

## 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 Regulations on the organization of risk management system in banks of Ukraine and banking groups, approved by the Resolution of the Board of the National Bank of Ukraine № 64 of 11.06.2018 defines the role and responsibility of the internal governance and internal control functions. The regulation is to be implemented at Group level.

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 Bank's internal regulation on the Bank's internal lines of defence 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.

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 based on the above and the legislation, recommendations and requirements published in relation to ESG.

In relation to risk management – as an internal control function Order of ESG risk management in corporate and SME lending in OTP BANK JSC and OTP Foreign Banking Group in Ukraine is adopted. 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. ESG reporting will be in place by mid-2022, and the incorporation of ESG risks into the collateral assessment methodology will be completed by 2023.