main responsible for Sustainable Financing Framework management), Special Lending Directorate (asset allocation into project financing), Corporate Directorate (asset allocation into corporate credits), Controlling (social eligible portfolio allocation), Subsidiary representative (OTP Subsidiary asset allocation), Bank Treasury Management (unallocated proceeds management).

### The Working Group is responsible for:

- Reviewing the content of OTP Group's Sustainable Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis
- Updating non-OTP Group documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants
- Evaluating and defining the Eligible Loan Portfolio in line with the Eligibility Criteria as set out in the Framework, validating the purpose of the financing and the environmental and social objectives they contribute to. Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best efforts basis
- Overseeing the allocation of the proceeds from Sustainable

Finance Instruments to the Eligible Loan Portfolio and the evolution over time, to ensure that the value of the Eligible Loan Portfolio equals or exceeds the value of issued of Sustainable Finance Instruments

- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. OTP Group may rely on external consultants and their data sources, in addition to its own assessment
- Monitoring internal processes to identify mitigants to known material risks of negative social and/or environmental impacts associated with the Eligible Loan Portfolio. Such mitigants may include explicit and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful
- Ensuring that the environmental and social risks potentially associated with the Eligible Loan Portfolio are properly mitigated via the due-diligence processes conducted by OTP Group, and comply with official national and international environmental and social standards and local laws and regulations, on a best effort basis. These laws are monitored and enforced by the local authorities, amongst others as part of obtaining the necessary permits for new projects and infrastructure maintenance. Additional information on the management of environmental and social risks via the policies and standards of OTP Group is provided below
- Liaising with relevant business finance segments and other stakeholders on the above

The Working Group will meet at least on an annual basis.

The use of proceeds, as financing and / or refinancing eligible banking assets will be approved by the ESG Committee of OTP Bank Plc, based on the proposal of the Working Group.

The ESG Committee is an executive level committee reporting directly to the Board of Directors, chaired by one of its members, having all five deputy CEO as members, along with senior executives.

The ESG Committee will make approval about the use of proceeds at least on an annual basis.

### 6.1. ESG Policies

OTP Group's ESG policies define minimum standards for all its activities, including those financed with the proceeds of Sustainable Finance Instruments issued under this Framework. Below some examples of relevant codes and policies:

#### ✓ Engagement Policy

In this Engagement Policy, OTP Group describes the activities that perform in respect of the shares of the investee companies managed on the instruction of the customers using its portfolio management services

#### ✓ Strategy to create gender equality

This strategy recognizes the importance of diversity and inclusion and defines the actions OTP Group has in place to achieve its strategy in ensuring gender equality

#### ✓ Code of Ethics

It formulates clear and unambiguous guidelines and requirements for both the Group and those affiliated with the Group, in respect of ethical business operations, in order to protect the Group's values

#### ✓ Anti-Corruption Policy

Under the applicable Hungarian and international legislation and the Anti-Corruption guidance of the Wolfsberg Group, this policy defines the principles and the provisions of the Group's anti-corruption activity to identify the areas particularly exposed to the risk of corruption



### ✓ Data Protection Policy

OTP Group is committed to developing, operating and applying a regulatory, executive and control system which ensures the safekeeping and protection of bank secrets, securities secrets as well as personal data in accordance with the criteria specified in relevant legal acts and its fundamental business interests

### ✓ Human Rights Statement

As one of the largest banking groups in Central and Eastern Europe and a significant employer, the Group's conduct and business decisions can have important implications regarding the development and promotion of human rights standards in the region. OTP Group acknowledges its responsibility to prevent and mitigate any adverse human rights impacts related to their operations, services, and business partners.

### ✓ Consistency of Remuneration Policies with the integration of sustainability risks

It states the adherence to the obligation imposed by the SFDR in respect of the integration of sustainability risk in remuneration policies

### ✓ Statement on the integration of sustainability risks of investments

The policy describes the principles applied by OTP Group in handling and monitoring sustainability risks, which may arise during the investment decision process of discretionally managed portfolios and the provision of investment advice

### ✓ Statement on principal adverse impacts of investment decisions on sustainability factors

OTP Group acknowledges principal adverse impacts of its investment decisions on sustainability factors and in the statement identifies the principal adverse sustainability indicators

## 7. Management of Proceeds

The proceeds from the Sustainable Finance Instruments will be managed by OTP Group in a portfolio approach. OTP Group allocates these proceeds to an Eligible Loan Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above.

OTP Group over time, will achieve a level of allocation for the Eligible Loan Portfolio that matches or exceeds the balance of net proceeds from its outstanding Sustainable Finance Instruments. Eligible Loans will be added to and non-eligible ones will be removed from OTP Group's Eligible Loan Portfolio to the extent required according to the process of project evaluation and selection. Unallocated net proceeds from Sustainable Finance Instruments will be held in OTP Group's "Liquid asset portfolio", in cash or other short term liquid instruments, at OTP Group's own discretion.

## 8. Reporting

On a best effort basis, OTP Group will align the reporting with the portfolio approach described in the "ICMA Handbook - Harmonised Framework for Impact Reporting (June 2023)" (<https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/>) and "Social Bonds - working towards a Harmonized Framework for Impact Reporting (June 2023)" (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>). The reporting is based on the Eligible

Loan Portfolio and numbers will be aggregated for all Sustainable Finance Instruments outstanding.

OTP Group will report to investors within one year from the date of a Sustainable Finance Instrument transaction and annually thereafter, until the proceeds have been fully allocated.

### 8.1. Allocation Reporting

The allocation report will provide information, on an aggregated basis, on indicators such as:

- The size of the identified Eligible Loan Portfolio, per investment category
- The total amount of proceeds allocated to the Eligible Loan Portfolio, per Eligible Category
- The balance (if any) of unallocated proceeds
- The amount or the percentage of new financing<sup>19</sup> and refinancing
- The geographic location of the assets, at country level

### 8.2. Impact Reporting

Where feasible, OTP Group intends to report on the environmental and social impact of the eligible loans financed by Sustainable Finance Instruments. For each Eligible Category, the impact report may provide:

- A description of relevant Sustainable Projects
- The breakdown of sustainable projects by nature of what is being financed (financial assets)
- Metrics regarding projects' environmental and social impact as described below

## Green Eligible Categories

GBP/GLP Category	Potential impact indicators
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>✓ Estimated annual energy consumption in KWh/m<sup>2</sup> or savings in MWh</li> <li>✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO<sub>2</sub> equivalent</li> <li>✓ % of buildings with Energy Performance Certificate (EPC) with energy class A or B Certificate (EPC) with energy class A or B</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>✓ Renewable energy generation in MWh per year</li> <li>✓ Total installed capacity in MW</li> <li>✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO<sub>2</sub> equivalent</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO<sub>2</sub> equivalent</li> <li>✓ Zero carbon vehicles: Number of vehicles (units per year)</li> <li>✓ Low carbon transportation infrastructure: Number of units installed (if applicable)</li> </ul>

## Social Eligible Category

SBP/SLP Category	Potential impact indicators
<b>Employment Generation, and Programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing</b>	<ul style="list-style-type: none"> <li>✓ Number of SMEs lent to</li> <li>✓ Geographical distribution (by country) of the SMEs and microenterprises financed</li> <li>✓ Estimated number of people employed by SMEs financed</li> <li>✓ Estimated number of jobs created and/or retained via OTP Bank financing</li> </ul>

Depending on availability and subject to confidentiality agreements, OTP Group might seek to complement above indicators with relevant case studies. Both the allocation report(s) and the impact report(s) will be made available on OTP Group's Investor Relations ESG webpages<sup>20</sup>.

## 9. External Review

### 9.1. Second Party Opinion

OTP Group has obtained an independent second party opinion from ISS-Corporate to confirm the validity of the Framework. The independent second party opinion will be published on OTP Group's Investor Relations ESG webpages<sup>21</sup>.

## 9.2. Verification

OTP Group intends to request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor (or any subsequent external auditor).

## 10. Appendix – Exclusion list for Eligible SMEs

The following activities defined by the NACE nomenclature of the European Union<sup>22</sup> shall be excluded from the OTP Group's sustainable financing:

- Forestry and logging (NACE A2)
- Mining and quarrying (NACE B) except division 8, as Other mining and quarrying (8.1 Quarrying of stone, sand and clay, 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat, 08.93 Extraction of salt)
- Distilling, rectifying, and blending of spirits (NACE C11.01)
- Growing of tobacco (NACE A11.5)
- Manufacture of tobacco products (NACE C12)
- Wholesale of tobacco products (NACE G46.3.5)
- Retail sale of tobacco products in specialised stores (NACE G47.2.6)
- Manufacture of coke and refined petroleum products (NACE C19)
- Processing of nuclear fuel (NACE C24.46)
- Gambling and betting activities (NACE R92)
- Activities of membership organisations (NACE S94)
- Activities of extraterritorial organisations and bodies (NACE U99)
- Manufacture of weapons and ammunition (NACE C25.4)
- Manufacture of military fighting vehicles (NACE C30.4)
- Trade of weapons and ammunition and military fighting vehicles<sup>23</sup>

<sup>20</sup> <https://www.otpgroup.info/sustainability/responsible-service-provider>

<sup>21</sup> <https://www.otpgroup.info/sustainability/responsible-service-provider>

<sup>22</sup> The French acronym NACE refers to the "Statistical Classification of Economic Activities in the European Community". Developed since 1970, NACE provides a framework for the collection and presentation, according to economic activity, of a wide range of statistics in the economic areas (for example: production, employment, national accounts) or others – See Regulation (CE) No. 1893/2006 of the European Parliament and of the Council of 20/12/2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.

<sup>23</sup> Not NACE defined activities, OTP Group will exclude these activities from the Social SME financing by professional judgement.



## 11. Disclaimer

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