

# OTP Group ESG update

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Green Program Director



# A dedicated organizational framework is being set up to ensure representation of ESG management responsibility in breadth and depth

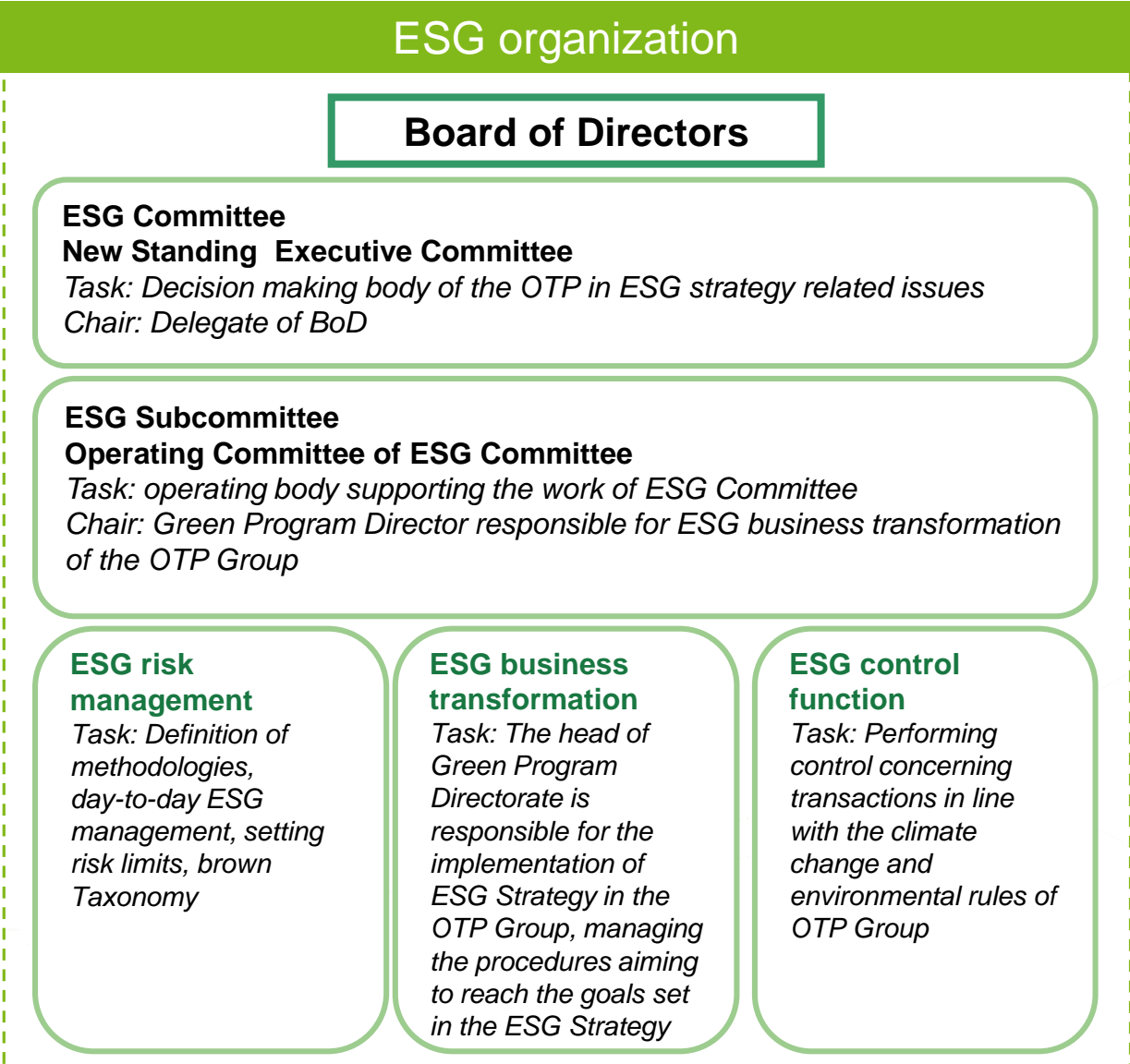
## Our sustainability governance

We are working towards fully integrating sustainability mindset both in our daily operation and business decision making, backed by strong executive commitment - as the envisaged set up shows.

## Robust organization & top level responsibility for sustainability and climate strategy

It is a major goal for the Bank to integrate ESG in as many ways as possible: in business decisions, risk management, management effectiveness, governance activity. This volume of deliverables needs a robust organizational framework.

The **whole organization of the Bank and its subsidiaries is involved in the ESG transformation**, which is steered by the ESG Committee and managed by the Green Program Director as Leader of ESG business transformation.



# We have defined the main pillars of OTP Group' ESG Strategy

## OTP GROUP ESG STRATEGY

OTP Group is aiming to be the regional leader in financing a fair and gradual transition to a low-carbon economy and building a sustainable future through our responsible solutions.

## IMPLEMENTATION TIMELINE

### Present '21-'22: Planning

Establish ESG frameworks, develop processes, set targets

### Near Future '22-'24: Roll out

Cascade ESG strategy in breadth and depth across OTP Group

### Beyond '25: ESG business as usual

Green banking is standard part of OTP banking, with a working ESG org



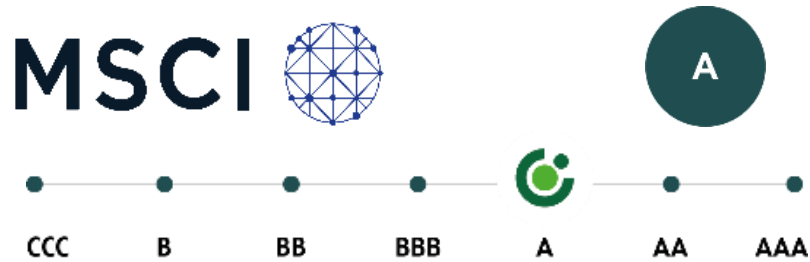
## KPIs TO MEASURE STRATEGIC ESG GOALS (Hungary)

	Short term	Long term
<b>Building the green book</b>	Green credit portfolio <b>by 2022:</b> <ul style="list-style-type: none"> <li>Corporate: HUF 150 billion</li> <li>Retail: HUF 80 billion</li> </ul>	Green credit portfolio <b>by 2025:</b> <ul style="list-style-type: none"> <li>Corporate: HUF 1,000 billion</li> <li>Retail: HUF 500 billion</li> </ul>
<b>Green products on market</b>	5 products by 2022	Green products in all segments
<b>Reducing own emissions</b>	Carbon neutrality by the end of 2022	Carbon neutrality strategy on group level
<b>Transparent responsibility</b>	Member of UN's Principles of Responsible Banking initiative	OTP to be part of DJSI ESG index by 2025

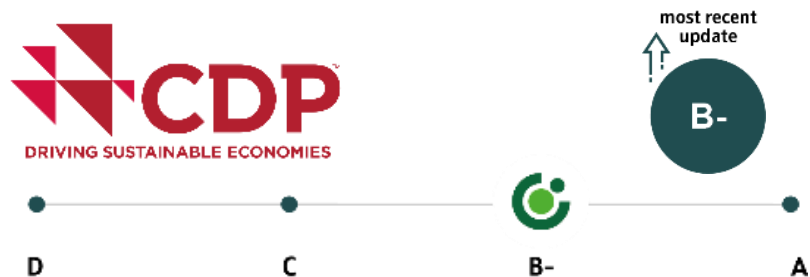
# OTP Bank's sustainability performance to date has been recognized with improving ratings by several major ESG rating agencies and initiatives



OTP's overall exposure is medium and is similar to the sub-industry average. **Our 2021 score of 20.3 marks an improvement of more than 3.2 points from the last rating.** OTP shows strength in its board structure, its audit and financial performance system and its stakeholder governance. Management score improved from average to strong (from 45 to 56.1), due to the increase in the range of managed risks and the policies and ESG related programs.



**In 2021 OTP Bank maintained its "A" MSCI rating.** OTP Bank outperformed the industry average in terms of financial consumer protection, the development of human capital and access to finances.



From 2019 OTP Group participated in the voluntary environmental disclosure system of CDP. **In 2020 we achieved a "B-" rating, improving our result.**

# Mortgage bond issues, launch of corporate and retail green lending and commitment to UN PRB are some of the recent highlights underlining our commitment to sustainable finance

## Recent developments in OTP Bank's ESG program:



### Green mortgage bonds:

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



### Retail Green Home Program:

NBH launched the Funding for Growth Scheme (FGS) Green Home Program to support the purchase of energy-efficient homes. In the framework of the Green Home Program, the central bank provides 0% refinancing to lenders for retail loans for new homes with a primary energy consumption threshold of 90 kWh/sqm per year. Interest rates on the loans are capped at 2.5%. The program was launched with a total available amount HUF 200 billion, of which OTP Bank expects a sizable market share.



### Launching corporate green lending:

In 3Q 2021 OTP Bank has started green lending in selected sectors (renewable energy and commercial real estate). Building the green book is progressing according to initial plans, and further sectors (agriculture, electro mobility) will be included before the end of the year. NBH and ECB are supporting green financing through providing capital relief on green credits (*capital requirement discount for green corporate and municipal financing*). The current size of the Hungarian green book is around HUF 150 billion.



### Signing UN PRB in October 2021:

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



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