

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

OTP Group

18 May 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainable Finance Instruments
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association (ICMA) Green Bond Principles (GBP), updated as of June 2021 and Social Bond Principles (SBP), updated as of June 2021.• Loan Market Association (LMA) Green Loan Principles (GLP), updated as of February 2021, and Social Loan Principles (SLB), updated as of April 2021.
Scope of verification	<ul style="list-style-type: none">• OTP Group's Sustainable Finance Framework (as of May 2022)• OTP Group's Eligibility Criteria (as of May 2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As as long as no substantial changes to the Framework are made

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SCOPE OF WORK

OTP Group (“the Issuer” or “OTP”) commissioned ISS ESG to assist with its Sustainable Finance Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Sustainable Finance Instruments link to OTP’s sustainability strategy – drawing on OTP’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. OTP’s Sustainable Finance Framework (as of May 2022) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and Social Bond Principles (SBP) as well as the Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).
3. The Eligibility Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

OTP’S BUSINESS OVERVIEW

OTP Bank is a Hungary-based financial institution that provides traditional banking operations in three segments: retail, corporate and private banking. The company offers financing solutions for the creation of energy-efficient homes, loans for renewable energy projects, minority and female entrepreneurs, as well as subsidised mortgage loans for disadvantaged groups.

OTP Group provides its universal financial services through several subsidiaries. In Hungary traditional banking operations are performed by OTP Bank while specialized services, including car leasing, investment funds are developed and offered by the Bank's subsidiaries.

OTP Bank offers financial services to retail, private banking, micro and small business, medium and large corporations, as well as municipality clients through both its branch network and its developing digital channels. OTP Bank’s corporate business focuses primarily on lending to SMEs.

The Bank provides comprehensive retail and corporate banking services: its activities include deposit collection from customers and raising money from the money and capital markets. On the asset side, OTP Bank offers mortgage loans, consumer credits, working capital and investment loans to companies, as well as loans to municipalities, whereas its liquidity reserves are invested in money and capital market instruments. Moreover, the Bank provides a wide range of state-of-the-art services, including wealth management, investments services, payment services, treasury and other services.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Sustainable Finance Instruments link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 19.04.2022, the issuer shows a moderate sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks & Capital Markets industry. The Issuer ranks 139th out of 299 companies within its sector.</p> <p>The Use of Proceeds financed through this Sustainable Finance Instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainable Finance Instruments is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBP, SBP, GLP, and SLP</p>	<p>The issuer has defined a formal concept for its Sustainable Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBP and SBP as well as the LMA GLP and SLP.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The overall sustainability quality of the Eligibility Criteria in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Sustainable Finance Instruments will (re-)finance eligible asset categories which include: renewable energy, green buildings, clean transportation, and Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises.</p> <p>Those use of proceeds categories have a positive contribution to SDGs 7 'Affordable and clean energy', SDGs 8 'Decent Work and Economic Growth' and 13 'Climate action' as well as limited contribution to SDGs 11 'sustainable cities and communities'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on OTP Group's Sustainable Finance Framework and Eligibility Criteria (as of May 2022), and on the ISS ESG Corporate Rating updated on the 19.04.2022 and applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABLE FINANCE INSTRUMENTS LINK TO OTP'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF OTP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
OTP Group	Commercial Banks & Capital Markets	5	HIGH

This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets industry as it obtains a Decile Rank relative to its industry group of 5, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 18.05.2022, this rating places OTP 139th out of 299 companies rated by ISS ESG in the Commercial Banks & Capital Markets industry.

Key challenges faced by companies in this industry in terms of sustainability management are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

OTP Bank is a Hungary-based financial institution that provides traditional banking operations in three segments: retail, corporate and private banking. The company offers financing solutions for the creation of energy efficient homes, loans for renewable energy projects, minority and female entrepreneurs, as well as subsidised mortgage loans for disadvantaged groups. The aforementioned products do not constitute the majority of the business of the company.

Sustainability Risks

In the financial services sector, the main sustainability challenges are in the lending and investment banking, and asset management businesses. OTP Bank does not demonstrate the integration of

comprehensive environmental and social guidelines into its lending ² and asset management businesses. The company manages single risks arising from marketing and sales activities. OTP Bank has established a group-wide code of conduct covering almost all-important compliance issues in general terms. In addition, the company conducts compliance trainings, facilitates non-compliance reporting and protects whistleblowers.

Governance opinion

Regarding OTP Bank's governance structure, the independence of the company's chairman of the supervisory board, Tibor Tolnay (as at March 25, 2022), is limited, as he has served on the board for more than 12 years. Furthermore, less than a majority of the supervisory board members are independent. The supervisory board has established a committee in charge of audit, composed to 50% of independent members and a nomination committee composed of 33% of independent members.³ There is no remuneration committee on the supervisory board level in place, but ESG targets are integrated to some extent into executive compensation schemes. The company discloses its remuneration policy for executives, including long-term components, which could incentivise sustainable value creation.

Regarding OTP Bank's sustainability governance, the company is yet to establish a supervisory board level sustainability committee, however, there is an executive level ESG Committee reporting directly to the Board of Directors. OTP Bank has established a group-wide code of conduct covering issues such as antitrust violations, insider dealings and conflicts of interest in general terms. In addition, the company conducts compliance trainings, facilitates non-compliance reporting, and protects whistleblowers.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of client's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

As of 19 April 2022, the company is not facing any severe controversy.

² For more detail, please refer to OTP' Green loan framework - [Link](#)

³ According to the EC recommendation 2005/162/EC's definition of independence provides that in order to remain independent, a non-executive director should have served on the board for no more than 12 years. ISS follows the EC recommendation and applies stricter tenure limits where recommended by local corporate governance codes or established by local best practices

B. CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH OTP'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

OTP Group states to consider 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; OTP contributes 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, business ethical, social and environmental risks are incorporated into business decision-making, business development and operations, according to the bank.

OTP Group states to approach ESG from three main perspectives: as a responsible service provider, as a responsible employer and as a responsible social actor. In addition to business opportunities, its strategy includes the management of relevant risks as well as social and corporate governance objectives. The strategy covers the period up to 2024, and its goal is to achieve full ESG integration at group level.

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

OTP's Recent developments in the ESG program

- Green Mortgage Bonds
- Retail Green Home Program
- Launching Corporate Green Lending
- Signing UN Principles for Responsible Banking (PRB) in October 2021

Meanwhile, OTP Group states to focus on the following areas for its sustainable pathway

- Households and residential communities
- Micro, small and medium-sized business customers
- Large corporate projects with environmental benefits
- Agro sector customers

Rationale for issuance

OTP has a number of track records in the sustainable finance market. In 2021, OTP Mortgage Bank was the first to issue a green mortgage bond on the Hungarian market, 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. Also, OTP Bank was amongst the first banks to join the Funding for Growth Scheme (FGS) Green Home Program in October 2021 which was launched by the National Bank of Hungary (NBH), OTP Bank has Contracted amount of Green Housing loans: HUF 21 billion Validated Green Housing loans: HUF 4 billion. Furthermore, 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

The aim of issuing Sustainable Finance Instruments is 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, as OTP Group is publicly committed to promoting sustainable business activities in the industry sectors and regions where the bank is operating, promoting 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.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Sustainable Finance Instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective

Green Buildings	✓	✓	Contribution to a material objective
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through the instruments are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing sustainable finance instruments is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES, GREEN LOAN PRINCIPLE, SOCIAL BOND PRINCIPLES AND SOCIAL LOAN PRINCIPLES

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

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.

Green Eligible Categories⁴

GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria
Green Buildings ⁵	<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 \geq "A" ▪ Buildings built before 31 December 2020 belonging to the top 15% of the national building stock based on primary energy demand (PED)⁶ ▪ 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 market ▪ Buildings that have been refurbished resulting in a reduction of primary energy demand of at least a 30%⁷ ▪ 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
Renewable Energy	<p>Financing and/or refinancing of the production of renewable energy:</p> <p>Electricity generation from</p>

⁴ Use of Proceeds sections under Green Eligible Categories applicable to OTP Group members within: Hungary, Bulgaria, Slovenia, Croatia, Serbia, Montenegro, Romania and Albania.

⁵ 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.

⁶ 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.

⁷ 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.

	<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 CO₂/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
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

Social Eligible Category⁸

SBP/SLP Category	Description Eligible Social Loans: Eligibility Criteria	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	<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 definition⁹ ▪ SMEs are subject to negative screening as per SMEs Loans Exclusion List (see appendix 1) <p>SMEs must be located in socioeconomically disadvantaged areas in the countries the bank</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>

⁸ Use of Proceeds sections under Social Eligible Categories applicable to OTP Group members within: Hungary, Bulgaria, Slovenia, Croatia, Serbia, Montenegro, Romania and Albania.

⁹ https://ec.europa.eu/growth/smes/sme-definition_en

<p>financing and microfinance</p>	<p>operates in Socioeconomically disadvantaged areas are defined as NUTS 2 (2021) regions¹⁰, meeting the following criteria:</p> <p>(i) the GDP per capita is lower than the national average</p> <p>(ii) the GDP PPS ¹¹ per capita is lower than 75% of the EU-27 average¹².</p> <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>		
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The following activities defined by the NACE nomenclature of the European Union¹³ 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 fuel¹⁴ (NACE C24.46)

¹⁰ 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>).

¹¹ 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))).

¹² In case of Montenegro, the entire country is a NUTS2 region (called Crna Gora), therefore only condition (ii) applies.

¹³ 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.

¹⁴ 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.

- 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).

Opinion: ISS ESG considers the Use of Proceeds description provided in OTP's Sustainable Finance Framework as aligned with the ICMA's Green Bond Principles and Social Bond Principles, as well as LMA's Green Loan Principles and Social Loan Principles. The issuer provides a qualitative analysis of the environmental and social contribution of the project category and defines exclusion criteria for harmful sectors, in line with best market practice.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

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

Eligible Projects 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 Project Portfolio in line with the Eligibility Criteria 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 Project Portfolio and the evolution over time, to ensure that the value of the Eligible Project Portfolio equals or exceeds the value of issued 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 Project 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 Project 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, with all five deputy CEO as members, and senior executives.

The ESG Committee will approve 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**
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 the principal adverse impacts of its investment decisions on sustainability factors and in the statement identifies the principal adverse sustainability indicators.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided in OTP's Sustainable Finance Framework as aligned with the ICMA's Green Bond Principles and Social Bond Principles, as well as LMA's Green Loan Principles and Social Loan Principle. The issuer involves various relevant stakeholders in this process and clearly defines responsibilities in the process for project evaluation and selection which is in line with best market practice.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

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.

Opinion: ISS ESG finds that Management of Proceeds proposed in OTP's Sustainable Finance Framework as aligned with the ICMA's Green Bond Principles and Social Bond Principles, as well as

LMA's Green Loan Principles and Social Loan Principles. The issuer discloses the nature of temporary investments, in line with best market practice.

4. Reporting

FROM ISSUER'S FRAMEWORK

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.

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 financing¹⁵ and refinancing
- The geographic location of the assets, at country level

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
<i>Green Buildings</i>	<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

¹⁵ New financing refers to loans issued over the previous reporting period.

	<ul style="list-style-type: none"> ▪ % of buildings with Energy Performance Certificate (EPC) with energy class A or B
<i>Renewable Energy</i>	<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
<i>Clean Transportation</i>	<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 Category

SBP/SLP Category	Potential impact indicators
<i>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</i>	<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 webpages](#).

Opinion: *ISS ESG finds that the reporting proposed in OTP's Sustainable Finance Framework as aligned with the ICMA's Green Bond Principles and Social Bond Principles, as well as LMA's Green Loan Principles and Social Loan Principles. The level, information reported, frequency, scope and duration of the issuer's allocation reporting is clearly defined. In addition, the issuer is transparent on the level, information reported, frequency and scope of its impact reporting, in line with best market practice.*

External review

FROM ISSUER'S FRAMEWORK

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 webpages](#).

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).

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE



A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainable Finance Instruments Eligibility Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the OTP's Sustainable Finance Instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):




Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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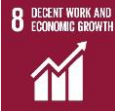
Each of the Sustainable Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
GREEN CATEGORIES		
<p>Green Buildings <i>New, existing or refurbished commercial buildings which received at least one of the following certifications:</i></p> <ul style="list-style-type: none"> ▪ BREEAM "Very Good" or above ▪ LEED "Gold" or above ▪ HQE "Excellent" and/or above ▪ Other equivalent internationally recognized Green Building certifications 	Significant contribution	
<p>Green Buildings <i>New, existing or refurbished buildings</i></p> <p><i>Buildings built before 31 December 2020 with EPC label ≥ "A"</i></p>		Significant contribution¹⁶
<p><i>Buildings built before 31 December 2020 belonging to the top 15% of the national building stock based on primary energy demand (PED)</i></p>	Limited contribution¹⁷	

¹⁶ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an Issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Assets compliance with EU taxonomy is not evaluated under the SPO.

¹⁷ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs

<p>Green Buildings <i>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 market⁶</i></p>	<p>Significant Contribution¹⁶</p>	<p>13 CLIMATE ACTION</p> 
<p>Green Buildings <i>Buildings that have been refurbished resulting in a reduction of primary energy demand of at least a 30%</i></p>	<p>Significant Contribution¹⁶</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 
<p>Renewable Energy <i>Solar power (solar PV, CSP, solar thermal facilities) Wind power (on- and offshore) and Geothermal Power</i></p>	<p>Significant Contribution</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>Renewable Energy <i>Hydropower (less than 10MW)</i></p>	<p>Significant Contribution</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>Renewable Energy <i>Hydropower (less than 25MW, but more than 10MW)</i></p>	<p>Limited Contribution</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>Clean Transportation <i>Electrified rail transportation for passenger and freight (e.g light rail transit, metro, tram, trolleybus, bus and wagons)</i></p> <p><i>Fully Electric, Hydrogen or otherwise zero-emission passenger vehicles</i></p> <p><i>EV charging, electrified railway, hydrogen fuelling stations</i></p>	<p>Limited Contribution</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>SOCIAL CATEGORY</p>		
<p>Employment Generation Loans and credits to finance and refinance SMEs</p>	<p>Significant Contribution¹⁸</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 

¹⁸ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

Key Performance indicators (KPI) covering both Green and Social UoP categories

ASSESSMENT AGAINST ISS ESG KPI

Green and Social KPIs

Site Selection



OTP confirms that each loan has to comply with the applicable domestic and international (EU) statutory regulations¹⁹, respectively that relate to responsible site selection. For example, the Issuer conducts an Environmental impact assessment (EIA) during the planning stage regarding brownfield development, exclusion sites with high environmental values and further excludes protected areas.

Labour, Health & Safety



OTP states to comply with domestic and international (EU) statutory regulations as well as commit all eight fundamental conventions of the International Labour Organisation (ILO) to the creation and maintenance of a safe and healthy working environment. With respect to human rights, OTP is committed to relevant international human standards²⁰ and comply with human rights standards across its business operations.²¹

Community dialogue



OTP has an engagement policy in place to enable communication with relevant stakeholders and obtain all necessary information (strategy, financial and non-financial performance, risk, capital structure, social and environmental impact, and corporate governance) to meet legislation and regulatory requirements.

Green KPIs

Site Selection for Green Buildings



No or limited information is available to ensure that financed buildings will be located within 1km from one or more modalities of public transport. It is noted however that various buildings across the issuer's portfolio are located in big cities.

¹⁹ Relevant domestic regulations and EU directives related to Environmental Impact Assessment includes, EU - Directive 2011/92, Hungary - 314/2005 (XII.25.), Romania - No. 292 of December 3, 2018, Albania - Law 10440, Montenegro - No. 075/18 of 23 November 2018, Slovenia - nos. 51/14 , 57/15 , 26/17 , 105/20 and 44/22 - ZVO-2 and Bulgaria - SG. 21/12 Mar 2021.

²⁰ UN Guiding Principles on Business and Human Rights (UNGPR); Children's Rights and Business Principles; the eight fundamental conventions of the International Labour Organisation (ILO); OECD Guidelines for Multinational Enterprises (the chapter on human rights); United Nations Global Compact; IFC's Performance Standards; United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)

²¹ https://www.otpbank.hu/static/portal/sw/file/OTP_EtikaiKodex_EN.pdf

Water use minimisation in buildings



At the end of 2021, 90% of assets in its building loan portfolio have certified or will certify for green building certificates such as BREEAM “Very Good” or above, LEED “Gold” or above, HQE “Excellent” and/or above, which include an assessment of water reduction measures.

Construction standards



OTP is a commercial bank which do not involved in the construction process, therefore no or limited information is provided to demonstrate that, sustainable procurement of building materials across all financed green buildings is in place. However, similar to above, some of the mentioned certificates include requirements concerning the procurement of sustainable building materials.

Safety of building users



At the end of 2021, more than 95% assets in OTP’s green building portfolio are located within EU member states and OTP is committed to complying with the applicable domestic statutory regulations related to high operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems). Relevant domestic regulations include: Hungary - Fire Safety Code (called "OTSZ), Romania - LAW no. 307 of July 12, 2006, Slovenia - Gradbeni zakon (GZ) and Bulgaria - No. 8121z–647 of 1 October 2014.

Environmental Aspects for the Geothermal Energy Projects



OTP is committed to conducting an Environmental impact assessment during the planning stage for geothermal energy projects according to relevant domestic regulations and EU directives²². The issuer states to further ensure that the financed assets are not located in the proximity to major fault lines and to provide for seismic monitoring.

OTP is committed to taking all necessary actions on the mitigation measures to address the risks identified through the EIA in order to obtain the permit before project construction.



Aside from the EIA, OTP is also committed to comply with other water-related laws and regulations²³ to avoid contamination of soil and groundwater (e.g. well casing, management of waste streams, measures for the disposal of flowback and production water). However, no measures or information is provided to projects located in Serbia and Albania.

²² Relevant domestic regulations and EU directives includes, EU - Directive 2011/92, Hungary - 314/2005 (XII.25.), Romania - No. 292 of December 3, 2018, Albania - Law 10440, Montenegro - No. 075/18 of 23 November 2018, Slovenia - nos. 51/14 , 57/15 , 26/17 , 105/20 and 44/22 - ZVO-2 and Bulgaria - SG. 21/12 Mar 2021.

²³ Includes (WDF) Water Framework Directive 2000/60/EC, Hungary - 30/2008. (XII. 31.), 2003 LXXXIX, 1995 LVII, Romania - No. 107 of September 25, 1996, Slovenia - ZVO-1.

Environmental Aspects for the Solar Power Projects



At the end of 2021, more than 95% assets in OTP's renewable energy portfolio are located within EU member states and comply with the European Waste Electrical and Electronic Equipment Directive (WEEE Directive) to return electronic equipment as mandatory requirements.

Environmental Aspects for all Renewable Energy Power Projects



At the end of 2021, more than 85% assets in OTP's renewable energy portfolio are located within EU member states that the projects meet high environmental standards and requirements during the construction phase as mandatory requirements.

Environmental Aspects for Clean Transportation



At the end of 2021, rail infrastructure and rolling stocks are vastly dominated OTP's clean transportation portfolio with having the EIA to uphold the environmental standard, besides that there is no electric or hydrogen vehicle project in the clean transportation portfolio yet.



For railway and rail transportation assets, OTP is committed to reduce transport-related noise emissions by complying with EU Directive 2011/92 on conducting an Environmental Impact Assessments and applicable national laws for assets located in the EU. OTP also complies with local legislation regarding environmental protection against noise and conduct environmental impact assessment for assets located in Serbia, Slovenia and Hungary.



OTP is committed to comply with applicable national laws and implement identified mitigation measures in order to obtain construction permits for assets located in the EU. OTP also complies with local laws to meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work). The clean transportation assets under OTP's portfolio are located in Hungary, Serbia and Slovenia.



OTP is a commercial bank and does not involve in any construction and operation of the clean transportation assets. During the lending process for clean transportation, an environmental impact report (e.g. electric passenger trains project²⁴) is required by OTP to illustrate the expected environmental impact²⁵.

²⁴ REPORT ON ENVIRONMENTAL IMPACT OF FINANCING THE PURCHASE OF ELECTRIC PASSENGER TRAINS PROJECT OF SLOVENIAN RAILWAYS - PASSENGER TRAFFIC

²⁵ The report on environmental impact should illustrate the expected environmental impact of funded "green" projects and should be based on preliminary estimates of expected annual results for the presented year, when the project will be finished and operating at normal capacity. The method of impact assessment must be transparent. As the report may include an assessment of the results of the projects that are still under construction or implementation, there is no guarantee that these results will be achieved in the end.

Social KPIs

Exclusion of controversial activities



OTP is committed to ensure that controversial business activities are excluded from financing under this framework. OTP has included an exclusion list for activities defined by the NACE nomenclature of the European Union in the framework.

Non-discrimination



OTP has a code of ethics²⁶ to promote anti-discrimination to its employees, agents and clients.

²⁶ [OTP's Code of Ethics](#)

DISCLAIMER

1. Validity of the SPO: As long as no substantial changes to the Framework are made
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them, and the use thereof shall be excluded. In particular, we point out that the verification of the asset pool is based on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green & Social KPIs

The ISS ESG Green & Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of OTP’s Sustainable Finance Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green & Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green & Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by OTP (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which OTP’s Sustainable Finance Instruments contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

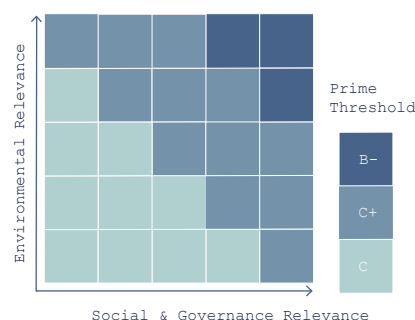
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

OTP commissioned ISS ESG to compile a Sustainable Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the ICMA's GBP and SBP as well as LMA's GLP and SLP and to assess the sustainability credentials of its Sustainable Finance Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- International Capital Market Association (ICMA) Green Bond Principles (GBP), updated as of June 2021 and Social Bond Principles (SBP), updated as of June 2021.
- Loan Market Association (LMA) Green Loan Principles (GLP) updated as of February 2021 and Social Loan Principles (SLB), updated as of April 2021.
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

OTP's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainable Finance Instruments to be issued by OTP based on ISS ESG methodology and in line with the ICMA's GBP and SBP as well as LMA's GLP and SLP.

The engagement with OTP took place in April to May 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Sustainable Finance Instruments SPO, please contact: SPOOperations@iss-esg.com

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