



# Sustainable Finance Framework

April 2023



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## 1. INTRODUCTION

### 1.1 Background

Bank of Cyprus Holdings Public Limited Company and Bank of Cyprus Public Company Limited (together as “the Group” or “Bank of Cyprus”) form part of the largest banking and financial services group in Cyprus. The scope of activities of the Group are as follows: banking, financial services, insurance services, and management as well as disposal of property predominantly acquired in exchange of debt<sup>1</sup>. Bank of Cyprus, the leading bank in Cyprus by market penetration, was founded in 1899.

Bank of Cyprus is a diversified, leading, financial and technology hub and has delivered significant progress against its strategy announced in November 2020<sup>2</sup>. This has allowed the Group to update its medium-term strategic targets in February 2022 and upgraded its expectations a number of times in 2022 and in February 2023 with an increased focus on creating stakeholder value. As part of this update, the Group has set the foundations to enhance its organisational resilience and ESG (Environmental, Social and Governance) agenda. The Group continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.



<sup>1</sup> Bank of Cyprus ESG Strategy document September 2021

<sup>2</sup> Bank of Cyprus Annual Financial Report 2021, Page 23

## 1.2 Bank of Cyprus' Sustainability Vision

The Group aspires to increase its positive impact on environment and maintain its leading role in the social and governance pillars by transforming not only its own operations but its client chain as well. To address this challenge, the Group has moved forward to set its first ESG Strategy that will assist the organization to efficiently communicate its new vision both to its employees, as well as to its external partners and clients, and also to establish an ESG roadmap to seize new opportunities, reduce its risk, comply with regulatory requirements and meet market expectations.

Furthermore, in order to align with the EU expectations, the Group has developed a long-term working plan where it will allow it to develop a strategic Paris alignment framework, quantify and set transparent ambitions on its climate strategy and decarbonisation of its operations and portfolio, and finally set up a plan that reflects and pre-empt its regulatory compliance.

The Group continues to work towards building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of the country to a sustainable future. The Group's strategic approach to Sustainability is to extend its impact 'Beyond Banking'. The 'Beyond Banking' framework embodies the Group's approach to managing sustainability-related issues, risks, opportunities, and its strategy for the future. It is now presented and communicated in a way that conveys a clear message to all stakeholders. Sustainability is at the heart of the Group's operation and its ethos. This approach is based on the foundations of Sound Governance and Ethics, focusing on four key pillars<sup>3</sup>:

			
<b>RESPONSIBLE &amp; SUSTAINABLE SOLUTIONS</b>	<b>OUR SOCIETY</b>	<b>OUR PEOPLE</b>	<b>OUR ENVIRONMENT</b>
<ul style="list-style-type: none"> <li>• Cyber Security and Data Protection</li> <li>• Innovation and Digitalisation</li> <li>• Service Quality, Customer communication and Satisfaction</li> <li>• Financial Inclusion</li> <li>• Responsible Products and Investments</li> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Social Contribution</li> <li>• Stakeholder Engagement</li> <li>• Local Communities</li> <li>• Financial Literacy</li> <li>• Indirect Economic Impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety</li> <li>• Diversity, Inclusion and Equal Opportunities</li> <li>• Employment Development and Retention</li> <li>• Employee Well-being</li> <li>• Employee Sustainability and ESG Awareness</li> <li>• Corporate Volunteering</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Footprint</li> <li>• Waste Management</li> <li>• Energy Consumption</li> <li>• Climate Change and Decarbonisation</li> <li>• Environmental Systems and Investments</li> <li>• Financing the Transition to a Low Carbon Economy</li> </ul>

<sup>3</sup> Bank of Cyprus Corporate Sustainability Report 2021, Page 15

### 1.3 Bank of Cyprus' Alignment with the UN Sustainable Development Goals (SDGs)<sup>4</sup>

Bank of Cyprus aligns its sustainability vision and ESG strategy with the UN SDGs. Due to its expertise and business model, Bank of Cyprus has selected to focus on the following SDGs:



These goals are the ones where the Group can have an impact based on its business environment and its customers.

UN SDG	Relevance for Bank of Cyprus
<b>SDG 3: Good Health and Well Being</b>	<ul style="list-style-type: none"> <li>Bank of Cyprus plays a vital role supporting community health and the healthcare industry in Cyprus. The Group has made a cumulative investment of €70 million in the Bank of Cyprus Oncology Centre since its inauguration, representing the largest and most successful partnership between public and private sector to the benefit of cancer patients. The Bank of Cyprus Oncology Centre, which handles approx. 60% of oncology cases nationally, will have the continued financial support of the Group in the future.</li> </ul>
<b>SDG 4: Quality Education</b>	<ul style="list-style-type: none"> <li>Bank of Cyprus promotes and supports the provision of quality education for everyone through initiatives like long term collaboration with the University of Cyprus (funding of Chair in Economics), partnerships with European Youth Parliament, promoting learning through STEM, scholarships to vulnerable university students, supporting schools in fire affected areas, provision of financial and in kind support of a number of education related NGOs, etc. Through these initiatives, geared towards training and development for wider society, Bank of Cyprus achieves a tangible positive impact not only for the business sector, but the local community as well.</li> </ul>

<sup>4</sup> <https://sdgs.un.org/goals>

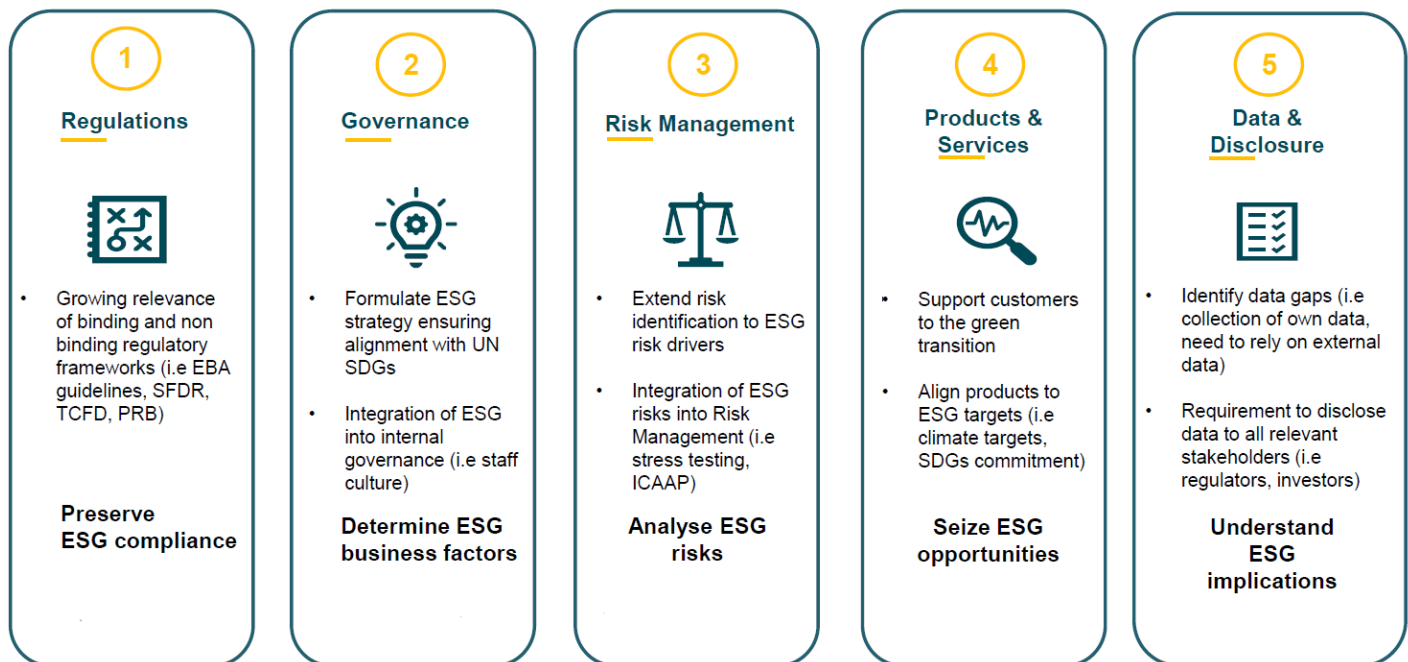
<p><b>SDG 5: Gender Equality</b></p>	<ul style="list-style-type: none"> <li>Bank of Cyprus acknowledges the importance of gender equality and as such, it has set measurable KPIs such as ≥30% women in Group’s management bodies (defined as the Executive Committee (EXCO) and the extended EXCO) by 2030. In 2021 the Group was awarded the National Certification “Equality Employer” for implementing Good Practices on Gender Equality. The certification is valid for four years.</li> </ul>
<p><b>SDG 8: Decent Work and Economic Growth</b></p>	<ul style="list-style-type: none"> <li>The Group has been a fundamental contributor to Cyprus’ economic growth since its establishment in 1899. Through the following initiatives, Bank of Cyprus has supported Cypriot society and national economic growth:</li> <li>Idea Innovation Centre (74 Start Ups supported by end of 2021, 90+ creation of new jobs by 2021)<sup>5</sup></li> <li>Loans granted under the Restart Business Scheme in 2021 (€86.3m in 2021 – includes Corporate Banking, SME Banking and International Banking)<sup>5</sup></li> <li>€16.1m loans granted as part of European Funding Projects in 2021 (Includes Corporate Banking and SME Banking)<sup>5</sup></li> <li>The Group is committed to continuing this support into the future.</li> </ul>
<p><b>SDG 9: Industry, Innovation, and Infrastructure</b></p>	<ul style="list-style-type: none"> <li>Bank of Cyprus is committed to pursuing a resilient market with plentiful development opportunities via dynamic participation in national efforts. The Group aims to move and endorse the local business sector towards a sustainable transformation. Being the leading Bank by market penetration, the Group uses its leverage in its dialogue with other stakeholders and the government to drive innovation and sustainable transformation in the country. The Group can also capitalise on relationships with its clientele which in some cases go back generations to drive a sustainable transformation.</li> </ul>
<p><b>SDG 11: Sustainable Cities and Communities</b></p>	<ul style="list-style-type: none"> <li>Bank of Cyprus is committed to supporting its customers with their transition to a sustainable future via their offering of specific products like loans for environmentally-friendly home renovations and loans for the installation of energy saving systems for home use (Section 1.4.3.).</li> </ul>
<p><b>SDG 12: Responsible Consumption and Production</b></p>	<ul style="list-style-type: none"> <li>The Group’s contribution towards UN SDG 12 is two-pronged.</li> <li>On one hand, Bank of Cyprus is a source of encouragement for the private sector demonstrated via the new sustainable parameters for Bank of Cyprus’s products.</li> <li>On the other, the Group’s internal implementation of an environmental management system contributes towards the same objective of a sustainable future. Key internal actions include measures to increase the production of renewable energy annually, decrease paper use and reduce electricity consumption. In 2021, the Group carried out the following initiatives:             <ul style="list-style-type: none"> <li>Solar PVs installation in 11 buildings.</li> <li>€463,108 investment made in energy saving initiatives, resulting in a total energy consumption’s reduction of 5,200,000 kWh between 2018-2021.</li> <li>Since 2018, there has been a reduction in paper consumption of 10 tonnes<sup>5</sup>.</li> </ul> </li> </ul>

<sup>5</sup> Bank of Cyprus Corporate Sustainability Report 2021

<p><b>SDG 13: Climate Action</b></p>	<ul style="list-style-type: none"> <li>• Bank of Cyprus understands the importance of contributing, both directly and indirectly, to global efforts to control climate change.</li> <li>• The Group aims to incorporate ESG factors in its business strategy and in its credit underwriting process to finance the transition of Cyprus towards a green economy.</li> <li>• Through the classification of material risks and the identification of necessary data, the Group plans to formulate a business strategy which will culminate in data collection from customers, calculations of financed emissions and emissions target calibration.</li> <li>• Furthermore, Bank of Cyprus offers a selection of climate-mitigation focused products (Section 1.4.3.) which demonstrate the Group’s ambition towards financing a low-carbon economy.</li> </ul>
<p><b>SDG 14: Life Below Water</b></p>	<ul style="list-style-type: none"> <li>• The Group, situated on a Mediterranean island, acknowledges the critical importance of the marine environment for both the local community and the business sector.</li> <li>• To that end, Bank of Cyprus is committed to managing the risks related to the sea and marine resources and showcases this through initiatives like <i>Seamachia</i> (meaning in Greek ‘Alliance for the Sea’), which is a partnership with NGO CYMEPA which together with the Cyprus University of Technology Research Group will develop a real time data management system for monitoring sea water quality parameters. The project was initiated in 2022 and the funding by BOC for 2022 was €15,000.</li> </ul>
<p><b>SDG 17: Partnerships for the Goals</b></p>	<ul style="list-style-type: none"> <li>• It is evident to Bank of Cyprus that achieving the UN SDGs requires consistent cooperation and collaboration between the Group’s stakeholders both in public and private sector.</li> <li>• As a result, Bank of Cyprus developed the SupportCY Network in 2020 during the Pandemic and it has only grown since then. SupportCY is a network between businesses, designed to provide products and services with the financial contribution of the Group, to support those in need.</li> </ul>

## 1.4 Bank of Cyprus ESG Strategy

Bank of Cyprus aims to become a market leader for sustainable banking in the financial services market of Cyprus. Bank of Cyprus recognises that the formulation of an ESG Strategy is a complex task, and therefore, the Group has taken the following 5 areas into consideration<sup>6</sup>:



### 1.4.1 Bank of Cyprus' ESG commitments

Looking at the above 5 key areas, Bank of Cyprus has set a number of ESG commitments that will help integrate ESG into its value chain:<sup>7</sup>

- Become carbon neutral by 2030
- Become Net Zero by 2050
- Steadily increase Green Asset Ratio
- Steadily increase Green Mortgage Ratio
- A representation of at least 30% women in Group's management bodies (defined as the Executive Committee (EXCO) and the extended EXCO) by 2030

### 1.4.2 Bank of Cyprus and the EU Taxonomy

Bank of Cyprus acknowledges the changing regulatory landscape with regard to ESG and publishes disclosures in accordance with Article 8 of the EU Taxonomy Regulation. The Bank is working to develop a Sustainable Lending Framework where it expects to use the EU Taxonomy as one of the considerations to inform criteria for green loans. This Framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands. This annual review highlights the Group's continual commitment to sustainability and their ambition to future-proof their sustainable activities.

<sup>6</sup> Bank of Cyprus ESG Strategy Presentation

<sup>7</sup> Bank of Cyprus Annual Financial Report 2022, Page 27



### 1.4.3 Bank of Cyprus and Environmental Offering

Bank of Cyprus offers a range of environmentally friendly products that help its customers become more sustainable such as<sup>8</sup>:

- Loan products offered under the Fil-eco Product Scheme
- Environmentally friendly Car Hire Purchase, addressed to anyone who wants to buy a new hybrid or electric car
- An environmentally friendly loan for home renovation is offered to customers who want to renovate and upgrade their energy efficiency
- An Energy Loan for the installation of energy saving systems for home use

Looking forward, the Group will continue to build out its sustainable product offering further.



<sup>8</sup> Bank of Cyprus Annual Financial Report 2022, Page 89

## 1.5 Sustainability Governance

Bank of Cyprus's sustainability governance structure is based around distinct but interdependent ESG accountabilities between Divisions. The table below demonstrates the ESG accountabilities that are allocated to Divisions within Bank of Cyprus – these accountabilities are shown via the activities that each division is responsible for:<sup>9</sup>

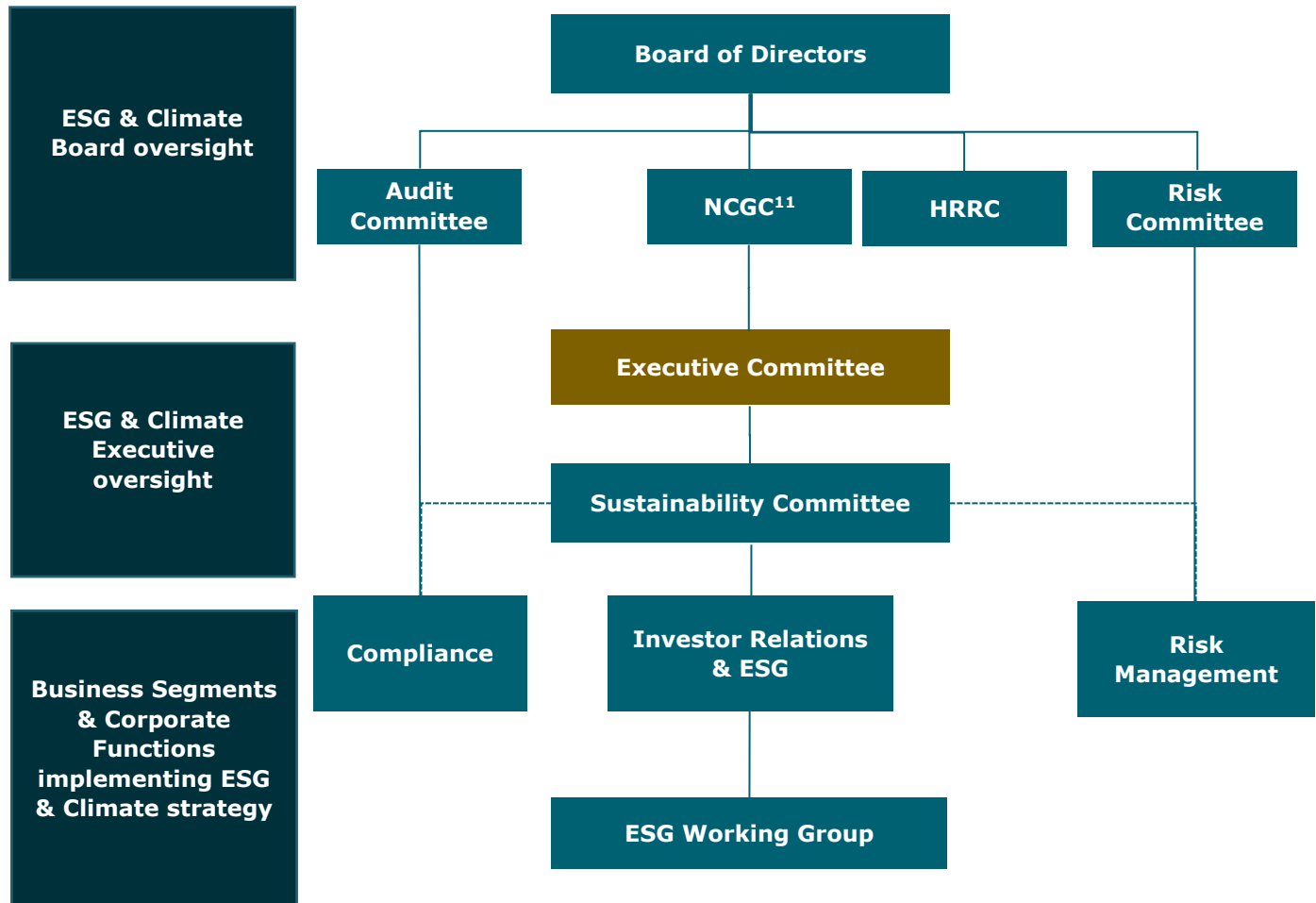
Department	Activities
IR & ESG	<ul style="list-style-type: none"> <li>• Develops action plans for the implementation of the ESG strategy</li> <li>• Updates Sustainability Committee (SC) &amp; Board of Directors (BOD) to enable decision making</li> <li>• Updates ESG communication messages in coordination with Corporate Affairs Unit (CAU)</li> <li>• Communicates ESG strategy to stakeholders in coordination with CAU and Risk</li> <li>• Coordinates ESG activities across functions and provides support</li> <li>• Prepares ESG reporting</li> <li>• Manages relationship with ESG Rating Agencies &amp; analysts and coordinates improvement actions</li> <li>• Supports Business Lines to comply with their Disclosure and Reporting obligations</li> <li>• Reporting chain: Reports to Sustainability committee</li> <li>• Updates the Nomination and Corporate Governance Committee (NCGC) regarding the progress of ESG agenda</li> </ul>
Risk	<ul style="list-style-type: none"> <li>• Identifies, monitors and manages ESG risks for own operations and clients</li> <li>• Incorporates ESG risks and makes necessary updates in relevant frameworks, policies and procedures</li> <li>• Ensures compliance with ECB requirements</li> </ul>
CAU	<ul style="list-style-type: none"> <li>• Compiles &amp; implements 'Social' Pillar of ESG Strategy (including the set-up of KPIs, i.e. Health, Education, SupportCy)</li> <li>• Designs and implements communication of ESG Strategy in Cyprus (internal and external) in cooperation with IR &amp; ESG</li> </ul>
Business Lines	<ul style="list-style-type: none"> <li>• Provide advice and support to clients in their transition</li> <li>• Design Green Products and Services to incentivise clients to reduce emissions</li> <li>• Support institutional wealth and private banking clients with their sustainability- and climate-related objectives</li> </ul>
Treasury	<ul style="list-style-type: none"> <li>• Develop the sustainable finance plan for the Group, and integrate ESG factors in the funding programme and in the investment strategy</li> </ul>
HR	<ul style="list-style-type: none"> <li>• Promotes environmental awareness &amp; social responsibility amongst staff</li> <li>• Updates HR policies &amp; governance with ESG principles</li> <li>• Incorporates ESG variable remuneration targets for top management as of 2022</li> <li>• Undertakes initiatives to promote ESG objectives (Gender Equality, Equal Opportunities, Women in Leadership, Wellbeing etc.)</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Updates SC and EXCO on ESG Regulations &amp; Compliance Requirements</li> <li>• Monitors and implements governance objectives of ESG Strategy</li> <li>• Supports functions for compliance with ESG Regulations</li> </ul>
Finance	<ul style="list-style-type: none"> <li>• Responsible for financial &amp; Pillar 3 reporting</li> <li>• Undertakes GHG Accounting</li> </ul>

<sup>9</sup> Bank of Cyprus ESG Strategy Document September 2021

<b>IT</b>	<ul style="list-style-type: none"> <li>• Responsible for digital transformation which addresses a number of social SDGs</li> <li>• Provides tools for efficient ESG data collection, analysis and management</li> </ul>
<b>Operations and Cost Management</b>	<ul style="list-style-type: none"> <li>• Implements environmental objectives for own operations (e.g. Scope 1 &amp; 2 emissions, recycling paper usage etc.)</li> <li>• Contributes in building environmental awareness amongst staff members</li> </ul>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• Sets up a sustainable procurement process</li> <li>• Engages with key vendors regarding their plans about sustainability</li> </ul>

Together, the 11 Departments mentioned above cover all facets of Bank of Cyprus’s ESG Strategy and allow the Group to ensure that there is sufficient accountability and an organisational structure that will enable them to achieve their vision of leading the transition of Cyprus to a sustainable future.

ESG Governance



The Board of Directors, through the NCGC and Risk Committee, oversees the implementation of the Group’s ESG and climate strategy. In order to adequately assess climate risks and opportunities, the Board draws on expertise both internally and externally.

The NCGC<sup>11</sup> provides oversight to the Group’s ESG and climate strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders. The Risk Committee identifies, assesses, controls and monitors financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, and compliance, and ESG including climate-related & environmental risks) which the Group faces in cooperation with the responsible Board Committees.

The EXCO recommends to NCGC<sup>11</sup> all ESG and climate related matters and policies (excluding ESG and climate risks matters and policies) for approval. ESG and climate risks related policies and matters are discussed in Sustainability Committee and submitted by the Risk Management Division directly to the Risk Committee for approval, also notifying the EXCO. The Sustainability Committee reports to the EXCO. The ECCC<sup>10</sup> undertakes consultancy role to the NCGC when required.

<sup>10</sup> ECCC: Ethics, Conduct and Culture Committee

## 1.6 Rationale for a Sustainable Finance Framework

Bank of Cyprus recognises that moving to a sustainable economy is the challenge of our time. To meet ever-changing societal needs and protecting the environment is no easy task – a transition to a sustainable economy will require a transformation of assets and behaviours, for which significant investment/expenditure is required.

To address this challenge, the Group has published its first ESG Strategy that will assist the organization to efficiently communicate its new vision both to its employees, as well as to its external partners and clients, and also to establish an ESG roadmap to cease new opportunities, reduce its risk and comply with regulatory requirements and market expectations.

As a key financial stakeholder in Cyprus, the establishment of this Sustainable Finance Framework aims to improve disclosure and transparency on sustainability and to bring to international investors more opportunities to invest in sustainable developments in Cyprus and Greece.



## 2. BANK OF CYPRUS' SUSTAINABLE FINANCE FRAMEWORK

Bank of Cyprus has elected to create this Sustainable Finance Framework under which Bank of Cyprus can issue three types of Sustainable Financing Instruments:

- Green Bonds/Loans – for which the funds raised are exclusively allocated to Eligible Green Projects
- Social Bonds/Loans – for which the funds raised are exclusively allocated to Eligible Social Projects
- Sustainability Bonds – whereby the funds raised are exclusively allocated to Eligible Green Projects and to Eligible Social Projects

The Framework aligns to the Green Bond Principles<sup>11</sup> – June 2021, including June 2022 Appendix 1 (“GBP”), the Social Bond Principles<sup>12</sup> - June 2021, including June 2022 Appendix 1 (“SBP”), the Sustainability Bond Guidelines– June 2021 (“SBG”)<sup>13</sup> as published by the International Capital Markets Association (“ICMA”) and the Green Loan Principles<sup>14</sup> - February 2021 (“GLP”) and the Social Loan Principles<sup>15</sup> – April 2021 (“SLP”) as published by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications & Trading Association (“LSTA”).

In alignment with these Principles/Guidelines, for each Sustainable Financing Instrument(s), issued, Bank of Cyprus asserts that it will adopt the following, as set out in this Framework:

Core Components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Key Recommendations:

5. External Review
6. Framework

The Framework contributes to the UN SDGs, and Bank of Cyprus will, on a best efforts basis, align the Framework with the EU's classification of environmentally sustainable economic activities “EU Taxonomy Climate Delegated Act”<sup>16</sup>.

### 2.1 Use of Proceeds

An amount at least equivalent to the net proceeds of any Sustainable Financing Instrument issued by the Group will be allocated to finance new or re-finance, in whole or in part sustainable projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories (“Eligible Sustainable Projects”), as defined below.

The Green project categories identified below are in alignment with the ICMA GBP and LMA GLP. The table below also shows the alignment of the chosen categories with the UN SDGs, the EU Environmental Objectives and the EU Taxonomy Climate Delegated Act’s relevant activities<sup>17</sup>.

<sup>11</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>12</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>



<sup>13</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

<sup>14</sup> <https://www.lsta.org/content/green-loan-principles/#>

<sup>15</sup> <https://www.lsta.org/content/social-loan-principles-slp/#>







<sup>16</sup> [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

<sup>17</sup> Mapping to EU Taxonomy activity based on substantial contribution to the Climate Change Mitigation’s objective

ICMA Category: Renewable Energy		
<p><b>EU Environmental Objective:</b></p> <p>Climate Change Mitigation</p>  <p>SDG Targets 7.2, 7a, 13.1, 13.3</p>	<p><u>Eligibility Criteria:</u></p> <ul style="list-style-type: none"> <li>Projects related to the production, transmission, distribution, and battery storage of energy from renewable sources including: <ul style="list-style-type: none"> <li>Wind</li> <li>Solar (photovoltaic technology)</li> <li>Geothermal with lifecycle GHG emissions &lt;100gCO<sub>2</sub>/kWh</li> <li>Waste biomass<sup>18,19</sup></li> </ul> </li> </ul>	<p><u>EU Taxonomy Activity</u></p> <p>3.1 Manufacture of renewable energy technologies</p> <p>4.1 Electricity generation using solar photovoltaic technology</p> <p>4.3 Electricity generation from wind power</p> <p>4.6 Electricity generation from geothermal energy</p> <p>4.8 Electricity generation from bioenergy</p> <p>4.10 Storage of electricity</p>
ICMA Category: Energy Efficiency		
<p><b>EU Environmental Objective:</b></p> <p>Climate Change Mitigation</p>  <p>SDG Targets 7.3, 7a</p>	<p><u>Eligibility Criteria:</u></p> <p>Projects that reduce energy consumption, including:</p> <ul style="list-style-type: none"> <li>Energy efficient heating, ventilation, air conditioning, refrigeration, lighting, and electrical equipment that result in at least 30% energy savings</li> <li>Retrofit or new distribution systems, transmission lines or substations where: <ul style="list-style-type: none"> <li>More than 67% of newly enabled generation capacity in the system is below 100 gCO<sub>2</sub>e/kWh on a Life cycle emissions (LCE) basis over a rolling five-year period, or</li> <li>Average system grid emissions factor &lt; 100 gCO<sub>2</sub>e/kWh on a LCE basis over a rolling five-year period.</li> </ul> </li> </ul>	<p><u>EU Taxonomy Activity</u></p> <p>3.6 Manufacture of other low carbon technologies</p> <p>4.9 Transmission and distribution of electricity</p>


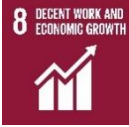
<sup>18</sup> The greenhouse gas emission savings from the use of biomass are at least 80 % in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001.

<sup>19</sup> Waste Biomass projects aim to ensure sustainability and therefore exclude investments in projects that use feedstock from sources that compete with food production or decrease forestation, biodiversity, or terrestrial carbon. This Framework allows sustainability of the supply chain to be proven by certifications such as: Sustainable Biomass Partnership (SBP), Roundtable on Sustainable Biomass (RSB), Forest Stewardship Council (FSC), or Programme for the Endorsement of Forest Certification (PEFC), International Sustainability & Carbon Certification (ISCC) Plus, Round Table on Responsible Soy (RTRS), EU Organic, Rainforest Alliance, and UTZ.

ICMA Category: Clean Transportation		
<p><b>EU Environmental Objective:</b></p> <p>Climate Change Mitigation</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> </div> <div style="text-align: center; margin-top: 10px;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <p>SDG Target 11.2</p>	<p><u>Eligibility Criteria:</u></p> <ul style="list-style-type: none"> <li>Projects supporting low-carbon mobility, including the deployment of low- and zero-emission vehicles (&lt;50gCO<sub>2</sub>/km for tailpipe emissions), and low- and zero-emission public transportation vehicles (&lt;50gCO<sub>2</sub>/p-km for tailpipe emissions)</li> <li>Development and operation of low-carbon public or mass transportation systems</li> <li>Zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus and bus) are eligible</li> </ul>	<p><u>EU Taxonomy Activity</u></p> <p>6.3 Urban and suburban transport, road passenger transport</p> <p>6.5 Transport by motorbikes, passenger cars and light commercial vehicles</p> <p>6.15 Infrastructure enabling low-carbon road transport and public transport</p>
ICMA Category: Green Buildings		
<p><b>EU Environmental Objective:</b></p> <p>Climate Change Mitigation</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> </div> <div style="text-align: center; margin-top: 10px;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <p>SDG Target 11c</p>	<p><u>Eligibility Criteria:</u></p> <p>Construction and acquisition of commercial or residential buildings which meet at least one of the following certifications:</p> <ul style="list-style-type: none"> <li>The LEED “gold” certification</li> <li>The BREEAM “very good” certification</li> <li>DGNB “Gold” certification</li> <li>Energy Performance Certificate (EPC) A</li> </ul> <p>Or renovations and refurbishments of commercial or residential buildings that lead to an annual reduction of primary energy demand (PED) on a square metre basis of at least 30%</p>	<p><u>EU Taxonomy Activity</u></p> <p>3.5 Manufacture of energy efficiency equipment for buildings</p> <p>7.1 Construction of new buildings</p> <p>7.2 Renovation of existing buildings</p> <p>7.7 Acquisition and ownership of buildings</p>



The Social project categories identified below are in alignment with the ICMA SBP and LMA SLP. The table below also shows the alignment of the chosen categories with the UN SDGs<sup>20</sup>.

<b>ICMA Category: Access to Essential Services – Healthcare</b>	
<p><b>Social Objective:</b></p> <p>Increase and improve healthcare infrastructure capacity for all</p>  <p>SDG Targets 3.1, 3.2, 3.3, 3.4, 3.5, 3.7, 3.8, 3b, 3c</p>	<p><u>Eligibility Criteria:</u></p> <ul style="list-style-type: none"> <li>• Projects aimed at providing/expanding access to essential healthcare infrastructure and emergency services for all through:               <ul style="list-style-type: none"> <li>○ Building new and expanding existing healthcare capacities</li> <li>○ Retrofitting or improving the quality of the existing healthcare facilities and spaces, equipment, and IT systems</li> <li>○ Provision of medical equipment and consumable material</li> </ul> </li> </ul> <hr/> <p><u>Target Population:</u></p> <ul style="list-style-type: none"> <li>• All of the Cyprus population</li> <li>• Elderly population</li> </ul>
<b>ICMA Category: Employment Generation and SME financing</b>	
<p><b>Social Objective:</b></p> <p>Support employment Generation</p>  <p>SDG Targets 8.2, 8.3, 8.5, 8.6, 8.7, 8.8, 8.9</p>	<p><u>Eligibility Criteria:</u></p> <ul style="list-style-type: none"> <li>• Support employment generation, through initiatives including but not limited to:               <ul style="list-style-type: none"> <li>○ Financing and/or refinancing of loans to Small and Medium-sized enterprises</li> <li>○ Professional training programmes</li> <li>○ Promotion of entrepreneurship and self-employment</li> </ul> </li> </ul> <hr/> <p><u>Target Population:</u></p> <ul style="list-style-type: none"> <li>• Small and Medium-sized enterprises<sup>21</sup></li> <li>• Women-owned enterprises<sup>22</sup></li> </ul>

Exclusions:

The proceeds of the Sustainable Financing Instruments under this Framework will not be allocated to finance assets that are included in the exclusions and referral sectors as included in the Environmental and Social Policy of the Bank. Additionally, activities related to the transportation, exploration and production of fossil fuels, are excluded.

<sup>20</sup> <https://sdgs.un.org/goals>

<sup>21</sup> European Commission SME Definition: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>22</sup> A woman owned enterprise meets the criteria if: ≥ 51% owned by woman/women

## 2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process ensures that the proceeds of any of the Group's Sustainable Financing Instruments are allocated to new lending or existing projects that meets the criteria set out above in Use of Proceeds.

Bank of Cyprus has established a Sustainable Financing Working Group ("SFWG") to carry out the evaluation and selection process. The Committee consists of members from the following departments:

- The Funding Team
- The ESG Risk Team
- The Investor Relations & ESG Team
- Relevant Business Lines

The SFWG is chaired by the Director Treasury and meets at least semi-annually to:

- Identify, review and approve eligible projects to be included within the Eligible Asset Pool.
- Monitor projects previously and still included within the Eligible Asset Pool to ensure ongoing compliance with the Sustainable Finance Framework whilst any relevant Sustainable Financing Instruments are outstanding.
- Remove projects from the Eligible Asset Pool that have been disposed of or no longer meet the Eligibility Criteria.
- Analyze any controversies that may arise related to any projects and on this basis choose to recommend the removal of projects from the Eligible Asset Pool.
- Review annual allocation and impact reporting to facilitate reporting.

For any new products, Bank of Cyprus has established a New Products Forum ("NPF") which provides a forum for discussing the launching of new products/services and providing its proposal to the ALCO Committee for approval. The details for any new product are to be first distributed to a representative of the SFWG which will assess whether the product is eligible for Sustainable Finance, ensure that all criteria are met and provide its recommendation to the NPF.

### *Environmental and Social Risk Management Process*

Bank of Cyprus is committed to applying certain environmental and social policies and procedures to its lending activities based on specific criteria. To this end, the Group has an Environmental and Social Policy in place which enables it to identify and manage potential negative impacts to the environment and to social issues, as well as the associated risks affecting both the customers and the Group.

In particular, for project, structured and asset financing, enhanced environmental and social assessments will be undertaken.

The Risk Management Division is responsible for the management of all environmental and climate-related risks. The Division will gradually broaden its scope to also consider governance and social related risks and aims to have all material ESG risks incorporated in its overall Risk Management Framework.

In addition, the Group introduced in 2021, the Green Lending Policy. This document aims at providing the general Framework for the procedures and requirements that will be needed to create "green" loan products and a green loan portfolio.

Specifically, the Green Lending Policy:

1. Provides instructions regarding the guidelines that the Group should require from borrowers so to ascertain whether an application for a green loan product can be considered for approval.
2. Adopts an indicative list of eligible categories for green project financing.

The Group's lending policies and procedures will be continuously enhanced with the ultimate goal to fully incorporate ESG issues in its lending process.

Bank of Cyprus's Environmental and Social Policy, the Green Lending Policy as well as the international directives it follows, are taken into consideration in the Project selection process.

### 2.3 Management of Proceeds

The equivalent of the net proceeds of each Bank of Cyprus Sustainable Financing Instrument are managed by the SFWG on a portfolio basis and is intended to be allocated towards the financing/refinancing of Eligible Sustainable Projects. The Eligible Asset Portfolio contains relevant information to identify each outstanding Sustainable Financing Instrument and the Eligible Sustainable Projects relating to them and will form the basis of Bank of Cyprus's Sustainable Financing Instrument Report, as defined below.

The Eligible Asset Portfolio is monitored on an ongoing basis by the SFWG. Its composition and amount will be reviewed biannually by the SWFG to update and account for any changes, such as repayments and/or disbursements.

It is Bank of Cyprus's intention to maintain an aggregate amount of Eligible Sustainable Projects that is at least equal to the aggregate net proceeds of all Bank of Cyprus Sustainable Financing Instrument issuances that are concurrently outstanding under this Framework. In the event that the aggregate value of Eligible Sustainable Projects in Bank of Cyprus's Eligible Asset Portfolio is less than the total outstanding amount of Bank of Cyprus Sustainable Financing Instrument(s), the unallocated surplus funds will be held in line with Bank of Cyprus's general liquidity management guidelines until allocated to Eligible Sustainable Projects.

If an Eligible Sustainable Project no longer qualifies according to the eligibility criteria as defined by this Framework or if the underlying eligible loan is repaid or divested, an amount equal to the loan size will be deducted from the eligible asset pool. Bank of Cyprus will use its best efforts to substitute any Eligible Sustainable Projects that no longer qualify, as soon as practical, once qualifying substitution assets have been identified.

Bank of Cyprus intends to allocate the proceeds of a given Sustainable Financing Instrument issuance to Eligible Sustainable Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

### 2.4 Reporting

For all Sustainable Financing Instrument issuances under this Framework, the Group is committed to providing investors with transparent reporting on the allocation of proceeds towards Eligible Sustainable Projects ("Allocation Reporting"), as well as to report on the positive environmental and social impacts of those projects ("Impact Reporting").

The Sustainable Financing Instrument Report will be updated annually, until full allocation of the proceeds of the issued Sustainable Financing Instrument(s).

The annual reporting will be aligned with ICMA’s GBP / SBP / SBG and the latest “Harmonized Framework for Impact Reporting”<sup>23</sup>, as well as the EU Green Bond Standard’s<sup>24</sup> disclosure requirements on a best effort basis. Disclosure of reporting information will be made publicly available to the extent possible, following Bank of Cyprus’ confidentiality requirements.

Allocation and impact reporting for Sustainable Financing Instrument issuances will be provided in a Sustainable Financing Instrument Report and published on the Group’s website.

#### 2.4.1 Allocation Reporting

Bank of Cyprus will provide information on the Eligible Sustainable Projects Portfolio on the Group of Cyprus website and/or in its Annual Report. The information will contain at least the following details:

- Net proceeds raised from each Bank of Cyprus Sustainable Financing Instrument
- Aggregate amount of proceeds allocated to each eligible project category
- Allocation by project location
- Refinancing versus new financing
- Balance of unallocated proceeds

#### 2.4.2 Impact Reporting

The Group will publish an impact report addressing the positive environmental impacts of the Eligible Sustainable projects on an annual basis.

The impact report will provide information on:

- Environmental impact indicators and social impact indicators, related to the Eligible Sustainable projects to which the Sustainable Financing Instrument proceeds have been allocated.
- Where appropriate, using case studies outlining qualitative and/or quantitative metrics to discuss projects impacts.

The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.

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<sup>23</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/>

<sup>24</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en)

Environmental and social impact indicators monitored by Bank of Cyprus may include:

<b>Green Project Categories</b>	<b>Example Impact Indicators</b>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>• Annual kWh/MWh of renewable energy produced</li> <li>• Annual renewable energy generation in MWh/GWh or % (electricity)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Annual greenhouse gas emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>• Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonne-kilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes</li> <li>• Number of electric vehicles registered/deployed</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Area of certified green buildings in square feet and by certification level</li> <li>• Annual Absolute (gross) GHG emissions from the project in tonnes of CO2 equivalent</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>

<b>Social Project Categories</b>	<b>Example Impact Indicators</b>
<b>Access to Essential Services – Healthcare</b>	<ul style="list-style-type: none"> <li>• Number of hospital and other healthcare facilities built/upgraded</li> <li>• Number of residents benefitting from healthcare which is otherwise not accessible</li> <li>• Number of beneficiaries</li> </ul>
<b>Employment Generation and SME financing</b>	<ul style="list-style-type: none"> <li>• Number and value of loans to MSMEs</li> <li>• Number of jobs supported/created/retained</li> </ul>

### 3. EXTERNAL REVIEW

#### 3.1 Second-Party Opinion

The Group engaged Moody's Investor Services to provide an independent Second Party Opinion ("SPO") on the Framework prior to the first issuance of a Bank of Cyprus Sustainable Financing Instrument under this Framework. The SPO provides investors with an independent assessment of the expected sustainability benefits of the Green and/or Social Project Categories and the alignment of this Framework with the ICMA Principles.

The Second Party Opinion report is available on the Bank of Cyprus website.

#### 3.2 Post issuance external verification

Bank of Cyprus' annual reporting will also be subject to external verification. The external reviewer will verify and provide third-party assurance on the following:

- The compliance of assets financed by the Sustainable Financing Instrument proceeds with eligibility criteria defined in the use of proceeds section in this Framework;
- Allocated amount related to the Eligible Sustainable Projects financed by the Bank of Cyprus Sustainable Financing Instrument;
- The management of proceeds and unallocated proceeds amount.

The verification report(s) will be made publicly available on the Bank of Cyprus website.

### 4. AMENDMENTS TO THIS FRAMEWORK

The SFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market.

The updates, if not minor in nature, will be subject to the prior approval of the Group and a second party opinion provider. The updated Framework, if any, will be published on the Group's website and will replace this Framework. Any Sustainable Financing Instrument subsequently issued will be subject to the updated and amended Framework.

## Disclaimer

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Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses which are the subject of, or related to, any Eligible Green Assets will meet any or all investor expectations regarding such "green", "social", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible green asset.