



Green Loan Framework

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1. Introduction

Climate change and the unsustainable management of the environment are among the most serious challenges of our time: we can witness its globally growing negative impact in more and more areas of everyday life in our society and economy. The changing pattern of weather events – increasing frequency and severity of extreme events – require a change in behaviour to drive mitigation and adaptation. Human activity is contributing to these changes in a significant way, of which the most important is greenhouse gas emission: increasing amount of greenhouse gases in the air, especially CO₂, plays a key role in rising average temperatures.

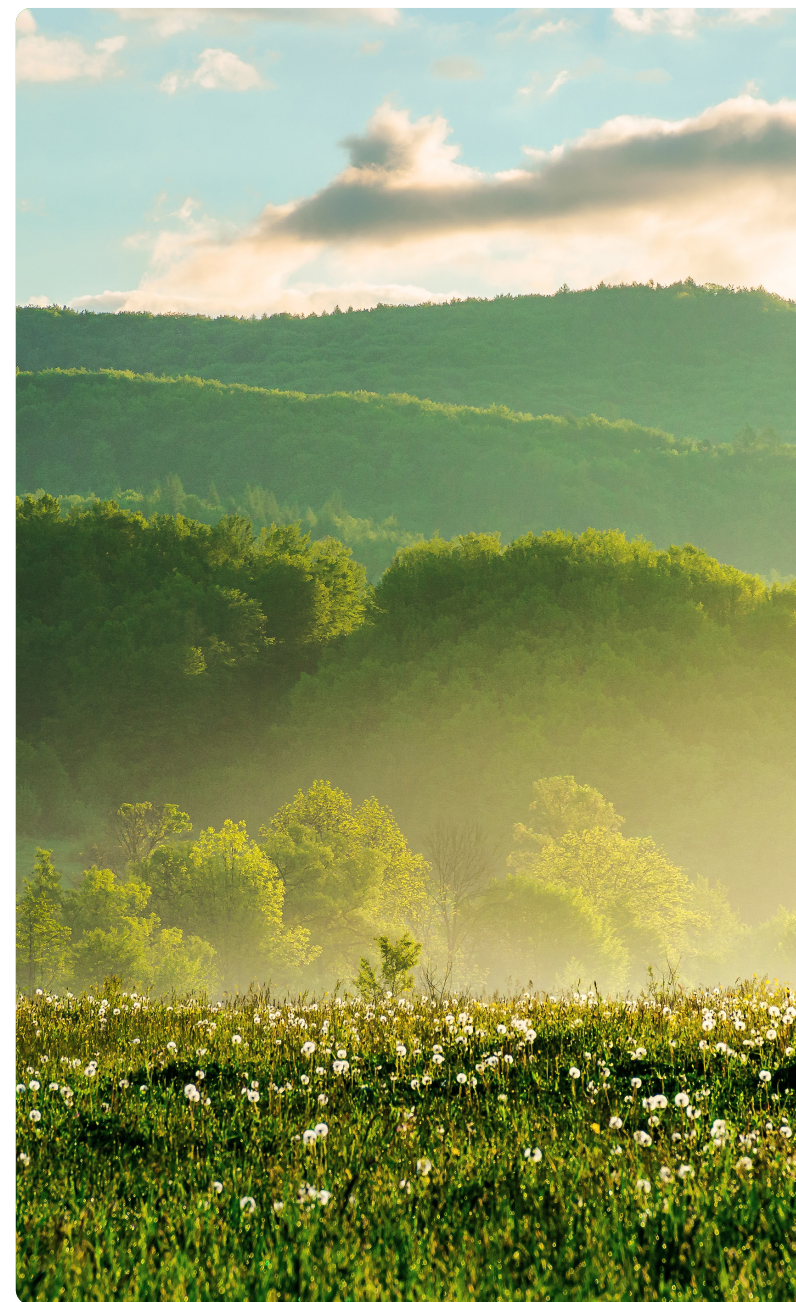
The necessary mitigation trajectory requires the transition of almost all economic activities. Climate scientists claim that the rising of global average temperature can be slowed down if mankind can manage to change the current trends that are identifiably responsible for the problem, the extent of climate change and its negative impact on everyday life can be mitigated. These steps – among many others – include afforestation, replacing fossil energy sources (coal, oil, natural gas) with renewable energy and increasing energy efficiency in general.

Financial institutions will play a key role in financing the transition to a low carbon, more sustainable economy. The National Bank of Hungary (MNB) launched its Green Programme early in 2019 to mitigate the risks associated with climate change and other environmental problems, and also to expand the share of green finance. With regard to this green programme, the MNB later announced its green preferential capital requirement programme for

corporate institutions and local governments. Through this programme, banks in Hungary are encouraged to increase the share of green assets in their books, as well as to decrease the share of 'brown' assets, which by nature are more exposed to climate risks. All this contributes to maintaining the stability of the Hungarian financial system and to a gradual transition to a lower carbon economy.

OTP Bank Plc. (OTP/Bank) believes corporate and municipal green lending can be interpreted as a strategic breakthrough for the green economy, helping to strengthen competitiveness by increasing the demand for green investments. Also, the retail segment has a crucial role in green lending, because in energy efficiency investments in households are in high demand. In addition, green financial products have a direct impact on reducing credit and market risk from socio-economic changes caused by climate change and other environmental anomalies, known as physical and transition risks.

The structure and the content of the Green Loan Framework of the Bank is flexible by design, in order to maintain the capability to adapt to the continuous changing regulatory background and reflect business opportunities.



1.1. Company overview

OTP is a leading independent universal banking Group in Central and Eastern Europe. OTP Group is present in 11 countries in the CEE region, providing banking services to more than 16 million customers, being among the 30 biggest banks in Europe both in market capitalization and in profitability.

In Hungary, OTP is by far the largest commercial bank when measured in terms of assets, with consolidated total Group-wide assets of EUR 66.8 billion as of 31 March 2021. Its shareholders' equity on a consolidated basis was EUR 7.3 billion as of the same date.

OTP is a universal bank providing a full range of banking services and, through its subsidiaries and affiliates, a comprehensive range of other financial services, including fund management, leasing, and factoring.





1.2. The ESG strategy of the bank

OTP Group defines long-term sustainability, transparency, and ethical operations in terms of stable financial management, responsible and transparent governance, and functioning as a responsible employer and as an accountable actor in the society. The objective of the Bank is to provide financial services that are responsible, fair and reflect customer needs, as well as to work with our stakeholders based on openness and trust, all the while reducing our negative environmental impacts. It is important for the Bank to integrate sustainability into its operations, to create new business opportunities, to manage Environment, Social and Governance (ESG) related risks and to encourage increased sustainability of all economic activities in general.

The Group focuses on sustainability from three related perspectives. As a responsible service provider, the Bank contributes to the increased sustainability of the financial sector that is key to a well-functioning society by creating sustainable business

opportunities. In addition to economic considerations, ethical, social and environmental risks are incorporated into business decision-making, business development and all other related operations. As a responsible employer, OTP adopts active ESG management practices in its governance model and is committed to strengthen its activity in employee well-being and development, inclusion, diversity and employee engagement. As responsible social actor, OTP Group is setting ambitious goals in terms of its own operations, including the reduction of its own GHG emissions. OTP takes active steps to retain and improve its position as responsible actor through product responsibility and donations, creating shared value that is both measurable and makes recognizable contribution to society and Sustainable Development Goals (SDGs)¹.

OTP has officially become a signatory of The Principles for Responsible Banking of the UN². This is an internationally recognized Framework for sustainable banking developed through a partnership between banks worldwide and the United Nations Environment Programme Finance Initiative (UNEP FI).

The ESG strategy of OTP Group was approved by the Management Committee on the 30th of August 2021, as well as by the Board of Directors on the 17th of November 2021. The strategy is built around the business approach of sustainable financing. According to the document, OTP Group is aiming to be a regional leader in financing a just and gradual transition to a low-carbon economy and in building a sustainable future by offering balanced financing solutions. The Green Loan Framework supports the above strategic goals.



¹ <https://sdgs.un.org/goals>

² <https://www.unepfi.org/banking/bankingprinciples/>

1.3. Affiliation to the MNB sustainable finance initiatives

At the end of 2020, MNB introduced a preferential capital requirement programme (Programme) for green corporate and municipal financing starting with the ICAAP (Internal Capital Adequacy Assessment Process) reviews of 2021³. The Programme allows the remission of part, or all of the Pillar II capital requirements for environmentally sustainable corporate and municipal exposures that meet the criteria set out in the detailed terms and conditions.

In August 2021 the sector scope and operational Framework of the preferential capital requirement programme was expanded. The targeted industries and their eligible activities are listed in the “A” package of the Programme.

In addition to the listed activities that bear high importance in the sustainable economic transition, MNB introduced a new type of eligibility based on green financing Frameworks. The eligibility conditions of specific assets are summarised in “B” package of the Programme. Exposures that are financed under green financing Frameworks can also benefit from the preferential capital requirement programme, regardless of the industry classification. The green financial frameworks may be established by a borrower company/ municipality or by a bank. Such Frameworks have to comply with the requirement of International Capital Market Association’s (ICMA) Green Loan Principles (GLP)⁴, need to be reviewed by an eligible external party, and need to be approved by MNB to be eligible for the programme. In addition to alignment with the principles of GLP, eligible exposures are assessed according to the European Union Taxonomy (EU Taxonomy) or Climate Bonds Initiative Taxonomy (CBI Taxonomy). These Taxonomies define eligible activities, the related use of proceeds and the green conditions of loans through science-based technical screening criteria.

1.4. Main goals of the Green Loan Framework

The main goal of the Framework is to establish the guiding principles of green lending within OTP Group and to meet regulatory requirements and market expectations. The primary guiding principle of this document is the GLP which is recognised as international best practice in green finance. In order to meet varying needs, OTP has adapted two taxonomies (EU and CBI) into its green evaluation process.

The Framework is divided as follows:

1. The chapters of the Framework reflect the components of Green Loan Principles and take into account the “B” package of the MNB green preferential capital requirement programme. The main text of the Framework is supplemented by further Appendices incorporating relevant and detailed specificities.

2. The Framework will be supplemented with country-specific Annexes in order to include the necessary non-Hungarian legal and regulatory conditions. It also allows countries to set their own green lending activities to suitable to local circumstances, all the while adhering to this Framework.

The actual Version of the Framework was compiled by OTP.

The Framework is an evolving document and will be extended to cover both sectors and economic activities. New appendices will be added to subsequent versions and they will be marked as being added to the original appendices to the Framework.

The current version of the Framework (v1.0) is reviewed by an external second party to assess the alignment with GLP’s principles.



³ <https://www.mnb.hu/letoltes/preferential-capital-requirements-for-green-corporate-and-municipal-financing-summary.pdf>

⁴ https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

1.5. Scope of the Framework

Legal entity and geographical scope

The Framework has been developed to facilitate the identification, selection, monitoring, and reporting of green lending activities, and to engage with customers' activity in relation to climate change and environmental protection. The legal entity scope of the Framework is OTP Group as a whole. The covered Hungarian entities are listed in Appendix 6.1. The approach and the defined processes of the Framework allow OTP to expand the regulation scope of the Framework to their subsidiaries located in EU member and non-member countries. The core text, where appropriate, will be supplemented by country-specific annexes which enable the proper implementation in OTP subsidiaries located outside of Hungary. In addition, EU Taxonomy is legally binding within the EU countries, however elsewhere it is voluntary. Being a voluntary initiative CBI Taxonomy can be applied throughout EU member and non-member countries as well.

Product scope

The Framework includes the following financial instruments:

- Investment loan,
- Project finance,
- Refinancing loan,
- Financial leasing,
- Syndicated loan,
- Working capital loan,
- Revolving credit,
- Factoring,
- Forfeiting.

The scope does not include:

- Bank guarantee,
- Sustainability linked loan.

Client scope

The client scope of the Framework covers legal entity clients such as corporate customers from large multinational to micro-sized enterprises, together with municipalities and condominiums.

Sector scope

At the time of drafting the Framework, only the climate change mitigation and adaptation technical screening criteria of EU Taxonomy were available. The structure of the green alignment assessment process is modular, which implies it is flexible and can follow both the evolving EU Taxonomy requirements and CBI Taxonomy guidelines. The Framework focuses on the sectors which are material both in OTP's portfolio and from climate change mitigation perspective.

1. Table: EU and CBI Taxonomy sectors covered by the Framework

EU Taxonomy	CBI Taxonomy
Energy (Renewable Energy and Energy Efficiency)	Energy
Manufacturing	Industry
Transportation	Transportation
Construction and Real Estate	Buildings
Forestry	Land use & Marine resources



2. Guiding Frameworks

2.1. The Green Loan Principles

The Green Loan Principles⁵ are a set of voluntary guidelines that provide a Framework to clarify the most important components that need to be included in the process of loan origination. The green taxonomies are developed either by financial market organizations and stakeholders (e.g. CBI) or official institutions with legal authority (e.g. EU) in order to set definitions and criteria determining which economic activities are environmentally sustainable. The EU and CBI Taxonomy can provide further guidance for green loan borrowers as to what may be considered eligible as green by OTP. In the Framework, the principles and processes regarding how certain transactions can be tied to an environmentally relevant goal and flagged as green loans are defined.

The Green Loan Principles have four core components:

1. Use of proceeds,
2. Project evaluation and selection,
3. Management of proceeds, and
4. Reporting.

These first two components are translated through the rules and specification of EU and CBI Taxonomy. In order to provide consistency, a harmonized list of activities and related use of proceeds are constructed. The evaluation process follows steps that fulfil both the regulatory requirements and the borrower's capability and willingness in green finance.



2.2. EU Taxonomy

The EU Taxonomy is a classification system for environmentally sustainable economic activities. The EU Taxonomy Regulation was published in the Official Journal⁶ of the European Union on 22nd of June 2020 and entered into force on 12th of July 2020. The EU Taxonomy sets out the goals, and principles and the main elements of required conditions that an economic activity has to meet in order to qualify as environmentally sustainable. The form of substantial contribution can be categorised as: own performance (already low carbon or transitioning) or enabling.

The Taxonomy Regulation establishes six environmental objectives:

- Climate change mitigation,
- Climate change adaptation,
- The sustainable use and protection of water and marine resources,
- The transition to a circular economy,
- Pollution prevention and control,
- The protection and restoration of biodiversity and ecosystems.

The regulation sets out four conditions that an economic activity has to meet to be recognised as Taxonomy aligned:

- making a substantial contribution to at least one environmental objective;
- doing no significant harm (DNSH) to all other environmental objectives;
- complying with minimum social safeguards;
- complying with the relevant technical screening criteria of substantial contribution and DNSH.

The technical screening criteria are published in delegated acts. For each economic activity considered, the technical screening

criteria specify the requirements that ensure the activity makes a substantial contribution to the environmental objective in question and does no significant harm to the other environmental objectives. A first delegated act on sustainable activities for climate change mitigation and climate change adaptation objectives was approved in principle on 21st of April 2021, and formally adopted on 4th of June 2021 for scrutiny by the co-legislators. The current version of the OTP Green Loan Framework is limited to certain aspects:

1. Eligible economic activities and the related use of proceeds;
2. Covered macro sectors; and
3. The considered substantial contribution environmental objectives (limited to climate change mitigation).

2.3. CBI Taxonomy

The Climate Bonds Initiative (CBI) Taxonomy⁷ is a guide that delineates criteria for projects and assets to be aligned with the Paris Agreement. It aims to strengthen the global response to the threat of climate change by striving to keep the global temperature rise of this century to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. It has been developed based on the latest climate science including research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), and has benefited from the input of hundreds of technical experts from around the world. It can be used by any entity looking to identify which assets and activities, and associated financial instruments, are compatible with a 2-degree trajectory. The required conditions for a given economic activity are established in specific sector criteria. The requirements of the criteria are being developed through rigorous processes: besides the ones that are approved, criteria for certain sectors are under development. Regarding the possible development status of the CBI criteria, it is classified as certification criteria approved, or under development.



6 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

7 <https://www.climatebonds.net/standard/taxonomy>

3. The detailed description of the Green Loan Principles' components

3.1. Use of proceeds

In line with Green Loan Principles definition of green loans OTP defines such assets as follows:

Green loans are any type of loan instrument made available exclusively to finance, or re-finance, in whole or in part, new and/or existing transactions with a specific use of proceeds. Specific use of proceeds which have to be fully, or partly directed to an earmarked activity which demonstrates alignment with EU or CBI Taxonomy, and these loans must comply with the four components of GLP throughout the entire contract period.

OTP's objective regarding green finance is to be fully aligned with EU and CBI Taxonomy. This can facilitate the clear identification of green performance/benefits of the transaction through well-defined qualitative and/or quantitative requirements, and in the meantime ensure avoidance of possibility of "greenwashing".

OTP continuously seeks to preserve the integrity of its policies and procedures, as any accusation of greenwashing in connection with green loans possibly undermines the trust towards its products and

may have a negative impact on investor confidence.

According to the practice of loan origination, two types of green lending procedures are differentiated. The standard product line manages all the obligatory taxonomy compliance requirements, while the non-standard process requires multiple iterative steps between a borrower and the Bank.

In the case of standard green products, the assessment requirements are fully taken into account during product development. The green conditions of the product are determined according to the compliance with the relevant criteria as set out in the assessment requirements, therefore when the product is launched on the market only the necessary documents are collected in order to check the compliance of required conditions (e.g. thresholds).

In the non-standard process, the green assessment procedure is only used during the loan origination.

3.2. Process for evaluation and selection: the steps of green assessment

Under this Framework eligible green activities and related use of proceeds are determined by EU and CBI Taxonomy. In line with **Chapter 3.1**, the use of proceeds must have a clear climate and/or environmental benefit which is clearly linked to one of the economic activities listed in the assessment procedure and belong to the sectors covered by this Framework.

In the special cases of syndicated loans, revolving credits, and working capital loans the client has to make a commitment on the purpose of the loan and portion of its green ratio. Only the green portion will be financed as a green loan. The alignment assessment of these loans will follow the same process as the non-standard lending procedure.

The necessary procedures of green lending are implemented both by extending existing loan origination policies and procedures with the relevant elements, and by introducing a green lending manual which covers items specific to green loan origination. The latter manual incorporates the green flagging procedure which serves as a step to identify appropriate green use of proceeds covered under the macro sectors recognized by this Framework. The green evaluation is completed through the green assessment process, which incorporates the requirements in line with the taxonomies (EU or CBI), including supporting documentation. The loan agreement preparation process supports the inclusion of all required conditions (including cases of losing green loan eligibility), covenants and reporting obligations by the borrower. The tracking of green lending is completed through appropriate accounting measures. The alignment is reviewed annually or in the event of material developments (in line with standard risk and compliance policies), introduced as green monitoring.

The assessment process is capable to manage both EU and CBI Taxonomy requirements. As mentioned above, alignment of the use of proceeds is determined by the outcome of the green alignment assessment process and screening the clients from the aspect of minimum social safeguards. The green alignment flag can only be granted upon confirmation that the underlying economic activity or activities are in full compliance with the green assessment process.

The green assessment process consists of two steps:

1. Eligibility step

The eligibility step is mandatory for all non-retail loans. EU and CBI Taxonomy eligibility check of the loans requires the assessment of the use of proceeds (if possible). Only eligible use of proceeds can receive eligible green flag, which is required to proceed with the alignment step. This step is only applicable to non-standard loans.

2. Alignment step

The green assessment procedure shall be applied during the loan origination and the monitoring procedures, in order to incorporate all necessary alignment aspects of EU and CBI Taxonomy. OTP established an order among EU and CBI Taxonomy. In case a transaction includes a use of proceed that is related to the EU Taxonomy it is assessed first in all cases. In this case the CBI assessment can only take place if the EU Taxonomy assessment is completed (either by not fully met or alignment).

The alignment assessment process is as follows:

- The CBI Taxonomy's alignment step covers the assessment of the screening indicators listed in CBI Taxonomy published in the latest relevant sector criteria document available at the date of publishing this Framework. If the transaction meets the requirements of the screening criteria described in the assessment procedure, then the transaction can be green flagged as a CBI aligned green loan.
- At the time of the elaboration of this Framework the green assessment procedure was completed only for the climate change mitigation objective of the EU Taxonomy. The compliance assessment methodology covers the sectors listed in [Table 1](#). The green assessment procedure is supported by an alignment assessment tool which consists of a number of tables. The tables of the tool are related to given activity. The activities within the given sector are listed in [Appendix 6.2](#). The EU Taxonomy covers: (1) technical screening criteria for 'substantial contribution'; (2) technical screening criteria for 'do no significant harm'. The technical screening criteria for 'substantial contribution' to an environmental objective ensures that the economic activity either has a substantial positive environmental impact or substantially reduces negative impacts on the environment. The technical screening criteria for 'do no significant harm' ensures that the economic activity does not impede on the other environmental objectives from being reached, i.e. it has no significant negative impact on them.

Within the EU Taxonomy the requirements of the minimum social safeguards have to be assessed as well. The green assessment procedure partly contributes to evaluating the criteria of minimum social safeguards, and in addition, OTP applies various processes to ensure the compliance with the requirements of this criteria.

Assessment of minimum social safeguards (MSS)

In line with EU Taxonomy regulations, economic activities should only qualify as environmentally sustainable if they are aligned with the OECD Guidelines for Multinational Enterprises, and UN Guiding Principles on Business and Human Rights - including the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO)-, and also the eight fundamental conventions of the ILO and the International Bill of Human Rights.

OTP takes a precautionary approach when assessing the labour related challenges of its clients and expects them to uphold internationally recognized labour standards. In relation to EU Taxonomy, the clients' compliance with minimum social safeguards are screened. The alignment assessment of minimum social safeguard consists of three steps:

- Firstly, the Bank carries out the "know your customer" process for all its clients. This procedure assesses that customers comply with respective legal requirements. Employers are obliged to fully comply with human and labour rights within the Framework of national legislation, regulations, and any other obligations. The relevant national database is also checked during the screening process.
- The second step is necessary only if the transaction (both standard and non-standard lending) goes through the taxonomy alignment assessment and it complies with all of the criteria related to the environment. As a final stage of the taxonomy assessment, the client is obliged to provide a report or alternatively a legally binding declaration of compliance with the minimum social safeguard requirements.

- Thirdly, throughout the whole period of the contract, OTP monitors the clients complying with the minimum social safeguard requirements by taking measures to identify, prevent, mitigate and account for any actual, or potential adverse human rights impacts that are directly linked to their operations, products, and services.

Based on the outcome of the assessment process for all of the above areas, if all requirements are met, the transaction can be given a green flag.

3.3. Management of proceeds

Within the management of proceeds, OTP's own monitoring process has been extended with the green elements. OTP takes all the necessary actions to ensure that transactions which are flagged green meet the alignment requirements during the length of the contract in force.

If the green loan takes the form of one or more tranches of a loan facility, each green tranche(s) will be clearly recorded, with proceeds of the green tranche(s) credited to a separate account, or if it is not possible, it should be tracked by the borrower in an appropriate manner.

In the specific case of syndicated loans, revolving loans and working capital loans, the counterparty must provide a commitment on the purpose of the loan and the green ratio, and provide documentation supporting the forecast of the green ratio of the total exposure.

Within the monitoring process the front office collects the necessary data related to the green content of the transaction. The borrower should provide information on the environmental performance of the transaction and keep it up-to-date. Within the Framework of the annual credit review, as a green revision the borrower must provide a list of green projects, the amounts allocated, and the realised environmental impact. Also, within the annual review, the borrower is obliged to provide a legally binding commitment that the

originally planned metrics, and the conditions recorded in covenants related to environmental performance are kept unchanged, as well as the minimum social safeguards (if relevant). If the transaction is EU Taxonomy aligned, then OTP assesses annually whether the client complies with the requirements of minimum social safeguards, based on the commitments made by the client and also by checking the publicly available databases.

In addition to the regular annual review, the clients and their green transaction may be subjects to detailed inspection, triggered by risk analysis or signals of early warning system. Regarding syndicated loans, revolving credits, and working capital loans, the clients regularly have to provide supporting documents on the appropriate use of green loan. The form of supporting documents can be reports, declarations, or invoices.

The green asset ratio of the transaction will be monitored as well, so the yearly traceability of the green performance is ensured. Besides the assessment of the green asset ratio, as a result of the evaluation of the supporting documents the use of proceeds can be checked retrospectively.

Within the monitoring activities related to the green flagged transactions, in those cases where there is an identified deviation from the original green aspect of the loan, then the deviation will be evaluated by the Bank, and if necessary the Bank will repeat the alignment assessment. If the transaction is initially EU Taxonomy aligned, then the monitoring action will always analyse whether any new fact in relation to MSS has occurred since the previous annual review. If any new information is identified regarding MSS, the reassessment also covers the minimum social safeguard compliance.

Based on the result of the repeated assessment, the transaction will either remain as being green flagged or else, the flag will be revoked, and the originally accepted criteria will no longer be applicable. The repeated assessment covers EU and CBI Taxonomy alignment.

The possible reasons for withdrawing the green flag based on the result of a reassessment are:

- No longer aligned with EU Taxonomy.
- No longer aligned with CBI Taxonomy.
- The detailed inspection is rejected by the client.

3.4. Reporting

In connection with this Framework three types of reporting activity and three primary actors can be distinguished:

1. The borrowers' reports

The borrower's reporting duty is to fully assist the Bank's activity related to the management of proceeds. The client has to provide additional data in connection with a green loan. The client's responsibility is to provide the Bank with all the necessary documents and data to ensure that the loan meets the criteria of a green loan at any given time. The client's reporting duties are related to the Bank's monitoring procedure and are included in the annual credit review. In connection with the green revision, the borrower must provide a list of green projects, the amounts allocated, and the realised impact. Also, within the annual review or recognition of material developments, the borrower is obliged to provide a legally binding commitment that the originally planned metrics, and the covenants related to environmental performance are kept unchanged or have been performed proportionally. Concerning EU aligned green loans the client should provide a report or alternatively a legally binding declaration regarding the compliance with the minimum social safeguard requirements.



2. The Bank will disseminate public reports.

- The bank will publish aggregated data of individual transactions annually and it will be disclosed complying with the EU and national legislation in force. The aggregated results of reports and other information which is supplied by the bank's client during the process of an annual credit review will also be incorporated into the disclosed report.
- Reporting obligations according to Article 8 of the EU Taxonomy will be published from 2022 onwards.

3. Reports/ data provision from OTP to MNB.

OTP will supply MNB with the necessary data taking into account the MNB's Green Preferential Capital Requirement Programme regulation and specification in force.

4. Exclusions

In general, the transactions which do not have dedicated use of proceeds or inappropriate use of proceeds (e.g. they belong to sectors that are not covered by the green alignment assessment process) are out of the scope of this Framework.

The exclusions approach of the Framework consists of two levels.

The first level is determined by EU and CBI Taxonomy. Regarding the basic provisions of EU and CBI Taxonomy, the following activities are excluded:

- Power generation activities that use solid fossil fuels.
- Manufacturing water transport vessels and vehicles used for transporting fossil fuels.
- Vessels, trains, and vehicles that are dedicated to the transport of fossil fuels.
- Infrastructure dedicated to the transport or storage of fossil fuels.
- Timber harvesting.
- Any agriculture activities that are on peatland.
- Uranium mining.

The second level contains general criteria for not supported activities and clients determined by OTP's ESG strategy. The following list defines which clients – with potentially high ESG / reputational risk – are to be avoided. The below list is based on existing internal guidelines and directives:

- Transactions and Clients that violate the laws of the country of financing or the international law, such as:
 - Illegal weapons trade;
 - Prohibited gambling;
 - Illegal drugs and pharmaceuticals trade.

- Transactions and Clients that violate the laws of the country of financing or the international law in connection with the following activities:

- Production and trade of products containing PCBs (PCBs - polychlorinated biphenyls are highly toxic compounds whose production is prohibited by the Stockholm Convention on Persistent Organic Pollutants (promulgated by Act V of 2008).

- Production and trade of medicinal products, insecticides, herbicides and hazardous ingredients subject to international prohibition or phasing-out as defined in Regulation (EC) No 1107/2009 of the European Parliament and of the Council of 21 October 2009.

- Production and trade of chemical ingredients that deplete the ozone layer and are subject to international phase-out under Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer.

- Trade in wild animals and their products covered by the CITES Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, adopted in Washington on 3 March 1973 and promulgated by Act XXXII of 2003).

- Transboundary movement and trade of waste prohibited by international legislation, including Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste.

- International trade in the absence of valid export/import/transit licenses or other official approvals issued by the countries concerned (export, import and transit).
- Activities prohibited by international conventions and local legislation on the conservation of biodiversity and cultural heritage, including, but not limited to, those provided for in Act LXXXI of 1995 on the Proclamation of the Convention on Biological Diversity.
- Trawling at sea with nets over 2.5 km in length, including but not limited to those covered by Regulation (EU) 2019/1241 of the European

Parliament and of the Council.

- The carriage of oil and other hazardous chemicals by (tanker) ships which do not comply with the requirements of the International Maritime Organization (IMO), including but not limited to the International Convention for the Safety of Life at Sea, promulgated by Act XI of 2001, and the Protocol of 1978 thereto, done at London on 1 November 1974 ("SOLAS 1974/1978"), the Convention on the International Regulations for Preventing Collisions at Sea, 1972 ("COLREG 1972"), promulgated by Act XXXIV of 2002, and the International Convention for the Prevention of Pollution from Ships, 1973, and the Protocol of 1978 relating thereto ("MARPOL 1973/1978"), promulgated by Act X of 2001.

- Exploration, extraction, production and processing of shale gas in Europe, as covered by Directive 2011/92/EU of the European Parliament and of the Council.

- Open pit coal mining using "Mountain top removal" technology.

- Activities related to fur production and animal husbandry primarily for this purpose, Production, use and trade of asbestos fibres and products and mixtures containing asbestos fibres as added ingredients under Regulation (EC) No 1907/2006 of the European Parliament and of the Council (REACH) as amended by Regulation (EU) 2016/1005 (concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)).

- Export of mercury and mercury compounds, as well as the production, export and import of products containing added mercury, including but not limited to the provisions of Act CLII of 2016 on the promulgation of the Minamata Convention on Mercury and Regulation (EU) 2017/852 of the European Parliament and of the Council.

- Of the activities contrary to the provisions of Chapter XXIII of Act C of 2012 on the Criminal Code, environmental damage, damage to nature, violation of the waste management order, or the abuse of ozone-depleting substances, which have been convicted by a court or supervisory authority for such activities or conduct.

Overall, any transactions that breach the principles and provision of this Framework including the criteria of minimum social safeguards are excluded from green lending.

5. External review

The Framework has undergone an external review. The second party opinion (SPO) was carried out by Deloitte Advisory and Management Consulting Limited. The main goal of the SPO is to assess the alignment of the Framework with Green Loan Principles, as well as CBI and EU Taxonomies. The Framework and the SPO will be disclosed on the website of OTP.

The link:

https://www.otpbank.hu/portal/en/Investor_relations/ESG#CORP

At a minimum, this Framework will be reviewed every 18 months.

6. Appendix

6.1. List of Hungarian entities covered by the scope of the Framework.

1. OTP Bank Plc.
2. Merkantil Bank cPlc.



6.2. Detailed sector list

The worksheets of the assessment tool:

Sectors	Activity	Version	Date (dd/mm/yyyy)
01_Generic criteria	01A_Climate Change Adaptation	1.0	01/03/2022
	01B_Sustainable use and protection of water and marine resources	1.0	01/03/2022
	01C_Pollution prevention and control	1.0	01/03/2022
	01D_Protection and restoration of biodiversity and ecosystems	1.0	01/03/2022
02_Agriculture and Forestry	02_01 Growing of non-perennial crops	1.0	01/03/2022
	02_02 Growing of perennial crops	1.0	01/03/2022
	02_03 Livestock production	1.0	01/03/2022
	CB_02_03_AW Animal Welfare	1.0	01/03/2022
	02_04_1 Silviculture and other forestry activities	1.0	01/03/2022
	02_04_2 Logging	1.0	01/03/2022
	02_04_3 Gathering of wild growing non-wood products	1.0	01/03/2022
	CB_02_04_4 Forest supply chain	1.0	01/03/2022
	CB_02_04_5 Forest road	1.0	01/03/2022
	CB_02_05 Supporting activities outside of the Agricultural Production Units aimed at enabling GHG emission reductions or carbon sequestration in Agricultural Production Units	1.0	01/03/2022
	CB_02_06 Establishment, expansion, or ongoing operation of the production unit as a whole, e.g., conversion of degraded land for agricultural production, or maintenance of climate-friendly farming practices	1.0	01/03/2022
	CB_02_07 Intervention aimed at enhancing adaptation and resilience	1.0	01/03/2022

Sectors	Activity	Version	Date (dd/mm/yyyy)
02_Agriculture and Forestry	CB_02_08 Supporting Activities which increase climate adaptation and resilience	1.0	01/03/2022
	CB_02_09 Livestock production, Whole Production Unit	1.0	01/03/2022
	CB_02_10 Agricultural waste collection	1.0	01/03/2022
	CB_02_11 Agricultural waste transport	1.0	01/03/2022
	CB_02_12 Composting of agricultural bio-waste	1.0	01/03/2022
	CB_02_13 Anaerobic digestion of agricultural bio-waste	1.0	01/03/2022
03_Energy	03_01 Electricity generation using solar photovoltaic technology	1.0	01/03/2022
	03_02 Transmission and Distribution of Electricity	1.0	01/03/2022
	03_03 Installation, maintenance and repair of renewable energy technologies	1.0	01/03/2022
	EU_03_04 Installation, maintenance and repair of energy efficiency equipment	1.0	01/03/2022
	CB_03_05 Energy generation using solar technology (solar hot water systems)	1.0	01/03/2022
	CB_03_06 Hydropower generating facilities	1.0	01/03/2022
	CB_03_07 Electricity generation using bioenergy	1.0	01/03/2022
04_Transportation	04_01 Infrastructure enabling low-carbon road transport and public transport	1.0	01/03/2022
	04_02 Infrastructure for personal mobility, cycle logistics	1.0	01/03/2022
	04_03 Infrastructure for rail transport	1.0	01/03/2022
	04_04 Urban and suburban transport, road passenger transport	1.0	01/03/2022

Sectors	Activity	Version	Date (dd/mm/yyyy)
04_Transportation	04_05 Freight transport services by road	1.0	01/03/2022
	04_06 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	1.0	01/03/2022
	CB_04_07 Passenger cars and commercial vehicles	1.0	01/03/2022
	CB_04_08 Passenger rail transport rolling stock	1.0	01/03/2022
	CB_04_09 Miscellaneous vehicles for other sectors	1.0	01/03/2022
05_Construction and Real Estate	05_01 Construction of new buildings	1.0	01/03/2022
	05_02 Renovation of existing buildings	1.0	01/03/2022
	05_03 Acquisition and ownership of buildings	1.0	01/03/2022
06_Manufacturing	06_01 Manufacture of plastics in primary form	1.0	01/03/2022
	06_02 Manufacture of low carbon technologies for transport	1.0	01/03/2022
	06_03 Manufacture of other low carbon technologies	1.0	01/03/2022
	06_04 Manufacture of energy efficiency equipment for buildings	1.0	01/03/2022
	CB_06_05 Manufacturing facilities wholly dedicated to solar photovoltaic technology	1.0	01/03/2022
	CB_06_06 Manufacturing facilities wholly dedicated to wind energy	1.0	01/03/2022
	CB_06_07 Manufacturing facilities wholly dedicated to hydropower development	1.0	01/03/2022
	CB_06_08 Manufacturing facilities wholly dedicated to bioenergy development	1.0	01/03/2022
	CB_06_09 Manufacturing facilities wholly dedicated to geothermal energy developments such as geothermal turbines	1.0	01/03/2022

7. Annex: country-specific regulation of the Green Loan Framework⁸



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