

Sustainable Finance Framework

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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 15,8 million private and corporate clients in eleven countries through its almost 1 455 branches, agent networks, 4 697 ATMs, internet and electronic channels and with its almost 38 thousand employees.* 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 private and 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 10 countries of the region via its subsidiaries: in Albania (Banka OTP Albania SHA), in Bulgaria (DSK Bank AD), in Croatia (OTP banka dioničko društvo), in Romania (OTP Bank Romania S.A.), in Serbia (OTP banka Srbija akcionarsko društvo Novi Sad), in Slovenia (SKB Banka d.d. Ljubljana), in Ukraine (Joint-Stock Company OTP Bank), in Moldova (OTP Bank S.A.), in Montenegro (Crnogorska Komercijalna Banka AD Podgorica) and in Russia (Joint Stock Company "OTP Bank").

The continued development and expansion of OTP Bank have significantly contributed to the successful and efficient operation of the Banking Group, which can provide high quality services for both the retail and the institutional clients. Serving agricultural companies and small and medium-sized enterprises is a priority for OTP Group.

Despite the intense competition OTP Group's market position is stable in several segments, as well as in terms of profitability and stability the bank belongs to the European frontline.



*Based on 2021q4 data, please note, it may vary over time.

2. OTP Group's Sustainability Approach

2.1. ESG Programme

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 2024, 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:

✓ SFDR

The Regulation of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector stipulates new requirements on investment fund management, portfolio management and investment advisory services, most importantly the following:

- integrating sustainability risks into the investment decision-making process;
- evaluating and taking into consideration the adverse impacts on sustainability factors;
- providing information in publicly available policies, in pre-contract information documents and periodic reports, and on the website.

✓ Lending Policy

In line with the guidance of the EBA (European Banking Association) on lending and credit monitoring, ESG factors are incorporated into lending policy as well as lending processes, including credit approval and risk management.

✓ 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 Core, while the development of green financing plans at subsidiaries will take place in 2022. OTP Bank plans to issue green bonds in 2022 to finance group-level projects. Recent results are detailed below.

✓ 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.

Recent developments in the ESG program



Green mortgage bonds:

The Green Mortgage Bond Purchase Program, launched by the National Bank of Hungary (NBH) in August 2021, has the explicit goal of encouraging the issuance of domestic green mortgage bonds. OTP Mortgage Bank was the first to issue a green mortgage bond on the domestic market on 16 August 2021. A total of HUF 10.08 billion bids were submitted by capital market participants at the auction, of which the issuer accepted HUF 5.02 billion. The second issue of HUF 90 billion was completed on 5 October 2021.

Retail Green Home Program:

NBH launched the Funding for Growth Scheme (FGS) Green Home Program to support the purchase of energy-efficient homes. In the framework of the Green Home Program, the central bank provides 0% refinancing to lenders for retail loans for new homes with a primary energy consumption threshold of 90 kWh/sqm per year. Interest rates on the loans are capped at 2.5%. OTP Bank was amongst the first banks joining the program in October 2021. Contracted amount of Green Housing loans: HUF 21 billion
Validated Green Housing loans: HUF 4 billion.



Launching corporate green lending:

In 2021 OTP Bank has started green lending in selected sectors renewable energy, electromobility, agriculture and commercial real estate. Validated corporate green loans and green bonds: HUF 67.5 billion



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**.



2.1. Key areas of focus for a sustainable pathway

Households and residential communities

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 pays special attention to young people even through its products. Besides several services (e.g. OTP Junior Next application), we also support their responsible money management and financial decisions by offering financial products geared towards specific age groups.

✓ The elderly, pensioners

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

✓ Bank account for low-income customers

Our banks 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.

✓ Baby loans

While the pandemic triggered a sharp decline in demand for consumer credit, the subsidized loan offered in Hungary to families planning to have / expecting children continued to be very popular in 2021.

✓ Access to real estate, modernization

Members of the Banking Group play an important role in the housing goals of the population primarily through mortgage loans. In addition to our own products, we serve our customers by taking an active part in state-subsidized schemes. 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

In 2021, as well, OTP Bank led a consortium of credit institutions to intermediate the products of the Hungarian Development Bank (MFB) at MFB Points, involving EU-refinanced and MFB's proprietary products alike. In 2021, loans promoting energy efficiency, the use of renewable energy and e-mobility were available from our subsidiaries in Croatia, Montenegro, Albania and Moldova.

✓ Green investment fund

We started to amend the management regulations of 3 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.



Micro, small and medium-sized business customers

Providing sustainability related services for small and medium-size businesses was a highly important objective in 2020-2021, since servicing this sector was always in the focus of OTP Groups corporate banking activities.

✓ Continuous, reliable banking services during the pandemic period

We strongly believe that our attitude during the pandemic played a key role in the fact that OTP Bank was able to increase its market share in the micro and small enterprise segment. Performing loans increased by 26% in 2021 at OTP Bank, state subsidized programs supported the growth.

✓ Hungarian Development Bank (MFB) Points

In 2021, as well, OTP Bank (Hungary) led a consortium of credit institutions to intermediate the products of the Hungarian Development Bank (MFB) at MFB Points, involving EU-refinanced and MFB's proprietary products alike. The most important product was the restart loan with 75 billion HUF contracted amount.

✓ OTP Hungaro-projekt and Consulting Romania

Our grant applications consultancy companies serve primarily the SME sector and municipalities. OTP Hungaro-projekt served agricultural enterprises mainly by creating 265 applications in 2021.

✓ Partnerships

In our foreign subsidiaries, we cooperate with international institutions, such as EBRD, IFC, in supporting the MSE and SME sectors in less developed regions.

✓ Social financing in the SME sector

Due to the geographical distribution of OTP Group's branch network, we are present in the socioeconomically disadvantaged areas in the Central Eastern European countries. For OTP Group it was always a top priority, to provide fair and equal terms and conditions of our services in each region relative to the countries. With this, OTP contributes to the employment generation, and the reduction of the negative effects of lesser fortunate socioeconomic conditions.

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.

✓ Renewable Energy

The green portfolio size is 103 billion HUF as of the end of 2021.

✓ Green office building

The portfolio certificated buildings (not only greenfield finance) and purchased company issue green bonds. The total portfolio size is 65 billion HUF in 2021.

✓ New zero emission e-vehicles

Merkantil Group (100% owned by OTP Bank Plc.) had outstanding performance in developing its green portfolio with the new product variant. Size of the portfolio is 3 billion HUF 2021.

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. Rural Development Programme related financing reached 27 billion HUF in 2021 at OTP Bank.

✓ 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

In 2021, in line with our ESG Strategy we introduced a new product variant focusing on afforestation and irrigation projects.

2.3. ESG Goals

	Short term	Long term
Building the green book	Green credit portfolio by 2022: ✓ Corporate: HUF 150 billion ✓ Retail: HUF 80 billion	Green credit portfolio by 2025: ✓ Corporate: HUF 1,000 billion ✓ Retail: HUF 500 billion
Green products on markets	5 products by 2022	Green products in all segments
Reducing own emissions	OTP Bank (Hungary) Carbon neutrality by the end of 2022	Carbon neutrality strategy on group level
Transparent responsibility	Member of UN's Principles for Responsible Banking Initiative	OTP to be part of DJSI ESG index by 2025

2.4. OTP Bank Green Loan Framework

OTP Bank Plc (Hungary) has implemented a Green Loan Framework, which was developed in cooperation with the Bank's business units responsible for lending in each respective sector. The Green Loan Framework governs OTP Bank's green lending activities and has been defined to identify investments that increase positive and reduce negative environmental and social impact and that help businesses and societies adapt to the effects of climate change.

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, Deloitte, 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 on 16 March 2022 and is published on the webpage of OTP Bank. (https://www.otpbank.hu/static/portal/sw/file/Green_loan_framework_ENG_20220301.pdf, https://www.otpbank.hu/static/portal/sw/file/Green_loan_framework_SPO_ENG_20220302.pdf).



OTP Bank'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 Bank is committed to facilitate the SDGs. Our activities impact – or support the achievement of – SDG objectives and indicators as follows:

Stability



Tax payment



Lending, investment



Access to financial services



Improving financial literacy



Employment



Environment



Local Communities



3. OTP Group Sustainable Finance Framework

3.1. 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, we will provide additional transparency around funded projects and assets that carry environmental and social benefits. We hereby hope to promote 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.

3.2. 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 2021¹
- ICMA Social Bond Principles 2021²
- LMA Green Loan Principles 2021³
- LMA Social Loan Principles 2021⁴.

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 Review⁵.

The Framework defines the loans, credits and investments (such loans, credits and investments hereinafter defined as **"Eligible Loan Portfolio"**)⁶ 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.

4. 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 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 SDGs⁷ and EU Environmental Objectives⁸.

¹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

³ https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

⁴ https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>






⁶ The Eligible Loan portfolio consists of the following OTP Group countries: Hungary, Bulgaria, Slovenia, Croatia, Serbia, Montenegro, Romania and Albania.

⁷ 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>

⁸ 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

4.1. Green Eligible Categories



GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDG's	Contribution to EU Environmental Objective	EU Economic Activity ⁹
Green Buildings¹⁰	<p>Financing and/or refinancing new or existing buildings:</p> <ul style="list-style-type: none"> ✓ Buildings built before 31 December 2020 with EPC label ≥ "A" ✓ Buildings built before 31 December 2020 belonging to the top 15% of the national building stock based on primary energy demand (PED) ✓ Buildings built after 31 December 2020 with energy performance at least 10% better than the threshold for Nearly Zero-Energy Buildings ("NZEB") in the local market¹¹ ✓ Buildings that have been refurbished resulting in a reduction of primary energy demand of at least a 30%¹² ✓ New, existing or refurbished commercial buildings which received at least one of the following certifications: <ul style="list-style-type: none"> • BREEAM "Very Good" or above • LEED "Gold" or above • HQE "Excellent" or above • Other equivalent internationally recognized Green Building certifications 	  	<p>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>	<p>Acquisition and ownership of buildings</p> <p>Renovation of existing buildings</p>
Renewable Energy	<p>Financing and/or refinancing of the production of renewable energy: Electricity generation from:</p> <ul style="list-style-type: none"> ✓ Solar power: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities ✓ Wind power: Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes ✓ Geothermal power: Geothermal energy projects with life cycle emissions of less than 100g CO₂e/kWh ✓ Hydropower: Small-scale hydropower projects (less than 25MW) with either <ul style="list-style-type: none"> • Life cycle emissions of less than 100g CO₂e/kWh or • Power density greater than 5W/m² or • The electricity generation facility is a run of river plant and does not have an artificial reservoir 	 	<p>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</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>

⁹ 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





¹⁰ OTP focuses on the main 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.

¹¹ 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.

¹² The energy performance before the renovation can be based on actual or reference energy data, energy labels or estimated energy use based on the building regulation that was applicable in the building year of the building.

GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDG's	Contribution to EU Environmental Objective	EU Economic Activity ⁹
Clean Transportation	<p>Loans to finance or refinance, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructures:</p> <ul style="list-style-type: none"> Low-carbon vehicles and rail rolling stock <ul style="list-style-type: none"> ✓ Fully Electric, Hydrogen or otherwise zero-emission passenger vehicles ✓ Electrified rail transportation for passenger and freight (e.g light rail transit, metro, tram, trolleybus, bus and wagons) Low-carbon transportation infrastructure: <ul style="list-style-type: none"> ✓ EV charging, electrified railway, hydrogen fuelling stations 	 	<p>Contribution to Climate Change Mitigation (Article 10), including but not limited to:</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>

4.2. Social Eligible Category

SBP/SLP Category	Description Eligible Social Loans: Eligibility Criteria	Contribution to UN SDG's	Social benefits	Target groups
Employment Generation, and Programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance	<p>Loans and credits to finance and refinance SMEs.</p> <ul style="list-style-type: none"> Loans dedicated to the financing of SMEs, meeting the following criteria <ul style="list-style-type: none"> ✓ SMEs as per EU Commission definition¹³ ✓ SMEs are subject to negative screening as per SMEs Loans Exclusion List (see appendix 1) ✓ SMEs must be located in socioeconomically disadvantaged areas in the countries the bank operates in Socioeconomically disadvantaged areas are defined as NUTS 2 (2021) regions¹⁴, meeting the following criteria: <ul style="list-style-type: none"> (i) the GDP per capita is lower than the national average (ii) the GDP PPS¹⁵ per capita is lower than 75% of the EU-27 average¹⁶. <p>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</p>	   	<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>

¹³ https://ec.europa.eu/growth/smes/sme-definition_en

¹⁴ 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 is valid from 1 January 2021. (<https://ec.europa.eu/eurostat/web/nuts/background>).

¹⁵ 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))).

¹⁶ In case of Montenegro, the entire country is a NUTS 2 region (called Crna Gora), therefore only condition (ii) applies.

5. 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.

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

✓ 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

6. Management of Proceeds

The proceeds from the Sustainable Finance Instruments will be managed by OTP Group in a portfolio approach. OTP Group intends to allocate 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 will strive, over time, to 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 or removed from OTP Group's Eligible Loan Portfolio to the extent required.

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.

7. Reporting

On a best effort basis, OTP Group will align the reporting with the portfolio approach described in the ICMA "[Green Bonds - working towards a Harmonized Framework for Impact Reporting \(June 2021\)](#)" and "[Social Bonds - working towards a Harmonized Framework for Impact Reporting \(June 2020\)](#)". 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.

7.1. 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 financing¹⁷ and refinancing
- The geographic location of the assets, at country level

7.2. 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
Green Buildings	<ul style="list-style-type: none"> ✓ Estimated annual energy consumption in KWh/m² or savings in MWh ✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent ✓ % of buildings with Energy Performance
Renewable Energy	<ul style="list-style-type: none"> ✓ Renewable energy generation in MWh per year ✓ Total installed capacity in MW ✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent
Clean Transportation	<ul style="list-style-type: none"> ✓ Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent ✓ Zero carbon vehicles: Number of vehicles (units per year) ✓ Low carbon transportation infrastructure: Number of units installed (if applicable)

Social Eligible Categories

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

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 webpages¹⁸.

8. External Review

8.1. Second Party Opinion

OTP Group has obtained an independent second party opinion from ISS ESG to confirm the validity of the Framework. The independent second party opinion will be published on OTP Group's Investor Relations ESG webpages¹⁹.

8.2. 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).

9. Appendix – Exclusion list for Eligible SME Loans

The following activities defined by the NACE nomenclature of the European Union²⁰ shall be excluded from the OTP Group's financing:

- Mining and quarrying (NACE B) except division 8 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)
- Manufacture of tobacco products (NACE C12)
- Manufacture of coke and refined petroleum products (NACE C19)
- Processing of nuclear fuel²¹ (NACE C24.46)
- Manufacture of weapons and ammunition (NACE C25.4),
- Manufacture of military fighting vehicles (NACE C30.4),
- Gambling and betting activities (NACE R92),
- Activities of membership organisations (NACE S94),
- Activities of extraterritorial organisations and bodies (NACE U99).

¹⁸ https://www.otpbank.hu/portal/en/Investor_relations/ESG

¹⁹ https://www.otpbank.hu/portal/en/Investor_relations/ESG

²⁰ 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.

²¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where OTP considers the radioactive source to be insignificant and/or adequately shielded.

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