



OTP Bank Plc.'s Engagement Policy

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OTP Bank Plc.

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

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OTP Bank Plc's long-term shareholder engagement policy

In compliance with the provisions of Section 9 of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and amendments of certain regulations for the purposes of legal harmonisation (hereinafter referred to as the “**Act**”), OTP Bank Plc. (hereinafter referred to as the “**Bank**”) has drawn up and adheres to the following Engagement Policy in respect of the shares of the Companies specified below, which it manages on behalf of its clients using the portfolio management services provided to the clients by the Bank.

Taking advantage of an option provided by the Act, the Bank has decided on a partial implementation of Sections 9 and 10, in order to enable cost-effective investment management and to prevent conflict-of-interest situations, as follows:

On the basis of the principle of proportionality, the scope of this shareholder Engagement Policy covers companies whose shares are traded on a regulated market in an EEA member state (hereinafter referred to as the “**investee company**” or the “**Company**”) and in which the Bank holds voting rights of 1% or more in the **Company** for a sustained period of more than one year.

Within the framework of the portfolio management service, the Bank, as a general rule, is not entitled to exercise voting rights on behalf of the client at general meetings of the issuers of the shares managed in the portfolio. The Bank represents its clients at general meetings only on the basis of an express provision in the relevant contract and on the basis of a specific authorisation from the client.

A) Monitoring the activities of investee companies

As an integral part of the investment process, the Bank closely monitors and analyses all **Companies** as well as other issuers. The areas covered in its analysis include but are not limited to the following areas: strategy, financial and non-financial performance, risk, capital structure, social and environmental impact, corporate governance.

It may incorporate an assessment of the **Companies'** own figures and market data, consulting the research of analysts, holding one-on-one and group discussions and meetings, and performing in-house modelling and competitor analysis.

In addition to the above, the Bank regularly monitors the financial data and other information disclosed by **investee companies**, as well as other information relevant to the **Company** concerned.

Among the mandatory indicators for the main adverse impact indicators related to social, environmental and governance impacts, the Bank takes into account the exposure to the so-called Controversial Weapons¹ (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (hereinafter referred to as the “Adverse Impact Indicator included in the Engagement Policy” or the “Adverse Impact Indicator”) in the context of its Engagement Policy. The Bank will use data provided by an external ESG data provider for this assessment.

B) Dialogue with investee companies

The Bank considers the dialogue with **investee companies** crucial, e.g. in order to convince them to improve their corporate governance practices, ensure long-term value creation or intervene in any other identified areas of concern in the **Company**.

¹ COMMISSION DELEGATED REGULATION (EU) 2022/1288 Annex I. Table 1. Point 14.

The Bank conducts such dialogue mainly by meeting the executive officers of the **Company** and/or attending general meetings and other shareholder events.

C) Exercising voting rights and other share-based rights in investee companies

The Bank aims to exercise its voting rights in a properly informed manner, and its voting policy has the objective of promoting long-term, sustainable and transparent value creation, in accordance with the following principles:

1. Taking into consideration the long-term interests of shareholders

The **Company's** overarching objective is the long-term creation of shareholder value. The corporate governance framework of the **investee company** shall be designed with a view to delivering on this objective, and the board of directors and general management should adopt a clear strategy on how to achieve that goal, taking into consideration all relevant factors and stakeholders.

2. Taking into consideration the rights of all shareholders

The **Companies** shall protect the rights of all shareholders, and ensure that shareholders enjoy equal treatment, respecting the principle of one share, one vote. When issuing new shares, the dilution of existing shareholdings should be minimised.

3. Promoting the creation of efficient and independent governance bodies

The members of the **Company's** board of directors shall have the qualifications, experience and authorisations necessary to perform their duties.

4. Aligning employee incentive structures with the long-term interests of shareholders

The **Company's** remuneration structure should be aligned with the long-term interests of shareholders without restricting the **Company's** ability to attract and retain talented employees. Remuneration schemes shall be clearly and fully disclosed to shareholders.

5. Ensuring social, environmental and ethical accountability

The **Company** shall publish all the information necessary for social, environmental and ethical accountability, such as labour standards, commitment to combating climate change, and carbon emission. Such disclosures should be verifiable to the greatest extent possible.

D) Cooperation with other shareholders in the investee companies

The Bank may work with other shareholders in order to influence **investee companies** and promote better corporate governance, risk management, performance or adequacy of disclosed information. Such cooperation shall not result in a breach of any legislation, regulatory requirements, recommendations or the Bank's internal regulations.

Cooperation may take the form of official or informal meetings.

E) Communication with the stakeholders of the investee companies

The Bank may contact the stakeholders in order to obtain additional information about the **Company**, which may help it to better understand the operations, social reputation, capital structure and risks of

the **Company**. Such communication with stakeholders shall not result in a breach of any legislation, regulatory requirements, recommendations or the Bank's internal regulations. Stakeholders include professional workgroups, credit rating agencies, public authorities and nongovernmental organisations.

F) Handling actual and potential conflicts of interest regarding shareholder engagement

Although the Bank will proceed in line with the principles set out herein in all cases subject to this policy, the investment decision on specific portfolios will continue to be made on an individual basis, as best suits the interests of the investors in the portfolio concerned.

*The Bank will abstain from voting on the shares of OTP Group Member **Companies** subject to this Engagement Policy, i.e. shares that are managed by the Bank on instruction from its clients as part of its portfolio management services.*

G) Diverging provisions in the Engagement Policy on the main adverse impacts on sustainability factors

For the purpose of considering the adverse impact indicator(s), this Engagement Policy shall apply irrespective of the proportion of shares issued by the **Companies** managed by the Bank, provided that the Bank shall, instead of the measures set out in points B to F, proceed as follows.

The adverse impact indicator(s) will be monitored by the Bank on the basis of data provided by an external ESG data provider.

If the adverse impact indicator(s) do not decrease over more than one reporting period, the Bank will carry out further analysis based on the public disclosures of the **Companies** concerned and, where appropriate, will seek to contact the **Companies** directly to improve the indicator(s).

If communication is not successful, the Bank will consider how to adjust the Engagement Policy, in the context of which it will consider the application of certain measures under points B to F.

Please note that actions initiated under this Engagement Policy will depend to a significant extent on the availability and quality of data on specific adverse impact indicators and changes in the methodology used by the external data provider.