

INTERNAL LINES OF DEFENCE – ESG extract

The Bank (OTP Bank Romania/OBR) has a framework regulation in place which defines the role and responsibility of the internal governance and internal control functions, aligned with OTP Group regulations.

The 3 Lines of defence principles:

The general principles pertaining to the three lines of defence are defined by the Bank's internal regulation framework, Internal Organizational Rules and other relevant documents.

As first line of defense, the primary responsibility of business lines and organisational units is to manage risks.

As the second line of defence, the risk management and compliance control functions are responsible for the appropriate management of Environmental(E), Social (S) and Governance (G) risks.

As the third line of defence, during its activity the internal audit function also inspects (reviews) E, S&G factors.

The above principles are applicable as defined in OBR Internal Control framework.

ESG organization: OBR started to prepare the local ESG strategy in January 2022, based on OTP Group guidelines. The members of the Management Board allocated the necessary resources for building the ESG strategy and assumed individual ambassadors roles to start building OBR ESG culture.

As part of setting up the ESG organisation, the tasks (workflows), responsibilities and reporting obligations of the organisational units concerned are being determined. Internal regulations, reporting lines, and the ESG-relevant competences and tasks of committees and management bodies, as well as the internal control functions will be defined based on the above and the legislation, recommendations and requirements published in relation to ESG. They will also observe the NBR expectations communicated in November 2021 regarding Bank's adoption of recommendations related to prudential measures on climate risks related to: (i) governance; (ii) strategy; (iii) risk management; (iv) scenario analysis & stress testing; (v) disclosure.

Management Bodies of the Bank will steer the key decisions related to ESG local strategy definition and implementation.

Organizational Units are responsible in implementing required changes derived from ESG strategy & regulatory requirements at operational level, updating internal regulations, products and systems.

Risk Management: In relation to risk management, as an internal control function, the inclusion of sustainability aspects in risk management policies & activity was further expanded : regarding operational risk, ESG considerations are now included – in addition to scenario analysis – in risk self-assessment and loss data collection.

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In the credit risk management area, the Bank implemented in 2021 a methodology for the assessment of ESG risks at initiation of exposures to legal entities clients and over the life of the exposures. Economic activities whose nature and impact are

incompatible with the values set at the level of the OTP Group in terms of providing responsible financial services and promoting sustainable development are excluded from financing on the basis of a defined list. The internal risk regulations & loan origination and monitoring framework will be further developed in 2022 to integrate the new regulatory & OTP Group Green Framework requirements.

OBR sustainability disclosures are covered by OTP Group non-financial reporting /OTP Group Sustainability Report.