

GROUP POLICY ON THE SELECTION OF SUITABLE CANDIDATES FOR THE MANAGEMENT BODY

1. Introduction

Pursuant to the provisions of the Banking Act (ZBan-3, OJ of RS, No. 92/21, as amended) and the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06), the Policy on the Selection of Suitable Candidates for the Management Body of OTP banka d.d. ("the Policy") ensures compliance with the criteria specified in the Banking Act and the EBA Guidelines to assess the suitability of members of the Management body (Suitability Assessment Policy), the requirements to take into account diversity when recruiting members to the Management body (Diversity Policy), and to provide sufficient resources for their induction and training (Induction and Training Policy).

The Policy is an integral part of the documentation that defines the management and supervision rules, criteria and mechanisms, i.e. the corporate governance of OTP banka d.d. ("**Bank**").

The purpose of this Policy, including any other corporate governance policies and strategies of the Bank, is to ensure a prudent and continuous management structure in the Bank as a systemically integrated whole, thereby strengthening the risk management.

2. Principles of Group Policy on the Selection of Suitable Candidates for the Management Body

The Policy provides that the Management Body is required to ensure:

- that the Bank has in place a solid corporate system with a clearly defined organization and responsibilities;
- an effective system is in place that facilitates the identification, management and monitoring of processes and risks that the Bank might be exposed to;
- an adequate internal control system, clear administrative and accounting procedures as well as legal and coherent operations;
- policies and practices which shall ensure and promote responsible and efficient risk management.

2.1. Basic Suitability principles for members of the Management Body

The person appointed as a member of the Management Body:

- has the knowledge, skills and experience to manage the operations of the Bank or of an undertaking of a comparable size and activities and other comparable transactions;
- has a reputation and characteristics necessary to manage the Bank's operations and his/her conduct does not raise any doubt about his/her ability to provide safe and diligent management of the Bank's operations in compliance with risk management, professional diligence and the highest ethical standards as well as the prevention of conflicts of interest;
- meets the legal criteria regarding the incompatibility with other directorships.

The member of the Management Body of the Bank must act with the required professional diligence, integrity, honesty and independence that allows them to efficiently assess and judge the decisions concerning the Bank's governance made by senior management and in accordance with the highest ethical standards of governance, taking into account the prevention of conflicts of interest, and shall commit sufficient time to perform this function efficiently.

Detailed provisions on suitability assessment criteria of members of Management Body are determined by Fit & Proper Policy.

2.2. Basic diversity principles

The Policy provides incentives for achieving diversity within the Management Body, including the educational level, professional experience, age structure and adequate gender balance in the Management Body and including the policies to increase the number of members of the underrepresented gender in the Management Body in order to achieve these objectives.

A broad set of qualities and competences should be considered when appointing members of the Management Body in order to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making.

The Nomination Committee determines the goal of representation of the gender that is underrepresented in the Management Body and produces a policy on how to achieve this goal, i.e. increase the number of representatives of the underrepresented gender in both, the Management Board and the Supervisory Board.

The basic principles of the Diversity Policy are applied to every suitability assessment/reassessment of a member of the Management Body and of the Management Body as a whole.

Detailed provisions are provided by the Diversity, Equity, Inclusion and Belonging Policy (DEIB Policy).

3. Framework procedure for suitability assessment, selection and appointment of members of Management Body

3.1. Suitability assessment framework procedure

3.1.1. Basic principles

Every candidate for a member of the Management Body is required to submit all the data and documentation necessary for their suitability assessment or reassessment across all the assessment criteria.

The suitability assessment / reassessment of a candidate / member of the Management Body is carried out by the Compliance Office in accordance with the Policy on the assessment of suitability of members of the management bodies and key function holders (Fit & Proper Policy). The Compliance Office is assisted in this regard by the Fit & Proper Committee, which carries out all the necessary activities related to the suitability assessment / reassessment of every member of the Management Body and of the Management Body as a whole, in particular:

- when applying for authorisation to take office or function,
- prior to the appointment of every member,
- prior to the extension of term of office of a member,
- when the composition of the Management Body changes significantly (e.g. due to significant changes in requirements to perform the function by a member or if a member takes over another line of management or supervision while still in their current term of office),
- on an annual basis,
- when a reassessment is needed due to any significant circumstance.

3.1.2. Assessment criteria

Criteria applied in the suitability assessment include primarily:

- reputation criteria,
- experience criteria (adequate knowledge, skills and experience to perform their tasks),
- time commitment criteria (sufficient time commitment to perform their functions, adherence to limitations of the number of directorships under Art. 91(3) of Directive 2013/36/EU),
- independence criteria (ability to act with integrity, honesty and independence),
- other criteria (criteria for several directorships held at the same time in other companies and organizations, taking into account the principle of proportionality).

3.1.3. Reporting

The Bank informs the Bank of Slovenia/ECB about the suitability assessment / reassessment of every member of the Management Body and of the Management Body as a whole in accordance with valid legislation.

The Bank's Shareholders' Meeting shall be informed once a year about the suitability assessments and reassessments of the members of the Management Body and of the Management Body as a whole.

3.2. Selection and appointment

The selection procedure of candidates for the Management Body is carried out in accordance with the Nomination Committee Rules of Procedure, which outline the nomination procedure for the appointment of new members of the Management Body.

The process takes place in the following stages:

1. Identifying the need to search for and appoint a candidate for a member of the Management Body

Having identified that the Management Body does not meet the criteria concerning the number of its members or criteria and terms for the individual and collective suitability of members of the Management Body, the Management Board and the Supervisory Board shall, in agreement with the parent bank, pass an initiative/proposal to appoint new or alternate members. The initiative/proposal shall be notified to the Bank's Fit & Proper Committee, which shall conduct the assessment process and notify the assessment to members of the Management Body and other bodies authorized to decide on the appointment of a member of the Management Body.

2. Determining the candidate's profile

The required profile of the candidate for a member of the Management Body shall be determined based on criteria and requirements set out in this Policy and the Fit & Proper Policy.

3. Searching for candidates

The Bank shall then conduct a search for candidates and consider thereby the Bank's succession planning policy applicable to members of the Management Body.

The Bank may engage professional headhunting agencies to search for candidates, consider proposals of sitting members of the Management Body, etc.

Candidates contacted during the search procedure shall provide, aside from their CV, documentation and details on their prior functions and engagements, any conflict of interest, etc., as required by the Fit & Proper Policy.

4. Selecting candidates

Nominated candidates for members of the Management Body are processed by the Fit & Proper Committee, which has sole authority to execute all operational and content-related tasks for the collective and individual assessment of the ex-ante and ex-post assessment of members of the Management Body (collect, distribute, process, and archive documentation, etc.) and to propose actions aimed at ensuring collective and individual suitability of members of the Management Body as provided by the Fit & Proper Policy.

5. Proposal to appoint a candidate

The Fit & Proper assessment produced by the Fit & Proper Committee is considered by the Nomination Committee, which shortlists and recommends candidates for the Management Board members to the Supervisory Board and shortlists and recommends candidates for the Supervisory Board to the Bank's Shareholders' Meeting.

6. Appointing the candidate as a member of the Management Body

A Management Board member is appointed by the Supervisory Board, whereas a member of the Supervisory Board is elected by the Shareholders' Meeting.

Detailed provisions on the procedure to conduct the suitability assessment, select and appoint members of the Management Board are provided by the Fit & Proper Policy.

4. Basic induction and training principles

The Bank provides appropriate human resources and financial terms for the induction and training of the members of the Management Body that are needed to deliver induction and training objectives and ensure that the member concerned is suitable and that he/she meets the requirements for his/her function.

The induction of the members of the Management Body allows them to clearly understand the structure of the Bank, its business model, risk profile and governance arrangements, and their corresponding roles in the Bank.

When taking office, all newly appointed members of the Management Body are given key information and begin their induction. Members of the Management Body must maintain and deepen their knowledge and skills in order to fulfil their responsibilities.

Detailed provisions are provided by the Fit & Proper Policy.

5. Final provisions

The Policy shall apply on a consolidated and individual basis and members of the Bank's Group are required to implement or transpose the Policy into their practices, considering thereby of their size, organization and structure.

The Management Board and the Supervisory Board of the Bank shall have the duty to implement the Policy in an effective manner. The Compliance of the Management Body Department shall be responsible for administrative support and annual updates of the Policy.

In accordance with applicable legislation and the Bank's Articles of Association, the Bank shall properly document the Policy and its implementation and publish it.