ESG DISCLOSURES 2022

PART A:

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is one of the greatest challenges. The global focus, in 2022, was on environmental-related issues with events such as Conference of Parties (COP) 27 on climate change and COP 15 on nature and biodiversity, keeping these topics to the forefront of public and political discourse. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group systematically moves forward to the alignment with sustainable banking and continues to embed Environmental, Social and Governance ('ESG') in its infrastructure, strategies and policies. The Group's commitment to integrate climate risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management highlights the Group's aspiration to be a frontrunner in the climate space in Cyprus. This is the first TCFD report published by the Company, presenting the current activities and future plans in the climate field.

TCFD Recommendations		*Pages in our disclosures*
Governance	Board's oversight of climate-related risks and opportunities	→ 85-88, 90-91, 108
	Management's role in assessing and managing climate-related risks and opportunities	→ 86, 89, 91-92
Strategy	Climate-related risks and opportunities (short, medium and long term)	→ 93-106
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Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance

The Group considers climate action as one of its key priorities. To reflect this strong commitment, climate-related risks and opportunities are integrated into the governance structure. The Group is committed to high standards of governance that are consistent with regulatory expectations and evolving best practices.

Organisational structure of the governance

The following climate change and net zero-related governance diagram illustrates how the Group's governance is currently structured.

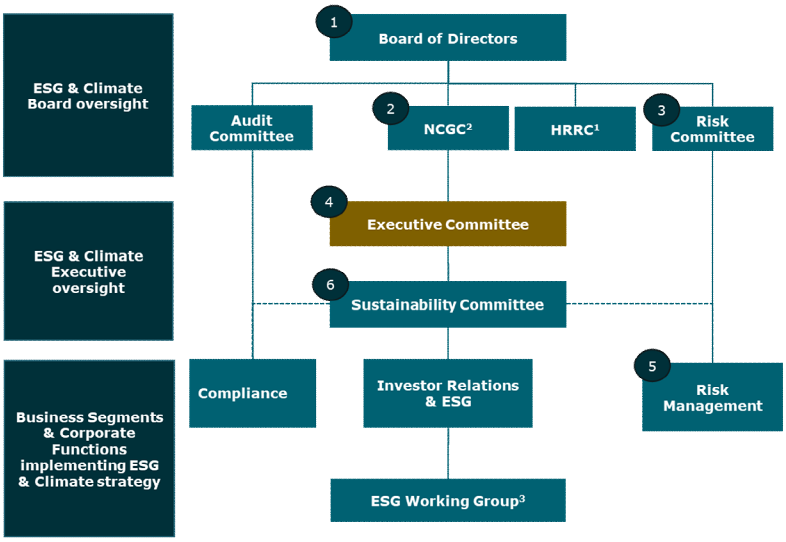
BOCH's governance structure comprises of the following statutory bodies:

- The Board of Directors (the 'Board')
- Board Committees
- Senior Management Committees

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Organisational structure of the governance (continued)



1 HRRC: Human Resources and Remunerations Committee
2 NCGC: Nominations and Corporate Governance Committee
3 ESG working group has been formed in order to support the implementation of the ESG agenda. ESG working group includes Legal, Finance, Business Lines, Operations & Cost Management, Treasury, Digital office, Strategy, Procurement, IT, HR, CAD and Insurance.
4 ECCC: Ethics, Conduct and Culture Committee

1. The Board, through the NCGC[2] and Risk Committee, oversees the implementation of the Group's ESG and climate strategy. In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally.
2. NCGC[2] provides oversight to the Group's ESG and climate strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders.
3. Risk Committee identifies, assesses, controls and monitors financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, and compliance, and ESG including climate-related & environmental risks (C&E)) which the Group faces in cooperation with the responsible Board Committees.
4. EXCO recommends to NCGC[2] all ESG and climate related matters and policies (excluding ESG and climate risks matters and policies) for approval.
5. ESG and climate risks related policies and matters are discussed in Sustainability Committee and submitted by Risk Management Function directly to Risk Committee for approval, also notifying EXCO.
6. Sustainability Committee reports to EXCO.
7. ECCC[4] undertakes consultancy role to the NCGC[2] when required.

——— Reporting
- - - - - Collaboration and support

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Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board of Directors and Board Committees

Oversight and approval of Group's climate strategy and how it manages climate-related and environmental ('C&E') risks and opportunities.

Board Committee	Role and Responsibilities
Risk Committee	The Risk Committee ('RC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to understand and monitor the strategy regarding the risk appetite of the Group. The main purpose of the RC is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and ensure both Risk Profile and Risk Appetite remain appropriate. The RC is responsible for the following: • Identify, assess, control and monitor financial/economic risks and non-financial risks (including operational, technological, tax, legal, reputational, and compliance, and ESG including C&E risks) which the Group faces in cooperation with the responsible Board Committees. • Ensure that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, the key issues and themes impacting the Group and the internal control environment. • Ensure effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness. • Report to the Board any current or emerging topics relating to ESG risks and matters, including C&E risks and matters, that are expected to materially affect the business, operations, performance, or public image of the Group or are otherwise pertinent to it and its stakeholders and if appropriate, detail actions taken in relation to the same. • Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies. • Review and discuss with management the overall ESG strategy including the strategy to manage C&E risks, and whether the Company should initiate any additional actions or engage with any stakeholders regarding potential key ESG matters, including C&E matters. • Review and monitor key enterprise wide ESG including C&E metrics, targets, KPIs, KRIs and related goals and monitor the progress towards achieving targets and benchmarks.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board of Directors and Board Committees (continued)

Board Committee	Role and Responsibilities
Nominations and Corporate Governance Committee	The Nominations and Corporate Governance Committee ('NCGC') has been delegated authority by the Board and consists of 4 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to provide oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders. The NCGC is responsible for the following: • Develop a strategy for ESG, including C&E matters, focusing on Environmental, Climate, Ethical, Social, and Economic pillars and ensure it is embedded throughout the operations of the Group. • Advise, support and guide the Chief Executive Officer ('CEO') and Executive Management Team in formulating and implementing a business strategy geared to the sustainable development of the Group taking into account ESG, including C&E impacts. • Oversee the Sustainability Committee's ('SC') implementation and progress of the ESG working plan. • Review the institution's response and plan of action to the objectives set out under international agreements. • Review and approve the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance. • Review and approve the non-financial disclosures presented by the SC. • Review and approve the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds.
Human Resources and Remuneration Committee	The Human Resources and Remuneration Committee ('HRRC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives. The HRRC reviews at least annually the appropriate structure of the remuneration system and whether the total amount of variable compensation has been set in accordance with the Remuneration Framework of the Central Bank Directive on Governance. Therefore, any enhancements to the Remuneration Policy to incorporate ESG and climate criteria are approved by the HRRC.
Audit Committee	The Audit Committee ('AC') has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to assess the soundness of the methodologies and policies that the management of the Group uses to develop ESG, including C&E metrics and other disclosures and to assess the key vendors' plans about sustainability. The AC is responsible for the following: • Ensure the ESG frameworks/standards, including C&E frameworks/standards, used are proper and relevant climate-related financial disclosures are investor grade. • Consider materiality in terms of how ESG issues, including C&E issues, impact the Group's financial performance and ability to create long-term value (Financial materiality) and how the Group's actions impact people and the planet (Social materiality). • Review material public reporting disclosures with respect to ESG, including C&E matters and discuss with management the Group's engagement with stakeholders on key ESG matters, including C&E matters, including in response to any proposals or other concerns that have been submitted to BOCH and/or BOC PCL or the Board. • Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe (which comprises the auditable areas as assessed according to the primary risks which may impair their functionality).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Management Committees

Oversight and responsibility for providing strategic direction and implementation regarding climate-related goals, risks and disclosures.

Management Committee	Role and Responsibilities
Sustainability Committee	The SC is an executive level committee chaired by the CEO and has as a primary role the oversight of the ESG agenda of the Group aiming to lead the Group towards a cleaner, fairer, healthier, and safer world. This will be achieved by helping its customers manage risks in a long-term sustainable and equitable way and aims for the Group to be an employer of choice in Cyprus. The SC is responsible for the following: • Monitor and review the development of the Group's ESG strategy for managing ESG risks, including C&E risks. • Oversee the implementation of the Group's ESG & Climate strategy. • Review the institution's response and plan of action to the objectives set out under international agreements. • Review ESG targets and KPIs, including C&E targets and KPIs. • Review the incorporation of ESG including C&E targets, KPIs and KRIs in the business strategy. • Monitor progress against the Group's ESG working plan including the implementation of the ECB Guide on C&E risks. • Oversee the degree of the Group's alignment with regulatory ESG including C&E related guidance, rules (such as EU Taxonomy, SFDR, NFRD and TCFD) and ECB expectations. • Oversee the establishment of environmentally friendly products and Sustainable Finance Framework. • Review policies relating to ESG matters and risks, including C&E matters and risks, to ensure that they are in line with the needs of the Group and the Group's ESG strategy and that they comply with applicable legal and regulatory requirements. • Review non-financial disclosures including but not limited to the TCFD, relevant ESG disclosures in Pillar III and the annual Sustainability Report. • Monitor the external ESG and C&E trends affecting the formulation of ESG policies, strategies and objectives.
Executive Committee ('EXCO')	The EXCO is responsible for the following: • Consider the overall financial performance and progress of the Group per line of business, including, but not limited to, the Group's capital and liquidity position, the Group profitability, the NPE and the REMU portfolio. • Consider the market conditions and strategic initiatives. • Monitor the recovery and early warning indicators and assess the need to escalate for further action to the RC and the Board. • Consider the Risk Report. • Consider and approve budgets, business strategies/risk strategy to be presented to the Board for approval. • Consider and approve the Group's Risk Appetite Statement to be presented to the RC and Board for approval. • Consider and approve the Group's Financial Plan to be presented to the RC and the Board for approval. • Consider the Compliance Reports/Matters and progress. • Consider the Internal Audit Reports/Matters and progress. • Consider the HR/People Management/Matters and progress. • Consider the Corporate Affairs Report/Matters and progress. • Approve all matters escalated to EXCO within its delegated authorities and/or recommend matters requiring escalation to the Board. • Consider all other matters escalated for discussion by any member of the EXCO or any other Committee/Forum. • Monitor the Board and Board Committees pending decision lists. • Note the minutes of the Acquisition & Disposal Committee (ADC), Group Asset & Liability Committee (ALCO), the Regulatory Steering Group (RSG) and the Business Development Committee (BDC).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board Oversight

The Board has ultimate oversight of the identification, assessment and integration of C&E risks and opportunities throughout the organisation. The Board is informed about the performance of the targets as well as the progress of the ESG working plan through NCGC and RC regular update.

The Terms of Reference of each committee dictate the responsibilities regarding ESG matters, including C&E matters. All C&E matters that are submitted to the Board Committees are in the form of formal documentation describing clearly the purpose and scope of the paper, the methodology applied, any considerations conducted during the process and the conclusions/results reached. The papers are presented to the Board Committees by the responsible division/department. The relevant Board Committee enquires and challenges the responsible division/department in order to approve the relevant paper.

The Group has compiled in 2022 an ESG working plan which is monitored by Investor Relations & ESG Department (‘IR&ESG’), Risk Management Division (‘RMD'), the SC and ultimately by NCGC and RC. The ESG working plan is structured in workstreams which are designed to articulate delivery of Group’s ESG strategic objectives and are aligned with ECB expectations, LSE Disclosure requirements and other regulatory disclosure requirements. Each workstream is associated with specific activities designed to meet relevant reporting and regulatory requirements and achieve the Group’s targets and objectives. For the successful delivery of the Group’s ESG strategic objectives the Group has formed an ESG working group comprising of experts from various departments assigned with specific activities under the ESG working plan. Each activity completed by the ESG working group, is reviewed by the IR&ESG and RMD. The progress, status and output of activities is communicated to SC, as it has the responsibility for the oversight of all ESG activities and SC recommends output for activities relating to ESG policy, strategy and disclosures to EXCO for approval (except those activities relating to ESG and C&E risks). Following EXCO approval those activities are recommended to NCGC for approval (except for those activities relating to ESG and C&E risks).

Specifically, the process through which the Board Committees are informed on environmental and climate-related issues is presented below:

- SC reviews policies relating to ESG matters, including C&E matters, to ensure that they are in line with the needs of the Group and the Group’s ESG strategy and that they comply with applicable legal and regulatory requirements. The SC recommends approval of policies to EXCO (excluding ESG and C&E risks related policies). Following EXCO approval, the policies relating to ESG including C&E matters (excluding ESG and C&E risks related policies) are recommended to NCGC for approval.

- SC discusses and advises the RMD regarding ESG and C&E risks related matters and policies, such as ESG and C&E risks identification, quantification, materiality assessment and establishment of ESG and C&E criteria in the loan origination process. The RMD then submits to the RC for approval the ESG and C&E risks related matters and policies, also notifying the EXCO.

- SC reviews the institution’s response and plan of action towards the objectives set out under international agreements and makes recommendation of the plan of actions for approval to the EXCO. Following EXCO approval and recommendation, the plan of actions is submitted to NCGC for approval.

- SC monitors and reviews the development of the Group's ESG strategy for managing ESG, including C&E risks, and recommends to EXCO for approval. Following EXCO approval and recommendation, it is submitted to NCGC for approval.

- SC reviews BOCH’s annual non-financial disclosures including, but not limited to the TCFD, relevant ESG disclosures in Pillar III and the annual Sustainability Report and recommends to NCGC for approval, also notifying the EXCO.

- SC reports to the EXCO. The NCGC and RC are updated of the progress of ESG working plan on a regular basis.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Board Oversight (continued)

The NCGC was informed about C&E matters in March 2022 when it received an update relating to the ESG agenda, decarbonisation strategy for Scope 1 and Scope 2 greenhouse gas ('GHG') emissions as well as data gap analysis. NCGC approved the Corporate Sustainability report of 2021, at the end of June 2022. In November 2022, the NCGC approved the decarbonisation strategy relating to Scope 1 and Scope 2 GHG emissions as well as the compilation of a comprehensive ESG working plan. Following the compilation and approval of the ESG working plan, the implementation of which is monitored by the SC, the NCGC will monitor progress of the ESG working plan and C&E issues on a quarterly basis. In 2022, the RC discussed and approved the risk identification and materiality assessment of the Group. In addition, it was updated on the progress of the ESG agenda twice during 2022. Following the compilation and approval of the ESG working plan, the implementation of which is monitored by the SC, the RC will monitor progress of the ESG working plan and C&E issues on a quarterly basis.

Management Oversight

The Group's management, led by the CEO, consists of executives who have many years of experience and extensive knowledge of the modern banking sector. The governance structure is flexible and functional in order to serve in the best possible way, shareholders and customers.

The CEO is responsible for implementing the enterprise climate strategy (a pillar within the ESG strategy).

In 2021, the Group formed the executive SC whose members, working together, take a coordinated enterprise approach to accelerate the Group's climate ambitions, targets and public engagement, working with a broad set of Group leaders to ensure full alignment and coordination on our climate strategy and actions.

The processes in which the EXCO and SC are involved in regards to the decisions taken on climate and environmental matters has been described in 'Board Oversight' and 'Management Committees' sections above.

Following the compilation of the ESG strategy in 2021 and the ESG working plan in 2022, specific accountabilities are assigned to the Group's Executives and Directors. The C&E responsibilities assigned to key Executives and Directors of the Group are summarised in the table below:

Responsible person	**C&E related responsibilities**
Chief Executive Officer	The 'CEO' governs the sustainability performance of the Group, driving focus on ESG and climate stewardship and tracking progress made across the business to meet the Group's ESG and climate ambitions through the long-term ESG working plan. The CEO is involved in the identification of sustainable finance growth opportunities for the Group and promoting the development of these in tackling climate change.
Executive Director Finance & Legacy	The Executive Director Finance & Legacy is responsible for the successful integration of ESG into the Group's core business operations, in cooperation with business lines Directors, and long-term business strategy as well as the oversight of the progress of the ESG working plan for the implementation of ESG and climate strategy and Sustainability reporting. In addition, the Executive Director Finance & Legacy is responsible for the oversight of the estimation of Scope 1, Scope 2 and Scope 3 GHG emissions of the Group and the establishment of C&E decarbonisation targets and strategy, in cooperation with Deputy Chief Executive Officer and Chief Risk Officer.
Chief Risk Officer	The Chief Risk Officer is responsible and accountable for the process of effectively managing C&E risks of the Group. This includes the responsibility of overseeing the implementation of the ESG working plan which supports the C&E risk identification, measurement, assessment, stress-testing and limit setting, as well as the supporting governance. The role further encompasses the responsibility of reviewing risk appetite and C&E risk appetite metrics.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar I - Governance (continued)

Management Oversight (continued)

Investor Relations and ESG Department ('IR&ESG')

The Group's IR&ESG department is developing and implementing the ESG and climate Strategy. The IR&ESG main responsibilities are to:

- compile the ESG working plan and monitor its progress;
- develop the action plan for the implementation of the ESG and climate strategy;
- establish the ESG and climate targets and KPIs and monitor their progress;
- prepare ESG and climate-related reporting;
- coordinate the activities and deadlines of the ESG Working Group;
- review in cooperation with RMD the activities completed by the ESG Working Group; and
- report to the SC in frequent intervals and Board Committees in line with the Terms of Reference.

Risk Management Division:

The RMD is responsible for the identification, quantification and monitoring of ESG risks, including C&E risks, for own operations and clients. The main responsibilities are to:

- incorporate ESG risks, including C&E risks, in the Risk Management Framework, policies and procedures;
- incorporate ESG and climate criteria in the loan origination process;
- review in cooperation with IR&ESG the activities completed by the ESG Working Group;
- comply with ECB guide on C&E risks;
- establish the ESG and climate targets and KPIs in cooperation with IR&ESG; and
- establish the C&E Key Risk Indicators (KRIs) through the ESG and climate targets and KPIs set.

The Executive Director of Finance & Legacy and the Chief Risk Officer monitor the progress of the ESG working plan on a bi-weekly basis.

Remuneration policy

The Group has taken necessary steps in embedding its ESG strategic goals within the remuneration policy, adhering to the importance of connecting the performance of its personnel to ESG and climate matters as a way of incorporating ESG culture within the organisation. The remuneration policy promotes - and is consistent with - sound and effective risk management, is in line with the Group's ESG and climate strategy and does not encourage excessive risk taking that exceeds the level of risk tolerated by the Group.

Performance criteria (financial and/or not financial), set to measure the performance of Senior Management, contain KPIs that relate to the implementation of the Group's ESG strategy, reflecting the Group's emphasis on achieving its climate related objectives, in accordance with the role and responsibility of each Senior Manager in relation to the ESG Strategy. Performance criteria include incentives set to manage ESG risks, including C&E risks, related objectives and/or limits to ensure that green washing practices are avoided. These are expected to be cascaded down to staff, through the performance appraisal system, in line with the staff's respective roles and responsibilities, so as to continuously enhance the Group's ESG culture, elicit the right behaviours and align individual results with ESG Strategy.

Group-wide performance relating to ESG and climate targets are included in the performance scorecard of any applicable Long-Term and/or Short-Term Incentive Plans, at the time of the design and approval of a plan.

The long-term incentive plan ('2022 LTIP') that has been approved by the Company's shareholders, incorporates measurement of performance against an evaluation scorecard consistent with the Group's Medium-Term Strategic Targets, which include ESG targets. The evaluation scorecards used in the abovementioned scheme include KPIs on External ESG ratings. External ESG ratings are granted based on an external assessment performed on ESG aspects of the Group.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II - Strategy

Moving to a sustainable economy is the challenge of our time. Ever-increasing GHG emissions are warming the planet, changing the climate and threatening human life. Averting this requires deep and sustained cuts to GHG emissions. To keep warming to 1.5°C, cuts of 45% are required by 2030, with global GHG emissions reaching 'net zero' by 2050. This means GHG emissions need to decline now. The transition to this low carbon economy requires a transformation of assets and behaviours, for which trillions of dollars in finance are required.

To assist this transition, European Regulators have put in place an EU action plan for sustainable growth that includes several new regulatory disclosure standards, as well as expectations that are bound to become requirements in the near future. Following the developments and having set a 'Beyond Banking' approach and a vision to create a stronger, safer, and future-focused organisation, the Group is determined to continue working towards a better Cyprus and a better world for today and future generations. Consequently, the Group further aspires to increase its positive impact on environment, and maintain its leading role in the social and governance pillars by transforming not only its own operations, but also the operations of its customers.

The Group continues to broaden and strengthen its efforts to identify climate-related risks and opportunities, the key first step in the Group's climate strategy. Once identified, the Group assesses how the risks can be better managed, reduced or mitigated in line with its risk management framework.

The Group's approach to climate action is evolving over time and has progressively been embedded into the Group's activities and actions. The Group is determined to create a stronger, safer, and future-focused organisation. Consequently, the Group focuses on creating lifelong partnerships with customers, as well as guiding and supporting them in a changing world by financing projects which bear a positive climate impact. Underpinning the Group's Climate Strategy (a pillar within its ESG strategy), there are three strategic areas where, moving forward, the Group will focus our climate action:

- Reinforcing the impact of climate financing;
- Building resilience to climate change; and
- Further integrating climate change considerations across all of Group's standards, methods and processes.

The commitments made by the Group in its ESG Strategy focus on the following key objectives:

- Become carbon neutral by 2030;
- Become Net Zero by 2050;
- Steadily increase Green Asset Ratio; and
- Steadily increase Green Mortgage Ratio.

Climate-related Risks

The Group's Climate Strategy is continuously evolving as the Group improves the tools and expands the resources available to grow its understanding of the interconnection between the climate, its business, operations, clients and communities. The Group seeks to identify and advance the initiatives that will enhance its operational resilience, decision-making and planning to mitigate climate-related risks and capitalise upon climate-related opportunities. The Group's strategy and risk management initiatives are interdependent and adapt as needed based on the performance against established metrics and targets. The Group is working to advance its climate knowledge base and resilience to climate-related shocks.

The Group views climate risk as a cross-cutting risk which manifests itself through or amplifies existing risk categories within the Group's Risk Taxonomy, as described further in the 'Pillar III - Risk Management' section of these ESG Disclosures. These transition and physical risks can manifest themselves differently across risk categories in the short, medium, and long term. The time horizons considered are described here for reference. As the Group is in the process of setting up a holistic net-zero strategy, it is expected that it will be in a position to set more granular time-frames moving forward to efficiently capture the decarbonisation targets that will be set.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Risks (continued)

Time horizon label	Start Year	End Year	Rationalisation
Short-term (1-3 years)	2023	2026	The Corporate Sustainability Reporting Directive ('CSRD') is expected to be a major disruption and a milestone for climate change activation. As CSRD will first be applied in January 2025 (for FY 2024) for EU listed companies, and every year thereafter up until 2028 to include certain SMEs and large companies (Years 1-3), the Group considers the first three years as its first time horizon. Furthermore, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions from own operations. The Group has focused its main decarbonisation actions in the short-term up to 2026 in order to lead the decarbonisation efforts, lead by example and also to benefit from any government subsidies that will be announced as part of the Recovery and Resilience Facility ('RRF') of the European Union. As a result, the risk horizon the Group focuses for short term is between 1-3 years.
Medium-term (4-7 years)	2027	2030	As 2030 is the year set by the EU for the goal of 'Fit for 55' (i.e., a 55% reduction of GHG emissions below 1990 levels), the Group has also set 2030 as the medium term risk horizon for the identification of C&E risks and opportunities. Therefore, the time horizon for medium term is between 4-7 years. In addition, the Group is committed to become carbon neutral by 2030 by reducing Scope 1 and Scope 2 GHG emissions by 2030, therefore C&E risks should be identified and managed in a horizon of 4-7 years in order to achieve the target set.
Long-term (8-27 years)	2031	2050	The Group considers a time horizon of over 8 years for chronic physical risks to manifest. Additionally, the Group has set a target to become net zero by 2050, following its commitment to the Paris Agreement, which indicates that Scope 1, Scope 2 and Scope 3 GHG emissions should be reduced by 2050 to zero. For Scope 1 and Scope 2 own operations the reduction target is relevant for all time horizons. However, the climate related risks associated with Financed Scope 3 GHG emissions depend also on the useful life of the assets, which for the majority of the current loan portfolio of the Group this translates to a maturity beyond 8 years. As such a long-term time horizon has been set to 8–27 years to cover both the risks as well as the strategic aspects of climate related risks within the organisation.

As new data and modelling capabilities become available, the Group continues to build upon the transition and physical risk scenario analyses. The Group's ambition is to use various models and programmes within its risk assessment process to guide the climate strategy, by allowing it to quantify further the financial impacts of such risks on its portfolios. Furthermore, it is expected that managing the portfolio to net zero should also help to substantially mitigate transition risk. On physical risks, the Group considers that raising the awareness of its customers on acute and chronic physical risks can assist both parties in identifying the best adaptation mechanisms to support a resilience to adverse scenarios through the right products.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Risks (continued)

In particular, in order to assess the financial impact of transition risks on the loan portfolio, a sensitivity analysis on the Financial Plan is to be carried out to reflect the potential impact of a short-term disorderly scenario according to which a set of policies would be frontloaded. Under such a scenario, it would be expected that fuels costs and energy use become more expensive and thus would push the operating margins of corporates downwards as a result of absorbing a part of these costs. At the same time, the increased cost of energy would increase the living costs for households and thus on the grounds of affordability assessment, certain households would face challenges which would be reflected in their cost of risk. Considering the specific composition of the Group's portfolio, such policies would most likely affect customers in the Construction and Real Estate sectors and customers with mortgage loans granted prior to 2010 implying thus less energy-efficient properties.

Further details on how the Group identifies and assesses climate-related risks are provided under 'Pillar III - Risk management' section of these TCFD.

Net Zero Strategy

The Group, as disclosed in the 2021 Sustainability Report has resolved to align with the target set by the Paris agreement, the EU Green Deal and the Cyprus Government for a Net Zero goal by 2050.

Beyond the initiatives focusing on introducing the financing of sustainable products and services, and designing and embedding environmental procedures in the lending process, the Group monitors closely internal operations in order to reduce and eliminate GHG emissions.

As a first step, the Group's Scope 1, Scope 2 and material non-Financed Scope 3 GHG[1] emissions were calculated for 2021, using a widely accepted methodology and bringing the Group in a position where it can set a feasible roadmap of actionable tasks to reduce its carbon footprint and achieve its decarbonisation goals.

Given the fact that BOC PCL is the main contributor of GHG emissions of the Group, BOC PCL has formulated a decarbonisation plan to reduce its own carbon footprint relating to Scope 1 and Scope 2 GHG emissions and ultimately reach its Carbon Neutral target by 2030.

BOC PCL plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, leading to approximately 5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. BOC PCL expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy. The actions planned by BOC PCL between 2023 to 2025 include:

- Air-conditioning systems replacements
- Boiler replacements
- Photovoltaic (PV) installations
- Roof insulation
- CO_2 sensors installation
- Heat recovery installation

Similar energy efficiency actions are planned for the other operating subsidiaries of the Group.

Currently the Group does not plan to set specific targets for the material non-Financed Scope 3 GHG emissions as the vast majority of its Scope 3 GHG emissions relate to Financed Scope 3 GHG emissions derived from its loan portfolio.

BOC PCL has also recently become a member of the Partnership for Carbon Accounting Financials (PCAF) and estimated Financed Scope 3 GHG emissions derived from its loan portfolio based on PCAF standard and proxies. In 2023, the Group plans to estimate Financed Scope 3 GHG emissions associated with its investments and insurance portfolios. BOC PCL is currently in the process to set decarbonisation targets in specific sectors and asset classes of the loan portfolio as described in the 'Pillar IV - Metrics and Targets' section of these TCFD. The decarbonisation targets that will be set in 2023 associated with the loan portfolio will also be embedded in the Group's Financial Plan.

[1] The non-Financed Scope 3 GHG emissions of the Group comprise of GHG emissions from the business travel, waste disposal, purchased good & services, employee commuting and transport and distribution categories.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Net Zero Strategy (continued)

As a means to enhance not only its climate risk framework but also its ability to identify future opportunities BOC PCL is in the process of introducing new ESG scorecards within its credit granting process which will allow it to more granularly identify ESG risks but at the same time it will open a communication line with its clients to better prepare them to comply with upcoming EU legislation on disclosure, such as the CSRD, which will eventually be reflected within the Group's own net-zero strategy by providing more accurate data and targets.

In terms of stress testing and climate scenario analysis, BOC PCL is currently building the necessary modelling approaches to conduct climate-related stress testing through a bottom-up methodology, as further described in the 'Pillar III - Risk management' section of these TCFD. Developing stress testing will further help to assess the implications of physical and transition risks in the portfolios, and to inform the business strategy and capital planning.

Green Asset Ratio[2] and Green Mortgage Ratio[3]

As BOCH falls under the Non-Financial Reporting Directive it is mandatory to also comply with the EU Taxonomy regulation for financial institutions. As such, BOCH is taking necessary actions and measures to estimate and disclose its Green Asset Ratio, which presents the proportion of the share of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets, such as those consistent with the European Green Deal and the Paris agreement goals. However, it is important to note that financial institutions are currently required to disclose only the EU Taxonomy eligible activities as a share of total covered assets. EU Taxonomy required disclosures are provided in Part B of the 'ESG Disclosures'.

BOCH has committed within its strategy to improve its Green Asset Ratio not only as part of its dedication to the EU Green Deal and the Paris Agreement, but also because, through its increase it will significantly reduce its exposure to transition risk and potential capital impact, which consequently will also have a positive impact towards investors' interest and will further establish BOCH and BOC PCL as a market leader in the sustainability space.

BOC PCL has approved a high-level Green Lending Policy based on the Green Loan Principles ('GLPs'), and its purpose is to provide the framework for the procedures and the requirements that BOC PCL will implement for the creation of 'green' loan products and ultimately the development of a green loan portfolio. The Green Lending Policy provides instructions regarding the information that BOC PCL should require from borrowers so to ascertain whether an application for a green loan product can be considered for approval and adopts an indicative list of eligible categories for green project financing.

BOC PCL, under its existing Environmental and Social Policy prohibits finance to certain sectors (thermal coal mining, coal-fired electricity generation, upstream oil exploration, upstream oil development) which are included in its 'Exclusion and Referral Sectors' list with negative environmental impact.

BOC PCL offers a range of environmentally friendly products to manage transition risk and help its customers become more sustainable. For example, a number of loan products are offered under the Fil-eco Product Scheme. BOC PCL offers Environmentally friendly Car Hire Purchase addressed to anyone who wants to buy a new hybrid or electric car, providing its customers the opportunity to buy a new electric vehicle and to move away from transport options reliant on fossil fuels. Moreover, an environmentally friendly loan for home renovation is offered to customers who want to renovate and upgrade the energy efficiency of their privately owned primary residence or holiday home and achieve a higher energy efficiency rating. Further, the customers may benefit from an Energy Loan for the installation of energy saving systems for home use. This product is addressed to customers who seek financing for the installation of photovoltaic systems for home use and other home energy-saving systems.

Looking forward, in 2023 the Group will continue to build out its green product offering further. The Group expects to discuss ESG and climate matters with its clients at the point of loan origination.

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[2] Green Asset Ratio:The proportion of the share of the credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets..

[3] Green Mortgage Ratio:The proportion of the share of the credit institution's assets financing EU Taxonomy-aligned mortgages (acquisition, construction or renovation of buildings) as a share of total mortgages assets.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Sustainable Development Goals ('SDGs')

The Group has also identified, through several multi-stakeholder dialogue, numerous material areas of impact that contribute to specific SDGs. As sustainability reporting is now a major source of information for investors, combined with the fact that regulatory bodies are also increasing the requirements of aligned disclosures, transparent reporting of SDGs is of high importance for the Group.

Due to its expertise and business model, the Group has selected to focus on the following SDGs:

These goals are the ones where the Group can have an impact based on its business environment and its customers. These include the commitment to the Paris Agreement, which is an overarching commitment. Committing to climate change mitigation means to actively support responsible tourism and consumption, innovation in the local infrastructure, and supporting sustainable cities and communities.

Further information on the actions and list of KPIs can be found in the annual Sustainability Report.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar II – Strategy (continued)

Climate-related Opportunities

Climate-related opportunities have been identified across business segments and are informed by the understanding of climate-related risks. They include strategies, products, services and advice to support clients in the low-carbon transition, and to capture new areas of business growth, such as sustainable finance. The Group has also identified opportunities in its operations to mitigate climate change, while improving efficiency and resilience as can be shown in the table below.

Opportunity Type	Climate-Related Opportunities	Time Horizon	Identified Impactful Activities
Resource Efficiency	Use of more efficient modes of transport	Medium/Long	• Upgrade of car fleet with net-zero cars • Awareness of personnel and culture change regarding efficient and less polluting modes of transport
	Use of recycling	Short/Medium/Long	• Enhance the recycling actions of the organisation • Support circular economy
	Move to more efficient buildings	Short/Medium/Long	• Energy efficiency upgrades of owned buildings • Transfer to more energy efficient leased buildings
	Reduce water usage and consumption	Short/Medium/Long	• Increase efforts for the reduction of water usage within the Group's premises
Energy Systems	Use of lower-emission sources of energy	Short/Medium/Long	• More strict procurement specifications for new hardware and electronics
	Shift toward decentralized energy generation	Medium/Long	• Installation of photovoltaics on owned premises • Enter into Power Purchase Agreements with providers of renewable energy
Products and Services	Development and/or expansion of low emission products and services	Short/Medium/Long	• Expand the range of sustainable and environmentally friendly products and services. Refer to current environmentally friendly offerings reported under 'Pillar II - Strategy' section of these TCFD
Markets	Use of public-sector incentives	Short/Medium/Long	• Identify public funding schemes stemming from the RRF in order to further support interested parties and assist in the acceleration of transition efforts
	The development of new revenue streams from new/emerging environmental markets and products	Medium/Long	• Through the net-zero strategy exercises identify sectoral decarbonisation needs and develop new products to assist the clients to achieve their own net-zero targets
	Improved ratings by sustainability/ESG indexes	Short/Medium/Long	• Continuously improve internal procedures and disclosures in order to acquire better ESG ratings

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management

BOC PCL – as one of the systematic banks in Cyprus - is exposed to potential climate related risks and as such has taken the necessary steps to commit in managing these possible risks. To pursue that, a comprehensive and prudent climate risk management framework will be integrated in the existing risk management framework, in line with the applicable regulatory requirements and following best banking practises.

The Group follows the definition of the TCFD for C&E risks as can be shown below.

Climate-related risks fall into two major categories: (1) risks relating to the transition to a lower-carbon economy (transition risks) and (2) risks relating to the physical impacts of climate change (physical risks).[4]

Physical risks	**Acute physical risks**, which arise from specific weather-related events such as storms, floods, wildfires or heatwaves. These extreme weather events may damage production facilities and disrupt value chains. **Chronic physical risks**, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. Physical risks cause damages to assets and disrupt operations and supply chains.
Transition risks	**Policy risk** results from policy and regulatory actions seeking to limit global warming or promote adaptation to climate change. **Legal risk** stems from climate-related litigation claims as organisations fail to mitigate impacts of climate change, to adapt to climate change or to provide sufficient disclosure around material financial risks. **Technology risk** arises from new technologies making old systems prematurely obsolete, thus having a disruptive impact. **Market risk** is caused by supply and demand shifts for certain commodities, products and services taking into account climate considerations. **Reputational risk** comes from changing perceptions of an organisation's impact on climate.

[4] E06 - Climate related risks and opportunities.pdf (tcfdhub.org)

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Methodology - Climate Risk Identification and Assessment

As part of the overall risk management process of C&E risks, a risk identification analysis and assessment exercise has been carried out for the consideration of the impact of climate change on its financed portfolio for different time buckets. The identified risks are assessed on an on-going basis to ensure that these remain up to date given the developments in the business environment and the mitigating actions taken by the Group.

The risk identification process comprised the following:

Exposures identification

To identify the exposures that are vulnerable to transition risks, we employed the Climate Policy Relevant Sectors (CPRS) approach. This approach is a classification of activities whose revenues could be affected positively or negatively in a disorderly low-carbon transition. It allows the assessment of the economic and financial risk when firms are misaligned with the climate and decarbonisation targets specified in the Paris Agreement or with other defined policy objectives.

CPRS are identified considering their:
- direct and indirect contribution to GHG emissions;
- role in the energy value chain;
- relevance for climate policy implementation (i.e., their cost sensitivity to climate policy or regulatory change, e.g., the Carbon Leakage Regulation); and
- business model (input substitutability of fossil fuel).

Risk identification

Several sources were examined, the key of which are presented below, in order to identify the risks that can have a financial impact on the Group. The process involved a rigorous analysis of several risks and possible impacts they could have on a number of high transition sectors within the CPRS framework, marking which combination of risks and impacts were relevant to Cyprus, the local market and finally BOC PCL itself. The analysis revealed over a hundred relevant impacts across the 22 physical/transition risks. As part of this process, the materialisation time frame as well as the transmission to traditional risks were also identified.

Key Sources of Risk Identification
Transition risks 1. Blackrock’s study paper with title ‘Development of Tools and Mechanisms for the Integration of ESG Factors into the EU Banking Prudential Framework and into Banks' Business Strategies and Investment Policies’. 2. ECB’s paper with title ‘Climate risk stress test – SSM stress test 2022’.
Physical risks 1. The Intergovernmental Panel on Climate Change (IPCC) paper with title ‘AR6 Climate Change 2021: The Physical Science Basis’. 2. The Cyprus Government’s Ministry of Agriculture, Rural Development and Environment in the Department of Environment report with title ‘The Cyprus Climate Change Risk Assessment Evidence Report’.
Other Sources 1. UNEPFI Impact Analysis Tool 2. The Cyprus Government’s Ministry of Agriculture, Rural Development and Environment in the Department of Environment report with title ‘Report on The State of the Environment in Cyprus 2020’

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Following the risk identification process as presented above, a qualitative assessment was carried out of over a hundred identified relevant impacts. The assessment methodology included the vulnerability assessment of each NACE sector to the 22 identified risks in order to consider the relevance and potential impact on BOC PCL's portfolio. Following this, the Group proceeded to the qualitative assessment of the risks based on specific criteria.

The tables below provide the four primary risks, which are affected by C&E risks (both transition and physical), and set out the possible impacts and the transmission mechanism. Furthermore, across the previously defined time horizons, climate change may affect, to different degrees, these primary risks (i.e. Credit, Liquidity & Funding, Market and Operational Risk).

Traditional Risks	Transition Risks	Transmission Mechanisms	Examples	Time Horizon
Credit Risk	✓	-Impact on repayment ability through: - increased operating costs for compliance and/or lower revenues - increased capital expenditures to comply with regulatory standards - decrease in value of collateral and/or costs to monetise	- Vulnerability to increasing energy costs/dependence on single energy provider *(Market, Policy and Legal)* - Corporate carbon reporting has become increasingly common, and all companies will need to comply (*Policy and Legal)* - Substitution of existing aged products and services will impact sectors like real estate especially existing stock (*Technology)* - Manufacturing companies will need to find alternatives for packaging which will increase costs *(Technology)* - Carbon pricing on carbon intensive materials will increase the cost of the raw components needed for building a new structure such as steel, concrete, plastic, agricultural products, fuels etc. *(Market)* - Mandates to reduce polluting waste, encourage cyclical economy and reduce GHG emissions will have an impact to several sectors of the economy *(Policy and Legal)*	Short to medium term
Liquidity & Funding Risk	✓	- Inability to raise funding due to lack of climate change action by the organisation - Depletion of deposits to address increase operational costs or mitigate transition risks		Short to medium term
Market Risk	✓	- Impact on the price of marketable debt instruments (bonds) and to Real Estate assets	- Impact on the BOC PCL's valuation if it does not reduce its GHG emissions and/or increase its Green Asset Ratio *(Market)* - Impact on debt instruments and collateral values held in cases these are exposed to C&E risks *(Market)*	Medium term
Operational / Reputational Risk	✓	- Reputational risks due to inability to meet stakeholders' demands or due to financing of environmentally harmful projects - Litigation risks due to financing of environmentally harmful projects	- Impact on BOCH's valuation stemming from reputational risks in cases where its GHG emissions are not reduced *(Reputational)* - Reputational impact if the Group fails to introduce greener products *(Reputational)* - Litigation action against BOCH and/or BOC PCL or its customers where environmentally harmful projects are financed or pursued *(Policy and Legal)*	Short to medium term

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Traditional Risks	Physical Risks	Transmission Mechanisms	Examples	Time Horizon
Credit Risk	✓	-Impact on repayment ability through: - increased operating costs due to retrofitting and/or damage/substitution of assets - increase in insurance costs - lower revenues due to reduced productivity - decrease in value of collateral and/or costs to monetise	- Wildfires resulting from extreme temperature spells are highly destructive on property *(Acute & Chronic)* - Strong storms and extreme rainfall could often result in flooding and costly damage to property and disrupt operations and supply chains if facilities are flooded *(Acute)* - Sea level rise is expected to reduce the island's coastline by 80% in a hot house scenario. In the absence of adaptation, more intense and frequent extreme sea level events, together with trends in coastal development will increase expected annual flood damages by 2-3 orders of magnitude by 2100 based on projections by IPCC. - Increases in temperature and failure to adapt may bring about overheating in buildings that, in turn, increases health risks to the vulnerable portion of the population and to indoor workers which can also affect productivity. Assets that have not been retrofitted will not be marketable *(Acute & Chronic)* - Climate change is expected to cause an increase in the frequency, intensity and duration of drought events. Studies generally conclude that these events substantially undermine property prices. *(Chronic)*	Short to longer term
Liquidity Risk	✓	- Depletion of deposits to address increase operational costs or mitigate transition risks		
Market Risk	✓	- Impact on the price of marketable debt instruments (bonds) and to Real Estate assets	- Properties located in areas of higher physical risks, such as flood and wildfire risks, will be faced with the probability of decrease in their price. *(Acute & Chronic)*	
Operational / Reputational Risk	✓	- Increased operational costs	- Incurred damages due to acute physical risks on the buildings can disrupt operations as well as increased operational costs for repairing damages *(Acute)* - Increased operational costs for cooling of buildings *(Acute & Chronic)* - Potential downtime of IT systems during prolonged acute heatwaves *(Acute)* - Decreased personnel productivity during prolonged acute heatwaves *(Acute & Chronic)*	

Credit risk is one of the key risk categories considered to be most impacted by climate change, as seen in the tables above.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Based on the analysis carried out the mapping to the sectors sensitive to C&E risks is presented below:

Risks	Type	Driver	REAL ESTATE ACTIVITIES	ACCOMMODATION & FOOD SERVICE	CONSTRUCTION	TRANSPORTATION & STORAGE	WHOLESALE & RETAIL TRADE; REPAIR OF MOTOR VEHICLES	MANUFACTURING	AGRICULTURE, FORESTRY AND FISHING
Change in Precipitation - Change in average precipitation level	Physical	Chronic							
Change in Precipitation - Increased intensity, frequency and/or duration of flooding	Physical	Acute							
Change in Temperature - Change in average temperature	Physical	Chronic							
Change in Temperature - Extreme temperature spells	Physical	Acute							
Changing customer behaviour	Transition	Market							
Desertification	Physical	Chronic							
Energy supply	Transition	Market							
Enhanced emissions-reporting obligations	Transition	Policy & Legal							
Exposure to litigation	Transition	Policy & Legal							
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Physical	Acute							
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Transition	Market							
Extreme weather - Storms - Increased intensity, frequency and/or duration of storms	Physical	Acute							
Increased cost of raw materials	Transition	Market							
Increased pricing of GHG emissions	Transition	Policy & Legal							
Increased stakeholder concern or negative stakeholder feedback	Transition	Reputation							
Loss of biodiversity	Physical	Chronic							
Mandates on and regulation of existing products and services	Transition	Policy & Legal							
Pests	Physical	Chronic							
Shifts in consumer preferences	Transition	Reputation							
Substitution of existing products and services with lower emissions options	Transition	Technology							
Uncertainty in market signals	Transition	Market							
Sea level rise	Physical	Chronic							

Explanation of colours: Immaterial | Low | Medium | High

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk identification (continued)

Furthermore, the below table presents the identified risks and possible impacts for the Retail Real Estate and Commercial Real Estate as the Group has a high concentration within these sectors. For these sectors transition risks are expected to materialise through the need of more energy efficient and net-zero buildings which could translate into credit risk by affecting the repayment ability of the borrowers due to increased unexpected costs or by decreasing the value of the asset. Physical risks need to be examined on an asset-by-asset basis and factoring in also their location.

Risk	Driver	Impact	Timeframe	Assessment
Change in Temperature - Change in average temperature	Chronic	Anticipated higher temperatures and lower average rainfall are expected to increase the number of 'very high' and 'extreme' Forest Fire Danger Index days. Land and buildings located near areas deemed high risk may see a decrease in demand resulting in reduced land prices.	Long-term	**Medium**
Change in Temperature - Change in average temperature	Chronic	Lack of attention to extreme heat events may bring about overheating in buildings that, in turn, increases health risks to the vulnerable portion of the population such as the elderly, the sick and physically challenged, and the very young. High temperatures can be ameliorated by air conditioning, although causing increased energy consumption and therefore in most instances, GHG emissions. Real Estate companies and Hotels may face increased capital expenditure costs to retrofit air conditioning systems to existing buildings or additional costs in including the systems in new builds as well as additional operating expenditure to run the units. This may have an adverse impact on property valuations.	Long-term	**Low**
Change in Temperature - Extreme temperature spells	Acute	In instances where it is projected that significant increases in degradation rate are to arise, adaptations to the building fabric may be required. For existing buildings, adaptation is a means to further protect the existing building fabric, to enhance performance and control the rate of degradation.	Short-term	**Medium**
Changing customer behaviour	Market	Climate change and sustainability is becoming an important factor for many consumers and investors. Stakeholders are increasingly pressuring companies to reduce their carbon footprints. Companies that fail to adopt and respond to these changing attitudes and behaviour could see themselves losing customers and becoming stigmatised.	Medium-term	**Medium**
Changing customer behaviour	Market	Climate change is expected to negatively impact housing prices and demand in regions/areas that are more exposed to physical climate risks. Sea level rise, more intense storms, higher risk of forest fires, lower water quality, and increased frequency of drought events can shift home owners and investors away from traditionally desirable locations. Furthermore climate change and sustainability is becoming an important factor for many consumers and investors. Houses will be expected to be green or energy efficient and have less dependency on traditional energy and other utility sources. These impacts could decrease valuation for properties and rents.	Medium-term	**Medium**
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Acute	Drought events would increase the risk of fires and reduce the ability of safety teams to battle these fires due to water scarcity. Sectors with immovable assets could be facing more damages due to fire events and increasing cost to repair these damages.	Short-term	**Medium**
Shifts in consumer preferences	Reputation	Energy efficient buildings achieve higher asset values through securing higher rents, lower lease-up costs, higher occupancy levels, lower operating costs and improved indoor air quality. Buildings that do not take into account these additional preferences could face a reduction in demand and the valuation of such properties could decrease.	Medium-term	**Medium**

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

UNEPFI Impact Analysis Tool

BOC PCL has employed the UNEP FI's Impact Analysis Tool which provides for a two-step process to understand and manage actual and potential positive and negative impacts of the financing it provides. As per the methodology underpinning the tool (UNEP FI's Holistic Impact Methodology) the impacts are analysed across the spectrum of the three pillars of sustainable development articulated by the SDGs:

- Human needs (the social pillar – people)
- Environmental conditions or constraints (the environmental pillar – planet)
- Economic development (the economic pillar – prosperity)

The tool allows the selection of the industries that the Group has the biggest exposures to and following that it maps which of them are particularly affected by sustainability trends. The impacts are then further broken down as to deeply understand which SDGs are the most relevant for the Group.

For the Corporate portfolio, the impact analysis focussed on the fifty most important sub-sectors based on NACE codes for a total of ten sectors, analysing €4.7 billion of exposures out of a total of €10.2 billion gross loan book as at 31 December 2022. In terms of industries, Accommodation, Real Estate, Trade and Construction have the highest share in the Group's portfolio. Sectors that are of less importance in terms of financed exposure but are considered significant due to their impact on the SDGs, e.g., manufacturing, transportation and agriculture, were also analysed. For Consumer banking, the impacts of the most prevailing banking products were examined including credit cards, overdrafts, consumer loans, mortgage loans, student loans and vehicle loans.

Analysis

a) Corporate Portfolio

Focusing on the negative impacts, the analysis indicates that all the activities of the financed portfolio can potentially affect the entire environmental pillar as expressed through the three distinct impact areas of:

- Circularity;
- Biodiversity & healthy ecosystems; and
- Climate stability.

Activities from the most prevailing financed sectors such as Construction and Real Estate are negatively associated with:

- Biodiversity;
- Resource Intensity;
- Waste; and
- Climate Stability.

This is mainly due to the fact that these sectors are associated with the use of natural resources, produce waste during the construction/operation phase, affect the climate through the GHG emissions of the properties and in addition, the land/area they are built on may have adverse effects on the local ecosystems.

Similarly, the manufacturing and the transportation sectors are mainly associated with the consumption of fossil fuels and production of GHG emissions (through energy usage and mobility). Agriculture is a sector where it takes up a lot of land whereas livestock production causes the emission of fairly large amounts of CO_2. The accommodation sector, which is of the largest sectors of the loan portfolio, it is not considered a key sector by the UNEP FI tool. However, it is negatively associated with waste, pollution, and the cause of strain on land and local ecosystems.

b) Consumer Banking - Households

The analysis indicates that mortgage loans are negatively associated with 'Climate Stability' and 'Resource Intensity' mainly due to the consumption of energy (GHG emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their GHG emissions.

Next Steps

The Group is constantly monitoring results and working on policies as to target specific industries and sectors that will help it increase its positive impact (e.g., lending to renewable energy projects).

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Process for managing climate risks

Changing regulatory and legal requirements, increased stakeholder concern, shifts in consumer preferences, and the mandates on and regulation of existing products and services, are just a few ways that the Group can be exposed to climate risk. The Group periodically reviews the risks it faces and considers how they may affect its customers and operations.

The table below provides an overview of the actions to mitigate climate risk the Group intends to take or is already taking. These actions relate to the previously identified C&E risks that affect the primary risk types.

Risk Type	Controls/ Mitigations Used
Credit	***Transition Risks*** Going forward, the Group intends to perform detailed analyses ('deep dives') for specific Corporate clients with large exposures, in order to carry out strategic initiatives with respect to the following: -Determination of financing terms for Corporate clients with different levels of transition risk -Financing of Corporate clients' 'green' transition -Collection of additional information on Corporate clients' environmental performance (e.g. GHG emissions data). ***Physical Risk Assessment*** In the context of further future actions, the Group intends to perform detailed analyses ('deep dives') regarding its exposure to specific areas with high physical risk vulnerabilities. This will be facilitated through the acquisition of detailed geolocation data which will allow the Group to consider the physical risk of collaterals during loan origination process, to appropriately adjust the underlying financing.
Liquidity & Funding	The 2022 ILAAP scenario considers increased outflows on climate sensitive areas of the loan portfolio.
Market	The Group will consider the ESG rating of bonds purchased.
Operational	The Group, through its current policies and procedures within its BAU and Business Continuity Plans is already addressing these risks. Furthermore, it plans to capture these risks and mitigating actions through its third party assessment procedures.

Integration of climate related and environmental risks into overall risk management

The Group is making substantial progress in further integrating climate risk considerations into its risk management approach, as it tries to integrate climate related risk into its risk culture.

The Group is in the process of embedding climate related risks into its:

- Risk Appetite Framework;
- Climate risk assessment at loan origination;
- Capital Adequacy Assessment and Stress Testing; and
- Internal Risk Reporting.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Risk Management Framework

The Group has in place a coherent and comprehensive Risk Management Framework for the identification, assessment, monitoring and controlling of risk within the Group. The Framework provides the infrastructure, process and analytics needed to support effective risk management.

Risk Appetite Framework

The Group has set several primary KPIs and corresponding targets in its ESG strategy which are reflected in its current Risk Appetite Statement. Shorter term targets will be set going forward following the estimation of Financed Scope 3 GHG emissions.

Climate risk assessment at loan origination

Within the context of its loan underwriting processes BOC PCL is currently in the process of incorporating the assessment of ESG and climate matters and amending its Policies and Procedures in such a way that potential impact from ESG and climate is reflected in the fundamental elements of the creditworthiness assessment i.e., in Repayment Capacity and Collateral Assessment.

In doing so, BOC PCL is taking the necessary steps to develop an approach which will allow this impact to be assessed both with new lending applications and within stress testing framework. The rationale of elaborating on such an approach is that certain risks might be already affecting the fundamental parameters and are not dependent on realisation of a scenario, whereas other risks are scenario dependent, and their impact would materialise only in the case of the scenario being realised.

The exercise includes the design of ESG questionnaires per sector which will then be leveraged for deriving an ESG classification. The amendment in policies and procedures will also account for the decision-making process in the form of potential alteration of pricing, setting of specific covenants and monitoring requirements, etc.

Climate risk sensitivity and stress testing

Scenario analysis and climate risk stress testing are methods which assist in evaluating and managing the possible effects of C&E risks, to the Group's business strategy and financial planning decisions.

The Group is in the process to enhance the Risk Quantification capabilities regarding the quantification of ESG and climate risks both in terms of an Economic perspective and Normative perspective. In doing so, the Group will focus/take into consideration the below:

- Incorporation of ESG and climate into its risk parameters (PD, LGD, etc.).
- Development of methodology to quantify the ESG and climate risks on the basis of risk parameters.
- Development of methodology to quantify the impact from specific scenarios, by considering whether the said scenario would directly affect risk parameters, or the impact would be propagated via macro-economic factors.

Following the above, the Group aims to assess the impact on capital in relation to the level of risks it is or might be exposed to, under both normal and stress conditions from both the normative and economic perspectives.

Climate change risk will be considered in the risk identification process of the assessment. Where relevant, outcomes from climate scenario analysis and stress tests will be reflected in the assessment documentation.

With the aim to integrate climate risk into the existing risk taxonomy and risk registry of the Group and inform the various business processes, the Group will assess the potential need to capitalise climate risk, considering regulatory and supervisory expectations.

The Group will also be carrying out sensitivity analysis on the vulnerable areas of its loan portfolio. Such analysis is expected to be carried out on a top-down basis.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Internal Risk Reporting

The Group is working to introduce a new reporting framework to track its climate risk exposure. Currently, regular reporting primarily consists of progress updates on the ESG Working Plan. This takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC. The RC also receives separate updates on specific risk management related activities when needed.

Beyond the ESG Working Plan updates, during 2022 the following items were submitted to the appropriate Board Committee:

- The decarbonisation strategy relating to Scope 1 and Scope 2 GHG emissions. This was submitted to the NCGC for approval.
- The risk identification and materiality assessment. This was submitted to the RC for approval.

In addition, the Group is working on setting KRIs related to the environmental pillar in order to monitor C&E risks and to prevent any negative impacts stemming from these risks. Internal reporting will also include the following actions:

- Monitoring of the Energy Performance Certificates of the building stock of the Group's collateral portfolio (both for residential and commercial properties)
- Levels of GHG emissions per sector
- Level of financing on Renewable Energy Projects

Integration of climate related and environmental risks into the Group's three lines of defence framework

Three Lines of Defence

As per the three lines of defence model established by the Group, Control Functions have defined responsibilities in terms of ESG and climate risks.

First Line of Defence

The first line of defence includes functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. Whilst not yet in place, the first line of defence will lead the interaction with the customers as part of the incorporation of the ESG and climate criteria in the credit underwriting process through the ESG questionnaire and scoring process. Furthermore, it will be requested to observe any sector limits being put in place as derived from the science-based targets.

Second Line of Defence

The second line of defence includes functions that oversee compliance of the first line with the regulatory framework and management of risk. It comprises of the RMD, Information Security and Compliance functions, with the involvement as necessary of the support functions such as Human Resources (HR) and Legal Services Department (LSD). In terms of ESG and climate, the second line of defence provides support and oversight of risks through:

- developing, maintaining and enhancing the risk management framework covering all operations of the Group (including ESG and climate risks) and considering new risks or amendments to the existing ones;
- developing and maintaining risk, information security and compliance policies within that framework ensuring these are consistent with the Board's risk appetite and the Group's ESG Strategy; and
- providing the necessary reporting on exposures affected by ESG risks and develop the necessary models and tools to facilitate the climate risk assessment.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar III - Risk Management (continued)

Integration of climate related and environmental risks into the Group's three lines of defence framework (continued)

Third Line of Defence

The third line of defence is the Internal Audit Division (IA) which provides independent assurance to the Board and Executive Management on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG and climate risks), for managing significant risks according to the risk appetite set by the Board.

Pillar IV - Metrics and Targets

The Group has disclosed its performance on climate-related metrics and targets based on primary targets set under the ESG strategy. The Group uses such metrics and targets to provide quantitative information on the current status of climate strategy and performance. These figures are regularly assessed by Senior Management through the governance arrangement as presented earlier in 'Pillar I - Governance' section of these TCFD. In the upcoming pages, the Group summarises the operating and financial information to date to guide its progress towards the established impact-reduction and financing goals and the net zero plan.

Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050

The Group aims to become carbon-neutral by 2030, by gradually eliminating its scope 1 and 2 GHG emissions.

The Group has estimated the Scope 1 and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. For the Group to meet the carbon neutrality target, the Scope 1 and Scope 2 GHG emissions should be reduced by 42% (absolute target) by 2030. The absolute reduction target has been set following the climate scenario of 1.5°C which is aligned with the Paris Agreement. BOC PCL in 2022, designed the plan of actions to meet the carbon neutrality target by 2030 and progress towards Net Zero target of 2050. The Group is in the process to design the decarbonization strategy for the reduction of Scope 1 and Scope 2 GHG emissions of its subsidiaries.

For the purpose of the calculation of the 2021 and 2022 Carbon footprint, the Group has set its organisational boundaries based on the operational control approach. The 2021 and 2022 carbon footprint for Scope 1 and Scope 2 GHG emissions was estimated based on the methodologies described in the Greenhouse Gas Protocol ('GHG Protocol') and ISO14064-1:2019 standard. The Group's own carbon footprint will continue to be calculated on an annual basis which will enable comparisons to be made and progress against decarbonisation targets to be monitored.

In 2022, BOC PCL has formulated a plan of action to reduce Scope 1 and Scope 2 and meet carbon neutrality target by 2030 and plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2023 to 2025, which would lead to approximately 5-10% reduction in Scope 1 and Scope 2 GHG emissions by 2025 compared to 2021. The Group expects that the Scope 2 GHG emissions will be reduced further when the energy market in Cyprus shifts further towards renewable energy.

A number of carbon reduction initiatives are already underway and contribute to the reduction of carbon footprint in the immediate future. These energy and waste initiatives include:
- installation of new solar panels;
- implementation of Energy Management system;
- installation of electric chargers for cars;
- improvement of waste measurement;
- increase initiatives for waste recycling; and
- reduction of paper use.

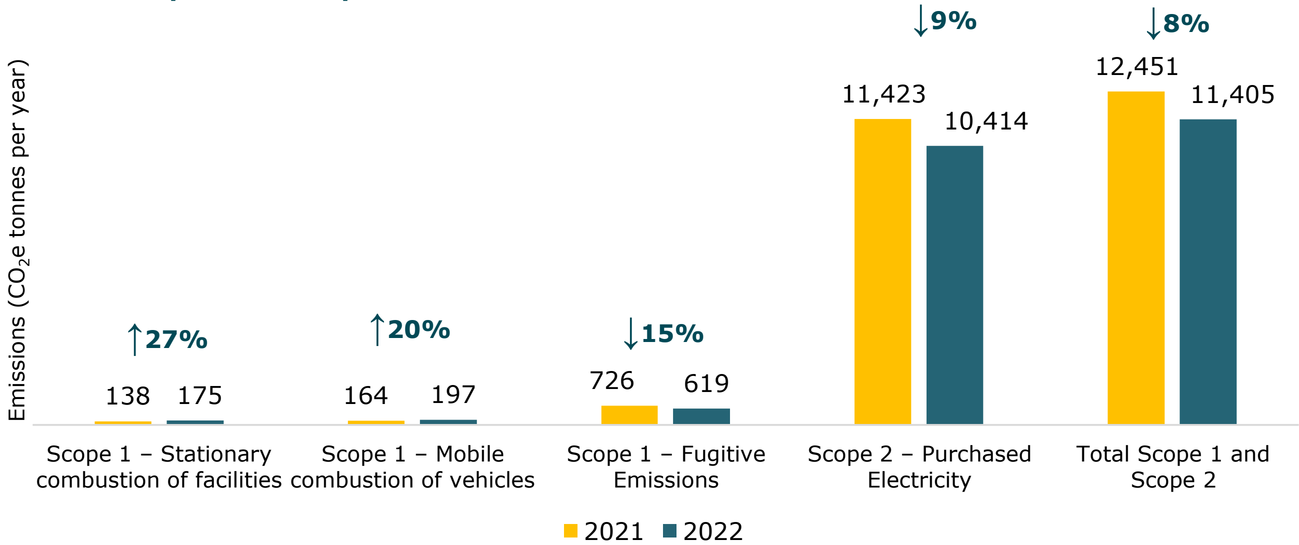
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050 (continued)

BOC PCL, being the main contributor of GHG emissions of the Group, has estimated Scope 1 and Scope 2 GHG emissions for 2022 in order to monitor the progress on carbon neutrality target:

BOC PCL - Scope 1 and Scope 2 GHG emissions



The Scope 1 and Scope 2 GHG emissions of the Subsidiaries of the Group and the non-Financed Scope 3 GHG emissions of the Group will be reported in the Sustainability report of 2022 (the 2022 Sustainability report will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

(Note: The 2021 estimated Scope 1 and 2 GHG emissions presented here are slightly different to those reported in the 2021 Sustainability Report due to the following factors: the overestimation of certain Global Warming Potentials (GWP) for Scope 1 Stationary Combustion, re-estimation of Scope 1 Fugitive GHG emissions to include all properties and reallocation of relevant GHG emissions between companies within the wider Group following revised ownership rights.)

Energy management

Energy consumption accounts for a large percentage of the GHG emissions of own operations. The Group works to reduce consumption in all aspects of its operations. Optimising the amount of energy consumed helps reduce both the Group's environmental footprint and operational costs. The Group implements initiatives for its branches and owned buildings across Cyprus as well as its Head Office, aiming to make a significant, positive impact on the environment and reduce costs. Renewable energy from solar panels has been extremely important in mitigating the Group's climate change impacts. A reduction of approximately 9% in BOC PCL' Scope 2 GHG emissions has been observed in 2022 compared to 2021 following the installation of energy efficient lighting, installation of Energy Management Systems, on-site photovoltaic systems at eight owned buildings and replacement of old air conditioning units.

BOC PCL has managed to reduce its energy consumption by approximately1.8 million kWh in 2022 compared to 2021. In addition, BOC PCL invests continuously in updating its internal practices, and upgrading equipment and technologies, adopting new standards, and complying with international best practices.

Mobile combustion has been increased by 20% due to the fact that COVID-19 measures were applicable in 2021 whilst no COVID-19 related circulation restrictions were effective in 2022 leading to increased consumption. However, BOC PCL disposed of five passenger vehicles in 2022 and is in the process to establish a policy for all vehicle replacements to be hybrid or electric.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Energy management (continued)

Scope 1 GHG emissions relating to Stationary combustion was increased by 27% due to the fact that in one of the buildings the fuel intensive machinery was idle in 2021 but was fully utilised in 2022 for heating purposes due to a mechanical failure on the electricity intensive heating machineries. In addition, fuel consumption was increased in 2022 due to the fact that one building of the Group, which was idle from March 2020 onwards, become fully operational in 2022. These two properties recorded zero stationary combustion GHG emissions in 2021 whilst led to 31.35 tonnes of GHG emissions in 2022.

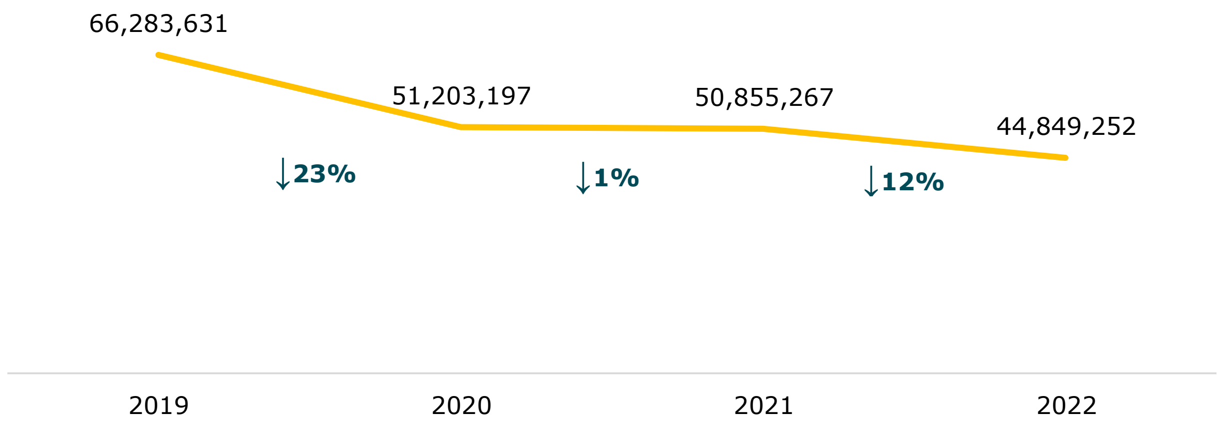
The overall environmental impact relating to Scope 1 and Scope 2 GHG emissions reduced by 1,046 GHG emissions tonnes in 2022 compared to 2021 which represents approximately 8% reduction.

Resource Management and Recycling

Throughout the year, the Group runs initiatives, environmental trainings, awareness sessions and internal communication campaigns to increase environmental awareness, improve efficiency and performance, and reduce resource consumption.

Initiatives focus on various environmental aspects, including energy consumption, paper consumption, printing, use of A/C systems. The goal of this initiative was to motivate all employees to act and join the effort to become more efficient when it comes to resource consumption.

BOC PCL - Paper Consumption (kgs)



Reduction of all GHG emissions to become Net Zero by 2050

BOC PCL has joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions. BOC PCL has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies. The PCAF Standard has been reviewed by the GHG Protocol and conforms with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. In addition, PCAF provides a data quality ranking for the estimation of Financed Scope 3 GHG emissions based on data applied in the estimation for each asset class. The scale is between 1-5 with 1 being the highest quality and 5 being the lowest quality.

BOC PCL aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire is expected to be launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. BOC PCL has already established a policy in the loan origination process to gather Energy Performance Certificates (ratings and GHG emissions per square meters) for the financed properties and collateral properties. Additional data gathering actions will be performed during 2023.

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

For the initial estimation of Financed Scope 3 GHG emissions relating to the lending portfolio, the loan portfolio was classified in the following PCAF asset classes which will facilitate the setting of decarbonisation targets in the future:

PCAF Asset class	Definition
Business loans	Business loans include all loans and lines of credit for general corporate purposes (i.e., with unknown use of proceeds as defined by the GHG Protocol) to businesses, non-profits, and any other structure of organisation that are not traded on a market and are on the balance sheet of the financial institution. Revolving credit facilities, overdraft facilities, and business loans secured by real estate such as Commercial Real Estate-secured lines of credit are also included. Any off-balance sheet loans and lines of credit are excluded.
Commercial Real Estate (CRE)	This asset class includes on-balance sheet loans for specific corporate purposes, namely the purchase and refinance of commercial real estate (CRE), and on-balance sheet investments in CRE. This definition implies that the property is used for commercial purposes, such as retail, hotels, office space, industrial, or large multifamily rentals. In all cases, the building owner or investor leases the property to tenants to conduct income-generating activities.
Mortgages	This asset class includes on-balance sheet loans for specific consumer purposes namely the purchase and refinance of residential property, including individual homes and multifamily housing with a small number of units. This definition implies that the property is used only for residential purposes and not to conduct income-generating activities.
Motor vehicles	This asset class refers to on-balance sheet loans and lines of credit for specific (corporate or consumer) purposes to businesses and consumers that are used to finance one or several motor vehicles. Corporate loans for acquisition of vehicles for trade purposes were classified as 'Business Loans'.

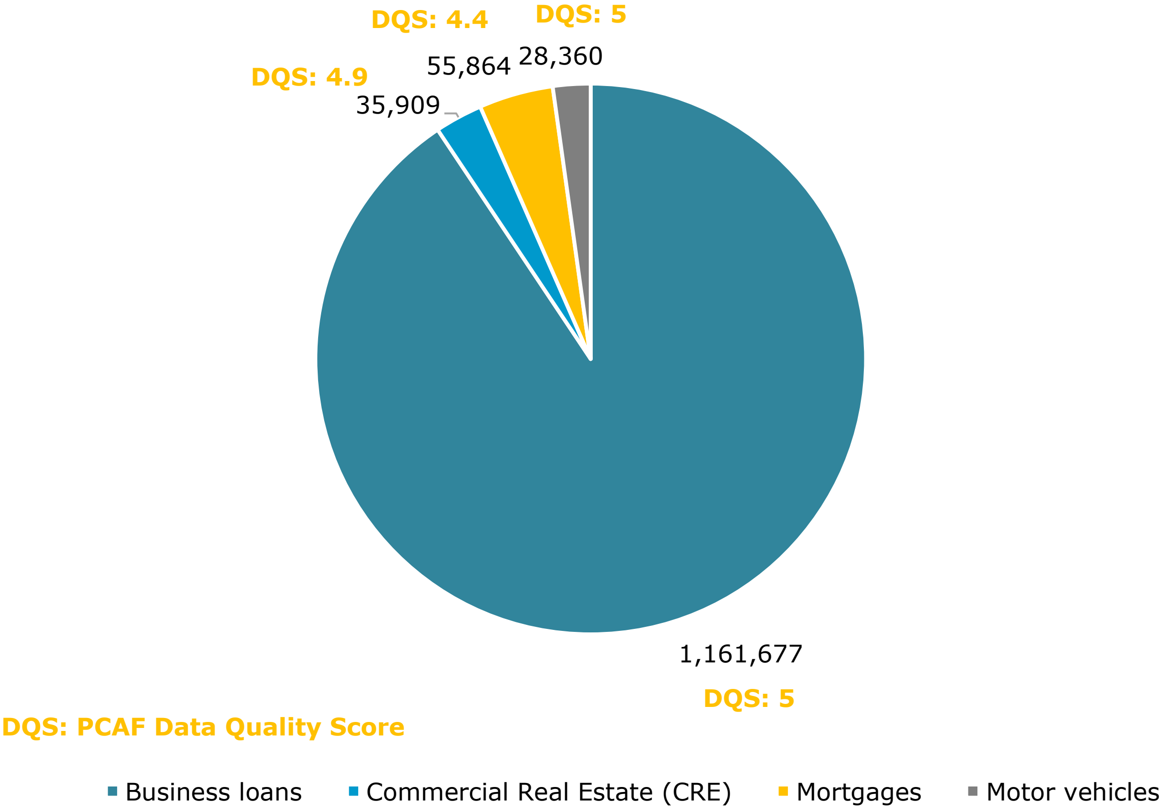
Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

The Group estimated the Financed Scope 3 GHG emissions for approximately 88% of Gross Loans and advances portfolio which fall under the above mentioned asset classes. The Group plans to estimate the Financed Scope 3 GHG emissions of its investment and insurance portfolio within 2023. More than approximately 97% of the Group's GHG emissions derived from Financed Scope 3 GHG emissions.

Financed Scope 3 GHG emissions (CO_2e tonnes per year) – 2022 - Loan Portfolio



In 2023, the Group is expected to set decarbonisation target on its Mortgage portfolio due to the fact that 91%[5] of building stock in Cyprus was built before the implementation of minimum energy performance requirements. Therefore, renovation of building stock in Cyprus is vital for reaching Net Zero by 2050. In 2023, the Group is expected to estimate the Financed Scope 3 GHG emissions per square meter financed in Cyprus and set a decarbonisation reduction target to 2030 using a 1.5°C climate scenario. The decarbonisation target will then inform the Group's strategy from 2023 onwards as it will impact the new mortgage lending strategy as well as the incorporation in the new lending strategy of the provision of finance for improvement in energy performance of residential buildings taking into account any government schemes.

[5] Implementation-of-the-EPBD-in-Cyprus.pdf (epbd-ca.eu)

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Reduction of all GHG emissions to become Net Zero by 2050 (continued)

Given that the majority of Financed Scope 3 GHG emissions derive from Business Loan asset class, the carbon concentrated sectors under Business Loan asset class have been identified, based on PCAF definition, which are the primary sectors for setting decarbonisation targets. The Group has initiated the process to set decarbonisation targets aligned with a climate scenario for its loan portfolio in 2023. The primary sectors identified under Business Loan asset class are Accommodation and food service activities (12%), Construction (20%), Manufacturing (16%), Transportation and storage (24%) and Wholesale and retail trade (10%).

BOC PCL – Financed Scope 3 GHG emissions – Business loan asset class			
NACE	**Sector**	**OS Loan Amount €million**	**Emissions (CO_2 tonnes per year) – 2022**
H	TRANSPORTATION AND STORAGE	275	281,389
F	CONSTRUCTION	318	236,487
C	MANUFACTURING	360	189,249
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	770	135,124
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	785	119,988
M	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	262	46,021
D	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	48	48,527
A	AGRICULTURE, FORESTRY AND FISHING	42	22,734
Q	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	86	19,882
L	REAL ESTATE ACTIVITIES	685	17,325
E	WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	4	10,541
K	FINANCIAL AND INSURANCE ACTIVITIES	135	10,353
J	INFORMATION AND COMMUNICATION	33	8,013
B	MINING AND QUARRYING	12	5,004
P	EDUCATION	44	3,202
R	ARTS, ENTERTAINMENT AND RECREATION	15	2,876
S	OTHER SERVICE ACTIVITIES	18	2,696
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	24	2,266
Total Financed Scope 3 GHG emissions – Loan portfolio		**€3,916**	**1,161,677**

Task Force on Climate-related Financial Disclosures (TCFD) (continued)

Pillar IV - Metrics and Targets (continued)

Steadily increase Green Asset and Green Mortgage Ratios

The Financial sector has an important role to play in addressing the climate crisis by providing the capital needed to expedite the transition to a low-carbon economy that balances our world's environmental, social and economic needs. We are prepared to support the drastic changes needed in our business and in the world's industrial processes, land-use, buildings, transport and other infrastructure to align with the goals of the Paris Agreement.

A key metric to assess progress against this target is the proportion of the Group's climate action financing as a percentage of total financing. In Part B of these 'ESG Disclosures' the Taxonomy eligible exposures as a percentage of the Group's total assets are presented.

The Group has set up a Sustainable Finance Framework which will facilitate the issuance of Green, Social or Sustainable bonds. The proceeds from such bonds will be allocated to eligible activities and products as designated in the Sustainable Finance Framework.

To support this goal, the Group is working to develop a Green Lending Framework where it expects to use the EU Taxonomy as the main consideration to inform criteria for green or transition loans. This framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands.

PART B:

EU Taxonomy Disclosures in accordance with Article 8 of the Taxonomy Regulation

Contextual information including the scope of assets and activities covered by the KPIs, information on data sources and limitations

In accordance with Article 8 of the Taxonomy Regulation and the related Climate Disclosures Delegated Act, starting from year-end 2021, financial undertakings have to disclose the proportion of exposures to Taxonomy-eligible and Taxonomy non-eligible economic activities related to the environmental objectives of climate change adaptation and mitigation for 2022, for which screening criteria have been established under the delegated acts as well as a number of key performance indicators related to the proportion of selected exposures in their total assets. The primary indicator of alignment is the green asset ratio (GAR), which companies must publish from 2024.

Eligibility-related disclosures of financial undertakings with regard to financial or non-financial undertakings in scope of Article 8 of the Taxonomy Regulation shall be based on actual information provided by them. Given that this information is due to be disclosed in course of 2022 after the issuing date of this Annual Financial Report, the assessment of Taxonomy eligible economic activities of corporate undertakings based on the Climate Disclosures Delegated Act is currently not fully possible.

Accordingly, the Group is reporting only household related exposures as Taxonomy eligible exposures for the year-end 2022 and 2021. In the denominator, the Group includes local government financing, financial corporations (FCs), non-financial corporations (NFCs), derivatives, on demand interbank loans, cash and cash-related assets and other assets. The scope of activities covered includes the eligible activities under climate change mitigation (CCM)[1] and climate change adaptation (CCA)[2]. Total exposure for other assets not covered in either denominator or numerator has been provided for central governments, central banks and supranational issuers, and the trading portfolio.

The Complementary Climate Delegated Act including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy-eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2022. While the Group has no direct exposure to the specific nuclear activities and fossil gas related activities, it has exposure to customers involved in the use of fossil gaseous fuels to facilitate power generation activities.

Additional qualitative information with respect to the Group's environmentally friendly products, Green Lending policy and Environmental and Social Policy are provided under 'Pillar II - Strategy' section of Part A-TCFD of these disclosures.

The following table outlines the breakdown of Taxonomy-eligible assets on the balance sheet with reference to disclosure requirements for 2022. The Group will continue to develop its disclosures over the coming years as requirements and data availability increase. This table is prepared on the prudential scope of consolidation per FINREP. The below metrics are unaudited and have been prepared in line with available guidance to the best of the Group's ability.

[1]CCM: The process of holding the increase in the global average temperature to well below 2 C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.
[2]CCA: The process of adjustment to actual and expected climate change and its impacts.

EU Taxonomy - Disclosures in accordance with Article 8 of the Taxonomy Regulation (continued)

	31 December 2022	
Assets covered in both numerator and denominator	**€million**	**% of total assets**
Households	3,884	16%
Local government financing	47	0%
Taxonomy eligible economic activities	**3,931**	**16%**
Assets excluded from the numerator (covered only in the denominator)		
Exposures & investments to NFCs not subject to NFRD	4,870	20%
Exposures & investments to FCs not subject to NFRD	339	1%
On-demand inter-bank loans	119	1%
Derivatives-non trading book	44	0%
Properties (stock of properties and investment properties)	1,091	5%
Exposures & investments to FCs subject to NFRD	824	3%
Exposures & investments to NFCs subject to NFRD	264	1%
Exposures to retail sector not included in the numerator	814	3%
Other assets (own-use property approximately/assets held for sale etc.)	1,168	5%
Taxonomy non-eligible activities	**9,533**	**39%**
Total covered assets	**13,464**	**55%**
Other assets not covered in either denominator or numerator		
Exposures to Central Governments	1,111	4%
Exposures to Central Banks	9,476	39%
Sovereigns	137	1%
Supranational Exposures	294	1%
Trading book exposures	4	0%
Total assets not covered in either denominator or numerator	**11,021**	**45%**
Total assets	**24,486**	**100%**

Taxonomy eligible economic activities as a percentage of total assets amount to 16% for the years ended 31 December 2022 and 2021, whereas non-eligible economic activities amount to 39% of total assets for the year ended 31 December 2022 (2021:41% of total assets). Total derivative exposures as a % of total assets amount to less than 1% for both of 2022 and 2021.

PART C:

Non-financial information statement

The Group plays a key role in driving economic growth of Cyprus with a long presence and a dominant market position. Sustainable development, social progress, environmental integrity, climate stability and a viable economy are all among the Group's key targets for 2022 and beyond.

The Group publishes its Annual Non-Financial Results based on the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) guidelines and standards, which identify and include all the above information. The Corporate Sustainability Report 2022 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports).

Commitment to Sustainability
Climate change and transition to a sustainable economy is one of the greatest challenges. As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group continuously evolves towards its ESG agenda and continues to make progress towards building a forward-looking organisation embracing ESG in all aspects of business as usual.

The Group acts with transparency and accountability, in line with its code of ethics, and aspires to lead in an era characterised by exponential change, disruption and digitalisation through its innovative approach. The Group remains consistent and committed towards all its stakeholders; investors, customers, shareholders, employees and the society.

The ESG strategy formulated in 2021 is continuously expanding. The Group is maintaining its leading role in the Social and Governance pillars and focus on increasing the Group's positive impacts on the Environment by transforming not only its own operations, but also the operations of its customers.

Employees
The Group recognises the significance of investing in employee empowerment and development.

Employee Engagement
As of 31 December 2022, the Group employed 2,889 employees compared to 3,438 persons as at 31 December 2021. Analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2022 is disclosed in Note 14 of the Consolidated Financial Statements. BOC PCL has developed policies to safeguard gender equality, diversity and inclusion. Policies, procedures, training and a series of tools are available to ensure the Group fosters a culture of meritocracy and fairness. Following the agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2021 and 2022 a performance-based pay structure was introduced across the Group to drive greater alignment with Group's strategy and ambition.

In 2022, under the 'Organisational Health' project, the Group executed two Pulse check surveys. The Pulse checks remain valuable tools to reassess peoples' perspectives, management's commitment and engagement around the Group's selected health priorities (Personal Ownership, Knowledge Sharing, Employee Involvement and Career Opportunities). Following Pulse checks all practices were improved and dedicated Group and Divisional action plans were designed.

BOC PCL has continued to upgrade its staff's skill set by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2022, BOC PCL heightened its emphasis on staff wellness by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by 1,424 employees, through its 'Well-at-Work program'.

Non-financial information statement (continued)

Learning and Development

Under the Group's Learning and Development Policy, in 2022 the training programmes delivered were based on the following training pillars:

- Systems and data - Provide reskilling and upskilling opportunities to unlock people's potentials and help them to better cope with the ongoing changing professional needs and skills.
- Capability building training - Evolve management skills of middle management to better manage, engage with people and develop further senior management leadership styles to inspire people and drive change.
- Business Driven training - Provide ongoing training opportunities to keep people up to date with regulatory, compliance, information security etc. knowledge, to perform with integrity and professionalism.

As the pandemic restrictions subsided during 2022, training programs offered to members of staff increased by 32% in 2022 in comparison to 2021 and total training hours offered increased by 35% in comparison to 2021. In 2022, 100% of employees received training, with a total of 67,326 training hours being offered. Further to the provision of e-learnings and live webinars, the Group provided 75 physical trainings and programs totalling 13,603 hours during 2022.

Health and Safety

The Health and Safety (H&S) of employees, customers and associates is of primary responsibility for the Group. The objective has always been to prevent work-related injuries and ensure H&S at the workplace through the effective management of related risks.

In 2022 the Group H&S Policy and the internal procedures were revised so as to ensure compliance with the new H&S regulations. Employees were trained on H&S issues and procedures through an e-learning course. In addition, training sessions were conducted for the Presidents of the Safety Committees and key persons of the H&S team, the Compliance Liaisons and the First Aiders. The Group conducts evacuation exercises once a year nationwide for the emergency procedures, including earthquakes and fire. Identified risks through the risk assessments have been properly addressed throughout the year. Our approach is to provide assurance that risks are being properly managed and make our people feel safe. In 2022, BOC PCL continued emphasizing staff wellness offering seminars on Healthy Eating and Mental Health in the workplace, through its 'Well at Work program'.

Society

The Group's CSR Strategy and CSR Programme contribute to the Social Pillar of the ESG Strategy and support the Group's selected United Nations Sustainability Development Goals (SDGs). The Group's CSR programme and all relevant initiatives are compatible with its core business and enhance the Group's overall strategy and vision. The CSR Strategy clearly indicates the move from issuing a cheque and requesting logo placement, to examining, contributing, engaging and finally, committing to the cause of support. The Group's Donations, Sponsorships and Partnerships Policy covers the Group's engagement with key partners, customers and other stakeholders which aim to create sustainable social impact and material difference to the community.

The Group's Social Programme responds when:

- A compelling societal need exists.
- The said need is not fully served by the public sector.
- The proposed actions/strategies best serve all the Group's stakeholders (investors, customers, employees, shareholders, regulators etc.).

In 2022 the Group continued to undertake sustainable support to the local community with Health Pillar initiatives, and Education Pillar initiatives, based on the relevant policy and strategy. Additionally, the Group continued to develop initiatives that aimed to preserve local culture and history, through the Bank of Cyprus Cultural Foundation and to enhance innovation and start-ups through the IDEA Innovation Centre. The Group successfully continued and expanded the operation of the award winning SupportCY network of companies and NGOs.

Non-financial information statement (continued)

Society (continued)
SupportCY was created in March 2020, in order to support public services performing frontline duties during the COVID-19 pandemic, its actions led by BOC PCL expanded in supporting various societal needs. At the same time, it continued to generate Social Capital which is both sustainable and more effective, by bringing businesses and organisations together to share what each does best, in responding to specific needs. By 31 December 2022, the SupportCY network had more than 167 members, while the SupportCY Crises and Disasters Respond Center, the SupportCY Volunteers Corps and SupportCY House, continue to operate and expand in order to satisfy and cover even more needs of the Cyprus society, and beyond. By 31 December 2022, the SupportCY initiative contributed to society, more than €880,000 worth in funds services and products with BOC PCL contributing most of the monetary support.

To support all the above actions, BOC PCL contributed approximately €620,000 for the support and enhancement of more than 90 NGOs, associations, charity organisations, municipalities, schools, sports federations, and sports academies, while offering refurbished computers and other office equipment to schools, associations and NGOs from BOC PCL's stock.

The main sustainable support actions within the three pillars of Health, Environment and Education, are indicated below.

Health pillar main actions:

- More than 55,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by BOC PCL and the Cyprus Government in 1998, while the Group continued offering extensive support, financial and otherwise, towards the Centre. The cumulative contribution of the Group to the Bank of Cyprus Oncology Centre is approximately €70 million.
- The Group coordinated for one more year the 'Fight against Cancer' campaign with the Cyprus Anticancer Society, customised to meet pandemic related social distancing and other rules. The campaign resulted in fund raising of €446,000, recording an increase of around 36% relating to the past year.
- In 2022, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners work with, and support several Patient Associations.

Education pillar main actions:

- The Bank of Cyprus Cultural Foundation ('the Foundation') is a non-profit organisation established in 1984, protecting cultural heritage and supporting youth, curating two museums and five rare collections. The main strategic objectives of the Foundation are the promotion of research, the study of Cypriot culture in the fields of archaeology, history, art and literature, the preservation and dissemination of the cultural and natural heritage of Cyprus, with particular emphasis on the international promotion of the long-standing Greek culture on the island, the shift to research and development of cultural sustainability through European grants and the upgrading and promotion of the educational role of the Foundation. In addition, the Foundation is developing and upgrading the institution's social role for vulnerable/disadvantaged groups, aiming at permanent changes/adaptations in its museums and actions that promote and facilitate the participation of all vulnerable/disadvantaged groups in culture. The Foundation has more than 250 Cyprological editions, has organised and participated in more than 60 exhibitions in Cyprus and abroad, 100 conferences and more than 10,000 children have participated in its educational programmes since establishment.
- In 2022 IDEA was recognised as a valuable partner by the State through the signing of a Memorandum of Understanding with the Ministry of Research, Innovation & Digital Policy, thus materialising its strategic pillar for Public-Private Sector cooperation. The Memorandum included a grant of €100,000 for two IDEA start-ups, as well as joint activities to strengthen youth innovative entrepreneurship. IDEA's cornerstone is its Startup Programme, a comprehensive business creation training program, which hosts start-ups for a period of nine months. Through its extensive panel of more than 80 high-profile mentors and trainers working mostly pro-bono, start-ups work closely with industry experts to receive feedback, mentoring, consultation and professional services. In 2022 IDEA has brought to life innovative businesses relating to healthtec, greentec and tourism sectors, through its current five start-ups.
- In 2022, the Group repeated the partnerships with various organisations to boost efforts around education, innovation and ingenuity. Additionally, the Group awards excellence and creativity among students, but also recognises students who stand out in international and local competitions, through awards and prizes. The Group also awarded talented youth in sports, through sport associations and academies.

Non-financial information statement (continued)

Education pillar main actions: (continued)

- Road Safety is one more sub-pillar in Education that the Group is actively involved, through the organisation and support of campaigns such as friendly tire and mechanical inspections on vehicles, and activities in schools on road safety education, in partnership with expert NGOs, the Police and the Ministry of Transportation.

Environment

The Group aspires to increase its positive impact on environment, and maintain its leading role in the social and governance pillars by transforming not only its own operations, but also the operations of its customers. Further details on the Group's strategy and actions to deliver on the Group's ambitions are disclosed in Part A - TCFD of these 'ESG Disclosures' and in Section 'Business Overview' in the Directors' Report.

During 2022, the Group initiated more environmental programmes in partnerships with expert Non-Governmental Organisations ('NGOs') and other entities, focusing on climate change impacts and the prevention, response to and recovery of forest fires, biodiversity and sea pollution.

Environmental pillar main actions:

- The 'Melissa Zoi' Centre, a bee artificial insemination project for biodiversity, was inaugurated in June 2022, by BOC PCL and the Rotary Clubs of Cyprus. The initiative aims to revitalise the environment and restore economic activity to areas where honey is produced, and which were devastated by wildfires. The 2021 wildfires affected about 75% of beehives so the project aims to revive the destroyed ecosystem, revitalising the affected honey-producing communities. The goal is to provide the necessary support to nature and to the communities that suffer environmentally, financially and professionally. The Centre's operation will benefit nine communities and 38 small and medium-sized honey-making businesses.
- 'Seaμμαχία', a joint Sea Venture, is a project funded by BOC PCL and includes the study and installation of a pilot system for monitoring the quality of sea water in the area of the Ayia Napa Marina in Cyprus. The purpose is to monitor and record important water quality parameters in real time. The main goal of the project is the provision of early detection of pollution indices, which in turn will provide warnings for necessary corrective actions to ensure environmental protection, not only for the Ayia Napa area, but also other coasts of Cyprus thus creating a national sea water quality control system. The pilot program will be implemented by the EMERGE research group of the Cyprus University of Technology in collaboration with CYMEPA and the Ayia Napa Marina.
- BOC PCL and SupportCY businesses and organizations joined forces and supported the Forest Department in the prevention and protection of Cypriot forests. Prevention measures and actions related to public awareness on the protection of forests, as well as fire protection programmes in the forests of Cyprus, were launched in the summer of 2022. Based on official statistical surveys, prevention is the most important factor in the protection of forests. A series of forest patrols has been programmed by the SupportCY Volunteers Corps and the Crises and Disasters Centre. Concurrently, educational and informative actions have been planned in shopping centres and rural municipalities with the collaboration of the Forest Department.
- 'Rescue 3 Europe' has certified five members of BOC PCL's SupportCY Volunteers Corps as 'Swiftwater' and 'Flood First Responders' after undergoing intense training in Greece. The certified members will be mobilized to support and deal with the event of flood.
- SupportCY's members, partnered organisations and state agencies planted 180 trees at Lourka Forest in Geri in 2022. The tree planting locations are designated by the Department of Forests, partnered up with BOC PCL and SupportCY for tree planting activities.

Political donations

Political donations are required to be disclosed under the Electoral Act 1997 of Ireland (as amended). Based on the Donations, Sponsorships and Partnerships Policy of the Group, the Group does not sponsor political parties, or any associations/organisations related directly, or indirectly, to one. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2022.

Human Rights and Equal Opportunities

The Group's Code of Ethics sets out clearly the ethical moral principles and values upheld by the Group and provides a framework for expected behaviour and guides the Group's workforce to appropriate conduct. The Group acknowledges its responsibility to respect human rights as set out in the International Bill of Human Rights and follows internationally acclaimed directives, principles and initiatives to protect human rights, such as the Core Labour Conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights (UDHR).

Non-financial information statement (continued)

Human Rights and Equal Opportunities (continued)
The Group has policies to ensure gender equality, diversity and inclusion and operates based on objective criteria related to ability, ethics and experience, regardless of colour, race, national/ethnic origin, disability, age, gender, religion, sexual orientation or political opinion. Policies and procedures, as well as training and a range of tools are available to ensure that the Group promotes a culture of equality. The zero-tolerance policy on discrimination, harassment and bullying is designed to effectively manage and ultimately eliminate any form of harassment, discrimination or unfair treatment.

In order to mitigate against human rights risk, or violations that may occur, BOC PCL has comprehensive due diligence procedures in place, which include: the implementation of the Code of Conduct which defines specific behaviours, practices, responsibilities and rules for staff of the Group to follow and uphold as staff members of the Bank of Cyprus Group and a suite of reporting mechanisms to support the timely reporting of issues.

Combating bribery and issues related to corruption
The Group's fundamental values and principles governing its business activities emphasise the importance of ensuring ethical conduct at all times. Protecting the integrity of the financial system from financial crime risks including money laundering, terrorist financing and bribery and corruption is of intrinsic importance to the Group.

The Group abides by a zero-tolerance policy on money laundering, tax evasion, funding of terrorist activity, bribery, corruption fraud and market abuse. A strong anti-bribery policy, a gift registry, a conflict-of-interest registry and frequent reminders contribute to achieving high-level compliance. Protecting money, privacy and data of the Group's customers is the key to its Anti-Bribery and Corruption Policy. Key Codes and policies in managing such matters are the Group's Code of Ethics, the Group's Code of Conduct, the Group's Anti-Bribery and Corruption Policy, the Conflicts of Interest Group Policy, the Group Whistleblowing Policy and the Group Policy Relating to the Prevention of Money Laundering and Terrorism Financing.

Training programs on anti-money laundering and anti-corruption policies and procedures are carried out by the employees on an annual basis.

The Group maintains an Anti-Financial Crime Framework. An enhanced risk-based approach with regard to the risk scoring of the customers is followed and this is reflected in BOC PCL's Customer Acceptance Policy. Customers are risk-scored for AML purposes, according to a set of parameters that take into account geographical factors, products purchased, distribution channels, transactional behaviour and other risk indicating factors. Customers go through the Group's due diligence process at the on-boarding stage and on an ongoing basis, which is driven by the risk assessment of the customer. Some customers and beneficial owners present higher risk (e.g. politically exposed persons (PEPs) and/or customers established/residing in 'high-risk' third countries). For these customers enhanced due diligence is applied. Further, the Group commits itself to safeguarding the personal data of its customers, suppliers and partners. Customers retain control of their personal data and exercise their rights as per the EU GDPR with regard to the way their personal data is collected, processed and secured. The Group applies Data Protection Impact Assessment (DPIAs), to promptly identify and mitigate any privacy risks.

All employees and Directors are made aware of the Regulatory Compliance Policies and standards.

Diversity Report
The Group's diversity report is contained in the 'Diversity' section of the Corporate Governance Report.

Business Model
The business model of the Group is described in the 'Business Overview' and 'Strategy and Outlook' sections of the 'Directors' Report' within the Annual Financial Report 2022.

Non-financial information statement (continued)

Risk Management

A description of the principal risks, their impact on business activity, and the way they are managed is disclosed in section 'Principal risks and uncertainties - Risk management and mitigation' of the 'Directors' Report' and section 'Pillar III – Risk Management' of Part A - TCFD of these 'ESG Disclosures' and in the 'Risk and Capital Management Report' all forming part of this Annual Financial Report.

The risks related to the Group's corporate responsibility actions and the actions undertaken by the Group in order to address them are covered within each pillar of responsibility.

Key Performance Indicators

An analysis of KPIs relevant to the Group is disclosed in the 'Financial Results' section of the Directors' Report. Climate and Environmental KPIs are disclosed in the 'Pillar IV – Metrics and Targets' section of Part A - TCFD of these 'ESG Disclosures'.