

Annex 5

INTERNAL LINES OF DEFENCE – ESG

The OTP Group has a group-wide regulation (regulation) on the system of internal lines of defence for internal governance and internal control functions, which, in accordance with MNB Recommendation No. 12/2022 (VIII.11.), defines the roles and responsibilities of internal governance and internal control functions.

Business lines and departments 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 defense are defined by the OTP Group's regulation.

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

The OTP Group launched the ESG Program in November 2020 with the approval of the OTP Group's Management Committee. The Program also had a steering committee and an operating committee. The steering committee comprised the OTP Group's deputy CEOs, the heads of the compliance, HR, legal and marketing/communication areas, as well as the head of the Green Programme Directorate. The steering committee reported to the OTP Group's management on the activity of the Programme.

Following the decision of the Board of Directors, the OTP Group's ESG organisation was established in December 2021. The organisation is multi-level: the main decision-maker is the Board of Directors, assisted and reported to by the ESG Committee as a standing committee. The ESG Sub-Committee is the operational preparatory forum of the ESG Committee, and a separate control function has been established, as set out in section 35 of the MNB Green Recommendation. As part of setting up the ESG organisation, the tasks (workflows), responsibilities and reporting obligations of the organisational units concerned were also determined in the organisational and operational rules.

The ESG Committee is responsible for identifying ESG risks, formulating strategy, plans and policies, setting targets and performance objectives and evaluating them, together with the relevant organisations, in order to define and manage climate change and environmental risks, as well as social and governance risks, assess their consequences and, on this basis, support the OTP Group's management bodies in fulfilling their ESG responsibilities.

The Risk Management Block and Sustainable development department play 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 departments that are otherwise responsible.