



OTP Bank Plc.'s engagement policy

Effective from: *07 January 2020*

Published on: *06 January 2020*

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>

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: the **Act**), OTP Bank Plc. (hereinafter: the **Bank**) has drawn up and adheres to the following shareholder engagement policy in respect of the shares of the Companies defined below, which it manages on the instruction of the customers using its portfolio management services.

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-efficiency in its investment management and prevent conflict-of-interest situations, as follows:

On the basis of the proportionality principle, the scope of this shareholder engagement policy covers companies whose shares are traded on the market of an EEA member state (hereinafter: **investee company** or **Company**) and in which the Bank holds voting rights of 1% or more for a sustained period (one year or longer) or in which it has holdings worth at least 1% of the value of the portfolio managed by the Bank.

A) Monitoring the activities of investee companies

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

It may incorporate an assessment of the issuers' own figures as well as 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 and other information published by investee companies and other information relevant to the Company.

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 concerning matters it may identify.

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's aim is to exercise its voting rights in a properly informed manner; its voting policy has the objective of furthering long-term, sustainable and transparent value creation along 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 must 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 account all the relevant factors and stakeholders.

2. Taking into consideration the rights of all shareholders

The Companies must protect the rights of all shareholders, and ensure that shareholders enjoy equitable treatment, in which the principle of one share, one vote must be respected. 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 must have the qualifications, experience and authorisations necessary in their roles.

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 must be disclosed to shareholders clearly and fully.

5. Ensuring social, environmental and ethical accountability

The Company must publish all the necessary social, environmental and ethical accountability information, such as labour standards, commitment to fighting climate change, and carbon emissions. Such disclosures should be verifiable as much as possible.

D) Cooperation with other shareholders in the investee companies

The Bank may work with other shareholders in order to influence the investee companies and promote better corporate governance, risk management, performance or disclosure compliance. Such cooperation must not result in any breaches of legislation, regulatory requirements and 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 understand the operations, social reputation, capital structure and risks of the Company better. Such communication with stakeholders must not result in any breaches of legislation, regulatory requirements or recommendations, or the Bank's internal regulations.

Stakeholders include industry workgroups, credit rating agencies, the authorities and non-governmental organisations.

F) Handling actual and potential conflicts of interest relating to shareholder engagement

Although the Bank will proceed in line with the principles herein in all cases subject to this policy, the investment decision on specific portfolios will still be made on a case-by-case basis, as best suits the interests of the investors in the portfolio.

As regards the shares of OTP Group Member Companies subject to this shareholder engagement policy, the Bank will not vote in respect of shares that are subject to this shareholder engagement policy, i.e.

shares that are managed by the Bank on instruction from its customers as part of its portfolio management services.