



# SUSTAINABILITY REPORT

2021

# WELCOME WORDS FROM THE CEO

## STEP BY STEP TOWARDS A SUSTAINABLE FUTURE

GRI code  
2-22



### Dear Reader,

Alongside society, the business sector is now also increasingly concerned that different companies contribute, directly or indirectly, to a more liveable future through their green and sustainable operations. As one manifestation of this, international and national professional expectations and legislation are setting clear and increasingly stringent conditions for market players. Global, EU and domestic financial trends are increasingly emphasising the integration of ESG (environmental, social and governance) aspects into operations.

As the engine and financier of the economy, the banking sector plays a particularly important role in achieving sustainable development goals. In order to achieve this, the European Union has started to put in place a comprehensive support and legislative framework to allocate financial resources to the transition of the economy.

The Hungarian National Bank also supports these initiatives: in line with EU regulations, it has been increasingly active in recent years in promoting the climate-proofing of the domestic financial system and indirectly the entire economy, issuing a Green Recommendation for domestic credit institutions in April 2021. The central bank launched several programmes aimed at promoting sustainability (green bond issuance, green mortgage bond purchase programme, preferential capital requirement programme), with the participation of the member banks of Hungarian Bankholding – including TakaréK Mortgage Bank Co. Plc.

In addition to the regulatory side, consumers are also becoming more conscious in their choice of investments and financial institutions, and are increasingly concerned about whether a company meets the sustainability criteria. MKB Bank Plc., the parent bank of TakaréK Mortgage Bank Co. Plc. aims to be at the forefront in the domestic banking sector also in terms of sustainability. MKB Bank Plc., as a funder as well as a group of companies, pays particular attention to bringing together existing operational initiatives within a strategic framework. To achieve this, it has established an ESG and Sustainability Group, which has developed the bank group's ESG strategy.

As energy use in the built environment accounts for 40 per cent of global carbon emissions, meaning that any reduction in energy use here has a major impact on overall emissions, TakaréK Mortgage Bank Co. Plc. considers it a priority to support the construction of energy-efficient buildings and energy retrofits and upgrades.

Takarék Mortgage Bank Co. Plc. has been actively involved in green finances since 2020. It has been assessing which of the real estate collateral in its portfolio meets the green criteria since 2021, and in 2021, in line with international standards, it developed and had independently verified its own Green Covered Bond Framework, in which it determined which new and second-hand properties it considered green. In 2022 with its green mortgage bond the TakaréK Mortgage Bank was the first Hungarian market player to receive the European Energy Efficient Mortgage Label (EEML) from the European Mortgage Federation.

In October 2021, our credit institution was among the first in Hungary to issue a green mortgage bond, which was oversubscribed on the Budapest Stock Exchange. The proceeds are used exclusively to finance the purchase and construction of energy-efficient residential properties and the energy-efficient renovation of second-hand properties, thus contributing to sustainable development.

Our bank is one of the most significant mortgage banks in Hungary and the largest refinancing mortgage bank, currently with 9 partner banks. Its aim is to be at the forefront of green mortgage financing and to be at the forefront of competent and professional corporate governance with a focus on sustainability criteria. Achieving this goal will require a determined and forward-looking set of actions at all levels of TakaréK Mortgage Bank's operations, of which this report is an important element.

Below we present the steps taken by TakaréK Mortgage Bank Co. Plc. in 2021 towards a more sustainable future. We hope that our Readers will also take sustainability seriously and try to do as much as they can about it in their finances in the future.

### I wish you a good reading!

With kind regards,

**Dr. Gyula László Nagy**  
Chief Executive Officer  
of TakaréK Mortgage Bank Co. Plc.

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# 1. INTRODUCTION

# 1. INTRODUCTION

## 1.1. ABOUT OUR COMPANY

Takarék Mortgage Bank Co. Plc. (hereinafter Takarék Mortgage Bank) since its establishment in 1998 (legal predecessor: FHB Mortgage Bank Co. Plc.) has been a key player in the Hungarian mortgage banking sector, and is committed to the continuous development of domestic mortgage lending, mortgage-based refinancing and the mortgage bond market. As of 2018, the business profile of Takarék Mortgage Bank has been streamlined, ceasing its direct mortgage lending activities and operating typically as a refinancing mortgage bank, with its main activities being the refinancing of mortgage loans for the members of MKB Group (hereinafter: Bank Group or Group) and partner banks outside the group, as well as the issuance of mortgage bonds. Through these activities, Takarék Mortgage Bank makes available to its partner banks the possibility of refinancing with mortgage bonds typically meaning a long-term borrowing and supports compliance with the Mortgage Funding Adequacy Ratio (MFAR) required by MNB and the spreading of green real estate financing.

Since 2019, Takarék Mortgage Bank has designed both its mortgage-based refinancing and mortgage bond issuance activities to support the sustainable lending practices of the Group and its external refinancing partners.

The most important values of Takarék Mortgage Bank Co. Plc. are illustrated below:



Figure 1. The values of Takarék Mortgage Bank

## 1.2. THE STRUCTURE OF THE REPORT

## GRI code

2-1  
2-2  
2-3

Already from 2020, TakaréK Mortgage Bank has been preparing intensively to integrate environmental considerations more in its two core activities – mortgage refinancing and mortgage bond issuance – and to give sustainability a growing weight in its business strategy. Given that TakaréK Mortgage Bank is an active issuer of listed mortgage bonds and is itself a listed company, at the end of 2020 it prepared its planned ESG reporting schedule. Following the issuance of the first green mortgage bond in October 2021, TakaréK Mortgage Bank is looking forward to the compilation of this first Sustainability Report as the next step in the above process.

Takarék Mortgage Bank's ESG report is based on the Global Reporting Initiative standard (hereinafter: GRI), incorporating elements of the standard that are consistent with TakaréK Mortgage Bank's activities. When specifying the contents of the report, TakaréK Mortgage Bank has also taken into account the principles of accuracy, completeness, timeliness, clarity, verifiability, comparability and balance, and has sought to explore the context of sustainable development. The report has been prepared in line with TakaréK Mortgage Bank's ESG strategy, and the results of the materiality assessment carried out beforehand determine the content of the report.

<b>NAME OF THE ORGANISATION</b>	Takarék Mortgage Bank Co. Plc. (hereinafter TakaréK Mortgage Bank)
<b>ADDRESS OF THE ORGANISATION'S HEADQUARTERS</b>	1117 Budapest, Magyar Tudósok körútja 9. G. épület
<b>SCOPE OF THE REPORT</b>	The Sustainability Report applies to TakaréK Mortgage Bank Co. Plc. only, and the reporting entity does not have any subsidiaries.
<b>REPORTING PERIOD</b>	01.01.2021 – 31.12.2021
<b>REPORTING CYCLE</b>	Yearly
<b>FINANCIAL REPORTING PERIOD</b>	Yearly and half-yearly reporting period  The difference between the reporting periods of the financial and ESG reports is due to the fact that the reporting company is a public limited company, its shares are listed on the stock exchange and therefore the interim financial report is mandatory, while the ESG report is published only annually.  In terms of sustainability reporting, TakaréK Mortgage Bank's reporting ambition is to achieve entry at the intermediate level in line with the BSE ESG Guidelines, and then to progressively improve it. Therefore, the frequency of disclosure according to the GRI standard will be annual in 2022 as well as in the years following 2022.
<b>CONTACT DETAILS IN THE CASE OF ANY COMMENTS ON THE REPORT</b>	Illés Tóth – Head of Capital Markets toth.illes@takarek.hu

Table 1. Organisational information

### 1.3. THE MAIN CRITERIA USED FOR THE PREPARATION OF THE SUSTAINABILITY REPORT

**GRI code**  
2-29  
3-1  
3-2



The views of internal and external stakeholders involved in the implementation of the business strategy are of paramount importance to Takarék Mortgage Bank, and in line with GRI requirements, the key topics of the ESG report have been identified through stakeholder engagement. Using a two-step approach, the aim was to identify the environmental, social and governance issues most relevant to the organisation. As a first step, the Capital Markets area and the CEO, with the involvement of a consultant, have identified and prioritised, through a self-assessment, the areas where the organisation and its value chain could have a direct or indirect impact. The assessment took into account sustainability and sectoral trends, legislative requirements, as well as the values and strategic objectives of Takarék Mortgage Bank. As a second step, the shortlist was shared with the stakeholders of the organisation, asking them to rate, in a questionnaire, which sustainability issues they consider relevant for the sustainability reporting of Takarék Mortgage Bank.

When defining internal and external stakeholders, it was essential to include all stakeholders who are directly or indirectly affected by the operation of Takarék Mortgage Bank. The following internal and external stakeholders have participated in the assessment:

- Board Members of the Takarék Mortgage Bank
- internal heads of functions,
- institutional investors,
- refinancing partner banks,
- regulatory authorities,
- professional organisation,
- as well as the Risk Management, HR, Compliance and Strategic functions of Hungarian Bankholding.

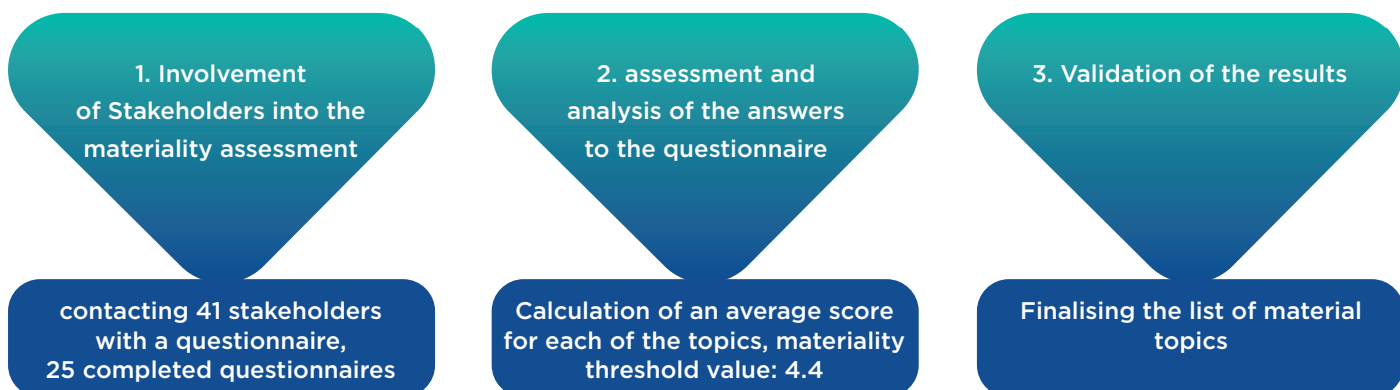


Figure 2. Identification of the material topics

As a result of the materiality assessment, based on the materiality threshold value, we have identified 12 material topics.



**TOPICS MATERIAL FOR TAKARÉK MORTGAGE BANK**

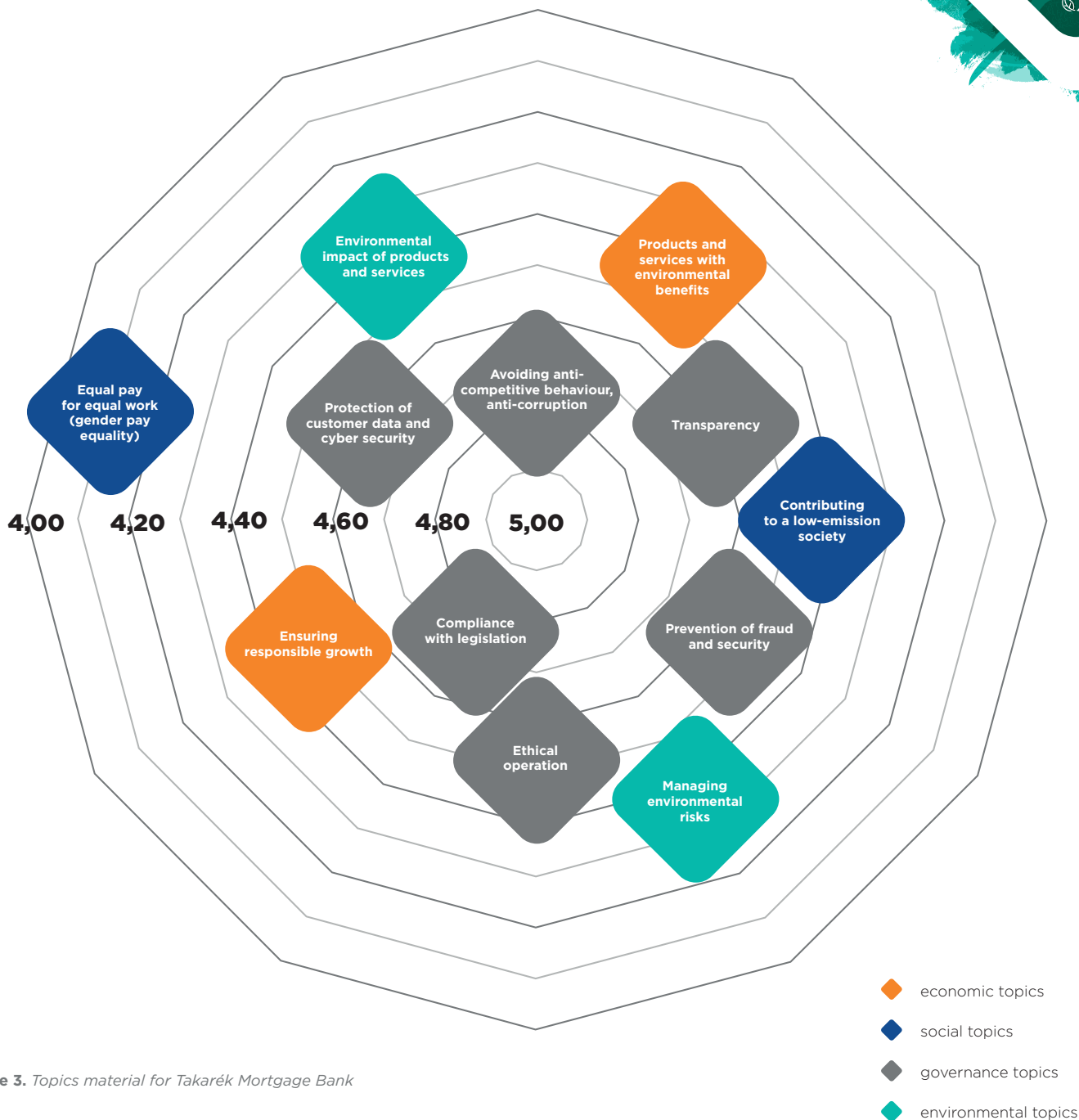


Figure 3. Topics material for TakaréK Mortgage Bank

Avoiding anti-competitive behaviour, anti-corruption	4,8	Ethical operation	4,5
Products and services with environmental benefits	4,4	Compliance with legislation	4,8
Transparency	4,6	Ensuring responsible growth	4,5
Contributing to a low-emission society	4,4	Equal pay for equal work (gender pay equality)	4,1
Prevention of fraud and security	4,6	Protection of customer data and cyber security	4,6
Managing environmental risks	4,4	Environmental impact of products and services	4,4



**LIST OF THEMES IDENTIFIED AS A RESULT OF THE MATERIALITY ASSESSMENT, IN ORDER OF MATERIALITY**

1. AVOIDING ANTI-COMPETITIVE BEHAVIOUR, ANTI-CORRUPTION
2. COMPLIANCE WITH LEGISLATION
3. TRANSPARENCY
4. PROTECTION OF CUSTOMER DATA AND CYBER SECURITY
5. PREVENTION OF FRAUD AND SECURITY
6. ETHICAL OPERATION
7. ENSURING RESPONSIBLE GROWTH
8. CONTRIBUTING TO A LOW-EMISSION SOCIETY
9. PRODUCTS AND SERVICES WITH ENVIRONMENTAL BENEFITS
10. ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES
11. MANAGING ENVIRONMENTAL RISKS
12. EQUAL PAY FOR EQUAL WORK



**Table 2.** List of material topics

Of the topics identified above, two are environmental, two are social and eight deal with economic or corporate governance. The interviewees mainly emphasised the importance of corporate governance functions for ESG in TakaréK Mortgage Bank, in line with the specificities of the banking sector.

In the following parts of the sustainability report, the relevant issues identified in the materiality assessment are presented. Our aim is to transparently inform our stakeholders and other market players about our environmental and social impacts, our corporate governance practices and our future goals and opportunities.





## 2. THE FOCUS OF TAKARÉK MORTGAGE BANK'S RESPONSIBILITY, ENGAGEMENT

## 2. THE FOCUS OF TAKARÉK MORTGAGE BANK'S RESPONSIBILITY, ENGAGEMENT



*„ We build the mortgage bank of the future, for the future generations. „*

The relationship of TakaréK Mortgage Bank to sustainability in the short and long term is determined by two basic factors. Firstly, due to its legal status, it has a special role as a mortgage bank in the Hungarian banking sector, and secondly, as a member and subsidiary bank of the MKB Group, it also has a special function within the Group in exploiting internal synergies. In line with the MKB Group's sustainability strategy<sup>1</sup>, but due to the special status mentioned above, TakaréK Mortgage Bank has its own well-defined sustainability strategy and mission, in the environmental, social, as well as governance areas.

The TakaréK Mortgage Bank considers the two basic factors mentioned above as externalities. Responsible thinking and behaviour based on sustainability can only be successful in the short and long term if there is an internal ESG „philosophy” behind it. TakaréK Mortgage Bank's sustainability philosophy is based on the recognition and expectation that only by integrating sustainability factors into its business and risk management strategies can it maintain or increase its market share and avoid competitive disadvantage in business and reputation, both in the mortgage lending/refinancing market and, as a mortgage bond issuer, in the capital market. In the light of the above, the TakaréK Mortgage Bank's steps towards sustainability (including its strategy and reporting activities), alongside its ambition to know the past and understand the present, are intended to build the modern mortgage bank of the future for future generations.

Takarék Mortgage Bank is gradually integrating sustainability factors into its operations - a significant part of this process (risk management, corporate governance, human resources, regulation and compliance) follows the group-wide regulation. Due to its special legal status and its status within the MKB Group, the internal relations of TakaréK Mortgage Bank are also special, as most of the above-mentioned background areas, which are organisationally concentrated in the parent bank (MKB), are performed in TakaréK Mortgage Bank under SLA contracts.

The refinancing of mortgage lending and the issuance of mortgage bonds taking into account ESG factors, too, are two core areas that are being developed along the lines of TakaréK Mortgage Bank's own strategy and which may also have an impact on the Group's business strategy. TakaréK Mortgage Bank's management and ownership are committed to progressively raise the quality of its ESG reporting in line with the roadmap set out in its commitment to BSE at the end of 2021 (see Annex 1), in parallel with the integration of sustainability factors into its business strategy, with a view to achieving the ESG certification.

Since 2019, TakaréK Mortgage Bank has designed both its mortgage-based refinancing and mortgage bond issuance activities to support the sustainable lending practices of the Group and its external refinancing partners (product structure, green real estate and the setting up of green credit constructions). While issuing mortgage bonds providing the funds, TakaréK Mortgage Bank also operates a transparent Green Covered Bond Framework compliant with international standards and supported by an external objective expert opinion (hereinafter referred to as the „Green Covered Bond Framework”), and is also committed to its long-term maintenance. It publishes a quarterly public report on green mortgage bonds playing a key role in raising sustainable funds and their collateral, and it also monitors international best practices and changes in the regulatory environment related to green mortgage bonds.

<sup>1</sup><https://www.takarekjb.hu/takarek-jelzalogbank-esg>



Takarék Mortgage Bank typically has a small, skilled workforce which, due to low turnover, has significant professional experience, contributing to a stable operation. Thus, concerning HR, from the management’s point of view, one of the most important objectives is not only maintaining the stability of Takarék Mortgage Bank, but also the gradual strengthening and deepening of the ESG attitude of employees, in order to develop the corporate culture in this direction. The gradual transformation of corporate culture is directly supported by the integration of sustainability factors into corporate governance and employee performance evaluation. Green refinancing and the introduction of green mortgage bonds in Takarék Mortgage Bank’s business operations, as well as the active operation of a Green Mortgage Bond Committee, are clearly seen by Takarék Mortgage Bank as milestones in the transmission of corporate culture towards sustainability. In addition to targeted training, Takarék Mortgage Bank supports staff participation in national and international professional programmes, which also promotes the presence of Takarék Mortgage Bank on the international professional stage.

## 2.1. THE MISSION OF TAKARÉK MORTGAGE BANK

### 2.1.1. Presence in the market

**GRI code**

2-6  
2-28



Figure 4. The results of Takarék Mortgage Bank

As a specialised credit institution – together with the other Hungarian mortgage banks – Takarék Mortgage Bank fulfils a special, intermediary role in the Hungarian banking system (MNB sector code: C3, other monetary financial/specialised institutions). It raises long-term funding from institutional investors (channelling their savings into the domestic real estate market) and, as a result of careful bank lending processes (risk management, pricing), intermediates it to finance residential and corporate real estate purchases. Both functions contribute indirectly to a sustainable society. Through green refinancing and the issuance of green mortgage bonds starting from the second half of 2021, Takarék Mortgage Bank is already on the path towards a low-emission society in the long term.

By the end of 2021 Takarék Mortgage Bank’s balance sheet total reached HUF 665 billion (+8.6% year/year), partly as a result of the dynamic growth of the refinanced loan portfolio. At the end of 2021, the outstanding portfolio of Takarék mortgage bonds, the source of existing mortgage loans, exceeded HUF 320 billion. In addition to the growth, Takarék Mortgage Bank’s profitability also improved in 2021, with profit before tax up 40.7% year-on-year to HUF 2.7 billion.

Figure 5. Outstanding stock of Takarék Mortgage Bank's mortgage bonds

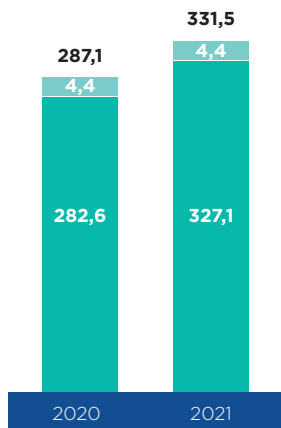
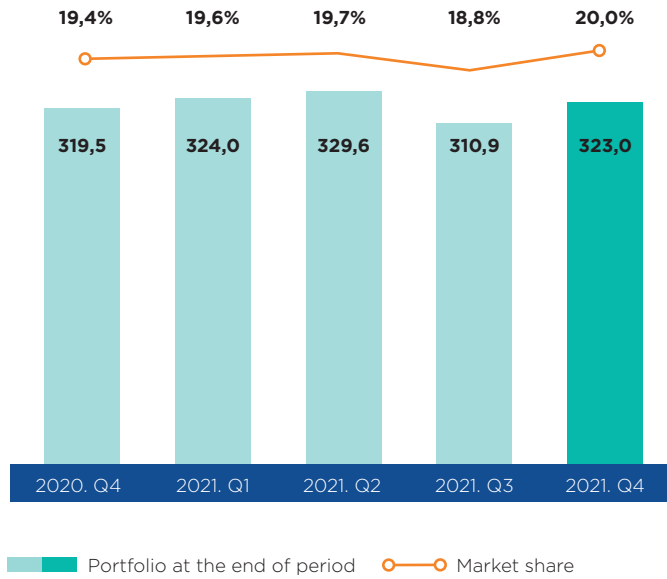


Figure 6. Development of the refinanced loan portfolio

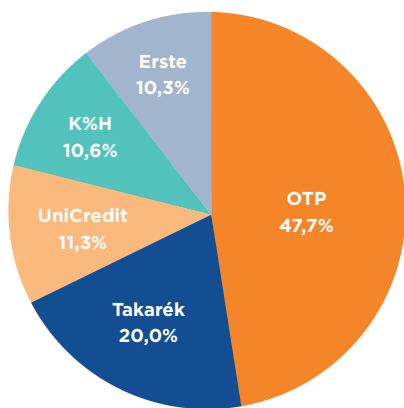


Figure 7. Share of mortgage banks based on their outstanding mortgage bonds (4th quarter of 2021)

Takarék Mortgage Bank is the second largest mortgage bank in Hungary and it is the largest refinancing mortgage bank with 9 partner banks. An important objective of Takarék Mortgage Bank is to maintain or increase this 20% market position, while significantly increasing the share of green mortgages in its portfolio and the share of green mortgage bonds in its liabilities.

In 2020, Takarék Mortgage Bank's Sustainability Programme was launched, which will increasingly focus on the above-mentioned green mortgage financing, taking into account environmental and climate protection aspects, as well as on effective corporate governance that is working in a planned way for a sustainable society.

Takarék Mortgage Bank is a member of several national and international professional associations and does business with numerous players in the capital and lending markets. Through its memberships, not only does it improve its professional advocacy capacity, but it is also continuously part of the national and international professional „blood circulation”, through which it learns about current trends and applies market best practices to adapt to changes in the market and the regulatory environment.



NAME OF THE ORGANISATION	TYPE OF THE ORGANISATION	DATE OF JOINING	MEMBERSHIP, ROLE	NOTE
Hungarian Banking Association/Mortgage bank professional committee	Advocacy of Hungarian banks/mortgage bank subcommittee	1998	Administrative and Regulatory Working Group; Capital Markets Working Group; Real Estate Valuation Working Group	
ECBC/EMF	Green Mortgage Bond Committee/European Mortgage Federation	2000	Statistical Committee;	Takarék Mortgage Bank delegates a member
ECBC/EMF	European Covered Bond Council/European Mortgage Federation	2020	Recovery Task Force	Takarék Mortgage Bank delegates a member
Energy Efficiency Mortgage Initiative	EEMI	2020.	Membership role	
Energy Efficiency Mortgage Label	EEML	2022.	Membership role	
EMF Research and Data Committee	European Mortgage Federation	2022.	President Dr. Gyula Nagy	

**Table 3.**  
*Membership in different professional associations*

## 2.1.2. Supplier chain and connections

GRI code  
2-6

Its intermediary role in mortgage lending and its refinancing role, determining its business activities on the asset side, require Takarék Mortgage Bank to maintain a complex domestic and international network of relationships, in which the entities performing regulatory and supervisory functions also have a key role.

Takarék Mortgage Bank's main „suppliers” are commercial banks for mortgage refinancing and in addition to commercial banks, investment service providers for mortgage bond issuance. In its refinancing activities, Takarék Mortgage Bank sets out the principles and requirements for green refinancing in contracts. Takarék Mortgage Bank has developed long-term relationships with most of its partner banks, which provide a solid basis for further green innovation, mutual motivation and optimisation of green thinking together.

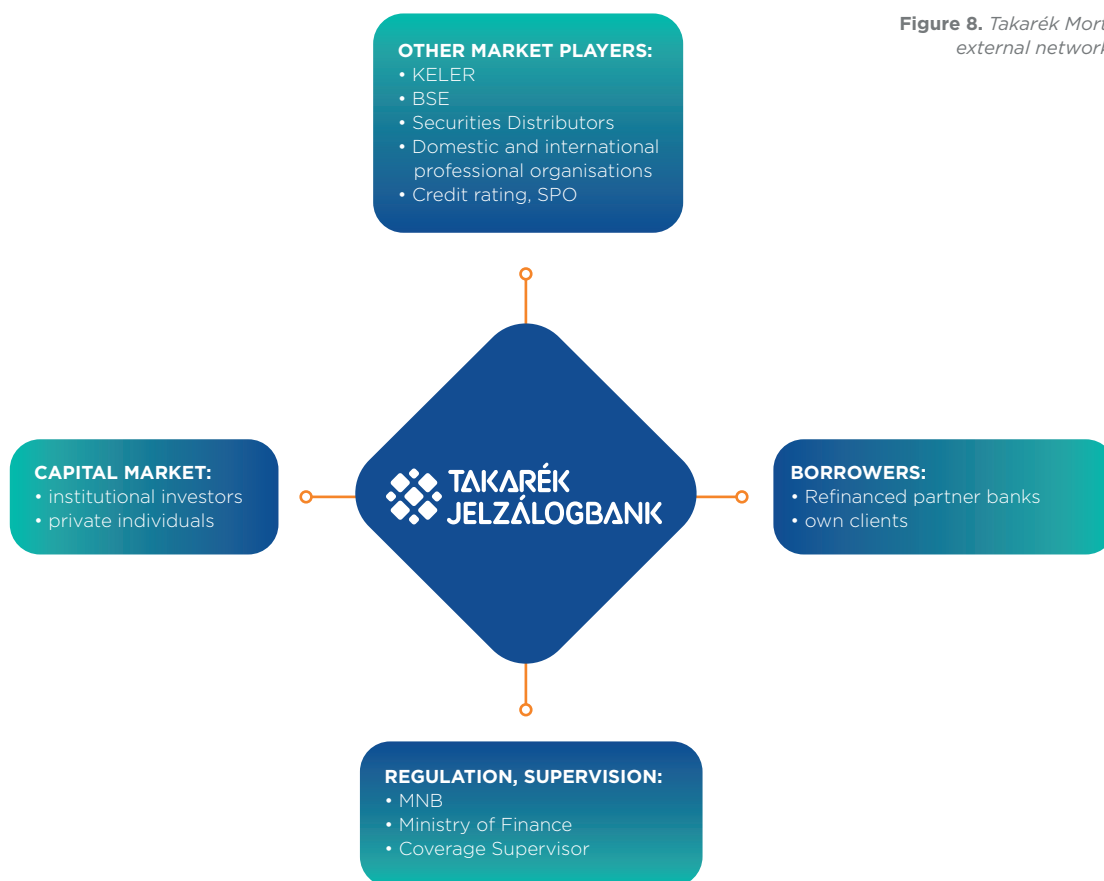


Figure 8. TakarékJelzálogbank's external network of relations

As regards securities distributors and investment service providers, TakarékJelzálogbank informs its partners several times a year, either in person or on-line, about the green collateral behind green mortgage bonds, the current ESG aspects at TakarékJelzálogbank, the status of progress under the published roadmap, as well as the tightening of international regulations and the current situation of the domestic and international green securities market. In addition, TakarékJelzálogbank informs potential investors in green mortgage bonds in a similar way, by surveying the group of people interested in dedicated green securities.

### 2.1.3. Our ESG approach and strategy

GRI code  
2-17



Our own sustainability strategy was approved by the Takarék Mortgage Bank board on 10 August 2022, by its decision no. 37/2022. The main elements of this decision shall be summarised below. By preparing an ESG strategy, Takarék Mortgage Bank is strengthening its commitment to its sustainability objectives, with the aim of making an impact in the medium and long term to reduce climate risks and improve social well-being. In developing its ESG strategy, Takarék Mortgage Bank has identified the attributes, values and characteristics of its business that it can consciously leverage to achieve its sustainability goals in the future. Although the ESG strategy has been developed specifically for Takarék Mortgage Bank, its elements are well aligned with the sustainability strategy of the MKB Group. Takarék Mortgage Bank has developed its ESG strategy based on the following values:

Figure 9.

ESG Strategy of Takarék Mortgage Bank



As a result of Takarék Mortgage Bank’s ambition to ensure responsible corporate governance and responsible growth, in its operation Takarék Mortgage Bank prioritises compliance with legislation, timely preparation for expected changes in the regulatory environment and competitive neutrality. One of the strategy’s priorities is transparency in mortgage bond issuance, and Takarék Mortgage Bank has made significant progress in this area during 2021 and 2022. On the one hand, it was able to further increase the volume of its outstanding green mortgage bonds (HUF 12.4 billion), and on the other hand, it developed the elements of its quarterly reporting on green refinancing and mortgage bond issuance (green mortgage bond allocation report, supervisory transparency report, rating agency report, European Green Label Report).

In order to maintain Takarék Mortgage Bank’s strong market position and quality partnerships, we believe that it is important to have staff with the right professional experience. Therefore a key objective of the ESG Strategy is to strengthen equal opportunities, including gender pay equality. To strengthen ESG awareness in Takarék Mortgage Bank’s different functions, the heads of each area are also members of the Green Covered Bond Committee and are thus directly involved in the professional decision-making process related to Takarék Mortgage Bank’s core business of contributing to a low-emission society. The highest governance bodies (Board of Directors and Supervisory Board) receive regular information on Takarék Mortgage Bank’s green mortgage bond issuance activities and its sustainability project, which aims to integrate sustainability considerations into business decision-making in the long term.

The first set of measures in the comprehensive ESG-focused action line, building on environmental awareness and a general shift in attitudes, was to join the European Energy Efficient Mortgage Initiative (EEMI) platform in 2020, establishing Takarék Mortgage Bank’s Green Covered Bond Framework, creating the Green Mortgage Committee, identifying green collateral, issuing green mortgage bonds in 2021, obtaining the European Green Label (EEML) and publishing the transparency report according to the EEML and MNB in 2022. Takarék Mortgage Bank aims to achieve its ESG strategic objectives gradually, but at the same time, after this first ESG report, the development of operational methodologies may accelerate substantially from 2023.





## 3. CONTRIBUTING TO A LOW-EMISSION SOCIETY

## 3. CONTRIBUTING TO A LOW-EMISSION SOCIETY



The long-term maintenance and continuous improvement of Takarék Mortgage Bank's Green Covered Bond Framework is a key element of both its business and ESG strategy. The main objective of the Framework is to maintain and improve the market position of the organisation and – with this specialised fundraising and lending activity – to reach a wide range of domestic commercial banks, thus contributing to the gradual improvement of the energy efficiency of the domestic real estate market.

### *Management of the important materiality topic*

**Takarék Mortgage Bank was one of the first in the Hungarian market with a Green Mortgage Covered Bond Framework, which met the strict requirements of both domestic and international green standards. Mortgage lending under the Framework can make a strong contribution to reducing GHG emissions and improving the energy efficiency of real estate. At the same time, the Takarék Mortgage Bank encourages its refinancing partner banks to develop new green mortgage products that meet new and more stringent criteria. Takarék Mortgage Bank commits to report on these products and their share of the total green mortgage portfolio in its sustainability reporting.**

### 3.1. ENVIRONMENTAL COMPLIANCE, ENVIRONMENTAL RISK MANAGEMENT

#### GRI code

2-25

2-25 (3-3)

As a member bank of the MKB Group, Takarék Mortgage Bank, too, applies the risk management policy of the Group. Also, it continuously incorporates Recommendation No 47/2021. (IV. 14.) of the Hungarian National Bank on climate-related and environmental risks and the integration of environmental sustainability considerations into the activities of credit institutions, as well as other European recommendations into its methodology for internal identification and measurement of environmental risks. The Group aims to follow international taxonomy and „good practices” by adding sustainability aspects to its risk management policy. The latter are of particular relevance to the definition of green property and eligible green mortgages under the Takarék Mortgage Bank Green Covered Bond Framework. In addition to applying the group-wide risk management policy, Takarék Mortgage Bank also adds operational specificities to its measures to manage ESG risks. The Framework, which includes the pillars of green mortgage lending/refinancing and green mortgage bond issuance, is an integral part of its simplified business model.

Given that Takarék Mortgage Bank's business model at the time of this report is based on active partner bank refinancing, within the framework of the refinancing agreement concluded with the partner banks participating in the green refinancing, partner banks commit themselves that they shall apply the elements of the Framework to the use and management of the green mortgage bond funds in line with green objectives, the green property selection process and the related reporting. The Green Covered Bond Committee, set up at the end of 2020 oversees the contents and proper functioning of the Framework, and as a decision-making body it integrates the continuous monitoring and measurement of environmental impacts and full compliance with the related reporting commitments into the governance structure of Takarék Mortgage Bank.



**Management of the important materiality topic**

Maintaining the integrity of the TakaréK Mortgage Bank requires a risk management regulatory framework that integrates the assessment and application of relevant environmental factors into the lending and property valuation processes, in order to operate in an environmentally responsible manner. For TakaréK Mortgage Bank, this is partly ensured by group-level regulation and partly by the Green Mortgage Covered Bond Framework.

3.2. RESPONSIBLE GREEN FINANCES AND COMMUNICATION

3.2.1. Products and services with environmental benefits

**GRI code**

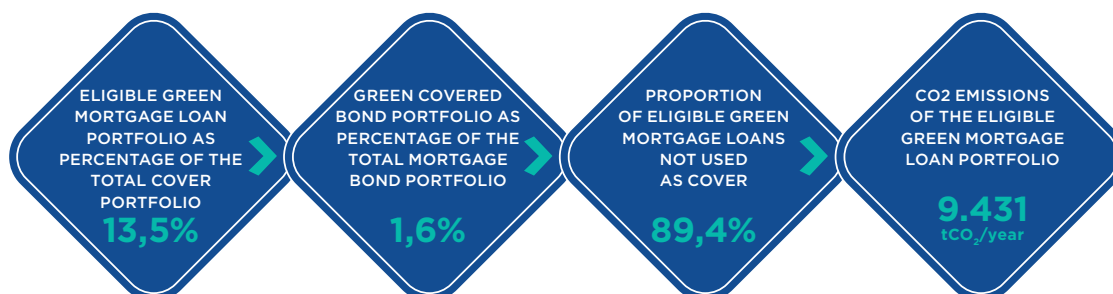
TJB1 indicator

TJB1 (3-3)

For TakaréK Mortgage Bank to be successful and effective in the long term, it is essential that it measures and communicates the financial and non-financial impacts of its operations in a transparent manner. Transparency of financial results is a fundamental expectation towards the actors of the banking sector, but non-financial performance and its impact are also increasingly important. Increased transparency on non-financial information and comprehensive, accessible and timely information shape stakeholders' perceptions and increase confidence levels. However, not only the publicity of the information, but also its credibility is very important. TakaréK Mortgage Bank seeks to ensure the credibility of its results by, among other things, publishing a transparency report that meets international standards, independent third-party certification and European trademark requirements.

The Green Covered Bond Framework of TakaréK Mortgage Bank, developed in 2021 in accordance with the standards of the Green Bond Principles<sup>2</sup> published by the International Capital Market Association (ICMA), has been certified by the independent expert Sustainalytics. Under the Framework, in its impact assessment report the TakaréK Mortgage Bank reports on the environmental impact of the Eligible Green Mortgage Portfolio annually, and in its allocation report it reports on the allocation of proceeds from the issuance of green mortgage bonds on a quarterly basis. The bank publishes the information on its webpage<sup>3</sup>.

In February 2022, TakaréK Mortgage Bank became the first Hungarian mortgage bank to join the circle of international banks with the European Green Label (Energy Efficient Mortgage Label EEML). The EEML is a quality label that provides stakeholders with information about the TakaréK Mortgage Bank portfolio in a transparent way, taking into account energy efficiency. Information is published on a quarterly basis, on the homepages of TakaréK Mortgage Bank and EEML<sup>4</sup>. As of 31 December 2021 the main indicators of the allocation report and the report on the green label are as follows:



**Figure 10.**  
Indicators connected to the Green Covered Bond Framework

<sup>2</sup><https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>3</sup><https://www.en.takarekjzb.hu/green-covered-bond>

<sup>4</sup><https://www.en.takarekjzb.hu/energy-efficientmortgage-label-eeml>

In addition to the above indicators, the impact assessment report also includes the annual CO2 emission reduction achieved by the Eligible Green Mortgage Portfolio and the annual energy savings in relation to the floor area, however, in September 2021, the publication of the report in did not coincide with the timing of the sustainability report<sup>5</sup>. Takarék Mortgage Bank is committed to coordinate the reports on a quarterly basis and to be able to report all information relevant to transparency in the ESG report at once in the future.



**Management of the important materiality topic**

The specific Takarék Mortgage Bank indicators described herein (TMB1 indicator) refer to those elements of the mortgage bank’s asset and liability side product structure, with which, if they enter the market, Takarék Mortgage Bank can indirectly achieve a positive environmental impact in its core business. These products indirectly increase the energy efficiency of the real estate market by (i) encouraging green lending, and (ii) targeting a sustainability-oriented investor base with the securities issued. Takarék Mortgage Bank commits to report regularly in its sustainability report on (i) the size of its green mortgage covered bond portfolio, (ii) the size of the eligible green mortgage portfolio financed, (iii) the CO2 emissions and emissions savings of the green properties it finances. – TMB1 indicator

3.2.2. Environmental impact

**GRI code**  
305-1  
305-2  
305- (3-3)

Contributing to a low emission society is at the heart of Takarék Mortgage Bank’s sustainability ambitions, and Takarék Mortgage Bank can influence this through a number of channels. Directly linked to its core business is the strategic objective of ensuring that its green refinancing loan product reaches the widest possible range of partner banks – and thus indirectly the widest possible range of customers – and also that its green mortgage loans reach the widest possible range of investors.

**Greenhouse gas emissions**

Takarék Mortgage Bank views it as its mission to understand and gradually reduce its direct and indirect greenhouse gas (GHG) emissions in the coming years. Based on the Greenhouse Gas Protocol’s Standard for Corporate Accounting and Reporting, Takarék Mortgage Bank distinguishes three categories when analysing its environmental impacts.<sup>6</sup>

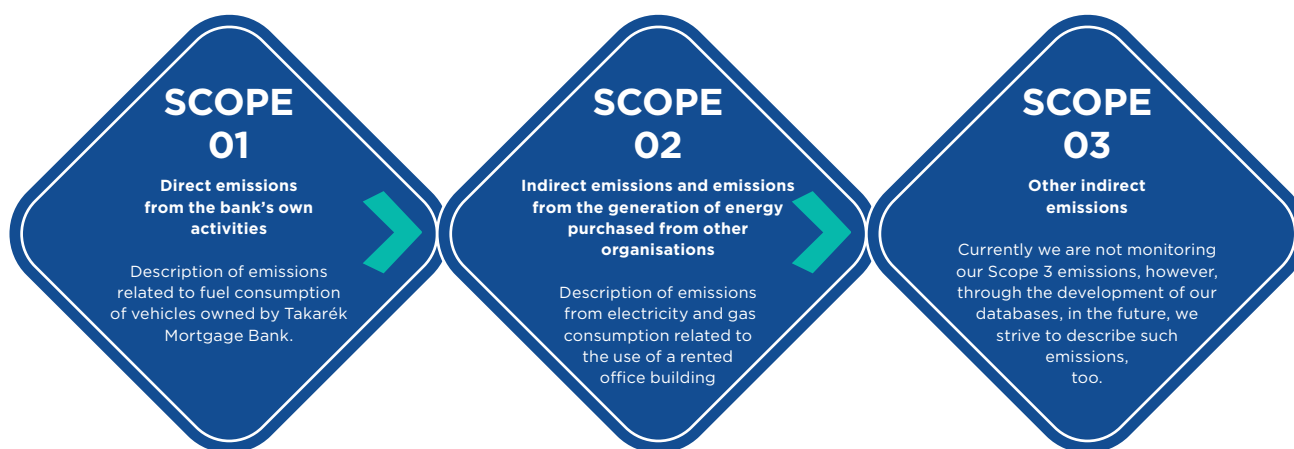


Figure 11. The emissions of Takarék Mortgage Bank

<sup>5</sup><https://www.en.takarekjb.hu/files/23/84147.pdf>  
<sup>6</sup><https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

Comparing the past two years, the annual energy consumption of Takarék Mortgage Bank was as follows. Electricity, gas, waste and water consumption was calculated on the basis of the annual energy consumption of the entire office building and the floor area of the building, pro-rated to the floor area rented by Takarék Mortgage Bank:

	2020	2021
Fuel consumption – petrol (l)	36,128	31,735
Fuel consumption – diesel (l)	2,472	1,199
Electricity (kWh)	37,739	43,719
Natural gas (m <sup>3</sup> )	4,280	4,481
Water (m <sup>3</sup> )	118	130
Waste (m <sup>3</sup> )	16	16
Selective waste (m <sup>3</sup> )	2	2

**Table 4.**  
Annual energy consumption

Our carbon footprint is calculated by quantifying the emissions of the following three greenhouse gases:

- carbon dioxide (CO<sub>2</sub>)
- methane (CH<sub>4</sub>)
- nitrous oxide (N<sub>2</sub>O).

Individual emissions have been converted to the equivalent amount in carbon dioxide in tonnes, using the Global Warming Potential (GWP), and these values are used in the Sustainability Report<sup>7</sup>. The global warming potential values are taken from the IPCC Fifth Assessment Report. The basis for determining the emission factors is the EIB Project Carbon Footprint Methodologies (Methodologies for the Assessment of Project GHG Emissions and Emission Variations), a carbon footprint calculating guide, published by the European Investment Bank in February 2022<sup>8</sup>.

Takarék Mortgage Bank has monitored its direct Scope 1 emissions from 2019, and its indirect, Scope 2 emissions from 2020:

EMISSIONS OF TAKARÉK MORTGAGE BANK CO. PLC. (tCO <sub>2</sub> E)			
SCOPE 1 EMISSIONS	2019	2020	2021
Fuel – petrol	129.435	83.094	72.991
Fuel – diesel	17.129	6.674	3.237
<b>TOTAL SCOPE 1 EMISSIONS</b>	<b>146.564</b>	<b>89.769</b>	<b>76.228</b>
SCOPE 2 EMISSIONS	2019	2020	2021
Electricity	N/A	7.70	8.92
Gas	N/A	8.18	8.56
<b>TOTAL SCOPE 2 EMISSIONS</b>	<b>N/A</b>	<b>15.88</b>	<b>17.48</b>
<b>TOTAL GHG EMISSIONS</b>	<b>146.564</b>	<b>105.649</b>	<b>93.708</b>

**Table 5.**  
Greenhouse gas emissions

<sup>7</sup>[https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5\\_Chapter08\\_FINAL.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/WG1AR5_Chapter08_FINAL.pdf)

<sup>8</sup>[https://www.eib.org/attachments/publications/eib\\_project\\_carbon\\_footprint\\_methodologies\\_2022\\_en.pdf](https://www.eib.org/attachments/publications/eib_project_carbon_footprint_methodologies_2022_en.pdf)

### Vehicle fleet

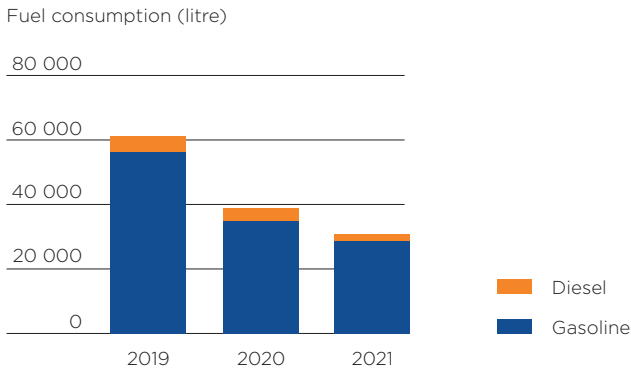


Figure 12. Change in the fuel consumption of Takarék Mortgage Bank's vehicle fleet

### Water consumption

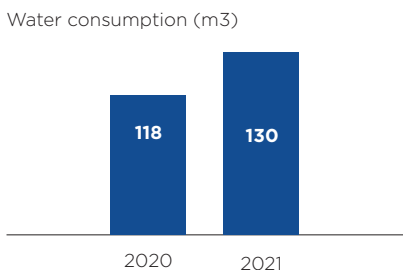


Figure 13. Water consumption of Takarék Mortgage Bank

### Waste management

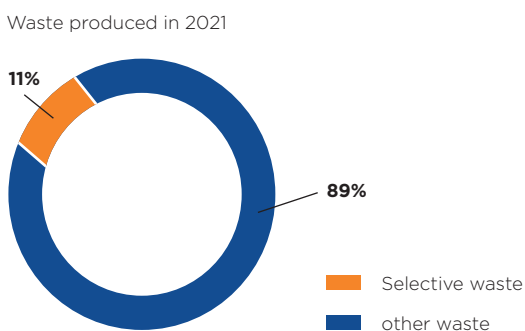


Figure 14. Waste produced

Emissions from vehicles owned by Takarék Mortgage Bank account for a significant share of emissions, accounting for 85% of total emissions in 2020 and 81% in 2021. Takarék Mortgage Bank has a significant vehicle fleet due to its former role as a group leader, but due to its changing role within the banking group and the ongoing transformation of the banking group, Takarék Mortgage Bank's vehicle fleet is gradually decreasing, with the average vehicle fleet declining to 47% in 2021 compared to 2019. Although the average fuel consumption per car shows an increase in fuel use, the Scope 1 emissions of Takarék Mortgage Bank are decreasing year by year due to the decrease in the number of vehicles.

The water consumption of Takarék Mortgage Bank is not significant, with a total water consumption of 130 m3 during the reporting period, 100% of which covers the pro-rata consumption of the Takarék Mortgage Bank within its headquarters. Water use increased by 10% in 2021 compared to the previous year due to a gradual return of workers to the office space following the pandemic.

Takarék Mortgage Bank is committed to achieving more efficient, environmentally friendly waste management and to producing as little waste as possible during its activities. In recent years, Takarék Mortgage Bank has reduced its use of paper in order to promote sustainability, including environmental protection. It already uses paperless communication to a significant extent with its main external partners (refinanced partner banks, clearing house, stock exchange, supervision), and the mortgage bond issuance process, which is the basis for its fundraising, is already fully digitised. As part of its conscious waste management, Takarék Mortgage Bank provides separate waste collection facilities at its offices, and strives to increase the proportion of waste collected separately each year.



### Management of the important materiality topic

In its current report, Takarék Mortgage Bank presents for the first time the estimated direct and indirect GHG emissions from its activities. The indicators show the CO2 emissions calculated on the basis of the fuel consumption of the existing fleet of vehicles and the floor area of the property rented by the bank. The basic data required to produce the indicators are provided by the Group and are reviewed and assessed at least annually by Takarék Mortgage Bank, which – in the event of deterioration in the indicators – reports to the Board of Directors.



## 4. FOR A MORE SUSTAINABLE SOCIETY

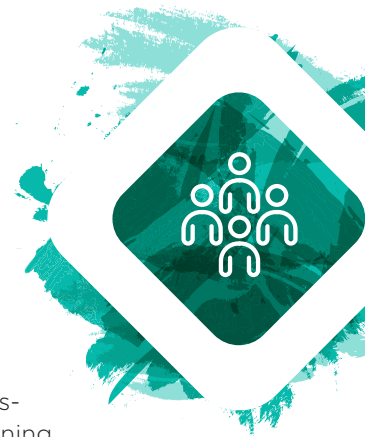
# 4. FOR A MORE SUSTAINABLE SOCIETY

## 4.1. CORPORATE SOCIAL RESPONSIBILITY

Takarék Mortgage Bank considers it important to contribute as much as it can to solving society's most pressing problems, in particular to reducing the growing social disparities, to helping disadvantaged groups and generations to catch up, to improving the low quality housing opportunities associated with extreme poverty, and, in addition, to developing and deepening a green attitude in society as a whole and to spreading a green financial culture. Supporting children is at the forefront of the Takarék Mortgage Bank's commitment to society.

In November 2020, Takarék Mortgage Bank signed a grant agreement with the Foundation for the School of Felsődobsza (Felsődobszai Iskoláért Alapítvány), aiming to improve the conditions for regular and extracurricular education, teaching, skills development and awareness-raising activities in the primary school of Felsődobsza. Furthermore, the Foundation's priority activities include talent management, promoting community activity, organising cultural, artistic, professional and sports events at the primary school, preserving traditions, and recognising the most outstanding pupils and athletes, with special attention to socially disadvantaged and Roma pupils. As a result of the sponsorship on 23 September 2021 the House of Schoolchildren along the River Hernád – „The Port of Love” was opened. In addition to financial support, in December 2021, Takarék Mortgage Bank donated various development toys to the community centre.

Among the priority social objectives, Takarék Mortgage Bank has traditionally supported sports (support for junior athletes), culture (Junior Prima) and talent development.





## 4.2. EMPLOYEES

## GRI code

2-7

2-8

401-1



Takarék Mortgage Bank Co. Plc.'s ESG strategy places special emphasis on developing a sustainable work environment and human resource management. Accordingly, mortgage bank functions which count as specialised credit institution activities, are performed by a professionally well-trained workforce with a corporate culture that recognises community and individual values. A key objective of the ESG strategy is to maintain equal opportunities – with a particular focus on reducing the gender pay gap – and diversification, so that Takarék Mortgage Bank remains an inspiring and attractive place to work, partly by attracting young people to the workplace and partly by retaining experienced colleagues.

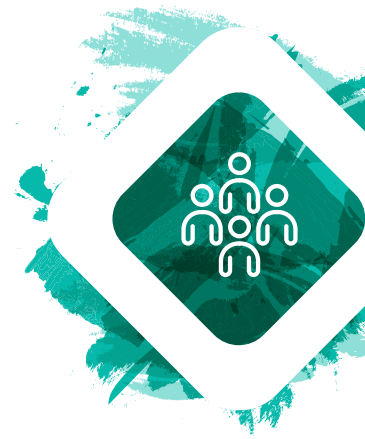
The information presented in this report on the changes and composition of the number of employees is based on full-time equivalent (FTE) data as of 31 December each year. Takarék Mortgage Bank's workforce is characterised by stability and low turnover, and due to the nature of the activity, there is no seasonality in the data. It is important to note that from 2018 on, the structure of the bank group has undergone a significant and multi-stage transformation, and this has also resulted in a reallocation of staff between entities within the group, in several cases affecting employees in the predecessor's staff (inactive staff).

A key feature of Takarék Mortgage Bank's operation is that certain activities within the banking group are carried out by the specialised departments of the group's leading bank entity under a Service-level Agreement (SLA). The number of employees (on an FTE basis) in each of the specialised fields of activity that work for Takarék Mortgage Bank is quantified based on the service contracts in force. In 2021 on an FTE basis the number of employees not counting as Takarék Mortgage Bank employees was 38. We do not employ anyone through temporary agency contracts and through school and pensioner co-operatives with the involvement of HR.

## Number and composition of the workforce (FTE)

Total number of employees	2020	2021	Difference	Other comments
Based on gender	15,5	15,4	0,6%	
Male	8,3	8,1	1,6%	
Female	7,3	7,3	-0,4%	
Based on region	-	-		N/A
Hungary	15,5	15,4	0,6%	N/A

**Table 6.**  
Number of employees



2021				
Type of employment	Female	Male	N/A	Total
Indefinite term	7,3	8,1	0,0	15,4
Fixed term	0,0	0,0	0,0	0,0
Employees with a not guaranteed number of hours*	0,0	0,0	0,0	0,0
Full time	6,0	6,0	0,0	12,0
Part time	1,3	2,1	0,0	3,4
2021				
Region	Hungary	Total		
Indefinite term	15,4	15,4		
Fixed term	0,0	0,0		
Employees with a not guaranteed number of hours*	0,0	0,0		
Full time	12,0	12,0		
Part time	3,4	3,4		

Table 7.  
Composition of employees

Budapest - Number of new employees	2020	2021
Male	2	2
<30		
30-50	1	
50<	1	2
Female	1	2
<30		
30-50		
50<	1	2
<b>Total</b>	<b>3</b>	<b>4</b>

Budapest - Number of employees leaving	2020	2021
Male	2	5
<30	-	-
30-50	2	2
50<		3
Female	4	2
<30		
30-50	4	2
50<		
<b>Total</b>	<b>6</b>	<b>7</b>

The above data also include employees providing services to the Bank under the Service-level Agreements of Takarék Mortgage Bank.

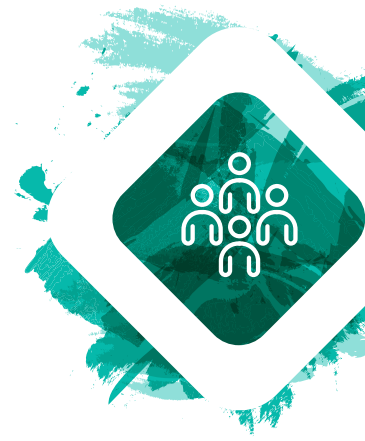
Table 8.  
Number of employees entering and leaving

\*Any employee who is not guaranteed a minimum number of hours per day, week or month, but must be available to work as needed.

## 4.2.1. Employee benefits, gender pay equality, performance management

### GRI code

2-18  
2-19  
2-20  
401-2  
401-(3-3)



Takarék Mortgage Bank applies the Group's remuneration policy on the basis of the all-time relevant internal rules in force. Under the remuneration policy, Takarék Mortgage Bank employees may receive performance-related pay based on performance assessment („bonus”) up to a maximum of 12 months' basic salary. In the future, remuneration will also be linked to sustainability considerations. Within the Group there is a performance management in place, which applies uniformly to all employees, including the members of the governing board. Performance management gives feedback on the employee's performance throughout the year, documents achievements, commitments, problem solving and challenges which have been defined as the focus, and decides on remuneration of performance based on the results.

In the event that a member of the governing body in employment has committed a criminal offence in relation to the group member or its operation, or has committed a breach of duty, serious misconduct, abuse or omission not constituting a criminal offence – in relation to the duties and responsibilities performed by him/her (in particular, if the Director's act has materially impaired the credibility and/or profitability of Takarék Mortgage Bank Co. Plc. or its Subsidiary), has been involved in or was responsible for practices that have caused material financial loss or fails to meet the requirements of fitness and propriety, then his/her entitlement to the unfulfilled portion of the performance bonus awarded shall cease. Takarék Mortgage Bank Co. Plc.'s CEO – pursuant to the procedure specified in the remuneration policy of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises – is entitled to decide, for the period covered by the circumstance giving rise to the recovery, on the recovery of the performance bonus accounted for/paid to the Director concerned. On the recovery of the performance-related remuneration of the CEO of Takarék Mortgage Bank the General Meeting of the Bank is entitled to decide.

As a starting point for setting personal objectives, for 2022, the Group has set company-wide objectives for all employees, and from 2022 onwards such target also includes ESG („We are partners in sustainability”). It is the responsibility of the employees to – based on the function's objectives and in consultation with their managers – define their individual objectives, and then to prepare such individual targets, which now include sustainability aspects, too. To set the objectives, quantitative and qualitative performance criteria are defined. The objectives are followed by a half year assessment.

### Fringe benefits for full and part time employees

Eligibility for fringe benefits is determined on the basis of compensation guidelines based on group-wide policies, and under such policies, no distinction is made between full-time and part-time employees.

#### Elements available in 2021:

- advance payment from the salary,
- support for glasses ensuring clear vision,
- SZÉP card for catering services.

#### Support to be provided on a social basis:

- social support,
- school enrolment support,
- support upon the birth of a child,
- support for those marrying for the first time,
- mobility support,
- support for workers' accommodation.

#### Other awards and rewards:

- jubilee reward,
- reward upon obtaining a diploma,
- employee recommendation reward,
- worker of the month award.

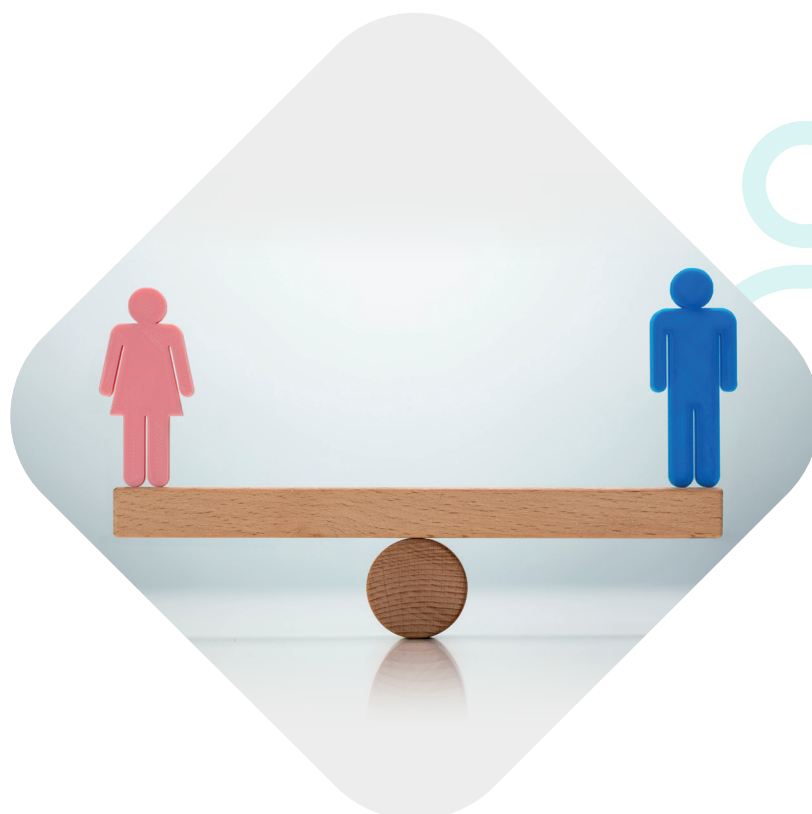


	For a full time employee?		For a part time employee?	
	yes	no	yes	no
Life insurance	x		x	
Healthcare	x		x	
Disability insurance	x		x	
Parental leave	x		x	
Pension scheme		x		x
Share ownership		x		x
Other	x		x	

**Table 9.**  
Fringe benefits for the employees

**Management of the material topic**

Takarék Mortgage Bank considers gender equality between employees to be an important sustainability factor for both the gender composition of the workforce, as well as from the point of view of the gender pay gap. In the highest governing bodies, that is in the Board of Directors, out of 6 member 2 are women, whereas in the Supervisory Board, out of 5 members 1 is a woman. In 2021, the gender distribution of employees in Takarék Mortgage Bank was balanced at close to 50%-50%, which it will seek to extend also to the management level in the future. It considers gender pay equality as a key sustainability objective, and therefore undertakes to examine the gender pay gap at least annually in the future and to report to the Board of Directors on its development.



## 4.2.2. Education and training

To operate effectively, Takarék Mortgage Bank pays special attention to the personal and professional development and training of our staff. Based on the employment guidelines applicable to the members of the MKB Bank Group, including Takarék Mortgage Bank, the establishment and operation of the training and development system is the exclusive responsibility of the HR function. In accordance with the employer's organisational development strategy and taking into account the qualification and further training requirements for each job, the training and development plan includes all the trainings and courses included in the training system for the given year. The training and development system includes the following training types:

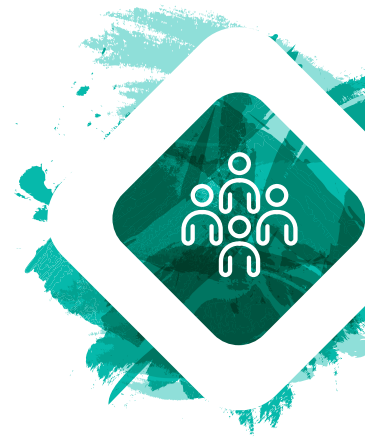
- **mandatory courses: courses which are obligatory for everyone,**
- **central professional and competence development courses: training specific to the job, requested by the head of an area of expertise or recommended in the performance management system,**
- **specialised courses: expert training for people working in a specific field,**
- **optional external and internal courses,**
- **courses of the talent management programme,**
- **courses of the leadership development programme.**

As a mandatory training, all new employees of Takarék Mortgage Bank are required to attend an orientation training, and all employees are expected to complete the e-learning course on fire and occupational safety, consumer protection, data protection, bank security, IT security, compliance, prevention of money laundering and conflict of interest, by a specific deadline.

In 2021, the Bank Group started to place more emphasis on the effective management of change, supported by the launch of the Change Management Academy by Bankholding's Human Resources function. Within the framework of the 2-year comprehensive programme, the employees of Takarék Mortgage Bank can also acquire theoretical knowledge and best practices for managing changes in the day-to-day operations of the organisation.

In 2021, the Group has also placed a greater focus on leadership development, in order to develop and strengthen a unified leadership culture. In the framework of the Leadership Development Programme, our senior staff have participated in a number of personal and professional development courses.

Takarék Mortgage Bank attaches great importance to ensuring the supply of new employees, so it provides internships for young people in higher education. In 2021 the mortgage bank supported the professional development and gaining of experience of 1 person. From 2022 onwards, Hungarian Bankholding has unified its group-wide internship programme under the name Fusion, with the aim of attracting more young talent.





## 5. RESPONSIBLE CORPORATE GOVERNANCE

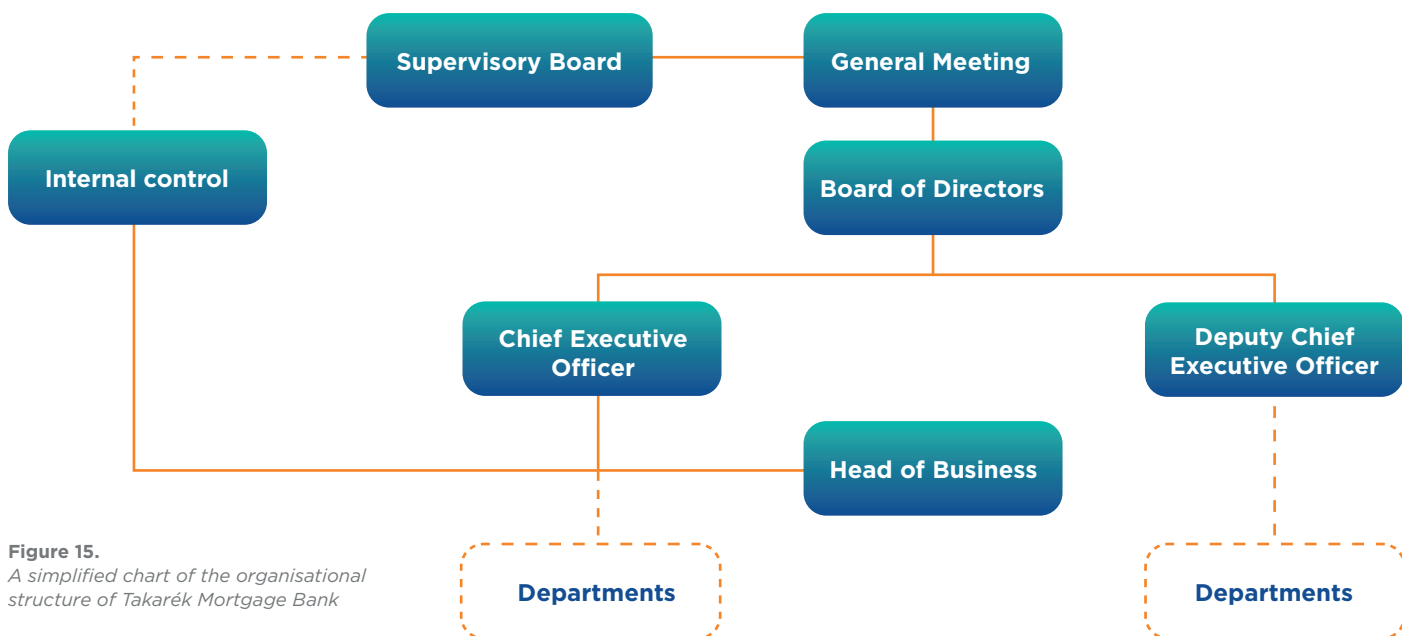
# 5. RESPONSIBLE CORPORATE GOVERNANCE

## 5.1. GOVERNANCE STRUCTURE, RESPONSIBILITIES OF THE MANAGERS



**GRI code**  
 2-9  
 2-10  
 2-11  
 2-12  
 2-13  
 2-14

**A simplified chart of TAKARÉK MORTGAGE BANK’s organisational structure**



**Figure 15.**  
 A simplified chart of the organisational structure of Takarék Mortgage Bank

### Board of Directors (BoD)

The Board of Directors (BoD) is the legal representative and executive body of Takarék Mortgage Bank, it represents the Issuer vis-à-vis third parties, before courts and other authorities. It continuously organises, directs, coordinates and controls the activities and management of Takaék Mortgage Bank, it ensures its lawful and prudent operation, and directly or by delegation, exercises the ownership and membership rights over Takarék Mortgage Bank’s investments. Out of the BoD, two are internal members, and they are continuously employed by Takarék Mortgage Bank. The BoD is fully responsible for the contents of the sustainability report, for setting up the ESG strategy and for achieving the objectives set out in it, and also for ensuring their consistency. Accordingly, the BoD has a direct impact on the implementation of sustainability factors and its decisions have a direct impact on our sustainability profile.

### The Supervisory Board (SB)

Monitors the management and activities of the Takarék Mortgage Bank, in order to safeguard the interests of its owners. The members of the BoD and SB are chosen by the general meeting, from the circle of shareholders or other persons. There is a continuous and objective work relationship between the boards. The members of the SB are independent, and three of them are also members of the Audit Committee, which assists the SB in monitoring the financial reporting system, selecting the auditor and cooperating with the auditor.

Reinforcing the practice started in 2021, Takarék Mortgage Bank commits to include a presentation of the ESG strategy and related activities as a mandatory element of the regular quarterly Board and Supervisory Board reports, which will be communicated to the head of the Group ESG and sustainability.



### Management: CEO and Deputy CEO

Both of them are also internal members of the BoD. The Board of Directors, through the Chairman of the Board of Directors, exercises the rights of employer over the members of the management. The BoD has six members, out of which two are internal and four are external members. There are 2 women and 4 men. The SB consists of five members, out of which 1 is a woman and 4 are men. The mandate of the members of the BoD and the SB is for 5 years.

### Green Mortgage Bond Committee (GMBC)

As a specific corporate governance element, Takarék Mortgage Bank established its Green Mortgage Bond Committee (GMBC) at the end of 2020, to strengthen the role of sustainability factors in the governance of Takarék Mortgage Bank, in particular in the areas of business and risk management. The GMBC's approval is a prerequisite for the modification of the Framework and also for the assets to be classified as Eligible Green Mortgage Loans. The GMBC has 7 members, all of whom are internal members, meaning that the chair of the governing body is also member of the management within Takarék Mortgage Bank at the same time. Out of the seven members 2 are women and 5 are men.

The implementation of ESG aspects in corporate governance is decided by the Board of Directors on the basis of a proposal from the Capital Markets Department function. The selection criteria for GMBC members was to have a good understanding of all important areas of Takarék Mortgage Bank: refinancing, capital markets, risk management, collateral registration, collateral management and ALM. Permanent invitees of GMBC are: the head of the Integration Organisation, the head of the corporate governance of Magyar Takarékszövetkezeti Bank Zrt. (MTB). An important criterion for the nomination of each member is professionalism, appropriate education, competence and extensive business experience. Where possible, they should also show results in the area of sustainability in their own field (e.g. digitalisation).

At the operational level, the implementation of the ESG strategy and the fulfilment of the sustainability reporting commitment made at the end of 2021 is coordinated by the Capital Markets area of Takarék Mortgage Bank. The Head of Capital Markets reports directly to the CEO and is responsible for implementing the ESG strategy and reporting. The Capital Markets area is also directly responsible for the coordination of green mortgage bond issues, and the head of the function is a member of the Green Mortgage Bond Committee.

## 5.2. RESPONSIBLE OPERATION

### 5.2.1. Conflict of interests

**GRI code**  
2-15

In the case of Takarék Mortgage Bank, incompatibilities and conflicts of interests are regulated by the Conflicts of interest policy no. 34/2018. published by the Central Organisation of Integrated Credit Institutions. Based on the relevant legislation and supervisory recommendations, it sets out principles, processes and procedures for the management of conflicts of interest and incompatibilities, to prevent conflicts of interest from arising and to identify and manage conflicts of interest that have already occurred. Management and employees should be aware of the circumstances that may give rise to a conflict of interest and should periodically make a declaration of interest.

The management of Takarék Mortgage Bank intends to take all necessary measures to prevent any conflict of interest between the tasks performed for Takarék Mortgage Bank by persons holding office in its administrative, management and supervisory bodies and the private interests or other tasks of such persons.



## 5.2.2. Ethical operation

### GRI code

2-26

2-26 (3-3)

Full compliance with ethical rules is a key factor in maintaining internal and external partnerships and minimising reputational risks. For Takaréék Mortgage Bank the Code of Ethics is guiding in ethical matters. The Code of Ethics can be found on the internal intranet interface, and is also part of the general compliance training material, which is mandatory for all employees, who then must pass an exam from such material. In the case of a specific question, the employee can ask for an expert opinion.

In accordance with the Code of Ethics, in its relations with its customers, partners, competitors, employees and any other entity, the credit institution shall apply fair, equitable and equal treatment based on respect and dignity, it shall respect rights relating to personality, reject any behaviour that is exclusionary or discriminates against any person or group, and stand up for those who have been harmed.

The Code of Ethics defines ethical misconduct as any event, procedure or conduct that violates the rules set out in the Code of Ethics or otherwise breaches moral standards. Employees of the credit institution who suspect a breach of the standards set out in the Code of Ethics must immediately report it in writing (e-mail, letter) to the MTB Compliance Officer. This applies to both employees and persons outside the Takaréék Mortgage Bank. It is also possible to file a complaint anonymously, but in such case the Ethics Committee is entitled to decide whether the information and evidence contained in the complaint justify a substantive examination of the complaint and the initiation of an ethics procedure. The Ethics Committee and the Compliance Officer keep the investigation confidential – in accordance with applicable laws and regulations.

Between 2020 and 2022 there were three cases when a complaint based on the suspicion of ethical misconduct was made. Out of the three cases one was initiated in 2020 but it was closed in 2021. None of these cases have turned into an ethical investigation.

### *Management of the material topic*

**In the case of Takaréék Mortgage Bank – in addition to the group-level regulation – the control of ethical standards and the flow of related information is well regulated. As Takaréék Mortgage Bank is an active participant in the capital market, and has a complex network of relationships with investors and other market participants, this factor has a higher priority than usual.**



## 5.2.3. COMPLIANCE WITH LEGISLATION

## GRI code

2-27

2-27 (3-3)

As a player in the credit institutions sector, and within such, as a mortgage bank subject to stricter supervisory rules compared to commercial banks, and as an active issuer of securities, Takarék Mortgage Bank is committed to comply with the all-time legislation. In addition to preserving its integrity, in order to preserve its good reputation in the securities market and the stock exchange, for Takarék Mortgage Bank it is a priority to ensure that it operates in compliance with the law and is prepared in a timely manner for expected changes in the regulatory environment.



		2019	2020	2021
All cases arising from non-compliance (2019-2021)	3	1	1	1
Number of cases when a fine was imposed	2	1	1	0
Financial value of the cases	HUF 2-5.5 million	HUF 2 million	HUF 5.5 million	0
Number of cases when non-financial sanctions were imposed	1	0	0	1

**Table 10.**  
Cases arising from non-compliance with legislation

Takarék Mortgage Bank seeks to avoid incidents of non-compliance with the legislation and minimise the associated risks by investigating previous incidents and through its compliance and internal control processes. In line with its ESG strategy, it aims to reduce the number of non-compliance cases to zero in the future and to keep it at this level by strengthening the above-mentioned processes.

**Table 11.**  
Description of cases arising from non-compliance with legislation

Details of the individual cases	Description and consequence of the case
CASE 1	MNB imposed a fine of HUF 2 million on Takarék Mortgage Bank for failing to keep some of its credit risk management policies up to date and for some information security deficiencies.
CASE 2	MNB fined Takarék Mortgage Bank for HUF 5.5 million for fulfilling its data reporting obligations incorrectly.
CASE 3	MNB has warned Takarék Mortgage Bank to in the future comply with its obligation to regularly provide information on time, to publish the number of voting rights attached to its shares by series, with indicating the owned share stocks and the amount of share capital for the last day of the month without delay, but no later than the following day.

In refinancing mortgage loans and issuing mortgage bonds, Takarék Mortgage Bank competes actively but ethically with other mortgage banks, with which it has developed a fair professional relationship over the years. Issues affecting the sector are typically discussed within the Banking Association. There are no competition or antitrust proceedings in progress against Takarék Mortgage Bank.

Compliance, ethical operation and transparency are important values that help Takarék Mortgage Bank maintain its competitiveness and reputation, and strengthen its reputation both in Hungary and abroad. Domestic and international green and ESG regulatory frameworks are continuously becoming stricter, and in order to comply with them it is essential to mainstream ESG considerations and communicate them transparently to stakeholders. Takarék Mortgage Bank continuously examines and takes an active role in the discussion of national and international standards and drafts, both at the level of the domestic Banking Association and within the European ECBC.



### **Management of the material topic**

**A key element of Takarék Mortgage Bank's integrity is compliance with the law and the regulatory environment in which it operates. As a specialised credit institution, Takarék Mortgage Bank (Act XXX of 1997 on Mortgage Loan Companies and Mortgage Bonds) is subject to stricter regulation than commercial banks, which, from 8 July 2022 also ensures compliance with Directive (EU) 2019/2162 on the issue of covered bonds and covered bond public supervision. Takarék Mortgage Bank is committed to following local and international mortgage banking and mortgage bond regulations and good market practices, and plays an active role in legislation through its membership of the Hungarian banking association and its representation in international organisations.**

## 5.2.4. Anti-corruption

### GRI code

205-1  
205-3  
205-(3-3)

Corruption and bribery not only violate criminal law and economic standards, but are also contrary to sustainability values, which is why Takarék Mortgage Bank adheres to the highest ethical standards. The strengthening of anti-corruption behaviour within Takarék Mortgage Bank is seen as one of the main tasks of the Bank (application of the zero tolerance principle).

Corruption within Takarék Mortgage Bank can occur mainly in areas where stakeholders have a decision-making role and influence on business activities (lending, refinancing). There may be a risk of corruption for people who have access to important (insider) information or can influence decision-making directly or indirectly (e.g. through their job hierarchy). Managers and employees are regularly required to make a declaration of interest, which is also part of the anti-corruption policy, as well as raising awareness, increasing the moral integrity of employees and reducing situations that allow corruption.

The previous anti-corruption policy of MTB was essentially an implementation of the anti-corruption policy of the former group leader, MBH. This Policy (Code) did not include an obligation to provide education, only that "everyone" had to be familiar with the Code. MTB has published the anti-corruption policy on the Internet, among other published policies. The Anti-Corruption Policy of the Hungarian Bankholding was replaced by the MKB anti-corruption policy in April 2022 – after MKB bank becoming the group leader – which is directly applicable to the members of the MTB Banking Group, including Takarék Mortgage Bank. The new anti-corruption policy already includes a training obligation.

For Takarék Mortgage Bank, no transactions involving bribery, corruption, or illegal gains were recorded in 2020 or 2021. The morale of this small, close-knit community is high, and in areas at risk of corruption, the roles of the final decision-maker and the persons preparing the decision are separated.

	2020	2021
All corruption cases	0	0
Percentage	0	0

**Table 12.**  
Cases examined in connection with the risk of corruption



	Definition	2020	2021
All corruption cases		0	0
Cases when employees were laid off or disciplinary proceedings were launched because of corruption	Cases in which there was evidence of corruption or bribery that could be proven by a court order or complaint documents.	0	0
Cases when contracts with business partners were terminated or were not renewed because of corruption	Cases in which there was evidence of corruption or bribery that could be proven by a court order or complaint documents.	0	0
Public legal proceedings launched against the company or its employees		0	0

**Table 13.**  
Confirmed corruption cases and the measures taken

**Management of the material topic**

The group-wide policy and the anti-corruption policy applied are binding for TakaréK Mortgage Bank, and possible conflicts of interest are reviewed on a yearly basis. From 2022 on there is also a training which aims at familiarising employees with the anti-corruption policy.



## 5.2.5. Innovation, digitalisation

The sustainable, smooth and fast serving of our partners is especially important for Takarék Mortgage Bank. One of Takarék Mortgage Banks priority projects is Automated Valuation Method (AVM), with the explicit aim of supporting the MKB Bank Group's objectives related to digitalisation and achieving a stable position in the market for digital services related to property valuation. AVM is a digitalisation and automation solution for property valuation that supports not only mortgage banking, but also the valuation and value validation processes of the MKB Bank Group.

This innovation, based on many years of professional experience, can support tasks such as primary valuations, CRR-based revaluations and risk management tasks. The planned AVM solution will generate real estate values exclusively based on electronic data, through automated processes, which will be delivered to the target users in a paperless way, also through electronic channels (program interface, API, other middle-ware solutions). One of the most positive consequences of AVM is that compliance with national and international regulations and legal requirements (increasingly frequent revaluation requirements) can be achieved more easily, quickly and accurately using AVM, without the need for a significant environmental impact of the valuation activity itself, as opposed to the traditional method used in the past (travelling, use of a fleet, etc.).

It is the Mortgage Bank's and also the Group's explicit aim to use AVM as widely as possible in order to serve customers efficiently and quickly. AVM is also good for the collection of public data which are accurate and well-documented, and its widespread use facilitates the provision of information to customers, helps them make informed decisions and significantly increases the transparency of the domestic real estate market, which Takarék Mortgage Bank is committed to achieving.

The long-term goal of Takarék Mortgage Bank's AVM project is to extend the service to external customers, too (partner banks, insurance companies, other external customers). Doing so can deliver a range of benefits for Takarék Mortgage Bank's partners, such as cost efficiency, speeding up processes, enhancing customer experience and reducing the unnecessary use of resources, as well as continuously integrating sustainability into the long-term business plans of stakeholders.

Last but not least, the AVM system for digitalisation is able to store the energy performance characteristics of residential properties at database level (year of construction, method of construction, energy rating data), which indirectly supports the use of the system for „green lending”, i.e. green refinancing related to the core activity of Takarék Mortgage Bank and the issuance of green mortgage bonds based on this activity.



## 5.2.6. Transparency

### GRI code

TJB 2  
TJB 2 (3-3)

In addition to the continuous compliance with the regulatory environment applicable to Takarék Mortgage Bank, ensuring the transparency of business activities and processes to achieve sustainability goals is a key strategic objective of Takarék Mortgage Bank. TAKARÉK MORTGAGE BANK enhances its reputation and also its competitiveness by regularly disclosing credible data and information on its operations, progress and values to its partners, investors and regulatory authorities and rating agencies.

Takarék Mortgage Bank's status as an active issuer of mortgage bonds and its status on the Budapest Stock Exchange requires a level of transparency that is even higher than that expected from credit institutions. In addition to the transparency requirements related to its core business, it also publishes a quarterly report on mortgage collaterals and mortgage bonds issued (including green collateral and mortgage bonds). In February 2022 Takarék Mortgage Bank received the European Energy Efficient Mortgage Label (EEML), with an obligation to regularly publish a transparency report belonging to the label. (Takarék Mortgage Bank published its EEML report for Q4 of 2021 in the middle of April, 2022).

In parallel with the incorporation of sustainability factors, it commits to sustainability reporting in line with its ESG development roadmap (see Annex 1), was prepared at the end of 2021, in accordance with the reporting guidelines published by the Budapest Stock Exchange. Takarék Mortgage Bank's objective is to achieve ESG reporting at quarterly frequency and "Advanced" level by 2025, resulting in (i) limited assurance ESG certification being available in 2026 and (ii) the feasibility of preparing for Science Based Target setting in 2026, and the assessment of associated resources and costs.

### Management of the material topic

**At the time of compiling this report, Takarék Mortgage Bank does not have an indicator that shows the accounting result of products related to economic activities that are considered as environmentally sustainable. Takarék Mortgage Bank undertakes to prepare for the production and reporting of the indicator(s) with this information content in the next reporting periods, in line with the objectives of the ESG strategy.**

## 5.2.7. Protection of customer data, cyber security

### GRI code

418-1  
418-(3-3)

With the rise of digitalisation, IT and cyber security are becoming increasingly important not only for Takarék Mortgage Bank, but also for the Bank Group.

Takarék Mortgage Bank is committed to protecting the data collected in the course of its business activities and to protecting personal data. It strives to ensure that the data processed comply with the EU General Data Protection Regulation (GDPR) and other requirements set out in other rules where applicable. The Group-wide Privacy Policy is designed to provide guidance on the processing and use of data in accordance with the GDPR. Takarék Mortgage Bank employees receive training and pass an exam to demonstrate their knowledge of data protection.

In the period between 2019 and 2021 no complaints about breaches of customers' personal data were received from external parties or regulators.

### Management of the material topic

**Parallel to the fast spreading of digitalisation, the protection of customer data and cyber security are becoming increasingly important for banks and therefore for Takarék Mortgage Bank, too, partly for ethical and partly for reputational reasons. In an increasingly competitive market, customer retention is a priority.**

## 5.2.8. Prevention of fraud and security

**GRI code**

418-1  
418-(3-3)



Fraud prevention, as well as anti-corruption, is of paramount importance for the prudent operation of Takarék Mortgage Bank, its reputation and the respect and trust of its partners.

Takarék Mortgage Bank applies the group-wide fraud prevention and data security processes and internal control system. From a fraud prevention and data security perspective, the management and security of customer data is a key focus, given the fact that Takarék Mortgage Bank’s business is based on the refinancing of partner banks, whereby it typically processes data of residential customer loans and real estate data. The development of digitalisation processes puts the focus on maintaining and improving data security, with the aim of prudently managing fraud prevention and reducing the resulting reputational risk.

Number of cases of misuse of customer data	2019	2020	2021
Total number of complaints	1	6	1
Number of complaints received from external parties and substantiated by the company	0	6	1
Number of complaints received from regulatory bodies	1	0	0
Number of identified (customer) data thefts or losses	0	0	0

**Table 14.**  
*Number of cases of misuse of customer data*

Data leakage, theft and loss of customer data can not only turn customers away, but can also have serious social consequences, especially if data is transferred to organisations where customers are not protected from different types of discrimination, bias, humiliation and abuse, or where their human rights are not respected. Takarék Mortgage Bank’s management is committed to data protection, and the management and monitoring of the relatively small number of complaints is good, with a significant reduction in the number of complaints.

**Management of the material topic**

**Takarék Mortgage Bank strives to ensure that there are no complaints from customers or external parties, and requires its partners to give data protection the same priority. It intends to strongly enforce data protection principles in the contracts governing its partnerships.**

## 5.2.9. Ensuring responsible growth

### GRI code

2-23  
2-24  
412-1  
412-2  
412-(3-3)



Takarék Mortgage Bank considers the protection of human rights as a fundamental element of sustainable operations. Therefore in the future it is going to collect data on human rights and human rights education. In 2020 and 2021, from the point of view of human rights no data were collected in the different areas of operation. In the same period there were no human rights trainings held, either. Mortgage lending and, indirectly, the mortgage banking activity taking responsibility for the development of an energy-efficient housing stock, demonstrates Takarék Mortgage Bank's commitment to social factors, with respect for human rights, both in the external and internal environment.

### Equal opportunities

Based on Decree 22/2016. (VI.29.) of the Minister of the National Economy prescribing the access for persons with disabilities to financial services under equal opportunities Takarék Mortgage Bank is required to establish a strategy to promote equal access to financial services for people with disabilities and to establish a set of rules that form an integral part of this strategy. The website of Takarék Mortgage Bank is also available to customers in an accessible version, and besides the list of branches of Takarék Bank (which can also be filtered for accessibility), the service map is also available, and it contains the list of accessible branches, as well as the range of services available. The employees of Takarék Mortgage Bank are provided with a full understanding of the supervisory and legal expectations of the Group's members in the use of financial services by people with disabilities, as well as the Group's strategy for the protection of consumers, through annual consumer protection training, which is backed up by an examination.

### Management of the material topic

**Takarék Mortgage Bank expects all its partners, stakeholders and employees to be aware of and respect human rights. TAKARÉK Mortgage Bank commits to investigate and monitor the implementation of fundamental human rights directly in the course of its business activities in the future.**





# 6. ANNEXES

## 6.1. DEVELOPMENT ROADMAP FOR ESG REPORTING



ESG category	2022	2023	2024	2025
Type of publication (stand-alone or integrated)	Stand-alone	Stand-alone	Stand-alone	Stand-alone
Frequency of publication (yearly, quarterly)	Yearly	Yearly	Yearly	Quarterly update
Format of the report (basic or standardised)	Report according to GRI	Report according to GRI	Report according to GRI	Report according to GRI
Certification by an external party (yes, no)	No	No	No	No
Objectives (yes, no, is there any monitoring?)	No	No	ESG objective	ESG objective
ESG category (level) throughout the year (where it can be categorised based on its existing elements)	Intermediate level	Intermediate level	Intermediate level	Advanced level
Development goals until the end of the year for reaching the next level (e.g. usage of the standard, certification)	Usage of standard	Preparation of defining the ESG goals	Incorporation of ESG objective	Preparation for the definition of Science Based Targets in 2026.
Actions planned by the end of the year (e.g.: definition of the baseline, assessment of reporting processes/capacity, development of data collection methodology, performing the materiality assessment, etc.)	<ul style="list-style-type: none"> <li>• Getting to know the GRI standard</li> <li>• Analysis of good practices of the sector</li> <li>• Materiality assessment and stakeholder mapping/survey of responsibilities/definition of the dedicated ESG tasks</li> <li>• Compilation of the report</li> <li>• Setting up the processes for data collection and processing</li> </ul>	<ul style="list-style-type: none"> <li>• Development of the implemented processes</li> <li>• Drafting the ESG objectives for the short, medium and long term</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation for the quarterly reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation for the definition of Science Based Target, assessing related resources and cost factors</li> <li>• Conducting the selection process for an external party for limited external assurance</li> </ul>

# 7. GRI INDEX

Statement of use	TJB has reported in accordance with the GRI Standards for the period 1 January 2021 - 31 December 2021.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standards	Not currently available.



Indicator no.	Name of indicator	Where it can be found	Comment/justification for omission
<b>GRI 2: General publication 2021</b>			
<b>1. Reporting practices of the organisation</b>			
2-1	Organisational details	1.2. Structure of the report, page 6	
2-2	Entities included in the organization's sustainability reporting	1.2. Structure of the report, page 6	
2-3	Reporting period, frequency of reporting, contact	1.2. Structure of the report, page 6	
2-4	Restatements of information		Not relevant, as this is the first sustainability report of Takarékk Mortgage Bank Co. Plc.
2-5	External assurance		Takarék Mortgage Bank Co. Plc.'s The report on the year of 2021 is not assured by an external party.
<b>2. Activities and employees</b>			
2-6	Activities, value chain and other business relationships	2.1.1. Market presence, page 12 2.1.2. Supplier chain and network of connections, page 15	
2-7	Employees	4.2. Employees, page 25	
2-8	Workers who are not employees	4.2. Employees, page 25	
<b>3. Governance</b>			
2-9	The governance structure and composition of the organisation	5.1. Governance structure, responsibilities of the managers, page 31	
2-10	Nomination and selection of the highest governance body	5.1. Governance structure, responsibilities of the managers, page 31	
2-11	Chair of the highest governing body	5.1. Governance structure, responsibilities of the managers, page 31	
2-12	Role of the highest governance body in overseeing the management of impacts	5.1. Governance structure, responsibilities of the managers, page 31	
2-13	Delegation of responsibility for managing impacts	5.1. Governance structure, responsibilities of the managers, page 31	
2-14	The role of the highest governing body in sustainability reporting	5.1. Governance structure, responsibilities of the managers, page 31	
2-15	Conflict of interests	5.2.1. Conflict of interests, page 32	



Indicator no.	Name of indicator	Where it can be found	Comment/justification for omission
2-16	Communication of critical issues		There were no critical cases during the reporting period.
2-17	Collective knowledge of the highest governing body	2.1.3. Sustainability strategy, page 16	
2-18	Evaluation the performance of the highest governing body	4.2.1. Employee benefits, gender pay equality, page 27	
2-19	Remuneration policies	4.2.1. Employee benefits, gender pay equality, page 27	
2-20	Process to determine remuneration	4.2.1. Employee benefits, gender pay equality, page 27	
2-21	Annual total compensation ratio		In line with the decision of the HR this information is confidential.
2-22	Statement on sustainable development strategy	Welcome words from the CEO, page 2	
<b>4. Strategy, method of procedure and practice</b>			
2-23	Policy commitments	5.2.9. Ensuring responsible growth page 40	
2-24	Embedding policy commitments	5.2.9. Ensuring responsible growth page 40	
2-25	Processes to remediate negative impacts	3.1. Environmental compliance, environmental risk management page 18	
2-26	Mechanisms for seeking advice and raising concerns	5.2.2. Ethics, page 33	
2-27	Compliance with law and regulations	5.2.3. Compliance with law, page 34	
2-28	Membership of organisations	2.1.1. Market presence, page 12	
<b>5. Stakeholder commitment</b>			
2-29	Approach to stakeholder engagement	1.2. The main criteria used for the preparation of the sustainability report, page 7	
2-30	Collective bargaining agreements		As there are no employees covered by collective agreements, it is not included in the report.
<b>GRI 3: Material topics 2021 - The publication of material topics</b>			
3-1	Process to determine material topics	1.2. The main criteria used for the preparation of the sustainability report, page 7	



Indikátor száma	Indikátor megnevezése	Hol található	Megjegyzés/ kihagyás indoklása
3-2	List of material topics	1.2. The main criteria used for the preparation of the sustainability report, page 7	
<b>205 Anti-corruption</b>			
205 (3-3)	Management of the material topic	5.2.4. Anti-corruption, page 35	
205-1	Operations assessed for risks related to corruption	5.2.4. Anti-corruption, page 35	
205-3	Confirmed incidents of corruption and actions taken	5.2.4. Anti-corruption, page 35	
<b>305 Emissions</b>			
305 (3-3)	Management of the material topic	3.2.2. Environmental impacts, page 20	
305-1	Direct (Scope 1) GHG emissions	3.2.2. Environmental impacts, page 20	
305-2	Energy indirect (Scope 2) GHG emissions	3.2.2. Environmental impacts, page 20	
<b>401 Employment</b>			
401 (3-3)	Management of the material topic	4.2.1. Employee benefits, gender pay equality, page 27	
401-1	New employee hires and employee turnover	4.2. Employees, page 25	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.2.1. Employee benefits, gender pay equality, page 27	
<b>412 Human rights assessments</b>			
412 (3-3)	Management of the material topic	5.2.9. Ensuring the implementation of human rights page 40	
412-1	Operational functions examined from the point of view of human rights	5.2.9. Ensuring the implementation of human rights page 40	TBM is currently working on the development of a data collection method for the operational functions examined from the point of view of human rights.
412-2	Education of employees on human rights policies and processes	5.2.9. Ensuring the implementation of human rights page 40	TBM is currently working on the development of a data collection method for education on human rights.



<b>418 Substantiated complaints about customer data security and data loss</b>			
418 (3-3)	Management of the material topic	5.2.7. Protection of customer data and cyber security, page 38; 5.2.8. Prevention of fraud and security, page 39	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	5.2.7. Protection of customer data and cyber security, page 38; 5.2.8. Prevention of fraud and security, page 39	
<b>Non-GRI indicators</b>			
<b>Products and services with environmental benefits</b>			
TJB1 (3-3)	Management of the material topic	3.2.1. Products and services with environmental benefits page 19	
TJB1	Indicators connected to the Green CoveredBond Framework	3.2.1. Products and services with environmental benefits page 19	
<b>Transparency</b>			
TJB2 (3-3)	Management of the material topic	5.2.6. Transparency, page 38	
TJB2	Transparency in accounting results from products related to economic activities that qualify as sustainable	5.2.6. Transparency, page 38	

