

## **Statement on principal adverse impacts of investment decisions on sustainability factors**

### **Summary**

OTP Bank Nyrt. considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the principal adverse sustainability impacts statement of OTP Bank Nyrt.

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of investments and/or assets, financial and earnings situation, or reputation of a supervised entity. As a responsible financial adviser and financial market participant, OTP Bank Nyrt. puts particular emphasis on the social and environmental impacts of its financial instruments provided and/or recommended to customers, and indeed its own activities. OTP Bank Nyrt. follows international best practices on sustainability issues to implement and refine its approach to manage sustainability on a high level and to create partnership with customers to support the standards of sustainability.

OTP Bank Nyrt.'s investment decision-making processes and the provision of investment advice include all relevant risks, including sustainability risks that can have a significant negative impact on the return of an investment and on sustainability factors, as well. Sustainability factors include environmental, social and labour concerns, respect for human rights and the fight against corruption and bribery. OTP Bank Nyrt. has adopted its sustainability risk management policy that is considered during the investment decision-making processes.

## Description of principal adverse sustainability impacts

In this section the principal adverse sustainability indicators can be seen, according to the Annex 1. of the Final Report on draft Regulatory Technical Standards.<sup>1</sup>

Table 1 - Principal adverse sustainability indicators		
Climate and other environment-related indicators and metrics		
Greenhouse gas emissions	1. GHG Emissions	Scope 1 GHG emissions Scope 2 GHG emissions From 1 January 2023, Scope 3 GHG emissions Total GHG emissions
	2. Carbon Footprint	Carbon Footprint
	3. GHG Intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GwH per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

<sup>1</sup> Final Report on draft Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088

<b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>		
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board Gender Diversity	Average ratio of female to male board members in investee companies
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
<b>Indicators applicable to sovereigns and supranationals</b>		
Environmental	15. GHG Intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

<b>Table 2 - Additional climate and other environment-related indicators</b>		
<b>Climate and other environment-related indicators and metrics</b>		
Water, waste and material emissions	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average

<b>Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>		
<b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters indicators and metrics</b>		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy

OTP Bank Nyrt. monitors the above indicators and metrics during its investment decision-making process and the provision of investment advice based on MSCI ESG sustainability data and principle adverse impact metrics. MSCI dataset covers about 10.000 companies. Its indicators and metrics are designed to help financial market participants and investment advisors to understand and assess sustainability risk exposure.

Waste management is one of the most important environmental issues, with people's health and the conservation of resources being the responsibility of every financial market participant and investment advisor.

OTP Bank Nyrt. is committed to and follows the principle of using all the equipment, devices and machines for the longest reasonably possible time. In addition to this, OTP Bank Nyrt. considers its employees as the greatest asset and therefore it is crucial to maintain a safe working environment. For these reasons OTP Bank Nyrt. focuses on the above additional indicators during its investment decision-making process and the provision of investment advice.

## Description of policies to identify and prioritise principal adverse sustainability impacts

OTP Bank Nyrt. is committed to implement all relevant issues in existing processes and its operation to make its business – and those of the customers – more environmentally sustainable. OTP Bank’s Marketing and Communication Directorate is responsible for managing and coordinating corporate social responsibility operations and is headed by the Director of Marketing and Communication.

The Corporate Social Responsibility Strategy was approved by the Board of Directors. In addition to this, the governance and regulation of the various sustainability and ESG areas are implemented as follows:

Policy	Covered/affected sustainability factors	Approval
Compliance policy Annexes: Anti-Corruption policy, Sanction policy, Code of Ethics, Data Protection policy	<ul style="list-style-type: none"> <li>• consumer protection,</li> <li>• responsible corporate governance,</li> <li>• non-discrimination,</li> <li>• anti-corruption (ABC)</li> <li>• international sanctions requirements</li> <li>• business ethics, conflict of interest (incl. whistleblowing)</li> <li>• processing and protection of personal data</li> <li>• enforcement of consumer protection principles</li> <li>• reducing information asymmetry between customers and the bank</li> </ul>	approved by: Board of Directors
Security policy	<ul style="list-style-type: none"> <li>• overall security,</li> <li>• cybersecurity,</li> <li>• protection against money laundering and terrorist financing</li> </ul>	approved by: Board of Directors
HR strategy	<ul style="list-style-type: none"> <li>•HR overall</li> <li>• diversity and equal opportunity</li> <li>• health and safety</li> </ul>	approved by: Management Committee
Health and Safety regulation	<ul style="list-style-type: none"> <li>• health and safety</li> </ul>	approved by: Chief Executive Officer
Accessibility strategy	<ul style="list-style-type: none"> <li>• equal opportunities in service</li> </ul>	approved by: Board of Directors
Environmental Code	<ul style="list-style-type: none"> <li>• environmental protection in operations</li> <li>• environmental awareness in procurement</li> </ul>	approved by: Chief Executive Officer
Risk Strategy	<ul style="list-style-type: none"> <li>• all types of risks (environmental, social and governance risk factors)</li> </ul>	approved by: Board of Directors
Sustainability Risk Management Policy for Investments	<ul style="list-style-type: none"> <li>• sustainability risk</li> </ul>	approved by: Group Operational Risk Management Committee

## **Engagement policies**

OTP Bank Nyrt. is committed to assess ESG risks and opportunities with the companies in which it intends to invest or has already invested.

OTP Bank Nyrt. endorses sustainability through its engagement policy while monitoring investee companies on relevant matters, conducting dialogues with investee companies, exercising voting rights and other rights attached to shares, cooperating with other shareholders and communicating with relevant stakeholders of the investee companies.

More information on the engagement policy is described at the following locations:

[engagement policy](#)

## **References to international standards**

OTP Bank Nyrt. is committed to take part in the annual survey of Carbon Disclosure Project (CDP), in the climate-change questionnaire. CDP is a not-for-profit institution that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.