

## Statement on principal adverse impacts of investment decisions on sustainability factors

|  |   |
|--|---|
| <b>Financial market participant:</b> OTP Alapkezelő Zrt. / OTP Fund Management Pte.Ltd. LEI Code: 529900R6WDVNFQNK8W55   |   |
| <b>Összefoglaló</b>  | <b>Summary</b>  |
| Az OTP Alapkezelő Zrt. (LEI: 529900R6WDVNFQNK8W55) figyelembe veszi befektetési döntéseinek a fenntarthatósági tényezőkre gyakorolt főbb káros hatásait. Ez a nyilatkozat az OTP Alapkezelő Zrt. fenntarthatósági tényezőkre gyakorolt főbb káros hatásairól szóló nyilatkozat.  | OTP Fund Management (LEI: 529900R6WDVNFQNK8W55) takes into consideration the principal adverse impacts of their investment decisions on sustainability factors. This is a statement about the principal adverse impacts of OTP Fund Management on sustainability factors.   |
| Ez a fenntarthatósági tényezőkre gyakorolt főbb káros hatásokról szóló nyilatkozat a 2023. január 1-jétől december 31-ig tartó referencia-időszakra vonatkozik.  | This statement on the principal adverse impacts on sustainability factors refers to the reference period from 1 January 2023 to 31 December 2023.   |
| <p>A befektetési döntések fenntarthatósági tényezőkre gyakorolt káros hatásainak figyelembe vétele az egyes káros hatás indikátorok monitoringja révén valósítható meg, amelynek érdekében 2022 év során az OTP Alapkezelő Zrt. külső szolgáltatóval szerződést kötött. A káros hatások figyelembe vétele érdekében továbbá az OTP Alapkezelő Zrt. 2022 végétől kizárási listát alkalmazott a befektetéskezelési tevékenység keretében történő befektetési döntéshozatal során.</p> <p>Az OTP Alapkezelő Zrt. az elérhető adattartalmak változásának és a módszertan fejlődésének a lekövetése érdekében, az előző évre is újra számolta a hatás adatokat, ennek következtében egy-egy PAI mutató esetén a jelen nyilatkozatban szerepeltetett adatok adott esetben akár jelentős mértékben is eltérhetnek a 2022-es évről közölt adatoktól.</p> <p>A főbb káros hatásokról összességében elmondható, hogy a PAI mutatók az alapkezelő által kezelt portfóliókat tekintve javulást mutatnak, azaz a befektetésekhez többnyire kisebb mértékű káros hatás kapcsolódik. Ez elsősorban a klímaváltozáshoz kapcsolódó PAI-k (1-6.) esetében látható, ahol egyedül az energiafogyasztáshoz kapcsolódó mutatók (<i>a nem megújuló energiafogyasztás és -termelés aránya</i> illetve az <i>energiafogyasztási intenzitás nagy éghajlati hatású ágazatonként</i>) tekintetében következett be romlás illetve stagnálás. Ezzel szemben a karbonlábnyom mutató</p> | <p>The consideration of the adverse impacts of investment decisions on sustainability factors can be achieved through the monitoring of specific adverse impact indicators, for which OTP Fund Management Ltd. has contracted an external service provider during 2022. In addition, in order to take into account the adverse impacts, OTP Fund Management Ltd. applied an exclusion list from the end of 2022 onwards for investment decision making in the context of investment management activities.</p> <p>In order to keep track of the changes in the available data content and the evolution of the methodology, OTP Fund Management Ltd. has recalculated the impact data for the previous year, and as a consequence, the data presented in this statement for a PAI indicator may differ significantly from the published data for 2022.</p> <p>Regarding the main adverse effects, it can be said overall that the PAI indicators show an improvement with regard to the portfolios managed by the fund manager, i.e. the investments are mostly associated with a smaller degree of adverse effects. This can be seen primarily in the case of the PAIs (1-6) related to climate change, where only the indicators related to energy consumption (the ratio of non-renewable energy consumption and production and the intensity of energy consumption per sector with a high climate impact) have deteriorated or stagnated. On the other hand, the indicator for carbon footprint show an improvement compared to the year 2022. However, it is</p> |

|  |  |
|--|--|
| <p>javulást mutató a 2022-es évhez képest. Fontos azonban látni, hogy e javulás minden részletét nem ismerjük: meggyőződésünk szerint a portfolióban szereplő vállalatok egy körének kibocsátása csökkent a nemzetközi klímátörekvéseknek megfelelően, de az is okozhatja, hogy a csökkenést pusztán a portfoliók összetételének változása, illetve az elérhető adatok körének és minőségének változása magyarázza.</p> <p>A további környezeti PAI-k tekintetében vegyes az összkép: javulás (<i>biológiai sokféleség, vízbe történő kibocsátás terén</i>) és romlás (<i>veszélyes hulladékok terén</i>) egyaránt látható a befektetésekhez kapcsolódóan.</p> <p>A társadalmi mutatókban jellemzően inkább romlást láthatunk, de itt fontosnak tartjuk megjegyezni az adatminőségbeli kihívásokat, valamint azt is, hogy a változások többnyire kis mértékűek és a PAI-k abszolút szintje is sok esetben alacsony (például az <i>ENSZ Globális Megállapodása elveinek vagy az OECD multinacionális vállalkozásokra vonatkozó irányelveinek megsértése kapcsán érintett befektetést befogadó vállalkozásokba eszközölt befektetések aránya 1 százalék körüli</i>).</p> | <p>important to note that we do not know all details of this improvement: we believe that the emissions of a group of companies included in the portfolio decreased in accordance with international climate efforts, it is also possible that the decrease was merely a change in the composition of the portfolios, or in the range of available data and is explained by the change in its quality.</p> <p>With regard to other environmental PAIs, the overall picture is mixed: improvement (in terms of biodiversity, discharge into water) and deterioration (in terms of hazardous waste) can be seen in connection with the investments.</p> <p>We typically see a deterioration in the social indicators, but here we consider it important to note the data quality challenges, as well as the fact that the changes are mostly small and the absolute level of the PAIs is in many cases low (for example, the principles of the UN Global Compact or the OECD for multinational enterprises the proportion of investments made in investee enterprises concerned in relation to violations of its relevant directives is around 1 percent).</p> |
| <p>Felhívjuk a figyelmet arra, hogy a jelen Nyilatkozat tartalma nagyban függ az egyes káros hatás indikátorokkal kapcsolatos adatok elérhetőségétől és minőségétől. Erre tekintettel teszünk jelentést az OTP Alapkezelő Zrt. által kezelt alapokban és portfoliókban szereplő pénzügyi eszközök összességének főbb káros hatásáról.</p>  | <p>It should be noted that the content of this statement is highly dependent on the availability and quality of the data related to the specific adverse impact indicators. With this in mind, we report on the main principal adverse impacts of all financial instruments in the investment funds and portfolios managed by OTP Fund Management.</p>   |
| <p><b>Description of the principal adverse impacts on sustainability factors</b></p> <p>The table below provides information on both mandatory and optional indicators on the main adverse impacts on sustainability factors, climate or environment, social and labour issues, respect for human rights, the fight against corruption and bribery.</p> <p>OTP Fund Management Ltd would like to draw your attention to the fact that, in order to keep track of changes in the available data content and the evolution of the methodology, it has recalculated the impact data for the previous year, which may result in significant differences between the data presented in this statement and the published data for 2022 for a particular PAI indicator.</p>   |  |

| Indicators applicable to investments in investee companies |                     |   |              |              |   |   |
|--|---------------------|---|--------------|--------------|---|---|
| Adverse sustainability indicator                           | Metric              | Impact 2023   | Impact 2022  | Comments     | Actions taken, actions planned and targets set for the next reference period  |   |
| Greenhouse gas emissions                                   | 1. GHG emissions    | Scope 1 GHG emissions (tonnes of CO2 equivalent)                  | 313,635.26   | 137,719.23   | This indicator presents the latest estimated Scope 1 GHG emissions data for investee emitters <b>weighted by the value of the portfolio investment into the company.</b>          | Our objective is to achieve and maintain a downward trend (mainly in terms of the carbon footprint indicator, as GHG emissions data also depend on the size of assets under management), primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target emissions figure has been set at this stage. |
|  |                     | Scope 2 GHG emissions (tonnes of CO2 equivalent)                  | 67,531.18    | 21,576.48    | This indicator presents the latest estimated Scope 2 GHG emissions data for investee emitters <b>weighted by the value of the portfolio investment into the company.</b>          |   |
|  |                     | Scope 3 GHG emissions (tonnes of CO2 equivalent)                  | 2,231,804.53 | 956,037.79   | This indicator presents the latest estimated Scope 3 GHG emissions data for investee emitters <b>weighted by the value of the portfolio investment into the company.</b>          |   |
|  |                     | Total GHG emissions (tonnes of CO2 equivalent)                    | 2,613,368.51 | 1,128,324.51 | This indicator presents the latest estimated Scope 1, 2 and 3 GHG emissions data for investee emitters <b>weighted by the value of the portfolio investment into the company.</b> |   |
|  | 2. Carbon footprint | Carbon footprint (tonnes CO2 equivalent / million euros invested) | 629.98       | 871.47       | This indicator shows the latest cumulative GHG emissions <b>per million euros invested</b> based on reported or estimated Scope 1 and 2 and estimated Scope 3 emissions.          | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no   |

|  |  |   |               |               |  |   |
|--|--|---|---------------|---------------|--|---|
|  |  |   |               |               |  | specific target emission figure has been set at this stage.   |
|  | 3. GHG intensity of investee companies                         | GHG intensity of investee companies (tonnes CO2 equivalent/investee company revenue in millions of euros)   | <b>864.59</b> | <b>829.38</b> | This indicator presents the latest cumulative GHG emissions based on the reported or estimated Scope 1 and 2 and estimated Scope 3 emissions per the latest million euros of revenue.                  | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target emission figure has been set at this stage.               |
|  | 4. Exposure to companies active in the fossil fuel sector      | Share of investments in companies active in the fossil fuel sector  | <b>8.88%</b>  | <b>8.95%</b>  | This indicator measures the exposure of emitters to companies active in the fossil energy market, including the extraction, processing, storage and transportation of petroleum, coal and natural gas. | Our objective is to reduce the investment ratio to 0 per cent for SFDR 8 and 9 funds, primarily by carefully selecting new investments and by reducing existing investments where necessary.  |
|  | 5. Share of non-renewable energy consumption and production    | 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 | <b>76.38%</b> | <b>73.40%</b> | This indicator shows the share of non-renewable energy use and production from non-renewable energy sources per total energy use and/or production.  | Our objective is to reach a 50 per cent target for SFDR 8 and 9 funds, primarily by carefully selecting new investments and by reducing existing investments where necessary.   |
|  | 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact   |               |               | This indicator shows the energy use of emitters measured in GWh per million euros of revenue in the sector with a high impact on the climate, as defined by the NACE code of economic activities.      | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target figure for energy consumption has been set at this stage. |
| <i>NACE Code A (Agriculture, Forestry and Fishing)</i> |  | <b>3.25</b>   | <b>4.80</b>   |               |  |   |
| <i>NACE Code B (Mining and Quarrying)</i>              |  | <b>1.20</b>   | <b>0.67</b>   |               |  |   |
|  |  | <i>NACE Code C</i>  | <b>0.70</b>   | <b>9.46</b>   |  |   |

|              |   |  |   |              |              |   |  |
|--------------|---|--|---|--------------|--------------|---|--|
|              |   | climate sector   | <i>(Manufacturing)</i>  |              |              |   |  |
|              |   |  | <i>NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply)</i>                  | <b>11.32</b> | <b>4.66</b>  |   |  |
|              |   |  | <i>NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities)</i>  | <b>2.31</b>  | <b>0.42</b>  |   |  |
|              |   |  | <i>NACE Code F (Construction)</i>   | <b>0.15</b>  | <b>0.28</b>  |   |  |
|              |   |  | <i>NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles)</i> | <b>0.10</b>  | <b>0.07</b>  |   |  |
|              |   |  | <i>NACE Code H (Transportation and Storage)</i>   | <b>2.19</b>  | <b>1.82</b>  |   |  |
|              |   |  | <i>NACE Code L (Real Estate Activities)</i>   | <b>0.98</b>  | <b>0.82</b>  |   |  |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | 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 |   | <b>0.28%</b> | <b>0.13%</b> | This indicator shows the proportion of emitters that are located near biodiversity-sensitive areas or have been involved in a controversy in relation to their severe or very severe impact on the environment. | Our objective is to reach 0 per cent, primarily by carefully selecting new investments and by reducing existing investments where necessary. |

|   |  |  |       |       |  |   |
|---|--|--|-------|-------|--|---|
| Water   | 8. Emissions to water  | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average                                   | 0,11  | 0.12  | This indicator shows the amount of water discharged in tonnes, weighted by the investments of companies per million euros invested.                | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target emission figure has been set at this stage. |
| Waste   | 9. Proportion of hazardous waste and radioactive waste   | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average                | 12.89 | 4.1   | This indicator shows the amount of hazardous and radioactive waste in tonnes, weighted by the investments of companies per million euros invested. | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target emission figure has been set at this stage. |
| <b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b> |  |  |       |       |  |   |
| Social and employee matters   | 10. Violations of UN Global Compact 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 | 0.97% | 0.37% | This indicator shows the proportion of investments in companies that violated UNGC or OECD principles.   | Our objective is to reach 0 per cent, primarily by carefully selecting new investments and by reducing existing investments where necessary.  |

|  |   |  |               |               |  |   |
|--|---|--|---------------|---------------|--|---|
|  | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact 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 | <b>2.55%</b>  | <b>1.24%</b>  | This indicator shows the share of investments in companies operating without having put in place a policy to monitor compliance with the USGC Principles and OECD Guidelines for Multinational Enterprises or an adequate complaints management mechanism for such violations. | Our objective is to reach 0 per cent, primarily by carefully selecting new investments and by reducing existing investments where necessary.  |
|  | 12. Unadjusted gender pay gap   | Average unadjusted gender pay gap of investee companies  | <b>12.45%</b> | <b>11.53%</b> | This indicator shows the average unjustified gender pay gap for investee issuers.  | The Fund Manager does not currently have a company-level target for that indicator.   |
|  | 13. Board gender diversity  | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members  | <b>29.19%</b> | <b>25.78%</b> | This indicator shows the percentage of female and male members in subsidiaries compared to the total number of members.  | The Fund Manager does not currently have a company-level target for that indicator.   |
|  | 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   | <b>0.00%</b>  | <b>0.00%</b>  | This indicator shows the share of investments in issuers involved in the production or sale of non-conventional weapons.   | Our objective is to maintain the investment ratio at 0 per cent, primarily by carefully selecting new investments. To that end, the Fund Manager will also apply an exclusion policy based on the income related to the disputed arms systems, as detailed below. |
|  |   |  |               |               |  |   |

| <b>Indicators applicable to investments in sovereigns and supranationals</b> |  |  |        |        |   |   |
|--|--|--|--------|--------|---|---|
| Environmental  | 15. GHG intensity  | GHG intensity of investee countries<br>tonnes CO2<br>equivalent/investment recipient<br>country million euro GDP   | 283.78 | 371.12 | This indicator shows the GHG intensity of the countries concerned.  | In the course of investing in sovereigns, our objective is to focus on investing in green and other sustainability-themed bonds when market opportunities arise.  |
| 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 | 0      | 0      | This indicator shows the number of countries (based on a quarterly average) and their share of total investee countries that have violated social rights in the light of United Nations principles and, where applicable, national law. | Our objective is to keep the number of new investments at 0 by carefully selecting new investments.<br><br>To that end, the Fund Manager also applies an exclusion policy to the government bonds of countries with authoritarian regimes, as detailed below. |
|  |  |  | 0%     | 0%     | This indicator shows the number of countries (based on a quarterly average) and their share of total investee countries that have violated social rights in the light of United Nations principles and, where applicable, national law. | Our objective is to maintain the investment ratio at 0 per cent by carefully selecting new investments.   |
| <b>Indicators applicable to investments in real estate assets</b>            |  |  |        |        |   |   |
| 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   | N/A    | N/A    | This is not applicable to assets managed by the Fund Manager (the Fund Manager has no direct real estate investments).  | N/A   |
| Energy efficiency  | 18. Exposure to energy-inefficient real estate assets    | Share of investments in energy-inefficient real estate assets  | N/A    | N/A    | This is not applicable to assets managed by the Fund Manager (the Fund Manager has no direct real estate investments).  | N/A   |

|  |  |   |               |               |  |   |
|--|--|---|---------------|---------------|--|---|
|  |  |   |               |               |  |   |
| <b>Other indicators for principal adverse impacts on sustainability factors</b>  |  |   |               |               |  |   |
| <b>Additional climate and other environment-related indicators</b>   |  |   |               |               |  |   |
| Water, waste and material emissions  | 13. Non-recycled waste ratio   | Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average              | <b>204.98</b> | <b>113.26</b> | Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average                               | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments, and also by reducing existing investments as necessary; however, no specific target emission figure has been set at this stage. |
| <b>Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</b> |  |   |               |               |  |   |
| 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   | <b>19.97%</b> | <b>19.94%</b> | Share of investments in investee companies without workplace accident prevention policies  | Our objective is to reach 0 per cent, primarily by carefully selecting new investments and by reducing existing investments where necessary.  |
| <b>Additional indicator on principal adverse impacts on sustainability factors</b>                                       |  |   |               |               |  |   |
| Climate policy and other environmental indicators<br>Emissions   | 4. Investments in companies without carbon emission reduction initiatives  | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | <b>39.16%</b> | <b>54.07%</b> | Share of investments in investee companies not having put in place a carbon emission reduction initiative aimed at aligning with the Paris Agreement | Our objective is to achieve or maintain a downward trend, primarily by carefully selecting new investments and also by reducing existing investments as necessary.  |

**Other indicators for principal adverse impacts on sustainability factors**

OTP Fund Management Ltd. uses the following **other indicators**, which are not always PAIs, for principal adverse impacts on sustainability factors:

- proceeds from the manufacture or retail and wholesale trading of tobacco products – *of the investment restrictions, as detailed below*
- proceeds from gambling activities – *of the investment restrictions, as detailed below*
- proceeds from coal mining – *of the investment restrictions, as detailed below*
- proceeds related to military contracts or from the manufacture of or trade in small arms – *of the investment restrictions, as detailed below*
- proceeds from the production or wholesale and retail trading of alcohol products – *of the investment restrictions, as detailed below*

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

In 2022, OTP Fund Management Ltd. drew up its policy on the identification, prioritisation and consideration of the principal adverse impacts on sustainability factors to be applied from 2023 onwards. The policy was adopted on 29 December 2022 by Board of Directors Resolution No 3/2022 (12.29.). The policy was reviewed by the Fund Manager in 2024.

**Responsibility for implementation in the organisation**

OTP Fund Management Ltd. is committed to implementing into its existing processes and operation all material issues to make its business activity, including that of its clients, more environmentally sustainable.

OTP Fund Management Ltd. has defined multiple levels of responsibility:

In the first instance, the portfolio manager should monitor whether the assets in their portfolio are in line with the exclusion list linked to the undertaking to take account of adverse impacts (PAI14, PAI16) and, when investing in a new asset, they should consider the potential adverse impact of the investment in that asset on sustainability factors in relation to activities subject to investment restrictions.

Alternatively, the risk management area draws up a monthly report which is sent to the portfolio managers managing the fund, the CEO of the Fund Manager and their Deputy CEO. Members of the Board of Directors are presented a summary of adverse impacts in the context of the quarterly Risk Management Report.

Where the specific portfolio exceeds the target level, the portfolio manager in charge is required to take appropriate measures to ensure that the limit breach is eliminated, while the risk management area will alert portfolio managers to negative trends (e.g. a negative shift in excess of 15 per cent compared to the benchmark). After the portfolio manager is informed of the limit breach by the risk management unit, they have 30 calendar days to restore the asset composition of the fund to return to the range of the

targeted levels.

**Methodology for the selection and ranking of voluntary PAI indicators**

OTP Fund Management Ltd. selected the *non-recycled waste ratio* as a criterion from among the mandatory environmental PAI indicators and the share of *investments in companies without workplace accident prevention policies* from among the social indicators based on the composition of the portfolios and the availability and quality of data. Moreover, the Fund Manager also uses other proprietary adverse impact indicators (which are not included in SFDR Delegated Regulation 2022/1288), which are accompanied by exclusion lists aligned with the following UN Sustainable Development Goals:

- 3. Good health and well-being (smoking, gambling and alcohol)
- 6. Clean water and sanitation (water pollution)
- 7. Affordable and clean energy (coal mining)
- 13. Climate action (GHG intensity)
- 14. Life below water (water pollution)
- 15. Life on land (waste and harmful emissions)
- 16. Peace, justice and strong institutions (weapons I-II, authoritarian regimes)

The PAI indicators specifically monitored by the OTP Fund Manager are defined on the basis of its objective as an asset manager to achieve a reasonable balance between investment returns and sustainability, primarily by taking into account the environmental impact of the target companies concerned (environmental objectives) and by limiting investments in industries that have a direct negative impact on the achievement of social objectives.

OTP Fund Management Ltd intends to prioritise both voluntary and ‘proprietary’ PAI indicators and review the exclusion list on an annual basis.

| OTP Fund Management Ltd. currently applies the following exclusion list: |                    |  |
|--|--------------------|--|
| Tobacco products   | Rule               | All companies that derive <b>more than 50 percent</b> of their revenue from the manufacture or retail and wholesale of tobacco products.   |
|  | Application method | <b>investment limit (5%)</b>   |
|  | Definition         | Tobacco products include cigarettes, cigars, pipe tobacco, snuff and smokeless tobacco products. We also include companies that supply and provide services for tobacco related products, including products that enable tobacco consumption (such as pipes and cigarette papers), special materials, special equipment for the production of tobacco products and raw materials produced primarily for use in tobacco products. |
|  | Argumentation      | Tobacco products are excluded because of their proven harmful effects on users and the environment. Recently, there has been a growing consensus in society against smoking.   |
|  | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne exclusion list for tobacco companies.  |
|  | PAI considered     | none   |
| Gambling   | Rule               | All companies that derive <b>more than 50 percent</b> of their revenue from gambling-related activities.   |
|  | Application method | <b>investment limit (5%)</b>   |
|  | Definition         | Activities related to gambling include the ownership or operation of establishments that host gambling, such as casinos, racetracks, online gambling, bingo parlours and other betting facilities.   |
|  | Argumentation      | Gambling is considered a harmful activity because it can lead to gambling addiction, which can lead to further social problems.  |

|             |                    |  |
|-------------|--------------------|--|
|             | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne exclusion list for gambling-related companies.   |
|             | PAI considered     | none   |
| Coal mining | Rule               | All companies that derive <b>more than 50 percent</b> of their revenue from coal mining.   |
|             | Application method | <b>investment limit (5%)</b>   |
|             | Definition         | The activities concerned are: coal mining and activities related to specialised equipment and services for coal production.  |
|             | Argumentation      | Global warming is one of the challenges we cannot ignore today. Greenhouse gas emissions from the burning of fossil fuels, and in particular coal, are one of the main sources through which humanity contributes to global warming. The need to move to a low-carbon economy is clear.                            |
|             | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne exclusion list for coal mining companies.  |
|             | PAI considered     | <b>PAI 5:)</b> Share of non-renewable energy consumption and production  |
| Weapons I.  | Rule               | All companies with revenues linked in some way to several controversial weapons systems will be excluded as potential issuers of investment vehicles. The exclusion list includes companies involved in the development, testing, stockpiling or production of controversial weapon systems (or their components). |
|             | Application method | <b>exclusion from investment opportunities</b>   |

|             |                    |  |
|-------------|--------------------|--|
|             | Definition         | These include weapons systems whose use is prohibited by international (and national) law, and those whose prohibition is fully agreed. These weapons include: nuclear weapons, smoke bombs and carrier bombs, chemical and biological weapons, anti-personnel mines (including claymore mines), depleted uranium and white phosphorus weapons (used in incendiary munitions and other weapons). |
|             | Argumentation      | Weapons systems, including nuclear weapons, smoke bombs and carrier bombs, chemical and biological weapons, anti-personnel mines (including claymore mines), and weapons containing depleted uranium and white phosphorus, are considered to have weapons of mass destruction and because they pose a disproportionate and indiscriminate threat to civilian populations.                        |
|             | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne's exclusion list of controversial arms manufacturers.  |
|             | PAI considered     | <b>PAI 14):</b> Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)   |
| Weapons II. | Rule               | All companies that derive <b>more than 50 percent</b> of their revenues from military contracts or from the manufacture or trade of small arms.  |
|             | Application method | <b>investment limit (5%)</b>   |
|             | Definition         | Military contracting covers: military weapons, weapon systems, weapon components, weapon-related services, and specific products and services not related to weapons. With regard to small arms, the manufacture, distribution and retail sale of all weapons (offensive and non-offensive) and key components is included.  |
|             | Argumentation      | The use of weapons is condemned because it can lead to the loss of human lives.  |

|                       |                    |  |
|-----------------------|--------------------|--|
|                       | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne exclusion list for arms manufacturers.   |
|                       | PAI considered     | none   |
| Alcohol               | Rule               | All companies that derive more than 50 percent of their revenue from the production or retail and wholesale of alcohol products  |
|                       | Application method | <b>investment limit (5%)</b>   |
|                       | Definition         | The alcohol products are beer, wine, brandy.   |
|                       | Argumentation      | Alcohol products are excluded because of their proven harmful effects on users and the environment.  |
|                       | Methodology        | Data sources are Bloomberg / MSCI ESG Manager / MSCI BarraOne's exclusion list for alcohol companies.  |
|                       | PAI considered     | none   |
| Authoritarian regimes | Rule               | Government bonds of countries with authoritarian regimes.  |
|                       | Application method | <b>exclusion from investment opportunities</b>   |
|                       | Definition         | Authoritarian regimes are regimes in which human rights are fundamentally violated, there are no good governance practices, no rule of law, no freedom of enterprise and/or high levels of corruption.                                       |
|                       | Argumentation      | The OTP Fund Management does not wish to provide financial support to regimes where there are serious concerns about respect for human rights and the rule of law, good governance, lack of political freedom and high levels of corruption. |

|  |                |   |
|--|----------------|---|
|  | Methodology    | Monitoring the EU sanctions provisions to identify government bonds issued by sanctioned countries. |
|  | PAI considered | <b>PAI 16):</b> Investee countries subject to social violations                                     |

**Margin of error of the methodology for selecting and ranking voluntary PAI indicators**

No margin of error has been set by the Fund Manager

**Data sources used**

OTP Fund Management Ltd. contracted an external data provider (MSCI ESG Research LLC) to quantify the principal adverse impacts on sustainability factors.

The source of the indicators applicable to the investments in investee companies included in this Statement is the external data provider.

The above restrictions may be disregarded in the case of funds whose benchmarks include an excluded or restricted company, provided that the portfolio design does not allow the strategic overweighting of these companies.

In addition to the above, for funds complying with Article 8 or Article 9 of the SFDR, adverse impacts in support of investment principles consistent with the investment policy of each fund will be given special consideration as set out in the management policy of the fund concerned, as follows:

- CO<sub>2</sub> intensity (PAI 3)
- waste and harmful emissions (PAI 9)
- emissions to water (PAI 8)

For all three indicators, it is expected that the target company is not in the worst 25 per cent of the industry group.

**Engagement policy**

As a financial market participant, OTP Fund Management Ltd. takes into account the principle of social, environmental and ethical accountability in the exercise of voting rights and other rights attached to shares in companies that are subject to the scope of the Engagement Policy, i.e. companies where the proportion of voting rights held by OTP Fund Management Ltd. either reaches 10 per cent or it reaches 5 per cent while the value of voting rights reaches 10 per cent of the value of the portfolio managed by OTP Fund Management Ltd.

The Engagement Policy is available at: [https://www.otpgroup.info/static/sw/file/Shareholder\\_engagement\\_policy.pdf](https://www.otpgroup.info/static/sw/file/Shareholder_engagement_policy.pdf)

### **References to international standards**

OTP Fund Management Ltd. is not currently a signatory to codes of responsible business conduct and internationally recognised due diligence and disclosure standards. However, it takes into account international conventions in its investment decisions, as follows:

In relation to PAI 14, OTP Fund Management Ltd. undertakes not to invest in companies that are found to be active in the field of ‘controversial weapons’. Controversial weapons are means of defence whose use and manufacture are rejected on account of the excessive suffering they tend to cause, and whose use is regulated by a number of international conventions, such as:

- Convention on Cluster Munitions (2008)
- The Anti-Personnel Mine Ban Convention (1997), also known as the Ottawa Convention (1997)
- Nuclear Non-Proliferation Treaty (1968)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993)
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972)

In relation to PAI 16, OTP Fund Management undertakes not to invest in government bonds of countries with authoritarian regimes. Action against authoritarian regimes is linked to a number of conventions:

- The Universal Declaration of Human Rights
- United Nations Convention against Corruption
- OECD Guidelines for Multinational Enterprises
- The United Nations Global Compact

PAI 3 OTP Fund Management Ltd. commits to take particular account of the GHG intensity of the target companies in its investment decision-making for its funds with environmental objectives, which can be linked to a number of international conventions:

- The Paris Climate Agreement
- The EU Green Consumption Pledge
- Rio Declaration on Environment and Development

- Principles for Responsible Investment (PRI)
- Montreal Carbon Pledge

(PAI 8) OTP Fund Management Ltd. commits itself to take particular account of the waste and pollutant emissions of its target companies in its investment decision-making for funds with environmental objectives, which can be linked to a number of international conventions:

- Rio Declaration on Environment and Development

(PAI 9) OTP Fund Management Ltd. commits itself to take particular account of the emissions to water by the target companies in its investment decisions for its funds with environmental objectives, in particular in relation to the following convention:

- Rio Declaration on Environment and Development

In addition to the above, OTP Bank Plc., the leading institution of the OTP Group, is a signatory and member of various international standards and business codes, more information on which can be found in the OTP Group's sustainability approach and materiality analysis in the Group's integrated annual report (<https://www.otpbank.hu/static/portal/sw/file/integral-eves-jelentes-2023.pdf>)

### **Historical comparison**

The change in the value of the indicators between the two years under review is generally explained by changes in the overall coverage (the proportion of investee companies disclosing data for the PAI indicator as a proportion of total investments), changes in the composition of portfolios and changes in assets under management, in addition to changes in the data reported by investee companies.

Overall, for the principal adverse impacts, the PAI indicators show an improvement across the portfolios managed by the fund manager, i.e. investments are mostly associated with a lower level of adverse impact. This is particularly evident for the climate change related PAIs (1 to 6), where only the energy consumption-related indicators (*share of non-renewable energy consumption and production* and *energy consumption intensity per high impact climate sector*) have deteriorated or stagnated. By contrast, the carbon footprint indicator shows an improvement from 2022. It is important to note, however, that all details of such improvement are not known: while we believe that emissions from a subset of companies in the portfolio have fallen in line with international climate efforts, it may also be due to a simple change in the composition of the portfolios or a change in the range and quality of data available.

For the other environmental PAIs, the overall picture is mixed, showing both improvements (*biodiversity, emissions to water*) and deterioration (*hazardous waste*) linked to investments.

While social indicators tend to show a deterioration, it is important to note the challenges in data quality, the mostly small changes and the low absolute level of PAIs (e.g.

28 June 2024

the share of *investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises* is around 1 per cent).

## Disclaimer

Certain information contained herein (“Information”) is the intellectual property of MSCI Inc, MSCI ESG Research LLC or its subsidiaries (“MSCI”) or its information providers (collectively: “MSCI Parties”), and may be used for the calculation of certain scores, indications or other indices. The Information is for internal use only and may not be reproduced or disseminated in whole or in part without prior written consent. The Information may not be used for an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be construed as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indices, and MSCI may be compensated based on the fund’s assets under management or other metrics. MSCI has established an information barrier between index research and certain Information. None of the Information shall be used in itself to determine which securities to buy or sell or when to buy or sell them. The Information is provided on an ‘as is’ basis, and the user assumes the entire risk of any use or authorisation for use of the Information. The MSCI Parties do not warrant or guarantee the originality, accuracy and/or completeness of the Information, and expressly rule out any express or implied warranty. The MSCI Parties shall assume no liability for any errors or omissions in connection with the Information contained herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.