Interim Pillar 3 disclosures

Appendix II - Environmental, Social and Governance Risks

2023

Bank of Cyprus Holdings

Contents

1. Environmental risk

1.1. Business strategy and processes

1.1.1. Business strategy to integrate environmental factors and risks

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.

In supporting the net zero commitments, the Group's Scope 1, Scope 2 and material non-Financed Scope 3 GHG 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 c.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
- CO2 sensors installation
- Heat recovery installation.

BOC PCL became a member of the Partnership for Carbon Accounting Financials (PCAF) and has 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. The decarbonisation targets that will be set in 2023 associated with the loan portfolio will also be embedded in the Group's Financial Plan.

1.1.1. Business strategy to integrate environmental factors and risks (continued)

BOC PCL has also carried out an initial materiality assessment and has identified the exposures vulnerable to transition and physical risks. As a short-term measure, these exposures have been earmarked as appropriate to receive transition finance and BOC PCL will attempt to provide new lending in alignment with any available government initiatives for the green transition of the economy (Recovery & Resilience Facility). Business lines are expected to prioritize new lending for investment and capex that supports clients' transition financing needs within the existing sector limits. It is noted that these considerations have been included in the business strategy for 2023 – 2026 even though currently there are no measurable decarbonization targets for the loan portfolio.

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.

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. In addition, 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.

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. Developing stress testing will further help us to assess the implications of physical and transition risks in our portfolios, and to inform our business strategy and capital planning. In addition, to incorporate physical risks in the loan origination process, BOC PCL is in the process of acquiring a third-party database.

1.1.2. Objectives, targets and limits

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 1.5C 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, 2022 and during the six months ended 30 June 2023 Carbon footprint, the Group has set its organisational boundaries based on the operational control approach. The 2021, 2022 and during the six months ended 30 June 2023 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 c.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.

BOC PCL has managed to reduce its Scope 2 GHG emissions by 16% during the six months ended 30 June 2023 compared to during the six months ended 30 June 2022. 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.

The overall environmental impact relating to Scope 1 mobile and stationary combustion and Scope 2 purchased electricity GHG emissions reduced by 836 GHG emissions tonnes during the six months ended 30 June 2023 compared to during the six months ended 30 June 2022 which represents c.15% reduction.

Furthermore, 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.

1.1.2 Objectives, targets and limits (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'.

The Financed Scope 3 GHG emissions are disclosed in **ESG Template 1** tab.

In 2023, the Group is expected to set decarbonisation target on its Mortgage portfolio due to the fact that 91%[1] 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.

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%).

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

1.1.3. Activities towards environmental objectives and EU Taxonomy-aligned activities

BOC PCL's current Green Lending Policy is based on the Loan Market Association's (LMA) Green Loan Principles. The policy provides the basis for developing green products through a set of criteria that include the attainment of a specific environmental objective, the management of proceeds to ensure that the funds are only used for the specified purpose and appropriate reporting to support the attainment of the objective. BOC PCL aims to enhance further its policy and is also in the process of considering the EU Taxonomy and looking for ways to implement it going forward on a best effort basis.

1.1.4. Engagement with new or existing counterparties

A description of the mitigating actions in place or planned are described in the Risk Management section below. These include:

- The existing Environmental and Social Policy
- The consideration of ESG risks in the underwriting process through a structured questionnaire that will form the basis of the customer engagement
- The acquisition of granular third-party data on physical risks

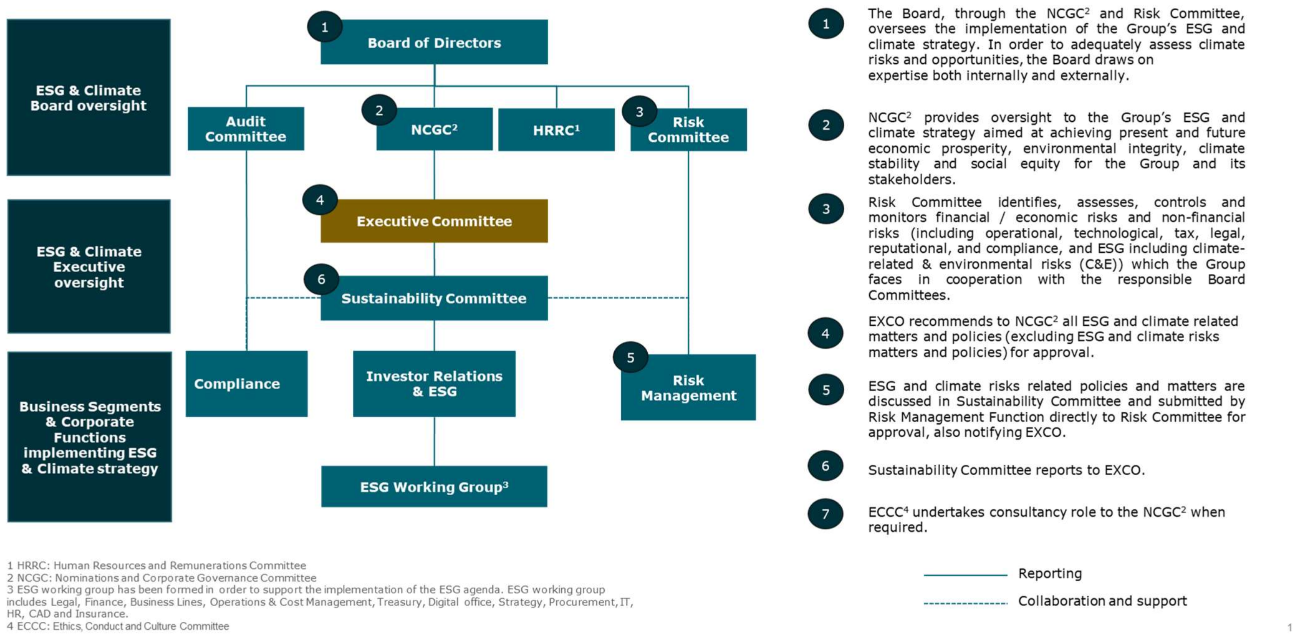
1.2. Governance

1.2.1. Responsibilities of the management body for setting the risk framework

The Sustainability Committee ('SC') is an executive level committee chaired by 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.



1.2.1. Responsibilities of the management body for setting the risk framework (continued)

The Role of the Risk Committee
The 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, any 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.

The role of Nomination and Corporate Governance Committee
The 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 SC implementation and progress regarding 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.

1.2.1. Responsibilities of the management body for setting the risk framework (continued)

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's 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.

1.2.2. Integration of measures to manage environmental factors and risks in internal governance arrangements

The Group has dedicated resources for the handling of ESG issues. Beyond the governance arrangements described above, ESG accountabilities have been set across various divisions of the Group.

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.

Furthermore, an ESG working group is in place which draws resources from across the Group for any projects that require greater participation.

1.2.2. Integration of measures to manage environmental factors and risks in internal governance arrangements (continued)

Three Lines of Defence
As pet the three lines of defence model established by the Group, Control Functions have defined responsibilities in terms of ESG 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 criteria in the credit underwriting process through the ESG questionnaire 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 Risk Management, 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, 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 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
- Provide the necessary reporting on exposures affected by ESG risks and develop the necessary models and tools to facilitate the climate risk assessment

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 risks), for managing significant risks according to the risk appetite set by Board.

1.2.3. Lines of Reporting

Currently, regular reporting primarily consists of progress updates on the Group's ESG Working Plan. This takes place through the SC on a frequent basis with less frequent updates being provided to the NCGC and Risk Committee. The Risk Committee also receives separate updates on specific risk management related workstreams when needed.

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

1.2.4. Alignment of the remuneration policy with institution's environmental risk-related objectives

The remuneration policy promotes - and is consistent with - sound and effective risk management, is in line with the Group's ESG 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, are expected to 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 will include incentives set to manage ESG 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 role 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 targets will, under normal circumstances, be 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 each 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 Environmental, Social and Governance ("ESG") targets. The evaluation scorecards used in the abovementioned scheme includes KPIs on External ESG ratings. External ESG ratings are granted based on an external assessment performed on Environmental, Social and Governance aspects of the Group.

Specifically, the rating granted was based on weighted average score on Environmental Pillar 13%, Social Pillar 54% and Governance Pillar 33%. The Environmental Pillar of the assessment incorporates evaluation lending policies on agriculture, energy use, transport, mining and oil and gas. In addition, it incorporates criteria on ESG risk management and incorporation of ESG risks in counterparties due diligence as well as existence of sustainable product development.

The Social Pillar of the assessment performed by the External agency related to Human capital aspects such as grievance reporting, work life balance, personnel development, trainings and other benefits. In addition, other aspects considered under social Pillar by the rating agency were Data protection, Innovation, Online distribution channels, Complaints management, Charity, Consumer Financial protection. The Governance Pillar was assessed on Board of Directors and board committees' composition, skills, compensation as well as policies related to anti-money laundering, corruption risks and tax transparency.

1.3. Risk Management

1.3.1. Timeframes

Due to the longer timeframes associated with C&E risks, the Group has defined the expected materialisation horizons of the different risks identified. The logic of this is explained below:

Time horizon	***Start Year***	***End Year***	***Explanation for why the firm chose that specific time frame***
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.

1.3.2. Definitions and methodologies

BOC PCL has employed the CPRS methodology for its risk identification process. This analysis was also supported through the usage of the UNEPFI Impact Analysis Tool whilst several resources through literature and other reports have also been referred to. Furthermore, BOC PCL will be making use of NGFS scenarios in the development of its stress testing framework that will take place in 2023. More details on these methodologies and the outcome of the analysis are provided in the sections that follow.

1.3.3. Processes to identify, measure and monitor activities and exposures

As part of BOC PCL's overall risk management process of climate-related and environmental risks, a risk identification analysis has been carried out for the consideration of the impact of climate change on its financed portfolio for different time buckets. The identified risks will be 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 BOC PCL.

BOC PCL currently considers climate related and environmental risk as a stand-alone risk category, with clear indication as to the impact on traditional risks (i.e. Credit, Liquidity, Market and Operational Risk) through specific transmission channels. This will assist in their proper management and mitigation to the extent possible.

The risk identification process was comprised by the following:

Exposures Identification
To identify the perimeter of the portfolio that is vulnerable to transition risks, BOC PCL 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 decarbonization targets specified in the Paris Agreement or with other defined policy objectives.

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

Risk identification
BOC PCL examined several sources as shown further below in order to identify the risks that can have a financial impact on BOC PCL. The process involved a rigorous analysis of several risks and all of the 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

- 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'.
- ECB's paper with title 'Climate risk stress test – SSM stress test 2022'.

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

Physical risks

- The Intergovernmental Panel on Climate Change (IPCC) paper with title 'AR6 Climate Change 2021: The Physical Science Basis'.
- 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

- UNEPFI Impact Analysis Tool
- 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'.

Following the risk identification process as presented above, a qualitative assessment was carried out of all identified relevant impacts. The assessment methodology included the vulnerability assessment of each NACE sector to the 21 identified risks in order to consider the relevance and potential impact to BOC PCL's portfolio. Following this BOC PCL proceeded to the qualitative assessment based on specific criteria.

The tables below provide the Group's 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) the Group is exposed to.

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

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 monetize	- 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 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 organization - 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 BOC PCL's valuation if it does not reduce its emissions and/or increase its Green Asset Ratio (Market) - Impact on debt instruments and collateral values held by BOC PCL 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 the company valuations stemming from reputational risks in cases where they do not reduce its emissions (Reputational) - Reputational impact on companies that fail to introduce greener products (Reputational) - Litigation action against BOC PCL or its customers where environmentally harmful projects are financed or pursued (Policy and Legal)	Short to medium term

1.3.3. Processes to identify, measure and monitor activities and exposures (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 monetize	- 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 risk, 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.

1.3.3. Processes to identify, measure and monitor activities and exposures (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)

Scope and Portfolio Composition
The tool helps in the selection of the industries that BOC PCL 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
Corporate Portfolio
As a result of the analysis carried out, the most relevant impact areas of strategic importance were identified:

- Employment, Wages and Social Protection (SDG 1 and SDG 8) - Social
- Health and Safety and Healthcare and Sanitation (SDG 3) - Social
- Healthy economies, Housing and Infrastructure (SDG 8, SDG 9 and SDG 11) - Social
- Climate Stability, Biodiversity and Healthy Ecosystems, Resource efficiency and Waste (SDG 6, SDG 12, SDG 13, SDG 14 and SDG 15) - Environmental

According to the analysis the biggest positive impact is in the following areas:

- Employment, Wages and Social Protection which includes the overall financing in all areas of the economy. According to our Environmental and Social Policy, for all financing to Legal Entities above €100k a written confirmation is needed for proper business conduct, relevant licenses and work permits. In cases where the Legal Entity is categorised as medium or high risk (as per EBRD's E&S Risk Categorisation List) additional safeguards are in place, such as due diligence reports by external experts (i.e. professionals on the assessment of E&S risks). This contributes to the promotion of wellbeing and to decent work for everyone.
- Health and Safety and Healthcare and Sanitation, including financing in the areas of manufacture of medical products that contribute to health and wellbeing, as well as financing in the healthcare sector that facilitates access to the corresponding care.
- Healthy economies, Housing and Infrastructure. This positive impact stems from the fact that BOC PCL typically lends to sector wide small-medium-sized enterprises (SMEs) which are the cornerstones of a functional economy. SMEs account for the majority of companies in Cyprus and are responsible for a large portion of the private sector employment. In addition, Construction and Real estate financing (and indirectly through mortgage loans) can also contribute to the development of quality, reliable, sustainable and resilient infrastructure, to support economic development and human well-being.

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

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

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 in of the Group's 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.

Examining the potential negative impacts of the portfolio on the Social Pillar, these are mainly located in the areas of Health and Safety, Wages and Social Protection.

It's important for the BOC PCL to interpret these results and engineer ways as to help the customers to achieve a mix of efficient use of natural resources and the protection of biodiversity through the development of sustainable management. This will help alleviate the stress on the environment and in addition reduce the impact of any potential transition risks.

Consumer Banking - Households
The analysis indicated that all consumer banking products have a significant impact on Finance (SDG 8 and SDG 9), which relate to the provision of affordable credit for to all the consumers as to cover their everyday needs. Mortgage loans are positively associated with Housing (SDG 11) and negatively associated with Climate Stability and Resource Intensity mainly due to the consumption of energy (CO^2 emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their CO^2 emissions. Student loans help to promote education across the population and is thus positively associated the Education (SDG 4).

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).

Impact on real estate
The below table presents the identified risks and possible impacts for the Retail Real Estate and Commercial Real Estate as BOC PCL has a high concentration within these sectors. For these sectors transition risks are expected to materialize through the need of more energy efficient and net-zero buildings which could translate into credit risk by affecting the repayment ability of the creditors 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 as well as their location.

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

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, CO^2 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, they could see themselves losing customers and becoming stigmatized.	Medium-term	**Medium**
Changing customer behaviour	Market	Climate change is expecting 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 increase 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 as well as decrease in rent.	Medium-term	**Medium**
Extreme weather - Droughts - Increased intensity, frequency and/or duration of droughts	Acute	Drought events would increase the risk of fires and reduces the ability of safety teams to battle these fires due to the lack of water. Sectors with immovable assets could be facing more damages due to fire events and increasing cost to repair these damages.	Short-term	**Medium**

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

Risk	Driver	Impact	Timeframe	Assessment
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 property could decrease.	Medium-term	**Medium**

Climate risk assessment at loan origination
Within the context of its underwriting processes BOC PCL is currently in the process of incorporating the assessment of ESG matters, amending the relevant policies and procedures in such a way that potential impact from ESG 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, depending on the case, both within the base-case assessment and within stress scenarios as applicable. The rationale of elaborating on such an approach is that certain risks might be already affecting the fundamental parameters and are not dependent on realization of a scenario, whereas other risks are scenario dependent, and their impact would materialize only in case of the scenario being realized.

The exercise includes the design of ESG questionnaires per sector which will then be leveraged for deriving an ESG classification. The amendment in 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.

Stress testing framework
Scenario analysis and climate risk stress testing are methods which help in evaluating and managing the possible effects climate related and environmental risks can have to BOC PCL's business strategy and capital planning decisions.

BOC PCL is in the process of enhancing its risk quantification capabilities to enable the quantification of climate-related risks both in terms of an Economic perspective and Normative perspective. In doing so, BOC PCL will focus / take into consideration the below:

- Incorporation of climate-related risks into its risk parameters.
- Development of methodology to quantify the climate-related 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 BOC PCL aims to be in a position to assess its capital adequacy 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.

1.3.3. Processes to identify, measure and monitor activities and exposures (continued)

To assess the potential impact of transition risks on its Financial Plan, BOC PCL has carried out a sensitivity analysis focussing on parts of the identified vulnerable areas of the portfolio for the period between 2023 to 2026. The analysis reflected the potential impact of a short-term disorderly scenario according to which a set of climate related policies are implemented at the start of 2023.

Estimation of impact was done on a top-down basis considering the outcome of regulatory climate stress tests, and specifically the outcome of the Bank of England Climate Biennial Exploratory Scenario. Under such a scenario, it would be expected that fuel 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 Bank's portfolio, such climate related policies would most likely affect customers in the construction, real estate and accommodation sectors as these were identified as exposures vulnerable to climate-related transition risks and customers with mortgage loans granted prior to 2009 implying thus a less-energy efficient property. The outcome of the analysis thus provided a magnitude of losses the Bank might face if both the Bank and its customers do not respond effectively to climate risks.

During the 2nd semester of 2023, the risk quantification methodologies for climate-related transition risks will be enhanced and this will allow for a more holistic approach on estimating the impact from these risks under various scenarios.

1.3.4. Mitigation measures

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 BOC PCL can be exposed to climate risk. The Bank periodically reviews the risks it faces and considers how they may affect its clients and its operations.

The table below provides an overview of the actions to mitigate climate risk the Bank intends to take or is already taking. These actions relate to the previously identified climate related and environmental risks that affect the primary risk types.

Risk Type	Controls/ Mitigations Used
Credit	***Transition Risks*** Going forward, the Bank intends to perform detailed analyses ("deep dives") for specific Corporate clients to which it maintains 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 Bank 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. Detailed geolocation data will allow to consider the physical risk of collaterals during loan origination procedures, to appropriately adjust the underlying financing
Liquidity & Funding	The 2022 ILAAP scenario considers increased outflows on climate sensitive areas of the Banks portfolio.
Market	The Bank will consider ESG rating of bonds purchased.
Operational	The Bank through its current policies and procedures within its BAU and Business Continuity is already addressing these risks. Furthermore, it plans to capture these risks and mitigating actions through its 3rd party assessment procedures.

1.3.5. Tools for identification, measurement and management of environmental risks

The Bank is currently developing a stress test framework for climate risks as indicated above. It will also be carrying out sensitivity analysis on selected vulnerable areas of the portfolio.

1.3.6. Results and outcome of the risk tools implemented

BOC PCL has not assessed the impact of climate risks in its ICAAP given that it is still developing the necessary stress testing framework. In terms of the 2022 ILAAP, the Bank has incorporated in its stress testing the impact of transition risk on the deposit outflows. This risk is considered under the Market Wide (lasting for 6 months) and the Combined Stress (lasting for 12 months) scenarios. More specifically, the sectors expected to be most vulnerable to transition risks have been identified (as per the risk identification analysis) and the corresponding deposits have been assigned higher outflow rates to reflect the increased risk. It is assumed that the deposits will be deployed to mitigate transition risks.

1.3.7. Data availability, quality and accuracy, and efforts to improve aspects

The Bank efforts on data collection are currently focussed on the following:

- GHG emissions
- Electricity consumption and energy mix
- Water consumption
- Energy Performance Certificates (EPC) of collateral.

Emissions, electricity and water consumption will be collected as part of the credit underwriting process through the structured questionnaire that will be employed. Information requested will relate to whether customer currently measure GHG emissions (all scopes), the frequency of measurement, usage of proxies and any reporting they are carrying out.

The Bank however does acknowledge that a significant part of its customer base are SMEs and are unlikely to have measured emissions at this point in time. To that end, the Bank has joined PCAF that would allow for the calculation and usage of proxies to facilitate the reporting of Financed Scope 3 GHG emissions. Following PCAF methodology the Bank disaggregated the loan portfolio to PCAF asset classes and identified the data gaps and data needs. Additionally, the Bank identified other ESG related areas where data gaps exist.

Field	**Workstream**	**Course of Actions**	**Comments**
EPC related info (e.g. EPC Label, Emissions, Energy Consumption)	PCAF (Asset Class), Credit Underwriting (Scorecard), Valuations	These data fields have been created and established in the loan origination process and will be gathered for new lending. Also waiting for ministry to give access to database for existing properties.	Needed for Mortgaged Properties and Commercial Real Estate
Construction Vs Acquisition	PCAF (Asset Class)	Expected to be gathered through annual review process. Field will be created and be completed during the loan origination.	
Asset value at origination	PCAF (Asset Class)	Data is available for properties and Motor vehicles. We are in the process to provide logic to IT to bring the relevant data in the Bank's database.	
Annual km Travelled	PCAF (Asset Class)	In 2023 the approach to improve the quality of data is to use the distance travelled based on local or regional statistical data.	
Square meters (m^2)	PCAF (Asset Class)	Data is already available on the building permit document that the bankers collect. Field will be created to collect the data.	
Scope 1, 2, 3 Emissions	PCAF (Asset Class)	The actual emissions of the corporate customers is expected to be gathered when the ESG questionnaire and ESG scorecard are incorporated in the loan origination process. In addition, when the government scheme is announced for corporates, the emissions data will be required and stored at a Company level.	
Physical Risks	Credit Underwriting (Scorecard), Valuations	In the process of implementing the scorecard and the creation of the fields in our data warehouse.	
Scorecard related fields (i.e Electricity consumption, water consumption, waste in tonnes, recyclable % of waste)	Credit Underwriting (Scorecard)	In the process of implementing the scorecard and the creation of the fields in our data warehouse.	

1.3.8. Description of limits to environmental risks

The Bank has yet to establish specific limits at the point of loan origination. The setting of Science Based Targets as described under the 1.1.2. Objectives, targets and limits section will form the basis for such limit setting. As also indicated in the same section the Bank earmarked exposures identified as vulnerable to transition risk as appropriate to receive transition finance. Furthermore, the Bank does have in place certain restrictions in lending as provided by the Environmental and Social Policy which is described below.

Environmental and Social Policy

The Bank has in place an Environmental and Social Policy in relation to its lending activities. The Policy is in place since 2015 and is based on the Bank's commitment to applying certain environmental and social (E&S) procedures derived from the policies and guidelines of the European Bank for Reconstruction and Development (EBRD). The policy which is revised annually and is subject to ExCo and RC approval, applies to:

- All new lending secured by mortgage on immovable property, irrespective of type, amount, or customer activity
- Granting of funded facilities to legal entities (excluding credit cards)

Under this commitment the Bank applies a set of measures as described below:

New Lending to physical and legal persons, secured by mortgaged property

The Bank verifies acceptable levels of E&S risk as indicated in the relevant section of the Valuation report of the mortgaged property.

New lending to legal entities

The Bank verifies acceptable levels of E&S risks by:

- Screening out customers who are carrying out activities that appear on EBRD's «Exclusion and Referral Sectors» list. The said list excludes, among other:
  - Activities involving thermal coal mining or coal-fired electricity generation capacity
  - Upstream oil exploration
  - Upstream oil development projects - except in exceptional circumstances where the proceeds of the project exclusively target the reduction of Greenhouse Gas-GHG emissions or flaring from existing producing fields
- Making an initial assessment for the E&S risk in order to be classified as Low, Medium, or High depending on:
  - The customer's business activity
  - The amount and term of the facility
  - The type of the collateral

For customers assessed as Low Risk, the Bank obtains written customer confirmation for proper business conduct, relevant licenses and work permits.

For customers assessed as Medium or High, the Bank:

- Obtains written customer confirmation for proper business conduct, relevant licenses and work permits.
- Requests an E&S Due Diligence Report (E&S Study) by external experts for new lending greater than €100 thousand and with duration longer than 6 months. The Due Diligence Report assess social performance as follows:
  - Safety & Health at Work as required by the law
  - Legal entities should indicate whether there were any accidents, complaints or fines imposed by Competent Services on H & S matters and/or on labour issues.
  - Legal entities should declare that they do not employ minors or illegal workers
  - Legal entities should declare that they implement measures for protecting workers from any discrimination and prejudice at the workplace

Any negative findings in the report should be either be resolved before application submission or reported to the approving authority to assess the risk before approving / granting the credit facility.

2. Social Risk

2.1. Business strategy and processes

2.1.1. Business strategy to integrate social factors and risks

The Group identifies and examines the main societal needs that should be integrated in its annual Corporate and Social Responsibility (CSR) strategy and CSR budget. The Social needs and risks identified, constitute the CSR Pillars in which all the Group's actions and partnerships fall under. The main pillars of CSR strategy for 2022 are Health, Education and Environment. The CSR Strategy is driven by the ESG strategy of the Group. The Group, in its ESG Strategy, has identified the Sustainable development goals that is focusing as it can have an impact based on its business environment and business strategy on social risks and needs:

- Good Health and Well-Being
- Quality Education
- Gender Equality
- Decent Work and Economic Growth
- Industry, Innovation and Infrastructure
- Sustainable Cities and Communities

2.1.2. Objectives, targets and limits

The Group's objectives and targets under each Sustainable development goal relating to social needs and risks and their linkage with UN Global Compact is summarised in the table below:

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
3	**Good Health and Well-Being**	Ensure healthy lives and promote well-being for all at all ages.	Reduce the number of deaths and injuries from road traffic accidents	Hours of Training Provided in relation to Health and Safety provided to BOC employees	The Actions performed by the Group under SDG 3 support and respect the protection of internationally proclaimed human rights through provision of access to health or support relevant health organizations. Therefore, there is a direct linkage with UN Global Compact – Principle 1.
				Number of events organised on Road Safety with total number of participants	
			Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	Number of patients were benefited following BOC actions (Bank of Cyprus Oncology Centre, Cyprus Anticancer Society, En Ergo programme for paraplegics and quadriplegics	
4	**Quality Education**	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Ensuring equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.	Number of employees have attended on trainings per level, gender, department and training subject. Total hours of training per level, gender	The Actions performed by the Group under SDG 4 support equal opportunities to boys and girls to be educated and to have a more broader and more skilled pool of workers in the future. Therefore, there is a direct linkage with UN Global Compact – Principle 1.
			Increasing substantially the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent	Total Amount in € of new lending in education sector	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
			jobs and entrepreneurship.		
			Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	Total Amount in € of scholarships granted per gender Restructuring of BOC Cultural foundation in order to provide access to persons with disabilities.	
			By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	Number of individuals that had participated in trainings provide through the BOC PCL CSR Actions in pillar Education divided per subject per gender (e.g. technology, environmental training, sports, etc)	
5	**Gender Equality**	Achieve gender equality and empower all women and girls	End all forms of discrimination against all women and girls everywhere	Number of promotions per gender, per annum	The actions performed by the Group under SDG 5 is linked with UN Global Compact Principle 6. The actions keep up to date records and monitoring of recruitment, promotions, and trainings in a transparent basis.
			Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	% of women participation in the Board of Directors and Senior Management Personnel Total hours of training per level, gender, department and training subject (same KPI in SDG 4)	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
8	**Decent Work and Economic Growth**	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Devising and implementation of policies to promote sustainable tourism that creates jobs and promotes local culture and products.	Steadily increase the transition finance provided to Accommodation industry Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio under the NACE sector of Accommodation and Food Service activities Establish ESG scorecards in the loan origination process	The Actions performed by the Group under SDG 8 are aligned with Principle 6 of the UN Global Compact as those promote equal access to opportunities for occupation by creating new positions in the market and expanding the online services for access in rural areas. In addition, the actions contribute to Principle 1 as protects the economic livelihood of local communities.
			Strengthening the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	Total hours of training per level, gender, department and training subject (same KPI in SDG 4)	
			Well at work programme includes webinars, team building events, family events and other activities with the sole purpose to enhance physical, mental, financial and social health of the employees.	Continue supporting and engaging employees under our wellbeing program "Well at Work"	

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
9	**Industry, Innovation and Infrastructure**	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Development of quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	% of transactions carried out through digital networks & other electronic solutions (i.e. 1Bank) (same KPI in SDG 8).	The Actions performed by the Group under SDG 9 are aligned with Principle 6 of the UN Global Compact as those promote equal access to opportunities for occupation by creating new positions in the market and expanding the online services for access in rural areas. In addition, the actions contribute to Principle 1 as protects the economic livelihood of local communities.
9	**Industry, Innovation and Infrastructure**	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	Total amount of small-scale/ SME loan portfolio to total loan portfolio (YoY change)	
			Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Steadily increase the transition finance provided to customers Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio Establish ESG scorecards in the loan origination process	
11	**Sustainable Cities and Communities**	Make cities and human settlements inclusive, safe, resilient and sustainable.	Ensuring access for all to adequate, safe and affordable housing and basic services.	% of small-scale/SME loan portfolio to total loan portfolio (YoY change)	The actions under SDG 11 contribute to Principle 1 of UN Global Compact as enhance and protect the livelihood of local

SDG #	SDG goal	SDG Description	SDG Target	KPIs	UN Global Compact
			Strengthening efforts to protect and safeguard the world's cultural and natural heritage.	Total number of CSR Activities/Actions aiming to improve the resource's use and the reduction of pollution and poverty, safeguard the world's cultural and natural heritage.	communities and rural areas.
			Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	Steadily increase the transition finance provided to customers Set decarbonization targets in Financed Scope 3 GHG emissions associated with the loan portfolio Establish ESG scorecards in the loan origination process	
			Supporting positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning.	Total amount in € donated to charities and local authorities to support vulnerable groups resulting from national and natural disasters, and to prevent them.	

BOC PCL is also committed to greater or equal to 30% women in Group's management bodies (defined as the Executive Committee (ExCo) and the Extended ExCo) by 2030. The Board composition of the Company and the Bank is diverse, with 44% of the Board members being female as at 30 June 2023. The Board displays a strong skill set stemming from broad international experience. Moreover, the Bank aspires to achieve a representation of at least 30% women in Group's management bodies (Defined as the ExCo and the Extended ExCo) by 2030. As at 30 June 2023, there is a 27% representation of women in Group's management bodies and a 40% representation of women at key positions below the Extended ExCo level (defined as positions between Assistant Manager and Manager).

2.1.3. Engagement with counterparties

Social risk assessment at loan origination
As indicated under the environmental risks section the Bank is in the process of incorporating ESG factors within the context of its underwriting processes. Information that is expected to be collected from counterparties will include, among other:

- Availability of CSR strategy and material issues identified.
- Compliance and monitoring of United Nations Guiding Principles on Business and Human rights.
- Whether human rights due diligence is performed.
- Whether a complaint mechanism existing.
- Representation of women within the Board of Directors

It is noted that very few companies in Cyprus will be obliged to issue such a CSR. Specifically, currently EU Non-Financial Reporting Directive applies to large public interest entities with an average number of employees more than 500. Therefore, in Cyprus very limited number of entities meet those criteria and design and implement CSR strategies. The EU Corporate Sustainability Reporting Directive (CSRD) will apply for small and medium sized entities for financial years starting 1 January 2026. Therefore, from 2027 onwards better data availability and quality is expected to be embedded in the loan origination process.

2.1.3. Engagement with counterparties (continued)

Environmental and Social Policy
Similarly, as described under the environmental risks section an Environmental and Social Policy is in place in relation to its lending activities which requires to ensure acceptable of E&S risks. Examples of activities that are excluded through the policy relevant to social risks are:
- Activities involving child or forced labour, or violations of human rights
- Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage
- Forced evictions

Sourcing and Procurement & Vendor Management Policy
Under the Sourcing and Procurement & Vendor Management Policy the Bank established specific ESG criteria that the vendors or suppliers must adhere to. Specifically, suppliers must adhere all the principles regarding Labour, Human rights, ethics, working conditions and Health & Safety matters.

Labour / Human Rights / Ethics
- Suppliers must respect internationally recognized human rights in all areas of operation.
- Suppliers should take actions to remedy adverse human rights impact.
- Suppliers must ensure that child and underage labour is not used, in accordance with the ILO Minimum Age Convention.
- Suppliers should not engage forced labour, slave labour, or any other non-voluntary labour and should treat all employees with respect and dignity, in accordance with the ILO Forced Labour Convention (No 29) and the Abolition of Forced Labour Convention (No 105).
- Supplier standards should cover the prohibition of discrimination regarding grounds of discrimination (e.g., age, gender, and ethnic origin) and aspects of employment (e.g., recruitment, promotion, and remuneration).

Working Conditions
- Suppliers should provide all employees with at least the minimum wage according to the national legislation.
- Suppliers must ensure that wages meet legally mandated minimums and industry standards, without unauthorized deductions.
- Suppliers must respect the right to freedom of association and collective bargaining of their employees.
- Suppliers must ensure that working hours are in accordance with the national legislation.
- Suppliers should ensure that employees under the age of eighteen will not be engaged in hazardous or heavy work.

Health & Safety
Suppliers should comply with Health and Safety requirements, providing a healthy and safe working environment to their employees, adhering to all relevant Health & Safety laws and regulations.

2.2. Governance

2.2.1. Responsibilities of the management body for setting the risk framework

The Sustainability Committee as described under the environmental risks section has the oversight of the totality of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the BoD as well.

2.2.2. Integration of measures to manage social factors and risks in internal governance arrangements

The Group has dedicated resources for the handling of ESG issues. Although current efforts are concentrated on the management of Climate-related and Environmental risks, the organisational set-up will be considering the social and governance risks that emanate from the Bank's operations going forward. Beyond the governance arrangements described above, ESG accountabilities have been set across various divisions of the Group.

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.

Furthermore, an ESG working group is in place which draws resources from across the Group for any projects that require greater participation.

2.2.3. Lines of reporting

The Bank does not currently have in place internal reports on social risks beyond the Corporate and Social Responsibility report. Additional reports will be prepared going forward.

2.2.4. Alignment of the remuneration policy with institution's social risk-related objectives

For the alignment of the remuneration policy with the Group's social risk refer to 1.2.4 Alignment of the remuneration policy with institution's environmental risk-related objectives under 1. Environmental Risk section.

2.3. Risk Management

2.3.1. Tools, identification, measurement, monitoring and mitigation of social risks

The UNEPFI's Impact Analysis Tool has been employed to obtain insights on both the potential positive and negative impacts of the Bank's portfolio. The outcome of this analysis is presented under the environmental risks section. Additional work is expected to be carried out going forward aiming to identify social risks faced by the Bank through its counterparties, the relevant transmission mechanisms to traditional risks and the implementation of limits where deemed.

The Bank is also in the process of incorporating ESG factors within the context of its underwriting processes amending its policies and procedures in such a way that potential impact from ESG is reflected in the fundamental elements of the creditworthiness assessment i.e., in repayment capacity and collateral assessment. In addition, the Bank's Lending Policy, as part of determining the creditworthiness of legal entities, requires that the borrower's exposure to ESG factors is assessed. This is a general guideline rather than a prescriptive process. Furthermore, the E&S policy allows the Bank to monitor new lending for socials issues as indicated below:

- Safety & Health at Work as required by the law.
- Legal entities should indicate whether there were any accidents, complaints or fines imposed by Competent Services on H & S matters and/or on labour issues.
- Legal entities should declare that it does not employ minors or illegal workers.
- Legal entities should declare that they implement measures for protecting workers from any discrimination and prejudice at the workplace.

CSR actions in the six months period ended 30 June 2023:

Health pillar main actions:

- More than 47,000 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 fundraising campaign with the Cyprus Anticancer Society.
- In 2022, the Group repeated its provision of financial and other medical support to families in need through key NGOs, and within the SupportCY network. Additionally, the Group partners work with, and supports several Patient Associations.
- Highlighting its regional presence, the Bank's SupportCY network was once again activated at the beginning of the year by sending medical equipment and other essential items to the victims of the earthquake in Syria.

2.3.1. Tools, identification, measurement, monitoring and mitigation of social risks (continued)

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 2023 IDEA successfully launched its 8th cycle, introducing its revamped Startup Program. The comprehensive business-creation training Program has been redesigned to leverage on current trends to optimise efficiency and empower entrepreneurs. Through its extensive panel of more than 80 high-profile mentors and trainers working mostly pro-bono, participating startups work closely with industry experts to receive feedback, mentoring, consultation and professional services. Following a remarkable response, 70 applications were received from 7 countries across 3 continents. Of those, 7 were admitted to the Program, bringing the total of supported startups to an impressive 89 over 8 years.
- During the six months ended 30 June 2023, 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, within the subjects of STEAM, through awards and prizes. The Group also awards talented youth in sports, through sport associations and academies.

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 program is implemented by the EMERGE research group of the Cyprus University of Technology in collaboration with NGO CYMEPA and the Ayia Napa Marina, and the first study has been successfully completed according to which the quality of the coastal sea water in the sea area of the Ayia Napa Marina is within the permissible limits and no problems presented. A second project started during the six months ended 30 June 2023, in collaboration with the CMMI (Cyprus Marine and Maritime Institute), for the measurement of sea water quality in Blue Lagoon, at the Akamas national park of Paphos. Results are expected by the end of year 2023.

2.3.1. Tools, identification, measurement, monitoring and mitigation of social risks (continued)

- The Bank of Cyprus' SupportCY members (businesses and organizations) continued to join forces and support the Fire Service and 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 2023. Based on official statistical surveys, prevention is the most important factor in the protection of forests. A series of forest patrols is implemented by the SupportCY Volunteers Corps, in close collaboration with the official authorities. Concurrently, educational and informative actions have been planned through social media campaigns.
- Group Volunteers, together with the BoC Kids Volunteers team, consisting of children aged 7-12, of the Group's staff, participated in a simultaneous cleaning of the two busy beaches in Limassol and Larnaca.

3. Governance Risk

3.1. Governance

The Sustainability Committee as described under the environmental risks section has the oversight of the totality of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the BoD as well.

It is noted that very few companies in Cyprus will be obliged to issue a Corporate and Social Responsibility (CSR) report. Specifically, currently EU Non-Financial Reporting Directive applies to large public interest entities with an average number of employees more than 500. Therefore, in Cyprus very limited number of entities meet those criteria and design and implement CSR strategies.

Nevertheless, BOC PCL expects to collect information on counterparty governance matters through the process of incorporating ESG factors in the underwriting processes. In terms of governance issues, questions on board and executive committees will be included (composition and meetings), the publication of board committee members in its public disclosures and the interaction of the internal audit function with the audit committee. In case any type of sustainability reporting is produced, this it will be collected as part of this process. Currently, the Vendor management and procurement policy currently considers the governance of counterparties, e.g., suppliers.

Additionally, the Group strengthens its governance framework with a number of policies i.e. the Conflicts of Interest Policy, the Antibribery and Corruption Policy, the Whistleblowing Policy.

3.2. Risk Management

BOC PCL is also in the process of incorporating ESG factors within the context of its underwriting processes amending its policies and procedures in such a way that potential impact from ESG is reflected in the fundamental elements of the creditworthiness assessment i.e., in repayment capacity and collateral assessment. Through this process, counterparty governance information will be collected.

In addition, BOC PCL's Lending Policy as part of determining the creditworthiness of legal entities requires that the following are assessed:

- Qualitative elements, such as the customer's corporate governance (for example delegation of authority checks and balances, accountability, strategy formulation, managerial skills, succession, commitment of shareholders, pricing power of the company in the marked etc.) including dividend policy, compliance with audit requirements for financial accounts and compliance with tax obligations.
- The borrower's exposure to ESG factors. This is a general guideline rather than a prescriptive process.