

Statement on principal adverse impacts of investment decisions on sustainability factors

Summary

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

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, OTP banka d.d. puts particular emphasis on the social and environmental impacts of its financial instruments provided and/or recommended to customers. OTP banka d.d. 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.

The process of 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 banka d.d. has adopted its sustainability risk management policy that is considered during the investment advice 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.¹

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

¹ 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

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
Social and employee, respect for human rights, anti-corruption and anti-bribery matters		
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
Indicators applicable to sovereigns and supranationals		
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

Table 2 - Additional climate and other environment-related indicators

Climate and other environment-related indicators and metrics

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
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Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Social and employee, respect for human rights, anti-corruption and anti-bribery matters indicators and metrics

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
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OTP banka d.d. 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.

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 banka d.d. 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 banka d.d. considers its employees as the greatest asset and therefore it is crucial to maintain a safe working environment. For these reasons, OTP banka d.d. 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 banka d.d. 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. Human Resources and Corporate Affairs Directorate of OTP banka d.d. is responsible for managing and coordinating corporate social responsibility operations.

The Corporate Social Responsibility Strategy is approved by the Management Board. In addition to this, the governance and regulation of the various sustainability and ESG areas are implemented and are defined in various types of internal regulations verified/adopted by the Management Board.