

Statement on the principal adverse impact of investment decisions on sustainability factors¹

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In this statement, the modifications are marked in italics with a grey background.

OTP Ingatlan Befektetési Alapkezelő Zrt.

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¹ This Statement has been modified in order to eliminate the provisions on investment proposal/guideline and insurance proposal/guideline (considering that these activities shall be governed by separate, newly issued statements), to clarify the indicators of principal adverse impacts on sustainability factors and to indicate the publication rules of the statement.

I. Summary

A sustainability risk means an environmental, social or governance event or condition that, if it occurs it can cause a material adverse effect on the value of the investment and / or assets, as well as on the financial and income situation and reputation of the supervised organization. As a responsible financial market participant, OTP Ingatlan Befektetési Alapkezelő Zrt. places particular emphasis on the social and environmental impacts of financial instruments provided to customers and of its own activity. In order to ensure and constantly refine high quality sustainability management, OTP Ingatlan Befektetési Alapkezelő Zrt. follows international best practices, and strives to establish a partnership with its investors to support sustainability standards.

The investment decision-making process of OTP Ingatlan Befektetési Alapkezelő Zrt. covers all relevant risks – including sustainability risks – that may exert a negative material impact both on the return on investments and on sustainability factors. Sustainability factors include, inter alia, environmental, social and labour concerns, the respect for human rights and anti-corruption and anti-bribery matters. OTP Ingatlan Befektetési Alapkezelő Zrt. has adopted a sustainability risk management policy, which is regularly taken into account in the investment decision-making process.

II. Description of principal adverse sustainability impacts

This chapter includes the indicators of *principal adverse impacts on sustainability factors* in accordance with Annex I² to the SFDR RTS. *The OTP Ingatlan Befektetési Alapkezelő Zrt. discloses these indicators on its website for all portfolio-managed assets by 30 June each year pertaining to the previous year.*

Table 1 includes mandatory indicators that the OTP Ingatlan Befektetési Alapkezelő Zrt is required to measure during its portfolio management activity.

1 Table 1 – Indicators applicable to investments in investee companies	
Climate and other environment-related indicators	
<i>Adverse sustainability indicator</i>	<i>Metric</i>

² COMMISSION DELEGATED REGULATION (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

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Greenhouse gas energy consumption and emissions	1. GHG emissions	<ol style="list-style-type: none"> 1. Scope 1 GHG emissions 2. Scope 2 GHG emissions 3. Scope 3 GHG emissions 4. Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. <i>GHG intensity of investee companies</i>	<i>GHG intensity of investee companies</i>
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	<i>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</i>
	6. Energy consumption intensity per high impact climate sector	<i>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</i>
Biodiversity	7. Activities <i>negatively</i> affecting biodiversity-sensitive areas	<i>Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas</i>
Water	8. Emissions to water	<i>Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</i>

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Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and employee matters	10. Violations of UN <i>Global Compact</i> principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN <i>Global Compact</i> principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members

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	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Indicators applicable to investments in sovereigns and supranationals		
Environmental	15. GHG intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law
Indicators applicable to investments in real estate assets		
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets

In addition to the mandatory indicators listed in the table above, the OTP Ingatlan Befektetési Alapkezelő Zrt. presents the main adverse impact of investment decisions on sustainability factors through additional, optional indicators. The OTP Ingatlan Befektetési Alapkezelő Zrt. selects at least one from the indicators listed in Tables 2 and 3 each of Annex I to the SFDR RTS.

Table 2 - Indicators applicable to investments in real estate assets		
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square metre
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract

Table 3 – Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy Indicators

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	applicable to investments in real estate assets.
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OTP Ingatlan Befektetési Alapkezelő Zrt. considers above mentioned indicators in its investment decision making process principally based on the sustainability data and main adverse impact indicators of MSCI ESG. Each indicator is designed to help financial market participants understand and assess their sustainability risk exposure.

The rational management of energy consumption is probably one of the most important challenges in these days and a key element in the effective fight against global warming, which is considered as a top priority by OTP Ingatlan Befektetési Alapkezelő Zrt. in its investment decisions.

Waste management is one of the most important environmental issues, where the health of people and the preservation of resources are the responsibility of all financial players.

OTP Ingatlan Befektetési Alapkezelő Zrt. is committed to the maximum reasonable period of use and follows it for all equipment, devices and machinery. In addition, OTP Ingatlan Befektetési Alapkezelő Zrt. considers its employees to be of the highest value, therefore maintaining a safe working environment is essential. For these reasons, OTP Ingatlan Befektetési Alapkezelő Zrt. focuses on the above additional indicators in its investment decision-making process.

III. Main adverse impacts considered in investment decisions

OTP Ingatlan Befektetési Alapkezelő Zrt. applies an exclusion list for the main adverse effects of sustainability factors in its investment decision-making processes concerning fund management as follows:

Real estate investments

Land areas and buildings contain substances harmful to health	Regulation	<i>All real estate assets and land in which the amount of substances harmful to health (including especially the hazardous and radioactive waste) exceeds the limit set by law or exceeding such a limit cannot eliminate within three years.</i>
	Method of application	Exclusion from investment opportunities
	Definition	<i>Substances harmful to health (including especially dangerous and radioactive waste) can be found on land that was previously used for carrying out activities that seriously pollute the environment – whether industrial, agricultural or other (chemical contaminants, landfills) and in buildings that were created obsolete construction technologies (e.g. the installation of asbestos).</i>
	Justification	<i>We regard the protection of the healthy environment as our most important mission in the entire process of our investment and real estate development activity. We consider it important not to invest if harmful effects can already be determined before the investment</i>

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		<i>or if they cannot be eliminated within a reasonable cost and time frame.</i>
	<i>Methodology</i>	<i>The documentation of technical due diligence, environmental status if necessary.</i>
	<i>PAI taken into consideration</i>	<i>PAI 9) The proportion of hazardous waste and radioactive waste</i>

<i>Real estates with inadequate energy utilization</i>	<i>Regulation</i>	<i>Real estate assets that operate with low energy efficiency.</i>
	<i>Method of application</i>	<i>Exclusion from investment opportunities</i>
	<i>Definition</i>	<i>Real estate whose energy consumption exceed the average energy consumption of the the fund's entire real estate portfolio within the actual real estate category and this overconsumption cannot be eliminated with reasonable costs over a three-year period.</i>
	<i>Justification</i>	<i>The energy-efficient operation of the real estates is a fundamental requirement of climate protection.</i>
	<i>Methodology</i>	<i>Documentation of technical due diligence and energetics advice if necessary.</i>
	<i>PAI taken into consideration</i>	<i>PAI 18) Exposure to energy-efficient real estate assets.</i>

<i>Real estate companies</i>	<i>Regulation</i>	<i>Shares in a real estate company owning land areas, buildings containing substances harmful to health and non-real estates with non-sufficient energy utilization.</i>
	<i>Method of application</i>	<i>Exclusion from investment opportunities</i>
	<i>Definition</i>	<i>Indirect acquisition in land areas and buildings containing substances harmful to health and in real properties operating with low energy efficiency.</i>
	<i>Justification</i>	<i>Principles of real estate investments should also be ensured in case of indirect acquisitions.</i>
	<i>Methodology</i>	<i>Is the same as methodology used for real estate assets with the same specification</i>
	<i>PAI taken into consideration</i>	<i>PAI 9) The ratio of harmful and radioactive waste. PAI 18) Exposure to non-energy-efficient real estate assets.</i>

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Biodiversity	Regulation	Land areas or real properties not protected by legislation the improvement of which would not allow the maintenance of biodiversity.
	Method of application	Exclusion from investment opportunities
	Definition	The number and population of animal species living on agricultural fields (namely the biodiversity of the agricultural lands) have been decreasing greatly, although the European Union has committed itself to halt the loss of biodiversity by 2020.
	Justification	Satisfying needs of the present and future generation can only be imagined while maintaining the wealth of nature.
	Methodology	During real estate investment the biological activity value can't decrease.
	PAI taken into consideration	PAI 7) Activities affecting adversely areas sensitive to biodiversity.

Investments in securities

Tobacco product	Regulation	All companies with more than 50 percent of their revenues from tobacco production or retail and wholesale transaction.
	Method of application	Investment restriction (5%)
	Definition	Tobacco products contain cigarettes, cigars, pipe tobacco and snuffs and smokeless tobacco products. It includes companies providing transportation and services of tobacco related products, inter alia products enabling tobacco consumption (e.g. pipe and cigarette papers) special materials, special equipment necessary for production of tobacco products and raw materials produced primarily for use in tobacco products.
	Justification	Tobacco products are excluded because it has been proven to be harmful effects on the health of their users and to the environment. Recently there has been a growing consensus on condemnation of smoking.
	Methodology	The source of data: Bloomberg/ MSCI ESG Manager
	PAI taken into consideration	n.a.

Gambling	Regulation	All companies with more than 50 percent of their revenues from gambling related transaction.
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	Method of application	Investment restriction (5%)
	Definition	<i>Gambling activities include the ownership or the operation of facilities hosting games of chance such as casino buildings, racetracks, online gambling, bingo halls and other betting facilities.</i>
	Justification	<i>Gambling is regarded as harmful activity because it can cause gambling-addiction that can lead to further social problems.</i>
	Methodology	<i>The source of data: Bloomberg/ MSCI ESG Manager</i>
	PAI taken into consideration	<i>n.a.</i>

Coal mining	Regulation	<i>All companies with more than 50 percent of their revenues from coal mining.</i>
	Method of application	Investment restriction (5%)
	Definition	<i>The activities concerned are: coal mining and activities related to special equipment and services used for coal production.</i>
	Justification	<i>Global warming is one of the challenges these days that cannot be ignored. The emission of fossil fuels and especially greenhouse gas emission erected from coal burning are the main sources by which humanity contributes to global warming. The need for a transition to a low carbon dioxide emission economy is obvious.</i>
	Methodology	<i>The source of data: Bloomberg/ MSCI ESG Manager</i>
	PAI taken into consideration	<i>PAI 5) Exposure to companies operating in the fossil fuel sector.</i>

Weapons	Regulation	<i>All companies which revenue is linked to controversial weapon systems are excluded from the potential issuers of investment assets. Exclusion list includes the companies involved in the development, testing, storage or production of disputing weapon systems (or the component of these).</i>
	Method of application	Exclusion from investment opportunities
	Definition	<i>These include weapon systems whose use is prohibited by international (and national) laws and on the other hand those in case of which there is a full agreement on banning them. These weapons are: nuclear weapons, cluster bombs and bearers, chemical and biological weapons, anti-personnel landmines (including Claymore mines), weapons containing depleted uranium</i>

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		<i>and white phosphorus (used in incendiary ammunition and other weapons).</i>
	Justification	<i>The weapon systems including nuclear weapons, cluster bombs and bearers, chemical and biological weapons, anti-personnel landmines (including Claymore mines) and weapons containing depleted uranium and white phosphorus which constitute mass destruction and because they pose a disproportionate and indiscriminate threat to the civilian population.</i>
	Methodology	<i>The source of data: Bloomberg/ MSCI ESG Manager</i>
	PAI taken into consideration	<i>PAI 14) Exposure to controversial weapons (anti-personnel landmines, cluster bombs, chemical and biological weapons)</i>

Weapons II	Regulation	<i>All companies with more than 50 percent of their revenue related to military agreements in some way or from the production or trade of hand-guns.</i>
	Method of application	Investment restriction (5%)
	Definition	<i>The military contracting cover: military weapons, weapon systems, weapon components, weapons-related services and specific products and services not related to weapons. With regard to hand-guns the production, distribution and their retail of all (offensive and non-offensive) weapons and key components are also included.</i>
	Justification	<i>The use of weapons is to be condemned because their use can lead to the loss of human lives.</i>
	Methodology	<i>The source of data: Bloomberg/ MSCI ESG Manager</i>
	PAI taken into consideration	<i>n.a.</i>

Alcohol	Regulation	<i>All companies with more than 50 percent of their revenue related to producing alcoholic products or retail or wholesale sale of it.</i>
	Method of application	Investment restriction (5%)
	Definition	<i>Alcoholoc drinks</i>
	Justification	<i>The regular alcoholic consumption existing over a longer period of time can cause serious damage in the person physical, psychological condition, in the community life of her/him and in the features of the wider social environment.</i>
	Methodology	<i>The source of data: Bloomberg/ MSCI ESG Manager</i>

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	PAI taken into consideration	n.a.
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Authoritarian systems	Regulation	Government bonds in countries with authoritarian systems.
	Method of application	Exclusion from investment opportunities
	Definition	The authoritarian systems constitute a kind of state structure in which the human rights are fundamentally violated, don't have any good governance practices, rule of law, freedom of business and/or the corruption reaches high levels.
	Justification	The OTP Ingatlan Befektetési Alapkezelő does not wish to provide financial fund to regimes in case of which serious concerns occurred related to respecting human rights and laws because of lack of good practice of governance, lack of political freedom and because of high-level corruption.
	Methodology	Monitoring the EU's sanction provisions in order to identify the state bonds issued by countries affected by sanctions.
	PAI taken into consideration	PAI 16) Countries which are accepting investments affected by social infringement.

IV. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

OTP Ingatlan Befektetési Alapkezelő Zrt. is committed to implement into its existing processes and operation all material issues to make its business activity – and that of its investors – more environmentally sustainable. The CEO of OTP Ingatlan Befektetési Alapkezelő Zrt is responsible for the management and coordination of corporate social responsibility.

The regulatory documents (policies, codes, etc.) approved by the decision-making forums of OTP Ingatlan Befektetési Alapkezelő Zrt. defining the operational framework of OTP Ingatlan Befektetési Alapkezelő Zrt., contain provisions that are also considered as regulations on various sustainability and ESG issues.

Directive	Sustainability factors covered / included	Approval
Compliance Policy Annexes: Anti-corruption Policy, Sanctions Policy, Code of Ethics, Data Protection Policy	<ul style="list-style-type: none"> • consumer protection • responsible corporate governance • non-discrimination • anti-corruption (ABC) • requirements relating to international sanctions 	Board of Directors Chief Executive Officer

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	<ul style="list-style-type: none"> • business ethics, conflicts of interest (including whistleblowing) • processing and protection of personal data • enforcement of consumer protection principles • reduction of information asymmetry between customers and the bank 	
Security Policy	<ul style="list-style-type: none"> • general security • cybersecurity • protection from money laundering and terrorist financing 	Chief Executive Officer
Conflict of Interest Policy	<ul style="list-style-type: none"> • conflict of interest 	Board of Directors
Risk Management Policy, Risk Management Rules	<ul style="list-style-type: none"> • all types of risks 	Board of Directors
Sustainability Risk Management Policy	<ul style="list-style-type: none"> • sustainability risks 	Board of Directors

V. Engagement Policy

OTP Ingatlan Befektetési Alapkezelő Zrt. is committed to assess the ESG risks and opportunities of companies in which it intends to has invest ored has already or wishes to invested.

Through its Engagement Policy, OTP Bank Plc. supports sustainability while monitoring investee companies in relevant matters, during its dialogue with investee companies, while exercising voting rights or any other rights attached to shares, and during its cooperation with other shareholders and as well as in communication with the relevant stakeholders of investee companies.

Further information on the *Engagement Policy* can be accessed at:

<https://www.otpbank.hu/otpingatlanalap/hu/JelentesekTajekoztatokSzabalyzatok>

V. References to international standards

OTP Ingatlan Befektetési Alapkezelő Zrt. is committed to participating in the Carbon Disclosure Project (CDP) and its annual survey through filling out the climate change questionnaire. CDP is a not-profit institution that operates a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Budapest, 21 December 2023

OTP Ingatlan Befektetési Alapkezelő
Zártkörűen Működő Részvénytársaság