

Statement on the integration of the sustainability risks of investments (excerpt)¹

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OTP Bank Plc.

Registered office: H-1051 Budapest, Nádor utca 16.

Registered with the Court of Registry of the Metropolitan Court of Budapest under No. 01-10-041585

LEI: 529900W3MOO00A18X956.

Central mailing address: 1876 Budapest

Website: <http://www.otpbank.hu>

¹ *This Statement was amended for the purpose of clarifying the information provided on the Bank's procedures applied for the integration of sustainability risks.*

OTP Bank Plc. has developed its Sustainability Guidelines for Investments (hereinafter: Guideline) in accordance with the Regulation on sustainability-related disclosures in the financial services sector [Regulation (EU) 2019/2088]. Sustainability risks are defined as environmental, social or governance events or circumstances, whose occurrence or existence could have an actual or potential material adverse effect on the value of the investment.

Among the sustainability risks, the physical risks of climate change and the transition risk associated with climate change are particularly noteworthy.

- Physical risks are hazards resulting from climate change that can be acute, such as damage caused by storms, floods, fires, or heat waves, or chronic, such as long-term temperature rise, sea level rise, water scarcity, biodiversity loss, or deterioration of soil quality, all of which can threaten business operations and value chains. A business's exposure to physical risks is not directly related to whether the business has a negative impact on the climate.
- Risks arising from transition – including political, legal, technological, market, and reputational risks – stem from the economy's shift toward lower-carbon operations and may affect fossil fuel use, the legal consequences of climate-damaging activities, the rise of cleaner technologies, changes in consumer preferences, and the social perception of companies. In general, a business that has a greater negative impact on the climate will be more exposed to transition risks.

In the Guideline, OTP Bank Plc. provides an overall presentation of the general principles applied by it during its portfolio management activity in order to address and monitor potential sustainability risks during its investment decision-making as well as its investment and insurance advisory activities.

Management of sustainability risks constitutes an integral part of the overall risk management framework. OTP Bank Plc. considers it fundamentally important to develop a comprehensive risk management system, supervised and controlled by the Bank's responsible management bodies, for identifying, measuring, monitoring and controlling sustainability risks efficiently.

In order to measure sustainability risks, OTP Bank Plc. applies ESG ratings supplied by an external data provider. These ESG ratings take into account the aforementioned physical and transition climate risks, but also other factors.

Based on the data provided, *financial instruments and financial products (including the portfolios under portfolio management)* are classified into four internal sustainability risk categories:

1. Low
2. Medium
3. Medium high
4. High

OTP Bank Plc. draws attention to the fact that, in the case of some financial instruments, the availability of ESG data is not guaranteed, which limits the consideration of sustainability risks.

In order to integrate sustainability risk into portfolio management activities, if the exposure to sustainability risk exceeds the sustainability risk limit specified by OTP Bank Plc. in the course of the portfolio management activity, OTP Bank Plc. will take the necessary measures to reduce the sustainability risk to an acceptable level. OTP Bank Plc. monitors sustainability risks continuously during the entire lifecycle of the portfolios.

For the purpose of integrating sustainability risks into investment advice processes, OTP Bank Plc. evaluates individual financial products (investment funds, ETP²s) based on their sustainability risks as defined by the external data provider, and includes them in the group of instruments selected for investment advice depending on the result of the evaluation.

If the financial product selected for investment advice has a medium or high sustainability risk or data are unavailable, a substitute product with low or medium sustainability risk will be included in the list of financial products recommended for investment advice.

The Bank, as a dependent insurance intermediary providing insurance advice in relation to insurance-based investment products, does not classify sustainability risks as relevant based on the insurer's statement.

² Exchange Traded Product