

## **INTERNAL LINES OF DEFENCE – ESG**

The Bank has a framework regulation in place for internal governance and internal control functions which in accordance with the Law on Banks, defines the role and responsibility of the internal governance and internal control functions. The regulation is to be implemented at local Group level as well.

The primary responsibility of business lines and organisational units is to manage risks. The general principles pertaining to the first line of defence are defined by the Rules 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 S and G risks.

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

The OTP Bank Plc. started to operate the ESG Programme in November 2020. Its Management Committee approved the Programme. All areas affected by ESG (including climate change and environmental risks) participated in the Programme and the Bank as part of OTP Group is actively participating in the Group processes to establish ESG Programme in its subsidiaries. Internal regulations, reporting lines, and the ESG-relevant competences and tasks of committees and management bodies, as well as the internal control functions are being defined and the regulation, recommendations and requirements published in relation to ESG.

In relation to risk management – as an internal control function – a regulation was drawn up in the framework of the ESG Programme on the sustainability risk management of investments, which came into effect in September 2021. The inclusion of sustainability aspects in risk management activity was expanded further in respect of operational risks: ESG considerations are now included – in addition to scenario analysis – in risk self-assessment and loss data collection. A new practice was introduced in order to indicate the ESG implications of the effects of loss events, broken down by risk type. An ESG credit risk assessment was also completed and included in relevant credit risk rules; The Bank as part of OTP Group will apply ESG principles.