

INTERNAL LINES OF DEFENCE – ESG

The Bank has a regulation in place on the system of internal controls, based on the Law on Banks but also on the Group standards relating to internal lines of defence. In line with the Group principles, the internal lines of defence are comprised of internal governance and internal control functions.

Business areas in the Bank have primary responsibility for managing risk and therefore play a key role in achieving ESG objectives and promoting sustainable finance. The general principles pertaining to the first line of defence are defined by the Bank's Rulebook on system of internal controls and other relevant documents.

As the second line of defence, the risk management and compliance functions are responsible for the appropriate risk management of ESG risks. The second line of defense also supervises and supports the activities of the first line of defense.

As the third line of defence, the independent internal audit will conduct an independent review of ESG factors.

The OTP Bank Plc. launched the ESG Programme in November 2020 with the approval of the Management Committee. The Bank, as a part of OTP Group is actively participating in the Group processes to extend ESG Programme to its subsidiaries. In line with this, and fully based on the Group standards, the Bank adopted its ESG related regulation and defined internal governance set up, respectively.

Following the Group decision on internal ESG organization, the Bank established its permanent organization in charge for ESG in April 2023, creating the ESG Risk Coordination Unit. The overall ESG organization in the Bank is multi-level, starting from the Board of Directors, as the main decision-maker in charge primarily for ESG Strategy and ESG Risk Appetite Statement as a part of the Risk Management Strategy. It is followed by the Executive Board in charge for implementation of the ESG Strategy and putting in place the Environmental and Social Risk Management System, via respective committees being in charge for monitoring and reporting on particular ESG factors from their domains of responsibility, up to the ESG Commission. The ESG Commission is responsible for considering proposals of strategy, plans, policies, targets, performance objectives as well as initiatives, potentials and opportunities for achieving the ESG objectives. It is also in charge for monitoring and follow up of progress in implementation of the ESG Strategy and achieving key ESG objectives, evaluating them, together with the relevant organizations. It monitors impacts of climate change and environmental risks, as well as social and governance risks on the Bank's business activities, assesses their consequences and, on this basis, supports the Bank's management bodies in fulfilling their ESG responsibilities.

The Risk Management Division plays a key and primary role in ESG risk management activities, managing the Bank's specific risk-taking activities, including ESG risks, and is primarily responsible for the operation of the framework for managing climate change and environmental risks, as well as social and governance risks.

The Bank's relevant departments manage ESG risks in accordance with their existing processes, with sub-tasks being performed by the business lines that are otherwise responsible. As representatives of those business lines are present in the ESG Commission,

in the former, informing the Commission of their activities, and in the latter, participating in daily work. With this solution, the work done is transparent, controlled and practical