# ESG DISCLOSURES 2023

**PART A:**

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

Climate change is a reality, with extreme weather events happening more and more frequently such as this year's unprecedented snow-storms and wildfires in Europe. This trend will have catastrophic impact to the planet; for reversing it, drastic action is needed. The EU has committed to reach net zero emissions by 2050 (with 2030 other intermediate targets) and now each country must define its own, optimum pathway to reach Net Zero.

The global focus, in 2023, was climate and environmental related issues with events such as Conference of Parties ('COP') 28 on climate change, keeping these topics to the forefront of public and political discourse. The results of the world's efforts to address climate change under the Paris agreement were presented for the first time on COP28. Having shown that progress was too slow across all areas of climate action, countries responded with a decision on how to accelerate action across all areas by 2030. This includes a call on governments to speed up the transition away from fossil fuels to renewables such as wind and solar power in their next round of climate commitments.

As part of its vision to be the leading financial hub in Cyprus, the Group is determined to lead the transition of Cyprus to a sustainable future. The Group systematically moves forward to the alignment with sustainable banking and continues to embed Environmental, Social and Governance ('ESG') in its infrastructure, strategies and policies. The Group's commitment to integrate climate risk considerations into all relevant aspects of the decision-making, governance, strategy and risk management highlights the Group's aspiration to be a frontrunner in the climate space in Cyprus. This is the second TCFD report published by the Company, presenting the current activities and future plans in the climate field.

| ***TCFD Recommendations*** | | *Pages in our disclosures* |
|---|---|---|
| *Governance* | Board's oversight of climate-related risks and opportunities | → 91–93, 95-97, 128 |
| | Management's role in assessing and managing climate-related risks and opportunities | → 94-95, 98-101 |
| *Strategy* | Climate-related risks and opportunities (short, medium and long term) | → 102-104, 113-126 |
| | Impact of climate-related risks and opportunities on business, strategy and financial planning | → 105-111 |
| | Resilience of strategy, considering different climate-related scenarios, including a 2C or lower scenario | → 112, 130-131, 141-142 |
| *Risk Management* | Processes for identifying and assessing climate-related risks | → 113-126 |
| | Processes for managing climate-related risks | → 127-134 |
| | Integration of processes for identifying, assessing and managing climate-related risks into overall risk management | → 127-134 |
| *Metrics and targets* | Metrics to assess climate-related risks and opportunities in line with strategy and risk management process | → 106-107, 127, 135-138, 141-147 |
| | Scope 1, 2 and 3 GHG emissions and the related risks | → 139-147 |
| | Targets used to manage climate-related risks and opportunities and performance against targets | → 106-107, 127, 135-138, 141-147 |

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

### Pillar I - Governance

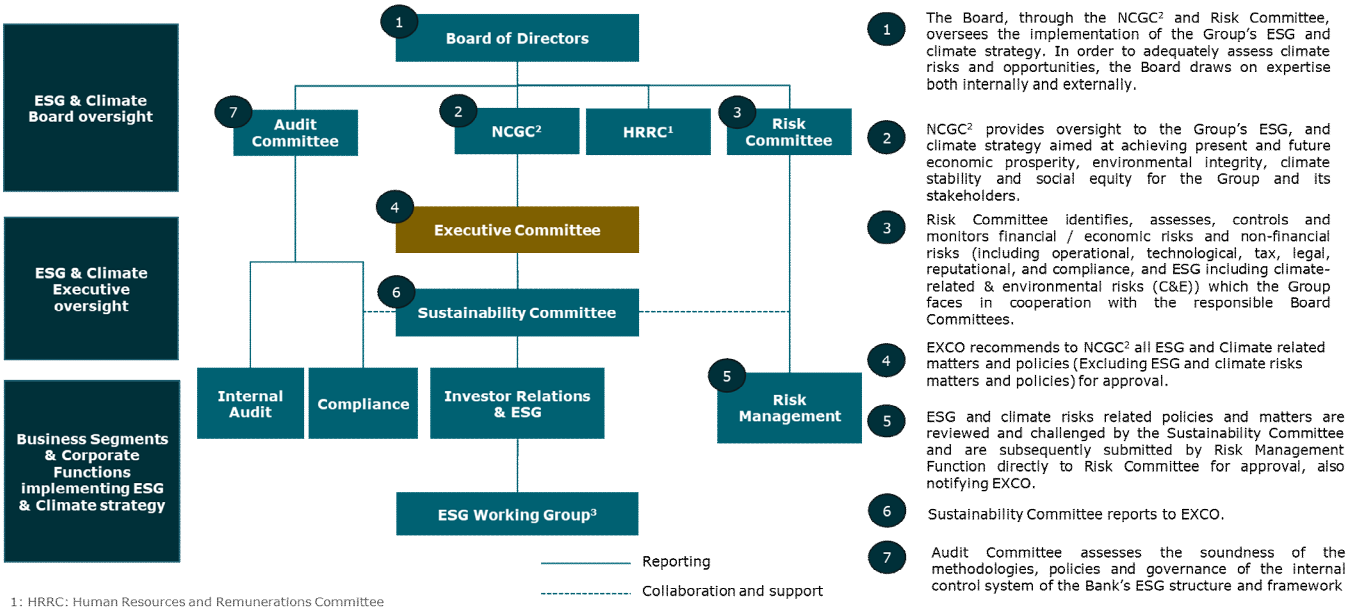
The Group considers climate action as one of its key priorities. To reflect this strong commitment, climate-related risks and opportunities are integrated into the governance structure. The Group is committed to high standards of governance that are consistent with regulatory expectations and evolving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

### Organisational structure of the governance structure of the Group

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

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

i. The Board of Directors (the 'Board')
ii. Board Committees
iii. Senior Management Committees




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

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

**Pillar I - Governance** (continued)

**Board of Directors and Board Committees**

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

| Board Committee | Role and Responsibilities |
|---|---|
| **Risk Committee** | The Risk Committee ('RC') has been delegated authority by the Board and consists of 3 independent 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.<br><br>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.<br><br>The RC is responsible for the following:<br>i. Oversee the identification, assessment, control and monitor of financial/economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance, and ESG including C&E risks) which the Group faces in cooperation with the responsible Board Committees.<br>ii. 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.<br>iii. 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.<br>iv. 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.<br>v. Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies.<br>vi. Review and monitor key enterprise wide ESG, including C&E, metrics, targets, Key Performance Indicators ('KPIs'), Key Riks Indicators ('KRIs') and related goals and monitor the progress towards achieving targets and benchmarks.<br>vii. Receive and review periodic reports from management on ESG and climate trends, issues, and risks, including developments in applicable regulations, as well as the corresponding mitigation initiatives and controls. |

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

**Pillar I - Governance** (continued)

**Board of Directors and Board Committees** (continued)

| Board Committee | Role and Responsibilities |
|---|---|
| **Nominations and Corporate Governance Committee** | The Nominations and Corporate Governance Committee (‘NCGC’) has been delegated authority by the Board and consists of 3 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.<br><br>The NCGC is responsible for the following:<br>i. 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.<br>ii. 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.<br>iii. Oversee the Sustainability Committee’s (‘SC') implementation and progress regarding the ESG working plan.<br>iv. Review the institution’s response and plan of action to the objectives set out under international agreements.<br>v. Review and approve the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance.<br>vi. Review and approve the non-financial disclosures presented by the SC.<br>vii. Review and approve the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds. |
| **Human Resources and Remuneration Committee** | The Human Resources and Remuneration Committee (‘HRRC’) has been delegated authority by the Board and consists of 3 non-executive members of the Board, who possess appropriate knowledge, skills and expertise to oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group’s ESG ambition, strategy and objectives. The HRRC reviews at least annually the appropriate structure of the remuneration system and whether the total amount of variable compensation has been set in accordance with the Remuneration Framework of the Central Bank Directive on Governance. Therefore, any enhancements to the Remuneration Policy to incorporate ESG and climate criteria are approved by the HRRC. |
| **Audit Committee** | The Audit Committee (‘AC’) has been delegated authority by the Board and as of 31 December 2023 consists of 3 independent non-executive members of the Board, who possess appropriate knowledge, skills and expertise to assess the soundness of the methodologies and policies that the management of the Group uses to develop ESG, including C&E metrics and other disclosures and to assess the key vendors’ plans about sustainability.<br><br>The AC is responsible for the following:<br>i. Ensure the ESG frameworks/standards, including C&E frameworks/standards, used are proper and relevant climate-related financial disclosures are investor grade.<br>ii. Consider materiality in terms of how ESG issues, including C&E issues, impact the Group’s financial performance and ability to create long-term value (Financial materiality) and how the Group’s actions impact people and the planet (Social materiality).<br>iii. Review other material public disclosures with respect to ESG, including C&E matters and discuss with management the Group’s engagement with stakeholders on key ESG matters, including C&E matters, including in response to any proposals or other concerns that have been submitted to BOCH and/or BOC PCL or the Board.<br>iv. Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe[1]. |

[1] The auditable areas, processes, systems and activities as assessed according to the primary risks which may impair their functionality.

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

**Pillar I - Governance** (continued)

**Management Committees**

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

| Management Committee | Role and Responsibilities |
|---|---|
| **Sustainability Committee** | The SC is an executive level committee chaired by the CEO and has as a primary role the oversight of the ESG agenda of the Group aiming to lead the Group towards a cleaner, fairer, healthier, and safer world. This will be achieved by helping its customers manage risks in a long term sustainable and equitable way and aims for the Group to be an employer of choice in Cyprus.<br><br>The SC is responsible for the following:<br>i. Monitor and review the development of the Group's ESG strategy for managing ESG risks, including C&E risks.<br>ii. Oversee the implementation of the Group's ESG & Climate strategy.<br>iii. Review the institution's response and plan of action to the objectives set out under international agreements.<br>iv. Review ESG targets and KPIs, including C&E targets and KPIs.<br>v. Review the incorporation of ESG including C&E targets, KPIs and KRIs in the business strategy.<br>vi. Monitor progress against the Group's ESG working plan including the implementation of the ECB Guide on C&E risks.<br>vii. Monitor progress on KPIs set to manage C&E risks and the performance against wider ESG targets, on a quarterly basis, through the Sustainability Performance Report. The Sustainability performance report will be monitored by the Executive Committee ('EXCO') and NCGC on a quarterly basis.<br>viii. Monitor KRIs set to manage C&E risks, through the Climate Risk report, on a quarterly basis. The Climate Risk Report will also be monitored by the EXCO and RC on a quarterly basis.<br>ix. 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.<br>x. Oversee the establishment of environmentally friendly products and Sustainable Finance Framework.<br>xi. Review 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. Monitors the implementation of policies relating to ESG including C&E matters (Excluding ESG and C&E risks related policies).<br>xii. Review and challenge Risk Management Division ('RMD') regarding ESG matters and policies, including C&E risks related matters and policies, such as ESG and C&E risk identification, quantification, materiality assessment ('MA') and establishment of ESG and C&E criteria in the loan origination process. RMD subsequently submits to RC for approval of ESG and C&E risks related matters and policies, also notifying EXCO.<br>xiii. Review non-financial disclosures including but not limited to the TCFD, relevant ESG disclosures in Pillar 3 and the annual Sustainability Report.<br>xiv. Monitor the external ESG and C&E trends affecting the formulation of ESG policies, strategies and objectives. |

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

**Pillar I - Governance** (continued)

**Management Committees** (continued)

| Management Committee | Role and Responsibilities |
|---|---|
| **Executive Committee** | The EXCO is responsible for the following:<br>i. Consider the overall financial performance and progress of the Group per line of business, including, but not limited to, the Group's capital and liquidity position, the Group profitability, the NPE and the REMU portfolio.<br>ii. Consider the market conditions and strategic initiatives.<br>iii. Monitor the recovery and early warning indicators and assess the need to escalate for further action to the RC and the Board.<br>iv. Consider the Risk Report.<br>v. Consider and approve budgets, business strategies/risk strategy to be presented to the Board for approval.<br>vi. Consider and approve the Group's Risk Appetite Statement to be presented to the RC and Board for approval.<br>vii. Consider and approve the Group's Capital Plan to be presented to the RC and the Board for approval.<br>viii. Consider the Compliance Reports/Matters and progress.<br>ix. Consider the Internal Audit Reports/Matters and progress.<br>x. Consider the HR/People Management/Matters and progress.<br>xi. Consider the Corporate Affairs Report/Matters and progress.<br>xii. Approve all matters escalated to EXCO within its delegated authorities and/or recommend matters requiring escalation to the Board.<br>xiii. Consider all other matters escalated for discussion by any member of the EXCO or any other Committee/Forum.<br>xiv. Monitor the Board and Board Committees pending decision lists.<br>xv. Note the minutes of the Acquisition & Disposal Committee ('ADC'), Group Asset & Liability Committee ('ALCO'), the Regulatory Steering Group ('RSG') and the Business Development Committee ('BDC'). |

**Board Oversight**

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

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

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

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

**Pillar I - Governance** (continued)

**Board Oversight** (continued)

Specifically, the process through which the Board Committees are informed on C&E issues is presented below:

i. The 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 the 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 the NCGC for approval.

ii. The SC reviews and challenge the RMD regarding ESG, and C&E risks related matters and policies, such as ESG and C&E risks identification, quantification, MA 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.

*iii.* The 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 the NCGC for approval.

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

*v.* The SC reviews BOCH's annual non-financial disclosures including, but not limited to the TCFD, relevant ESG disclosures in Pillar 3 and the annual Sustainability Report and recommends to NCGC for approval, also notifying the EXCO.

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

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

**Pillar I - Governance** (continued)

**Board Oversight** (continued)

Refer to the table below on the items discussed at the Board Committee level in 2023 on the ESG & Climate field.

| Board Committee | Date | ESG & Climate items |
|---|---|---|
| NCGC | February 2023 | i. Update on the ESG Working Plan.<br>ii. Reviewed and approved the updated ESG & Climate Governance arrangements.<br>iii. Discussed and approved the Sustainable Finance Framework. |
| | March 2023 | i. Reviewed and approved the updated ESG & Climate Governance arrangements.<br>ii. Reviewed and approved the ESG Disclosures included in the Group's Annual Report.<br>iii. Reviewed and approved the ESG Disclosures included in the Annual Pillar 3.<br>iv. Reviewed and approved the action plan to address the JST thematic review observations on climate related and environmental risks. |
| | June 2023 | i. Reviewed and approved the Annual Sustainability Report of BOC PCL. |
| | August 2023 | i. Reviewed and approved the ESG Disclosures included in the Interim Pillar 3 Disclosures for the six months ended 30 June 2023.<br>ii. Reviewed and approved the proposal to join the United Nations Environment Programme – Finance Initiative ('UNEP FI') Principles for Responsible Banking ('PRB'). |
| | November 2023 | i. Reviewed and approved the updated ESG & Climate Governance arrangements.<br>ii. Reviewed and approved the updated roles and responsibilities on C&E risks of the three lines of Defence.<br>iii. Reviewed and approved the establishment of Business Environment Scan ('BES') process on C&E risks.<br>iv. Reviewed and approved the decarbonisation target on Mortgage portfolio and sector limits on carbon intensive sectors.<br>v. Updated on the performance against Sustainability KPIs through the establishment of the Sustainability Performance Report. |
| | December 2023 | i. Reviewed and approved the BES Results and Follow up actions.<br>ii. Reviewed and approved the ESG & Climate Data Gap & Strategy. |
| RC | March 2023 | i. Reviewed and approved the action plan to address the JST thematic review observations on climate related and environmental risks.<br>ii. Reviewed and approved the MA on C&E risks. |
| | June 2023 | i. Updated through the Climate Risk Report. |
| | December 2023 | i. Reviewed and approved the enhanced MA on C&E risks.<br>ii. Reviewed and approved the incorporation of ESG and Climate considerations in Loan pricing.<br>iii. Reviewed and approved C&E Risks Quantification.<br>iv. Reviewed and approved Environmental risks management.<br>v. Reviewed and approved ESG Due Diligence in loan origination process.<br>vi. Reviewed and approved the incorporation of C&E risks in risk classification.<br>vii. Reviewed and approved the C&E risks in collateral valuations.<br>viii. Updated through the Climate Risk Report. |

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

**Pillar I - Governance** (continued)

**Management Oversight**

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

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

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

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

Following the compilation of the ESG strategy in 2021, the ESG working plan in 2022 and 2023, specific accountabilities are assigned to the Group's Executives and Directors. The C&E responsibilities assigned to key Executives and Directors of the Group are summarised in the table below:

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

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

**Pillar I - Governance** (continued)

**Management Oversight** (continued)

**Investor Relations and ESG Department**

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

i. Develop the action plan for the implementation of the ESG and climate strategy;
ii. Compile the ESG working plan and monitor its progress;
iii. Establish the ESG and climate targets and KPIs and monitor their progress;
iv. Develop and roll out the institution's methodology for portfolio alignment assessments (e.g., using Paris Agreement Capital Transition Assessment ('PACTA') and Science Based Target Initiative ('SBTi'));
v. Develop and roll out the institution's methodology for measuring financed emissions (e.g., using Partnership for Carbon Accounting Financials ('PCAF'));
vi. Prepare ESG and climate-related reporting;
vii. Coordinate the activities and deadlines of the ESG Working Group;
viii. Review in cooperation with RMD the activities completed by the ESG Working Group;
ix. Support other functions in the formulation/update of policies in line with ESG Strategy;
x. Report to the SC in frequent intervals and Board Committees in line with the Terms of Reference;
xi. Update ESG communication messages in coordination with Corporate Affairs Department ('CAD');
xii. Communicate ESG strategy to internal and external stakeholders in coordination with CAD and RMD; and
xiii. Manage relationship with ESG Rating Agencies & analysts and coordinates improvement actions.

**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:

i. incorporate ESG risks, including C&E risks, in the Risk Management Framework, policies and procedures;
ii. incorporate ESG and climate criteria in the loan origination process;
iii. review in cooperation with IR&ESG the activities completed by the ESG Working Group;
iv. comply with ECB guide on C&E risks;
v. establish the ESG and climate targets and KPIs in cooperation with IR&ESG; and
vi. establish the C&E KRIs through the ESG and climate targets and KPIs set.

The RMD main tasks regarding ESG risks, including C&E risks:

i. Carries out the necessary MA in relation to C&E risks;
ii. Identifies ESG risks, including C&E risks, and ensures their inclusion in the risk taxonomy and risk register of BOC PCL;
iii. Quantifies C&E risks through scenario or other analysis and provides estimates for their potential impact;
iv. Assesses the impact of C&E risks on BOC PCL's capital adequacy from an economic and normative perspective;
v. Incorporates C&E risks in its risk classification procedures;
vi. Analyses and provides expert judgement on exposures to clients from high-risk industries;
vii. Makes recommendations for risk-mitigating actions for transactions assessed as high-risk;
viii. Prepares and maintains the institution's climate-related risk management policies (e.g., exclusion policies);
ix. Develops and rolls out the institution's climate-related client questionnaires for due diligence and data collection purposes;
x. Conducts C&E risks stress testing and provides input on ESG supporting Governance;
xi. Produces reports on C&E risks for submission to the SC, EXCO and RC; and
xii. Provides advice and checks on the institution's climate-related product offering, such as "green" products.

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

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

**Pillar I – Governance** (continued)

**Management Oversight** (continued)

The Group, in addition to the specific tasks and responsibilities assigned to RMD and IR&ESG, has assigned roles and responsibilities on ESG including C&E risks to the Business Lines, Compliance Division and Internal Audit Division.

**Business Lines:**

The main tasks of Business lines on ESG risks, including C&E risks are to:

i. Lead the interaction with customers regarding the incorporation of the ESG and climate criteria in the credit underwriting process through the ESG questionnaires and scoring process;
ii. Observe and adhere any sector limits being put in place as derived from the science-based targets;
iii. Implement all policies relating to the Green transition (e.g., Environmental and Social Policy ('E&S'), Green Lending Policy etc.);
iv. Enable the Green Transition through promotion of Green products and services;
v. Engage with key customers for investments in Green products;
vi. When discussing a new lending, guide the customers towards green lending which will help them become a more sustainable business;
vii. Implement initiatives included in BOC PCL's decarbonisation strategy for own operations to reduce energy consumption, paper consumption and GHG emissions in relation to the operation of their business unit;
viii. Own and manage C&E risks as part of their responsibility for achieving objectives and for implementing corrective actions to address process and control deficiencies; and
ix. Support in the design of "green" products and services to meet customer's needs and incentivise clients to reduce emissions.

**Compliance Division:**

Compliance Division's main tasks regarding ESG risks, including C&E risks, are:

i. Identifying, on an on-going basis, the legal and regulatory framework concerning ESG including C&E risks and communicating to business units any regulatory developments applicable to them;
ii. Ensuring that a complete and updated register of ESG including C&E risks is maintained and that emanating compliance obligations are documented and supported by appropriate action plans by the responsible units;
iii. Assess and monitor the implementation of actions to ensure timely and effective compliance with regulatory obligations concerning ESG including C&E risks and recommends changes to the institution's policies and coordinates the implementation of such changes;
iv. Updates SC, EXCO and AC on ESG Regulations & Compliance Requirements;
v. Performs compliance reviews taking into account ESG including C&E laws, rules, regulations and standards identifying compliance weaknesses and risks. Prepares and recommends follow-up actions for mitigating such risks. Reports the outcome of these reviews to the management body and/or its committees, including as regards residual risk;
vi. Provides advice on ESG including C&E related policies, ensuring these are consistent with the Board's risk appetite and the Group's ESG Strategy;
vii. Provides advice on design and evolution of the ESG and Climate Governance Structure; and
viii. Supports functions and Business Lines for Compliance with ESG Regulations.

**Internal Audit Division ('IA'):**

The IA, as a third line of defense, provides independent assurance to the Board and Executive Management on the design adequacy and operating effectiveness of the Group's internal control framework, corporate governance and risk management processes (including ESG and C&E risks), according to the risk appetite set by the Board.

IA maintains a Risk & Audit Universe, which includes all material risks that BOC PCL is exposed to, as well as all auditable areas of BOC PCL. The management of C&E risks has been included in IA's Risk and Audit Universe both as a relevant primary risk, but also as an auditable area. Therefore, during the risk assessment process, which is followed to derive IA's Annual Audit Plan ('AAP'), all auditable areas in the Audit Universe are assessed against C&E risks.

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

**Pillar I - Governance** (continued)

**Management Oversight** (continued)

**Internal Audit Division ('IA'):** (continued)

Furthermore:

i. IA ensures the existence of adequate and appropriate resources for all audit engagements included in the AAP, through the calculation of the estimated hours needed on the basis of engagement scope and complexity, while also considering the assigned staff's knowledge, skills and other competencies in the area. Through the use of timesheets, the actual hours spent are recorded and compared with the estimated hours, with deviations investigated and if necessary relevant actions being taken.

ii. The knowledge and skills of the IA staff is assessed on an annual basis, in accordance with its Competency Framework. Based on this assessment, IA takes necessary actions and prepares specific development plans, in order to ensure that its staff possesses the necessary skills and knowledge for the performance of their duties (including C&E related topics, if required).

It is noted that, since the maintenance of the Risk and Audit Universe is an ongoing process, as the BOC PCL gradually builds its overall capabilities for managing ESG including C&E risks and enhances relevant processes within its first and second lines of defence, IA will be modifying its Risk and Audit Universe to cover them accordingly**.**

**Remuneration policy**

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

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

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

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

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

**Pillar II - Strategy**

Climate change is the biggest challenge that humanity faces. The World Meteorological Organisation ('WMO') declared that 2023 is the warmest year on record. In 2023, the annual average global temperature was 1.45°C ± 0.12°C above pre-industrial levels. The Paris agreement overarching goal is to limit the increase of long-term temperature to no more than 1.5°C above pre-industrial levels. The Global Greenhouse Gas ('Global GHG') emissions continue to increase, and extreme climate events are more frequent than ever. To keep warming to 1.5°C, cuts of 45% are required by 2030, with Global GHG emissions reaching Net Zero by 2050. This means GHG emissions need to decline now. The transition to this low carbon economy requires a transformation of assets and behaviours, for which trillions of dollars in finance are required.

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

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

The Group's approach to climate action is evolving over time and has progressively been embedded into the Group's activities and actions. 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 its climate action:

i. Reinforcing the impact of climate financing;
ii. Building resilience to climate change; and
iii. 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 primary objectives:

i. Become carbon neutral by 2030;
ii. Become Net Zero by 2050;
iii. Steadily increase Green Asset Ratio ('GAR'); and
iv. Steadily increase Green Mortgage Ratio.

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

**Pillar II – Strategy** (continued)

**Climate-related and Environmental Risks and Opportunities**

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

The Group views climate risk as a cross-cutting risk which manifests itself through or amplifies existing risk categories within the Group's Risk Taxonomy, as described further in the 'Pillar III - Risk Management' section of these TCFD. These transition and physical risks can manifest themselves differently across risk categories in the short, medium, and long term. The time horizons considered are described here for reference.

| Time horizon label | Start Year | End Year | Rationalisation |
|---|---|---|---|
| Short-term (1-3 years) | 2023 | 2026 | The Corporate Sustainability Reporting Directive ('CSRD') is expected to be a major disruption and a milestone for climate change activation. As CSRD will first be applied in January 2025 (for FY2024) 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. |

Under 'Pillar III - Risk management' section of these TCFD further detail is provided on the transition and physical climate-related risks identified in each time horizon that could have a material financial impact on the Group as well as description of the processes on how the Group identifies and assesses the materiality of transition and physical climate-related risks.

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

**Pillar II – Strategy** (continued)

**Climate-related and Environmental Risks and Opportunities** (continued)

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

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

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

**Pillar II – Strategy** (continued)

**Net Zero Strategy**

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

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

In supporting the net zero commitments, the Group's Scope 1, Scope 2 and material non-Financed Scope 3[2] GHG emissions were calculated for 2021 (baseline), 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.

For the Group to reach carbon neutrality by 2030, Scope 1 and Scope 2 GHG emissions should be reduced by 42% by 2030 compared to 2021 baseline. The decarbonisation target on Scope 1 and Scope 2 is monitored through the Sustainability Performance Report on a quarterly basis by the SC, EXCO and Board Committees.

BOC PCL plans to invest in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% 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. The Group is also considering several other actions aiming to a further reduction of c.30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022. The actions planned by BOC PCL between 2024 to 2025 include:

i. Air-conditioning systems replacements
ii. Boiler replacements
iii. Roof insulation
iv. $CO_2$ sensors installation
v. Heat recovery installation

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

Currently the Group does not plan to set specific targets for the material non-Financed Scope 3[1] GHG emissions as the vast majority of its Scope 3 GHG emissions relate to Financed Scope 3 GHG emissions.

Apart from the strategy to reduce GHG emissions associated with its own operations, BOC PCL should design the strategy to reduce GHG emissions associated with its loan portfolio (i.e. customers) and investment portfolio which effectively will lead to less exposure to C&E risks. Therefore, BOC PCL became a member of the PCAF and estimated GHG emissions derived from its loan, investment and insurance portfolio based on PCAF standard and proxies. BOC PCL is integrating C&E risks into its Business Strategy through the following:

1. Sector limits;
2. Decarbonisation targets;
3. Green/Transition Lending;
4. ESG and Climate considerations in loan pricing.

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

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

**Pillar II – Strategy** (continued)

**Net Zero Strategy** (continued)

*1. Sector Limits*
Certain sectors are inherently associated with higher transition risks due to the fact that their current operating model is not considered sustainable under a low carbon economy. The fact that the current and prospective regulatory environment is driving us towards that direction, indicates that the entities, operating in carbon intensive sectors, might fail to adopt. Failure to adopt might impact customers' profitability, liquidity, creditworthiness and ultimately their sustainability in the longer term. In order to manage transition risks and be aligned with Net Zero commitment, BOC PCL established certain sector lending limits to restrict its exposure to sectors which are widely considered as carbon intensive sectors (i.e. cement, oil, gas, iron, steel, aluminium and power generation through fossil fuels). The role of BOC PCL is to engage with the customers operating in carbon intensive sectors, in order to educate them on the C&E risks that are exposed and support them in the transition to low carbon economy by providing them Green or transition financing. The sector limits are not applicable to Green or Transition financing or to entities, operating in carbon intensive sectors, with an externally validated transition plan, so to motivate and support the customers to their transition to a low carbon economy. The abovementioned sector limits have been reflected in the BOC PCL Concentration Policy. For more details refer to 'Pillar III – Risk Management' of these TCFD under section 'e. Policies'.

*2. Decarbonisation targets*
BOC PCL by taking into account the MA performed on C&E risks, the available methodologies to estimate Financed Scope 3 GHG emissions and Insurance associated GHG emissions as well as the available methodologies to set decarbonisation targets on certain sectors and asset classes aligned with a climate scenario, determined to set decarbonisation target on its Mortgage portfolio. Following the establishment of the decarbonisation target on Mortgage portfolio BOC PCL designed the strategy to meet the target and align its Mortgage portfolio with the International Energy Agency's ('IEA') Below 2 Degree Scenario ('B2DS') by aiming to finance more energy efficient residential properties. BOC PCL designed and introduced a "Green Housing" product, aligned with Green Loan Principles ('GLP') of Loan Market Association ('LMA'), in order to support the feasibility of the decarbonisation target. The decarbonisation target on Mortgage portfolio and the new lending strategy to meet the target have been incorporated in the Group's Financial Plan for 2024-2027. The Group is also examining to set decarbonisation target on Commercial Real Estate ('CRE') asset class as well as on Transportation and Storage business loan sector of loan portfolio, within 2024.

*3. Green/Transition Lending*
BOC PCL, by taking into account the results of BES and the materiality assessment on C&E risks, has set Green /Transition new lending targets for 2024 in order to support the transition of its customer and Cyprus to a low carbon economy and limit its exposure to transition risks in certain sectors. Specifically, BOC PCL by taking into account the results of the MA on C&E risks, the expected introduction of Green taxation in Cyprus, the amendments adopted by the European Parliament on 14 March 2023 on the proposal for a directive of the European Parliament and of the Council on the energy performance of buildings as well as the Cyprus Government subsidies identified climate related opportunities and has set Green/Transition new lending targets on specific sectors (i.e., Manufacturing, Trade, Construction and Accommodation) to enable the Green transition. The Green/Transition new lending targets have been included in the Group's Financial Plan for 2024 – 2027 and monitored on a monthly basis by the Business Development Committee ('BDC') of the Group. Taking into account that the Green/Transition new lending targets are incorporated for the first time in the Financial Plan of the Group, those comprise of c.10% of total new lending projections for 2024 of Corporate & SME Division. Green / Transition new lending is expected to increase in the upcoming years given the maturity of the market in climate spectrum.

In addition, 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 or hybrid 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.

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

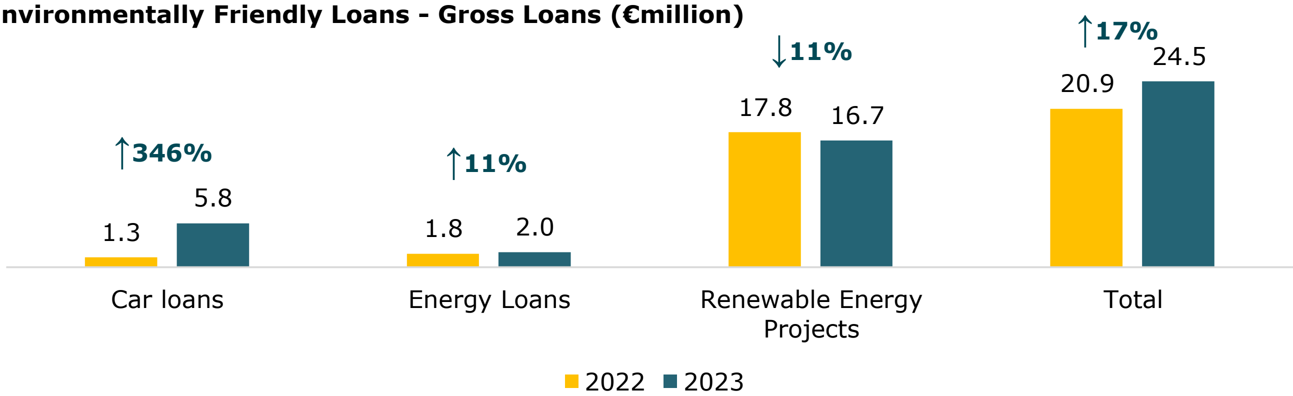
**Pillar II – Strategy** (continued)

**Net Zero Strategy** (continued)

*3. Green/Transition Lending*(continued)
At the end of 2023, BOC PCL launched the "Green Housing" product, aligned with GLPs of LMA, in order to support the decarbonisation of residential properties in Cyprus, ensure feasibility of the decarbonisation target and effectively being exposed to lower level of transition risks. Looking forward, in 2024 the Group will continue to build out its green product offering further.

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. The Group is in the process of gathering necessary data to identify an eligible pool of assets for a potential issuance of a bond under the Sustainable Finance Framework.

**Environmentally Friendly Loans - Gross Loans (€million)**




Note: Car loans include loans to buy a new hybrid or electric car. Energy loans include loans to renovate and upgrade the energy efficiency of privately owned primary residence or holiday homes and acquisition/installation of solar panels. Renewable energy projects relate to loans financing solar parks or wind parks.

*4. ESG and Climate considerations in loan pricing*
In addition, BOC PCL is recognizing the importance of promoting sustainability in its lending practices, so it has developed a comprehensive plan aiming to integrate ESG and climate factors into its loan pricing framework to ensure a long-term sustainable growth. The plan has two main phases, the Transition phase and the Long-term phase.

<u>Transition phase:</u>
BOC PCL performed market research to identify the best practices to incorporate ESG and climate considerations in the loan pricing. Following the market research, BOC PCL introduced margin discounts by taking into account the customer's ESG score and the transaction eligibility under Green Lending Framework. Essentially, a margin discount, based on the client's ESG and climate impact, will be implemented for both new and existing clients on new lending requests, for all clients (all sectors) under Corporate Division, differentiating however between carbon-intensive vs. non-carbon intensive sectors. BOC PCL linked the margin discount at the client level to the borrower's "E" scoring (extracted from borrower's "ESG" score). In addition, BOC PCL linked the margin discount at the transaction level (i.e. whether lending is Green or not) utilizing the provisions of the BOC PCL's Green Lending Framework.

<u>Long-term phase:</u>
BOC PCL has developed a longer-term plan for undertaking the necessary activities and analysis that will allow for a structured approach to incorporate ESG and climate factors in the Lending Pricing Policy and Lending Pricing Framework pricing components and where necessary associate pricing with defined KPIs. The plan is divided into four distinct phases, each with specific objectives and activities designed to ensure successful integration:

i. Inception: the objectives are to develop an ESG and climate Pricing strategy that is aligned with the BOC PCL's values, objectives, and risk appetite. Specifically, BOC PCL envisages to set the Strategic direction to be followed and how this will accommodate the balance between the Strategic View Pricing approach and Risk View Pricing approach.

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

**Pillar II – Strategy** (continued)

**Net Zero Strategy** (continued)

4. *ESG and Climate considerations in loan pricing* (continued)

ii. Preparation: the objectives are to undertake a feasibility analysis in relation to which pricing components are the most prominent to analyse in terms of adjusting them to reflect any ESG and climate considerations as well as to further specify the roles and responsibilities of each unit for ESG and climate integration in loan pricing.

iii. Development: The Development phase of the ESG and climate pricing strategy plan is divided into two parts, the Risk View and the Strategic View. Under the Risk View, BOC PCL aims to conduct analysis and assessment of various ESG and climate factors to determine their relevance and importance and prioritise them for inclusion in the pricing framework, in conjunction with the outcome of the feasibility analysis. Under the Strategic View, BOC PCL aims to start defining pre-requisites that will allow, upon a more mature state, to enhance its approach on strategic view to be more holistic than the one implemented on Transition phase.

iv. Implementation: the objective is to perform the necessary actions to implement the selected approach of incorporating ESG and climate considerations in pricing components so to become business-as-usual.

**GAR[3] and Green Mortgage Ratio[4]**

As BOCH falls under the Non-Financial Reporting Directive it is mandatory to also comply with the EU Taxonomy regulation for financial institutions. As such, BOCH is taking necessary actions and measures to estimate and disclose its GAR, which presents the proportion of the share of a credit institution's assets financing and invested in EU Taxonomy-aligned economic activities as a share of total covered assets, such as those consistent with the European Green Deal and the Paris agreement goals. The financial institutions are required to disclose the EU Taxonomy eligible and aligned activities as a share of total covered assets for Climate Change Mitigation[5] ('CCM') and Climate Change Adaptation[6] ('CCA') environmental objectives as at 31 December 2023. EU Taxonomy required disclosures are provided in Part B of these 'ESG Disclosures'.

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

BOC PCL has in place a Green Lending Policy which aims to provide the framework and the requirements BOC PCL will implement for the creation of green loans and to support borrowers in financing environmentally sound and sustainable projects. The Policy sets the criteria for a loan to be categorised as "green" which include, among others, clear environmental benefits, environmental sustainability objectives, the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant green project(s) etc. To fully operationalise the policy, BOC PCL is in the process of preparing the relevant guidelines, which will provide further guidance on the specific procedures to be followed. To support this goal, the Group has developed a Green Lending Framework which currently follows the GLP but also uses the EU Taxonomy as the main consideration to inform criteria for green or transition loans. This framework is expected to be reviewed annually and to evolve as the EU Taxonomy expands.

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

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

[5] CCM: The process of holding the increase in the global average temperature to well below 2 C and pursuing efforts to limit it to 1.5°C above pre-industrial levels, as laid down in the Paris Agreement.

[6] CCA: The process of adjustment to actual and expected climate change and its impacts.

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

**Pillar II – Strategy** (continued)

**Sustainable Development Goals ('SDGs')**

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

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


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

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

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

**Pillar II – Strategy** (continued)

**Principles for Responsible Banking**

In September 2022, BOC PCL voluntarily conducted an impact analysis, using its loan portfolio, in accordance with the PRB's impact analysis tools. In October 2023, BOC PCL has become the first Bank in Cyprus to sign the United Nations PRB which is a single framework for a sustainable banking industry, developed through a collaboration between banks worldwide and the UNEP FI.

The Principles are the leading framework for ensuring that banks' strategies and practices align with the vision society has set out for its future in the UN Sustainable Development Goals and the Paris Climate Agreement. BOC PCL, by signing the Principles, commits to be ambitious in its sustainability strategy, working to embed sustainability into the heart of its business, while allowing BOC PCL to remain at the cutting-edge of sustainable finance.

Under the Principles, BOC PCL should identify and measure the environmental and social impact resulting from its business activities, set and implement targets where it has the most significant impact, and regularly report publicly on their progress. BOC PCL has already measured its environmental and social impact by voluntarily applying the PRB's impact analysis tools in order to identify and report on the material impacts arising from its business activities (i.e. loan portfolio). The material impacts identified have been reported in the Sustainability Report of 2022. The next step for BOC PCL is to set at least two targets associated with the PRB's impact areas which can have the most significant impact. For BOC PCL the two key impact areas are Climate Stability and availability, accessibility, affordability & quality of resources and services. BOC PCL has set, in 2023, a decarbonisation target on Mortgage portfolio which reflects the first SMART target set on loan portfolio for the Climate stability impact area. For the performance against the decarbonisation target on Mortgage refer to section "Pillar IV – Metrics and Targets" of these TCFD. BOC PCL is expected to set SMART target on the availability, accessibility, affordability & quality of resources and services impact area in 2024.

Signatories to the Principles take on a leadership role, demonstrating how banking products, services and relationships can support and accelerate the changes necessary to achieve shared prosperity for current and future generations, building a positive future for both people and the planet. These banks also join the world's largest global banking community focused on sustainable finance, sharing best-practice and working together on practical guidance and pioneering tools of benefit to the entire industry.

The endorsement of PRB by BOC PCL is fully aligned with and reinforces our strategic priority to become a market leader for sustainable banking and lead the transition of Cyprus to a sustainable future. The Group aims not only to deliver financial but also environmental and social value to our stakeholders. As such, our approach is multidimensional: to maintain our leading role in supporting Cypriot society; to implement our commitments to these Principles through effective governance and a culture of responsible banking; to reduce our own environmental footprint as well as supporting our customers to reduce their GHG emissions and to continue supporting our staff by providing training and upskilling opportunities as well as staff wellness initiatives.

**BOC PCL is committed to the following principles:**

1. **Alignment:** BOC PCL will align its business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
2. **Impact & Target Setting:** BOC PCL will continuously increase its positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from its activities, products and services. To this end, BOC PCL will set and publish targets where it can have the most significant impacts.
3. **Clients & Customers:** BOC PCL will work responsibly with its clients and its customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
4. **Stakeholders:** BOC PCL will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
5. **Governance & Culture:** BOC PCL will implement its commitment to these Principles through effective governance and a culture of responsible banking.

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

**Pillar II – Strategy** (continued)

**Principles for Responsible Banking** (continued)

6. **Transparency & Accountability:** BOC PCL will periodically review its individual and collective implementation of these Principles and be transparent about and accountable for its positive and negative impacts and its contribution to society's goals.

**Group Financial and Business Plan Process**

The Group enhanced the Group Financial and Business Plan manual to ensure the incorporation of consideration on C&E risks in the Business Strategy. Specifically, during the planning phase of new lending the RMD and IR&ESG provides the sectors associated with C&E risks, the preliminary impact assessment derived from BES process, science-based targets (GHG emission reduction targets aligned with a climate scenario) set and the direction of Green/Transition new lending based on BES. In addition, each Division, taking into account the preliminary impact assessment (performed by RMD, IR & ESG and Strategy) on risk profile and strategy arising from the BES on C&E risks as well as the MA on C&E risks, identifies which are the material C&E risks over the Financial plan period and defines the actions, strategies and products to mitigate the C&E risks identified. IR&ESG department ensures the adequacy, relevance and reasonableness of the business lines strategies to manage material C&E risks on the main portfolios.

**Business Environment Scan**

BOC PCL, in 2023, established a structured and detailed process, with clear roles and responsibilities, to gather a broad range of updates and developments, both internal and external, and link them with sectors/industries and products/services so to assess their impact, across different time horizons, and identify C&E risks emerging from these updates and developments and inform BOC PCL's risk and strategic profile.

The BES process facilitates the ongoing monitoring of potential impacts of C&E risks on its business environment across short-, medium- and long-term time horizons. This process involves the systematic monitoring of various news, updates, and developments, including regulatory developments, macroeconomic trends, competitive landscape, technological trends, as well as societal demographic developments and geopolitical updates. As part of the process, BOC PCL collects external information, on a monthly basis, from various sources, such as news articles, publications, policy and regulatory updates, as well as internal information such as strategy updates, process changes and other relevant internal documentation.

The identified developments are then mapped to the relevant business lines, sectors/industries and portfolios that might be impacted, as well as to specific products/services, where applicable. Developments are further assessed in terms of their relevance across the various time horizons, and preliminary impact scores are assigned based on the expected effect on the BOC PCL's risk and strategic profile. Scores range from 0 (No impact) to 5 (Critical impact). BOC PCL has established a dynamic interaction between the BES and the MA to ensure that the insights from both exercises continually inform and enhance each other, fostering a more robust and effective C&E risks management and control.

BOC PCL has performed the first round of the BES and analysed recent regulatory and market updates, relevant to BOC PCL's business. The results of the first run of the BES have been considered and informed the MA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical" impact.

The preliminary impact assessment of key updates and developments on risk profile and strategy is conducted and reported to the SC and EXCO on a quarterly basis. The final impact assessment of key updates and developments on risk profile and strategy is conducted and presented to the SC, EXCO, NCGC and RC on an annual basis.

BOC PCL established also a BES Working Group with specific responsibilities assigned to Compliance Division, RMD and Strategy Department so to collectively perform the impact assessment arising from key updates and developments on risk profile and strategy.

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

**Pillar II – Strategy** (continued)

**Resilience of strategy against climate change risks**

The concept of climate resilience requires that organisations develop the adaptive capacity to respond to climate change, leveraging opportunities and managing the associated transition and physical risks.

TCFD recommends that organisations describe the ability of their strategy to leverage opportunities related to climate change, consistent with a scenario of orderly transition to a low-carbon economy, but also their resilience to possible scenarios of increased climate risks.

BOC PCL developed a Framework to quantify transition risks. The framework addresses all sectors of the BOC PCL's portfolio, but dedicated models were created for those sectors that are more susceptible to transition risks, based on their inherent activities and their exposures.

In terms of physical risks, efforts were focussed on estimating the impact on property value from the potential materialisation of such risks. Granular data was obtained from an external vendor, providing granular, location level information. The monetary impact (damage function) for each combination of property, hazard, scenario, and year was estimated. At the moment, the damage function measurement, for wildfire hazard, has been incorporated as part of the ICAAP process.

Moreover, the identified material risks are in the process of being incorporated into all relevant processes of the RMD including the ICAAP and ILAAP scenario analysis.

For more details refer to section 'Climate Risk Sensitivity and Stress Testing' under 'Pillar III Risk Management' of these TCFD.

The resilience of the strategy in the face of 2°C or lower climate scenarios is reinforced by the fact that BOC PCL has set ESG as one of its four strategic pillars, with a special focus on the fight against climate change and its commitment to Net Zero by 2050. Aligned with its commitment, BOC PCL is gradually aligning its loan portfolio with scenarios compatible with the Paris Agreement. BOC PCL in 2023, has set a decarbonisation target on its Mortgage portfolio, following the IEA's B2DS, and designed the new lending strategy to reach the relevant target. BOC PCL performed several sensitivities on the new lending strategy and decarbonisation target to ensure the strategy's resilience. The decarbonisation target and new lending strategy to reach the relevant target are embedded in the Group's Financial Plan for 2024-2027.

The Group is also examining setting decarbonisation target on CRE asset class as well as Transportation and Storage sector of loan portfolio, within 2024. For more details on the decarbonisation target on Mortgage and sensitivities performed refer to section 'Reduction of all GHG emissions to become Net Zero by 2050' under 'Pillar IV – Metrics and Targets' of these TCFD.

On the business side, the analysis is ongoing and the available results point to a resilient situation, given the relatively low exposure to clients operating in carbon-intensive sectors which inherently carry increased climate transition risks. In fact, BOC PCL loan exposures related to carbon-intensive sectors represent c.1.7% of Non-Financial Corporations exposure of €4.9bn, and 0.8% of the total exposure of €10bn. BOC PLC, in 2023, has set new lending sector limits to carbon intensive sectors to reduce its exposure to climate transition risks. The new lending sector limits are not applicable to Green or Transition financing or to entities, operating in carbon intensive sectors, with an externally validated transition plan so to motivate and support the customers to their transition of low carbon economy. For more details refer to section 'Sector Limits' above.

Finally, by taking into account the BES results and MA on C&E risks, BOC PCL identified climate-related opportunities and has set new Green/Transition lending targets on Corporate and SME customers which are embedded in the Group's Financial Plan 2024-2027.Refer to section '*Green/Transition Lending'* above.

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

**Pillar III – Risk Management**

BOC PCL, as one of the systematic banks in Cyprus, is exposed to potential C&E risks and as such has taken the necessary steps to commit in managing and integrating these risks in the overall risk management framework. BOC PCL regularly oversees its exposure concentration in portfolios that are sensitive to C&E risks. To pursue that, BOC PCL ensures that its policies and frameworks are in line with the applicable regulatory requirements and following best banking practises.

**Identification and MA of C&E risk drivers**

BOC PCL has aligned its definitions of C&E risks with the requirements set in the ECB Guide on C&E risks (November 2020) and additional specific remarks outlined in the TCFD framework. In particular, BOC PCL has defined C&E risks as per the table below (Table 1). C&E risks can be split into two categories, (1) risks relating to the transition to a lower-carbon economy (transition risks) and (2) risks relating to the physical impacts of climate change (physical risks)[7]. Furthermore, physical risk is further categorised into acute and chronic for physical hazards, whilst transition risk is further categorised into policy, legal, technology, market and reputational risks.

| | |
|---|---|
| **Climate-related risks**[8] | Climate-related risks are potential risks that may arise from climate change or from efforts to mitigate climate change, changes in technology, regulation or the market. Climate-related risks can be divided into physical risks from climate change and the risks of transitioning to a carbon neutral economy. |
| **Environmental risks**[9] | Environmental risks can be divided into chronic and acute risks. Environmental chronic risks are the risks arising from environmental degradation that are permanent or risks that result from economic and human activities, including, for example, the pollution of air, soil and water or changes in land use and deforestation. In addition to the aforementioned, biodiversity loss, chronic degradation of habitat and the threatening of species are also considered to be an environmental risk. Environmental acute risks, such as earthquakes and tsunamis, refer to sudden and intense events or incidents that have the potential to cause significant and immediate harm to the environment or human activities. |
| **Physical risk** | Physical risk refers to the financial impact of changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. It considers how chronic and acute climate events can directly damage physical assets, impact their value or productivity, or indirectly lead to subsequent events, such as the disruption of supply chains. |
| **Transition risk** | Transition risk refers to the financial impact that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences. It considers how changes in these drivers can lead to changes in the value of assets, commodities and companies. |

***Table 1:*** *Overview of the key C&E risk terminology*

[7] E06 - Climate related risks and opportunities.pdf (tcfdhub.org)
[8] ECB's Guide on climate-related and environmental risks, November 2020.
[9] ECB's Guide on climate-related and environmental risks, November 2020.

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

**Pillar III – Risk Management** (continued)

**C&E Risks Identification & Materiality Assessment ('RIMA') process**

In 2023, BOC PCL has refined its MA of C&E risks as drivers of existing financial and non-financial risks, namely Credit risk, Liquidity risk, Market risk, Operational risk, Strategic risk as well as Reputational and Legal risk, taking into consideration its business profile and loan portfolio composition.

As part of the RIMA process, BOC PCL has enhanced the following steps to ensure a comprehensive and structured MA process, having due consideration on the specificities of its business model, operating environment and risk profile:

i. Identification and documentation of C&E risk drivers
ii. Definition of transmission channels for C&E risks
iii. Assessment of materiality of C&E risk drivers

Specifically, BOC PCL has conducted an assessment of the following C&E risks, as drivers of existing risks:

i. Climate-related physical risk drivers
ii. Climate-related transition risk drivers
iii. Environmental transition risk drivers (other than climate risks)
iv. Environmental physical risk drivers (other than climate risks)

The assessment has been conducted using both quantitative and qualitative methods. For data driven methods, a combination of internally collected BOC PCL specific data and external data have been used.

In summary, as a first step, a more granular list of potential C&E risk drivers has been identified through the enhancement of the inventory of C&E risks already developed by BOC PCL in the course of the previous C&E risk assessment exercises. In particular, BOC PCL has proceeded with an additional classification and categorisation of the C&E risks across four levels of granularity as per the following example:

i. Climate-related risk (Level-1)
ii. Physical risk (Level-2)
iii. Acute risk (Level-3)
iv. Wildfire (Level-4).

As a second step, the C&E risks have been mapped to the existing financial and non-financial risks through respective transmission channels.

As a third step, a combination of qualitative and quantitative methods has been utilised for the purpose of the performance of the MA of C&E risks using various materiality parameters and thresholds, depending on the method and data used for the assessment. In addition, the evolution of C&E risks has been considered over the short, medium and long-term time horizons.

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

**Pillar III – Risk Management** (continued)

**C&E Risks Identification & Materiality Assessment (RIMA) process** (continued)

An overview of the steps followed for the performance of the MA is presented in the following figure:

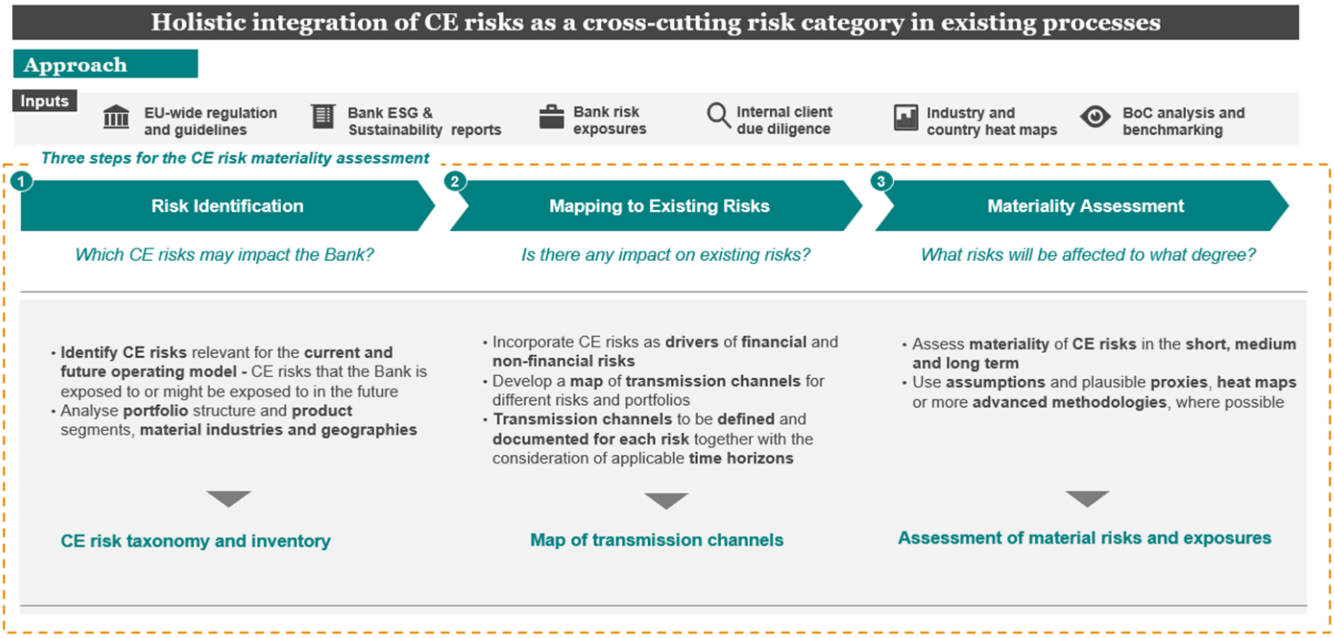



***Figure 1:*** *Overview of BoC's C&E MA 2023 stages*

The following table (Table 2), provides an overview of BOC PCL's C&E risks inventory, which includes all C&E risks considered as part of the MA performed. A further split of C&E risks has been considered accordingly by defining thirty (30) underlying risk types.

| ID | C&E risk | C&E risk sub-type | C&E risk sub-type | C&E risk sub-type |
|---|---|---|---|---|
| | [Level 1] | [Level 2] | [Level 3] | [Level 4] |
| 1 | Climate-related | Physical | Acute | (Extreme) Heat |
| 2 | | | | Drought (increased frequency, intensity, duration) |
| 3 | | | | High intensity / duration precipitation events (increase; causing flooding) |
| 4 | | | | Landslide |
| 5 | | | | River flood |
| 6 | | | | Storms (increased activity and/or intensity) |
| 7 | | | | Wildfire |
| 8 | | | Chronic | Desertification |

***Table 2:*** *BOC's list of identified C&E risks*

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

**Pillar III – Risk Management** (continued)

**C&E Risks Identification & Materiality Assessment (RIMA) process** (continued)

| ID | C&E risk | C&E risk sub-type | C&E risk sub-type | C&E risk sub-type |
|---|---|---|---|---|
| | [Level 1] | [Level 2] | [Level 3] | [Level 4] |
| 9 | Climate-related | Physical | Chronic | Ocean acidity |
| 10 | | | | Precipitation (decreased average precipitation) |
| 11 | | | | Sea level rise (increasing risk from coastal flood) |
| 12 | | | | Temperature (increase of average temperature) |
| 13 | | Transition | Policy and Regulation | Failure to comply with climate (ESG) disclosures and GHG reporting obligations |
| 14 | | | | Risks from litigation |
| 15 | | | Technology | Transition to low-emission alternative products and services/business models |
| 16 | | | Market | Increased energy costs and costs of raw materials |
| 17 | | | | Increased stakeholder concern or negative stakeholder feedback / markets sentiment and preferences |
| 18 | Environmental | Physical | Acute | Earthquake |
| 19 | | | | Tsunami |
| 20 | | | Chronic | Air pollution |
| 21 | | | | Soil pollution |
| 22 | | | | Water pollution |
| 23 | | | | Biodiversity loss (incl. species extinction) |
| 24 | | | | Deforestation (incl. habitat destruction) and land use change |
| 25 | | | | Water scarcity |
| 26 | | | | Pests (increased prevalence) |
| 27 | | Transition | Policy and Regulation | Circular economy & waste management |
| 28 | | | | Environmental protection requirement |
| 29 | | | Technology | Environmentally friendly technologies |
| 30 | | | Market | Environmentally driven consumer behaviour |

***Table 2:*** *BOC's list of identified C&E risks (continued)*

Each C&E risk has been individually assessed as a driver of Credit risk, Liquidity risk, Market risk and Operational risk, and individual risk scores have been assigned. For these categories of existing risks, the results of the assessment have been aggregated at the level of physical and transition risks sub-types. The assessment of C&E risks as drivers of Strategic risk, Reputational risk and Legal risk has been performed on the abovementioned granularity level.

**C&E Transmission Channels**

C&E risks are recognized as drivers of the existing risks and may impact BOC PCL directly or indirectly through counterparties, assets (microeconomic channels) or the broader economy in which the relevant clients and BOC PCL operates (macroeconomic channels). BOC PCL has defined the transmission channels through which the C&E risks can influence each of its existing risk categories. A more detailed description of each of the C&E risk transmission channels with regard to the principal risks and the arising impact on BOC PCL is provided in Table 3 below.

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

**Pillar III – Risk Management** (continued)

**C&E Transmission Channels** (continued)

| C&E Risk Drivers | Transmission Channels (Non-exhaustive List) | Potential Impact on the Group | Affected Financial and Non-Financial Risk Types |
|---|---|---|---|
| **Transition Risks** | i. Impact on repayment ability of clients through:<br>i. Increased operating costs for compliance and/or lower revenues<br>ii. Increased capital expenditures to comply with regulatory standards<br>iii. Closure of business lines or facilities due to transition to greener economies and public sentiment | Increased Probability of Default ('PD') and Loss Given Default ('LGD') | **Credit Risk**[10] |
| | i. Impact on the price of marketable instruments (bonds/equity) and to Real Estate assets<br>ii. Impact on BOC PCL's valuation if it does not reduce its emissions and/ or increase its GAR | i. Decrease in value of the REMU portfolio due to increase in operational costs and decrease in the value of the assets<br>ii. Large/ small sell-off (of High Quality Liquid Assets ('HQLA')) against reduced prices and/ or potential difficulty to liquidate<br>iii. Interest rate and FX shocks, credit spreads changes | **Market Risk**[11] |
| | i. Inability to raise funding due to lack of climate change action by the organisation<br>ii. Depletion of deposits to address increase operational costs or mitigate transition risks | i. Rapid withdrawal of customer deposits<br>ii. Unexpected significant expenses or charges that may influence liquidity position and net outflows<br>iii. Lack of funding sources / negative changes in funding structure<br>iv. Lower demand for BOC PCL's capital issuance<br>v. Difficulties in selling assets / selling of assets with a discount | **Liquidity Risk**[12] |

***Table 3:*** *Overview of the key transmission channels and potential impact on the Group through C&E risks*

[10] Including Counterparty risk, Settlement risk, Issuer risk, Concentration risk and Country risk.
[11] Including Interest rate risk, FX risk, Real Estate risk, Credit Spread risk and Equity risk.
[12] Including Liquidity risk and Funding risk.

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

**Pillar III – Risk Management** (continued)

**C&E Transmission Channels** (continued)

| C&E Risk Drivers | Transmission Channels (Non-exhaustive List) | Potential Impact on the Group | Affected Financial and Non-Financial Risk Types |
|---|---|---|---|
| **Transition Risks** | Socio-economic changes (e.g. changing consumption patterns / customer preferences) | i. Losses due to physical damages or shutdowns<br>ii. Increased operational costs for the buildings of BOC PCL<br>iii. Losses from lower productivity<br>iv. Losses from wrong decisions/ process issues<br>v. Additional significant operating or capital expenses | **Operational Risk**[13] |
| | i. Inability to meet stakeholders' demands as a result of changing market sentiment<br>ii. Reputational damage due to the financing of environmentally harmful projects | i. Limited business opportunities/ lessened expansion potential<br>ii. Workforce fluctuations<br>iii. Client withdrawal<br>iv. Additional investments to improve internal processes and comply with expectations | **Reputational Risk** |
| | Litigation risks due to financing of environmentally harmful projects | i. Litigation costs may reduce the value of the REMU portfolio<br>ii. Non-compliance with regulation and policy measures<br>iii. Investments in carbon intensive and unsustainable projects, buildings or similar<br>iv. Misalignment of communicated targets and reality | **Legal/Litigation Risk** |
| | i. Additional costs and regulatory repercussions relating to, for example, exposure to real estate portfolio without adequate EPC labels, or exposure to high emitting/ polluting sectors<br>ii. Regulatory and / or market developments in relation to financial institutions offering 'green' products impacting BOC PCL's competitiveness | i. Loss of revenues due to strategic reorientation (e.g. loss of profitable business line)<br>ii. Inadequate definition and execution of the strategy (e.g. incorrect or faulty assumptions, poor implementation)<br>iii. Expenses for the implementation of upcoming C&E regulatory requirements / changes<br>iv. Limited business opportunities/ lessened expansion potential | **Strategic Risk** |

***Table 3:*** *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

[13] Including Regulatory Compliance/Conduct risk, FEC risk, Internal/ External Fraud risk, People risk, BC risk, IT/ Cyber Risk, Technology risk, Data Accuracy and Integrity risk, Physical Security and Safety risk, Statutory Reporting and Tax risk, Transaction Processing and Execution risk, Project risk, Model risk and Third Party risk.

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

**Pillar III - Risk Management** (continued)

**C&E Transmission Channels** (continued)

| C&E Risk Drivers | Transmission Channels (Non-exhaustive List) | Potential Impact on the Group | Affected Financial and Non-Financial Risk Types |
|---|---|---|---|
| **Physical Risks** | i. Increased operating costs due to retrofitting and/or damage / substitution of assets<br>ii. Increase in insurance costs<br>iii. Lower revenues due to reduced productivity or damage in value chain operations<br>iv. Decrease in value of property collateral | Increased PD and LGD | **Credit Risk** |
| | i. Impact on the price of marketable instruments (bonds/equity) and to Real Estate assets<br>ii. Impact on BOC PCL's valuation if it does not reduce its emissions and/ or increase its GAR | i. Decrease in value of the REMU portfolio due to increase in operational costs and decrease in the value of the assets<br>ii. Large / small sell-off (of HQLA) against reduced prices and/ or potential difficulty to liquidate<br>iii. Interest rate and FX shocks, credit spreads changes | **Market Risk** |
| | Depletion of deposits to address increase operational costs or address or mitigate physical risks (e.g. to finance damage repairs) | i. Rapid withdrawal of customer deposits<br>ii. Unexpected significant expenses or charges that may influence liquidity position and net outflows<br>iii. Lack of funding sources / negative changes in funding structure<br>iv. Lower demand for Bank's capital issuance<br>v. Increase in funding costs<br>vi. Difficulties in selling assets/ selling of assets with a discount | **Liquidity Risk** |

***Table 3:*** *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

**Pillar III - Risk Management** (continued)

**C&E Transmission Channels** (continued)

| C&E Risk Drivers | Transmission Channels (Non-exhaustive List) | Potential Impact on the Group | Affected Financial and Non-Financial Risk Types |
|---|---|---|---|
| **Physical Risks** | Increased operating costs due to damage on premises, operating locations and other facilities | i. Losses due to physical damages or shutdowns<br>ii. Increased operational costs for the buildings of BOC PCL (e.g. to comply with energy efficiency standards)<br>iii. Losses from lower productivity<br>iv. Losses from wrong decisions/ process issues<br>v. Unplanned or additional significant operating or capital expenses | **Operational Risk** |
| | Increased operating costs arising from the management of C&E risks | i. Limited business opportunities/ lessened expansion potential (including respective operating losses)<br>ii. Workforce fluctuations (including respective operating losses)<br>iii. Client withdrawal (including respective operating losses)<br>iv. Additional investments to improve internal processes and comply with expectations | **Reputational Risk** |
| | Litigation risks arising from BOC PCL's exposure to physical climate-related and/ or environmental damages | i. Litigation costs may reduce the value of the REMU portfolio<br>ii. Non-compliance with regulation and policy measures<br>iii. Investments in carbon intensive and unsustainable projects, buildings or similar (knock on effects from reputational loss)<br>iv. Misalignment of communicated targets and reality | **Legal/Litigation Risk** |
| | Inadequacies in BOC PCL's product offerings without factoring in the potential damages resulting from physical risks associated with climate change; this could result in increased defaults on loans and negatively impact BOC PCL's asset quality. | i. Loss of revenues due to strategic reorientation (e.g. loss of profitable business line)<br>ii. Inadequate definition and execution of the strategy (e.g. incorrect or faulty assumptions, poor implementation)<br>iii. Expenses for the implementation of upcoming C&E regulatory requirements / changes<br>iv. Limited business opportunities | **Strategic Risk** |

***Table 3:*** *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

**Pillar III - Risk Management** (continued)

**Assessment of C&E risks as drivers of financial and non-financial risks**

Following the mapping of C&E risks as potentially relevant or not-relevant drivers of the principal risks through the transmission channels, follows the assessment of the C&E risks and their relevant impact based on the principal risks. BOC PCL has applied a combination of both qualitative and quantitative methods. The following methodologies have been applied:

***a. Quantitative Geographic Assessment***

This assessment is applicable to C&E physical risks as drivers of Credit, Market, Liquidity and Operational risks. Specific physical climate-related hazards, namely Wildfire, Landslide, River Flood, Wind Gusts (Storms), and Sea Level Rise have been considered using geolocation data (i.e. coordinates, postal codes, municipalities) with respect to the following:

i. Credit risk: borrowers' collateralized (secured) portfolio (geolocation coordinates of collateral properties) and unsecured portfolio (postal codes or municipalities of borrowers' location);
ii. Market risk: properties of BOC PCL's REMU portfolio (geolocation coordinates of collateral properties);
iii. Liquidity risk: deposits held by Cyprus residents (postal codes or municipalities of deposit holders' locations);
iv. Operational risk: BOC PCL's physical locations (postal codes or municipalities of Bank's facilities).

Furthermore, specific environmental hazards, namely Air Pollution, Soil Pollution and Earthquake have been considered with respect to the following:

i. Property collateral for Credit risk secured portfolio (geolocation coordinates of collateral properties) - with respect to Air pollution, Soil pollution and Earthquake;
ii. Borrowers for Credit risk unsecured portfolio (postal codes or municipalities of borrowers' location) - with respect to Air pollution, Soil pollution and Earthquake;
iii. Property collateral for the REMU portfolio for Market risk (geolocation coordinates of collateral properties) - with respect to Earthquake;
iv. Deposits held by Cyprus residents for Liquidity risk (postal codes or municipalities of deposit holders' locations) - with respect to Earthquake;
v. BOC PCL's physical locations for Operational risk (postal codes or municipalities of BOC PCL's facilities) - with respect to Earthquake.

To further analyze the materiality of risk exposures to both physical and environmental hazards, a distribution analysis of underlying credit exposures (for both secured and unsecured portfolios), deposit amounts and employees count across risk scores (1-Low, 2-Medium, 3-High, 4-Critical) is performed. To conclude on the materiality of a specific hazard based on the distribution analysis across risk scores, a decision tree logic has been applied leading to one resulting risk score per hazard.

***b. Quantitative Country and Industry Heatmaps***

To inform the MA process, BOC PCL has performed a heatmapping exercise to determine how physical and transition risks affect certain industries that BOC PCL is exposed to, and subsequently to determine the impact on the overall BOC PCL's risk profile and operations. Three different heatmaps have been constructed to assess specific risks and segments as described below.

**Country climate transition risk heat map**

The heatmap was used to assess:

i. Liquidity risk: deposits held by non-Cyprus residents (foreign deposit amounts)
ii. Market risk: HQLA Bond portfolio (corresponding Conditional Value at Risk ('CvaR'))

A corresponding risk score from the heat map has been assigned to foreign deposit holders based on the underlying country of residence, and to bonds based on the underlying country of the issuer. As a next step, a distribution analysis of deposit amounts and CVaR across risk scores has been performed.

**Country climate physical risk heat map**

The heatmap was used to assess:

i. Market risk and Liquidity risk: HQLA Bonds portfolio
ii. Operational risk: Foreign locations of BOC PCL's third party outsourcing/ providers

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

**Pillar III - Risk Management** (continued)

**Assessment of C&E risks as drivers of financial and non-financial risks** (continued)

**Country climate physical risk heat map** (continued)

A corresponding risk score from the heat map has been assigned to bonds based on the country of issuer and to third party providers based on country of location. As a next step, a distribution analysis of HQLA balances (CVaR for Market risk and market value for Liquidity risk) and number of employees (per country of third-party provider location) across risk scores has been performed.

**Industry climate transition risk heat map**

The heatmap was used to assess:

i. Credit Risk: Secured and unsecured credit exposures

A corresponding risk score from the industry heat map has been assigned to borrowers of secured and unsecured loans based on the economic sector of their activity. As a next step, a distribution analysis of secured and unsecured credit exposures across risk scores has been performed.

In order to conclude on the materiality of climate transition and physical risks based on the distribution analysis described above, the same logic as described in the quantitative geolocation methodology (decision tree) has been applied, leading to a single resulting risk score (consistently, the same 4-level unique risk scale has been applied).

***c. Qualitative analysis based on Expert Judgement***

Expert judgement has been also employed to assess certain risk drivers including those for Strategic, Reputational and Legal risks. Expert judgement includes additional external sources and publicly available statistical data such as consultation reports, scientific publications and other sources featuring Cyprus-specific data from Eurostat, World Resource Institute, Climate Analytics, Climate Vulnerability Monitor etc.

***d. Sectoral Analysis***

To support Level-3 risk scores, i.e., at the level of chronic, acute etc. risks sub-types, for all existing financial and non-financial risk categories, BOC PCL considered, among others, the impact of C&E risks at a sectoral level. Such analysis included the sectoral breakdown (per NACE code):

- for each exposure type relevant to the given risk type
- for certain climate physical risks (level 4) such as Flood, Landslide, Sea Level Rise and Storms

In addition, for transition risks, the BOC PCL has used an industry heatmap with GHG emissions intensity as the indicator of the sectors' sensitivity to transition risks (the higher the GHG intensity, the higher exposure to transition risks). As a next step, a distribution of the credit exposures to these emissions categories has been allocated and an overall score for transition related risks was determined.

***e. Determination of materiality***

Different types of scores have been considered during the MA depending on the type of risks analysed and methods considered. Determination of materiality was concluded at C&E Risks Level 3, i.e., at the level of chronic, acute etc. risks sub-types, utilizing BOC PCL's existing Risk and Control Self-Assessment methodology and thus assessing Impact and Likelihood on a scale from one (1) to five (5), to ensure consistency.

The definitions of each Impact and Likelihood scores have been formulated, taking into account the nature of C&E risks and encompassing different characteristics of the physical and transition risks, as well as the acute and chronic drivers in a harmonised way. Thus, for the purposes of this MA, the definitions of Impact and Likelihood have been tailored to describe the occurrence of severe C&E events or circumstances, since these are typically responsible for the great majority of the potential risk. Following the assessment, score levels "High" and "Critical" have been considered as "material" for the purposes of the MA, whilst "Low' and "Medium" scores as "non-material".

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

**Pillar III - Risk Management** (continued)

**Determination of materiality over different time horizons**

BOC PLC's categorisation of short-, medium-, and long-term horizons for C&E risk assessment is driven by several key factors, as follows:

i. **Internal risk management**: Internal risk management processes including stress testing and capital planning are crucial in establishing these timeframes. These efforts are tailored to match the maturity of the portfolios, ensuring a comprehensive and aligned risk assessment.

ii. **Strategic planning**: strategic initiatives, including ("ESG") principles and sustainability targets, such as reaching carbon neutrality by 2030 and net-zero by 2050, play an important role in shaping these time horizons.

iii. **Regulatory alignment**: BOC PCL maintains close alignment with EU sustainability directives, notably the 'Fit for 55' framework, and adheres to ECB/ EBA requirements and recommendations. Incorporating mandates and guidelines from the Corporate.

For more details on the time horizons set refer to 'Pillar II – Strategy' of these TCFD.

**Materiality Assessment Results per Risk**

The Group has taken several steps to ensure a concrete process by which C&E risks are fully considered and subsequently assessed in order to carry out a robust MA. When assessing the materiality of C&E risks, a proportionate approach was adopted, focusing only on the most negatively impactful risks. At the same time, it is noted that impacts were assessed on a gross/aggregated basis, by not considering any particular approaches to reduce potential risks.

Moreover, the identified material risks are in the process of being incorporated into all relevant processes of the RMD including the ICAAP and ILAAP scenario analysis, thus BOC PCL will recognise various mitigation measures to ensure that such risks are controlled to the extent possible.

***Credit Risk***

As part of the credit risk analysis, an assessment of secured (collateralized) and unsecured credit exposures has been performed utilizing quantitative and qualitative methods. The analysis indicated that climate-related physical risks, acute hazards are material due to BOC PCL's significant exposure to high Wildfire risk. With respect to climate-related transition risks, the assessment highlighted the need for attention to risk categories, particularly concerning increased energy and raw material costs, as well as transition to lower-emission technologies. Notwithstanding that most of the environmental risk categories have been assessed as not material, it should be noted that risks related to earthquakes and water scarcity have emerged as material over the long term. The overall score for environmental physical risks has been assessed as non-material for the short term.

***Market Risk***

For each of the identified C&E risks, a tailored combination of quantitative and qualitative methods was applied. Based on this analysis, climate physical risks, acute hazards was identified as material due to the very high exposure of the REMU portfolio to Wildfire risk. Wildfire has a relatively high impact and occurrence probability, and thus can cause significant direct damage or broad devaluation of REMU properties. Other acute and chronic physical risks pose a non-material level of concern for the REMU portfolio.

The Market Risk in connection with the CVaR of the HQLA portfolio has been assessed through a country heatmap of physical risk and was also identified as a non-material. Other than acute physical climate risks, the remaining C&E risk categories are found to be non-material as well.

Nevertheless, attention should be paid to the elevated Earthquake risk in Cyprus, which might also induce severe depreciation of the REMU portfolio upon realisation of a severe event. Due to the very low likelihood of severe earthquakes, the resulting materiality was however also assessed as non-material. Furthermore, all C&E risks within climate-related transition risks were also assessed non-material mainly because of the potential depreciation of aged REMU real estate assets which lag in terms of energy efficiency and other low-emission standards and certifications. Environmental transition risks are assessed as non-material but they need to be closely monitored due to potential stricter requirements in terms of environmental standards in the real estate sector.

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

**Pillar III - Risk Management** (continued)

**Materiality Assessment Results per Risk** (continued)

***Liquidity Risk***
As part of the liquidity analysis, for each of the identified C&E risks, the combined materiality of the deposits and the value of HQLA portfolio was assessed with a tailored combination of quantitative and qualitative methods. The outcome of the assessment indicated that there are no material C&E risks identified with respect to Liquidity Risk. However, within climate-related physical risks, the acute risk driver Wildfire has been identified as the dominant cause of liquidity issues due to possible simultaneous deposit withdrawals upon a widespread wildfire damage in Cyprus. Similar considerations are held for the environmental acute risk Earthquake, whose likelihood is however extremely improbable for high magnitude events. Chronic physical risks are not relevant for liquidity considerations due to their progressive and long-term character. In terms of transition risks, increased deposit withdrawals might be triggered in the event of very high and volatile costs of energy and raw materials, an aspect which is particularly sensitive for Cyprus because of its high import dependency.

***Operational Risk***
For each of the identified C&E risks, the materiality in connection with the operations of BOC PCL owned and rented properties and third-party providers was assessed. Based on quantitative geolocation analysis and country climate physical heatmap exercise, both physical and transition risks have been assessed accordingly. Although the overall results indicate that C&E risks are non-material for BOC PCL, the need for close monitoring is required to ensure ongoing operational resilience.

***Reputational Risk***
Reputational Risk may be affected by C&E risks directly or through the realisation of other principal risks, and Strategic, Operational and Legal Risks. BOC PCL’s reputation has been assessed in terms of its business operations and other key risk areas that could potentially impact BOC PCL’s reputation. Overall, all C&E risks regarding physical and transition risks for Reputational risk have been assessed as non-material. This is the case as BOC PCL has a good prevention and recovery plan in place to minimize risks from acute environmental hazards such as earthquakes. Additionally, BOC PCL’s limited exposure in heavy manufacturing sectors reduces its exposure to transition risks. This strategic position aligns BOC PCL with evolving environmental standards and stakeholder expectations, thereby safeguarding its reputation.

***Legal and Strategic Risk***
The analysis of C&E risks as drivers of Legal and Strategic risk has been performed using qualitative analysis and expert judgment across all C&E risk types. The analysis regarding Legal Risk has been conducted based on various factors including, the regulatory requirements in Cyprus, shifts in consumer behavior and any technological advancements. The assessment also includes considerations of compliance, customer due diligence, and litigation risk. In terms of Strategic Risk, BOC PCL considers its exposure concentration, vulnerabilities and stakeholder engagement to proactively manage and mitigate potential risks to its strategic objectives.

The overarching conclusion indicates that the Legal Risk for BOC PCL is generally low across different C&E risk categories, however, climate-related transition risks are the higher risk from a reputational and legal perspective. It should be noted that BOC PCL has implemented measures such as continuous monitoring, preventive plans, and compliance checks to address potential legal implications arising from C&E factors. Ongoing efforts are directed at minimizing risks and ensuring compliance with evolving standards and regulations. Therefore, BOC PCL does not foresee worsening of the impact of C&E risk drivers over the time and it is expected that this impact will remain low.

With regards to the Strategic risk, BOC PCL acknowledges that its concentration in Cyprus, with significant exposure to Real Estate, Construction, and Accommodation sectors, makes it vulnerable to the impact of climate-related physical risks, acute risks and primarily wildfire. In addition, most of the collaterals are real estate assets. As such, the impact of physical risks could affect BOC PCL and its customers going forward in terms of the value of these assets, insurance costs, and any associated cost to restore resulting damages from acute physical climate-related hazards. The primary concerns are the potential effects on the value of real estate assets and associated costs for restoring damages. It is expected that the impact of climate-related physical risk drivers will remain material in the future as well. In conclusion, BOC PCL is proactively addressing C&E risk drivers, recognizing their potential impact on strategic risk. BOC PCL is implementing measures, engaging with stakeholders, and adapting its strategies to navigate the evolving landscape of climate and environmental challenges. Ongoing monitoring, customer engagement, and strategic adjustments are integral to BOC PCL's approach in managing these risks effectively.

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

**Pillar III - Risk Management** (continued)

**Materiality Assessment Results per Risk** (continued)

Table 4 below shows the aggregated results of the MA, across the assessed time horizons, with regards to the C&E risks, along with the approach that was used to assess each type of principal risk.

| C&E Risks | | Risk | Approach | Materiality Result | | |
|---|---|---|---|---|---|---|
| | | | | ***Time Horizons*** | | |
| | | | | *Short-term (1-3 years)* | *Medium-term (4-7 years)* | *Long-term (8-27 years)* |
| **Climate-related Risk** | Physical Risk | Credit | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | **Material** | **Material** | **Material** |
| | | Market | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | **Material** | **Material** | **Material** |
| | | Liquidity | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Operational | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Reputational | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Legal | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Strategic | Qualitative Analysis (Expert Judgment) | **Material** | **Material** | **Material** |
| | Transition Risk | Credit | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Market | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Liquidity | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Operational | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Reputational | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Legal | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Strategic | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |

***Table 4:*** *Overview of the aggregated results of the C&E risk MA*

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

**Pillar III - Risk Management** (continued)

**Materiality Assessment Results per Risk** (continued)

| C&E Risks | | Risk | Approach | Materiality Result | | |
|---|---|---|---|---|---|---|
| | | | | ***Time Horizons*** | | |
| | | | | *Short-term (1-3 years)* | *Medium-term (4-7 years)* | *Long-term (8-27 years)* |
| **Environmental -related Risk** | Physical Risk | Credit | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | **Material** |
| | | Market | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Liquidity | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Operational | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Reputational | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Legal | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Strategic | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | Transition Risk | Credit | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Market | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Liquidity | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Operational | Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Reputational | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Legal | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |
| | | Strategic | Qualitative Analysis (Expert Judgment) | Non-material | Non-material | Non-material |

***Table 4:*** *Overview of the aggregated results of the C&E risk MA (continued)*

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes**

Climate risk is a growing consideration for financial institutions given the increasing effects of climate change globally, the sharp regulatory focus on addressing the resultant risks as well as increasing stakeholder concern. The Group is committed to integrate C&E risk considerations into all relevant aspects of the decision-making and risk management and is taking steps to achieve this. Drawing from existing regulatory guidance and best practices it has taken several actions to manage and mitigate C&E risks and it will continue to develop such practices going forward. The section below provides an overview of those actions.

**a. Business Environment Scan**

BOC PLC has established the BES process to monitor C&E developments / updates as already described in 'Pillar II - Strategy' section of these TCFD. The process is mainly used as a risk identification tool, that identifies C&E risks emerging from relevant developments and their association with existing risk categories. As part of this monthly scanning process, BOC PCL will gradually incorporate additional sources to monitor sector-specific developments and updates, and in particular monitor developments for industries that might have significant impact from C&E risks or new regulations that might heighten C&E transition risks. New developments identified within the BES are carefully analysed for their relevance and potential impact on BOC PCL's risk and strategic profile. This integrated approach enhances BOC PCL's ability to manage and control C&E risks effectively, thus, associated risks arising from C&E risks will be closely monitored and analysed on regular basis and feed into the MA.

BOC PCL has performed the first round of the BES and analysed recent regulatory and market updates, relevant to BOC PCL's business. The results of the first run of the BES have been considered and informed the MA with the developments that have been classified as "High" and "Critical" with respect to their potential impact.

**b. Risk Appetite Framework**

BOC PCL maintains a RAF which sets out the level of risk that the Group is willing to take in pursuit of its strategic objectives, outlying the key principles and rules that govern the risk appetite setting. It includes qualitative statements as well as quantitative measures expressed relative to financial and non-financial risks. Within this context, three Climate-related KRIs were introduced in its latest revision and include:

i. Financed Scope 3 GHG emissions of Mortgage Portfolio (Retail)
ii. Financing purchases of new commercial properties (Corporates / SMEs)
iii. Financing renovation of commercial properties (Corporates / SMEs)

The KRIs cover both the mortgage and the corporate portfolio and relate to the broader category of "buildings" which are energy intensive during both the construction period and their operation.

**Financed Scope 3 GHG emissions of Mortgage Portfolio**

Considering the Financed Scope 3 GHG emissions of mortgages, the mortgage loan portfolio exposure and the regulatory developments it was assessed that the mortgage portfolio of BOC PCL is exposed to transition risks. Therefore, to manage those risks, BOC PCL decided to set decarbonisation target aligned with IEA B2DS and gradually direct its new lending to more energy efficient buildings whilst offer incentives to retrofit buildings with lower energy efficiency in the future. The KRI on decarbonisation target on Mortgage portfolio indicates increased climate transition risk if the portfolio produces GHG emissions which are not aligned with the IEA B2DS decarbonisation pathway.

**Financing purchases of new commercial properties / Financing renovation of commercial properties (Corporates / SMEs)**

Emphasising on buildings, two additional KRIs were introduced to ensure that new lending for commercial properties will only be directed to buildings with EPC class greater than C or in case of building renovations, an improvement in energy performance will be achieved. The indicators are applicable to the corporate entities, which includes SMEs and large corporates, and reflects the material portfolios of BOC PCL, namely those under Construction, Accommodation & Food Service and Real Estate.

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**c. Risk Monitoring & Reporting**

The Group has introduced reporting around sustainability issues which will be progressively enhanced. Currently, regular reporting primarily consists of:

i. Progress updates on the ESG Working Plan: this takes place through the SC mostly on a monthly basis. Frequent updates (quarterly) are being provided to the NCGC and the RC.
ii. Climate Risk Report: the report was introduced during 2023 and was submitted to the RC through the SC and EXCO. The report updates the committees on:
    i. The progress made on the ESG Working Plan focusing on risk management related activities.
    ii. The level of several KRIs and KPIs relating to transition and physical risks, Financed scope 3 GHG emissions and environmentally friendly lending.
    iii. The report has been included as part of the above Committees agendas and will be produced on a regular basis.
iii. RAF dashboard reporting: a dedicated RAF report (Risk Profile) is produced on a quarterly basis. The report includes all RAS indicators, including the ones related to climate risk, and is submitted to the EXCO, RC and the BOD. Any interim breaches are assessed with respect to their Tier and breach severity and are reported and / or escalated to the appropriate committee.
iv. Additional monitoring reports have been established in 2023:
    i. Sustainability Performance Report: aims to facilitate the monitoring of decarbonisation targets (Scope 1, Scope 2 and Scope 3), Green/Transition lending targets (Retail, Corporate and SME) and Other wider ESG targets (Renewable energy, paper consumption, Sustainable Bonds Investments etc.).
    ii. BES monthly update report: the report provides update to the BES Working Group on the key updates and developments on C&E area that might impact C&E risks and the Business Strategy.
    iii. BES impact report: the report is produced on a quarterly basis summarizing the impact of key updates and development on the C&E risks and the mapping to the traditional risk categories and the Business Strategy per time horizon. In addition, the updates and developments arising from the BES are further linked to sectors and relevant products. The quarterly impact assessment (preliminary impact assessment) is presented to the SC and EXCO, on a quarterly basis. The annual final impact assessment will be presented and discussed at the SC, EXCO, RC and NCGC.

**d. ESG Due Diligence**

During 2023, BOC PCL established an ESG Due Diligence process with the objective being to assess customers (existing and new) on their performance against various aspects around ESG and climate risks. The process involves the utilisation of structured questionnaires applied at the individual company level and has been initially deployed to customers within the Corporate Division. The questionnaires focus more on the Environmental/Climate risk pillar and aim to assess various aspects of each customer touching upon matters around Governance, Training, Strategy & Business Planning, Energy metrics and other. The Social and Governance pillars are also assessed through several relevant dimensions such as Corporate and Social Responsibility, Human Rights, Board Composition etc.

The Due Diligence process is applied when granting new and/or reviewing existing credit facilities and is expected to be fully incorporated into the loan origination process by the end of the first quarter of 2024. At that stage, beyond the scoring of the customers, specific recommendations will be made to customers aiming to mitigate ESG risks.

**Syndicated Project**
Currently BOC PCL is participating in a syndicated project across the Cypriot Banking system aiming to establish a common platform that will allow the assessment of customers' ESG factors. The platform will employ sector-based questionnaires that will be used by all banks, ensuring a harmonized assessment approach and a level-playing field. BOC PCL will re-adjust its internal processes to incorporate the new questionnaires and consider the deployment of questionnaires to other business lines as well.

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**e. Policies**

BOC PCL has in place policies aiming to assist in managing its C&E risks. These include:

**Environmental and Social Policy**
BOC PCL is committed to identifying and managing potential negative impacts that any of its activities might have to the environment, to society and to its customers. Under this commitment, BOC PCL has in place an E&S Policy which guides all BOC PCL departments involved in the credit granting process and applies to:

ii. Granting of new funded / non-funded facilities to physical persons or legal entities, secured by mortgage on immovable property.
iii. Granting of new funded facilities to legal entities.

The policy is applicable at the individual exposure level and requires that BOC PCL verifies acceptable levels of environmental risk through, among other:

i. Screening out customers who are carrying out activities that appear on the "Exclusion and Referral Sectors". The Exclusion and Referral Sectors include a wide range of activities that can be harmful to the environment or society.
ii. Making an initial assessment for the E&S risk based on the customer's business sector and engaging with the customer if assessed as "Medium" or "High" to ensure that any identified risks are mitigated.

**Green Lending Policy**
BOC PCL has in place a Green Lending Policy which aims to provide the framework and the requirements BOC PCL will implement for the creation of green loans and to support borrowers in financing environmentally sound and sustainable projects. The Policy sets the criteria for a loan to be categorised as "green" which include, among others, clear environmental benefits, environmental sustainability objectives, the processes by which the borrower identifies and manages perceived, actual or potential environmental and social risks associated with the relevant green project(s) etc. To fully operationalise the policy, BOC PCL is in the process of preparing the relevant guidelines, which will provide further guidance on the specific procedures to be followed.

**Concentration Risk Policy**
The Concentration Risk Policy captures any single exposure or group of exposures with the potential to produce losses large enough, to threaten the financial institution's health, reputation, or ability to maintain its core operations. This Policy is aligned with the RAF, and applies at Group level by defining limits and the methodology for limit setting for exposures in specific assets, liabilities and off-balance sheet items to ensure that the concentration risk is within BOC PCL's Risk Appetite.

Consequently, BOC PCL has introduced lending restrictions and sector limits on carbon intensive sectors, and these have been reflected in the Concentration Risk Policy as mentioned on 'Pillar II – Strategy' section of these TCFD. A limited amount of new lending, unless for green or transition purposes, will be allowed subject to approval by the RC or BOC PCL's highest credit committee.

The restricted sectors relate to certain activities within:
i. Coal Mining
ii. Oil
iii. Gas
iv. Cement
v. Iron & Steel & Aluminium
vi. Power Generation (excluding renewables)

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**e. Policies** (continued)

**Pricing Policy**
BOC PCL has recognized the importance of promoting sustainability in its lending practices. In line with this, it has developed a comprehensive plan aiming to integrate ESG and Climate factors into its loan pricing framework to ensure long-term sustainable growth. The plan has two main phases, the Transition phase, and the Long-term phase.

***Transition Phase***
The Transition phase has been based on BOC PCL's strategy to establish a more sustainable lending practice while placing an emphasis on promoting environmental responsibility and not mitigating C&E risks by pricing them.

***Long-Term Phase***
Moving on from the Transition phase, BOC PCL has developed a longer-term plan for undertaking the necessary activities and analysis that will allow for a structured approach to incorporate ESG and climate factors in pricing components and where needed associate pricing with defined KPIs.

For more details on the Transition and Long-Term Phase please refer to 'Pillar II – Strategy' section of these TCFD report.

**f. Climate Risk Sensitivity and Stress Testing**

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

To assess the potential impact of transition risks on the Business Model, a sensitivity analysis was carried out on portions of the corporate and mortgage portfolios that were identified as being exposed to transition risks as per the MA of March 2022. The analysis related to the Financial Plan for the period between 2023 – 2026 and reflected the potential impact of a short-term disorderly scenario according to which a set of climate related policies are implemented at the beginning 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. Considering the specific composition of BOC PCL's portfolio, such climate related policies would most likely affect customers in the Construction, Real estate and Accommodation sectors 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 BOC PCL might face if both BOC PCL and its customers do not respond effectively to climate risks.

**ii. Transition Risk Framework**
BOC PCL developed a Framework to quantify transition risks. The framework addresses all sectors of the BOC PCL's portfolio, but dedicated models were created for those sectors that are more susceptible to transition risks, based on their inherent activities and their exposures. Such sectors include Construction, Hotels, Real Estate and Mortgages whilst the remainder of BOC PCL's portfolio is catered through a generic model.

BOC PCL has executed an internal preliminary Stress-test exercise with Balance Sheet reference Date 30/09/2023 with Corporate Ratings having a reference date of 31/12/2022. The projections, in terms of PD impact of the climate scenarios, were formed until 2050 on a counterparty level, with the outcome being aggregated to sector level to allow for Sectoral analysis. The results of the stress testing do not include Balance Sheet Projection values and impact on the Collaterals.

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**f. Climate Risk Sensitivity and Stress Testing** (continued)

**ii. Transition Risk Framework** (continued)

For the preliminary Stress Test run the following Network for Greening the Financial System ('NGFS') scenarios have been selected:

i. NDCs – Nationally Determined Contributions, which for the case of Cyprus, almost coincides with the "Below 2°C" scenario given the EU Members' aspiration for climate Policies. "Below 2°C" scenario gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
ii. Current – Current Policies scenario assumes that only currently implemented policies are preserved, leading to high physical risks.
iii. Delayed Transition – Delayed Transition scenario is under the Disorderly scenario category. It assumes annual emissions do not decrease until 2030. In addition, it requires strong policies to limit warming to below 2°C and negative emissions are limited.

The PDs under the preliminary Stress Test on transition risks are substantially increased on the "Delayed Transition" scenario between 2031-2040 compared to the "Current" scenario.

**iii. Physical Risks**

In terms of physical risks, efforts were focussed on estimating the impact on property value from the potential materialisation of such risks. This is considered relevant to BOC PCL, given the concentration of clients in activities relating to immovable properties such as Construction, Accommodation & Food Service, Real Estate, Mortgages as well as the fact that a significant portion of BOC PCL's collaterals are real estate assets.

To that end, granular data were obtained from an external vendor, providing granular, location level information. For the purposes of the analysis which was also used as part of its RIMA process, the NGFS scenarios were employed and used as a reference. In particular, the following scenarios were used and projected up to 2050:

i. Orderly transition: assume that climate policies are introduced early and gradually become more stringent. Physical and transition risks are relatively small.
ii. Disorderly transition: explore higher transition risk due to delayed or divergent policies across countries and sectors.
iii. Hot House World: assume that some climate policies are being implemented in some jurisdictions, but that global efforts are insufficient to halt significant global warming. These scenarios pose serious physical risks.

The analysis of the data allowed BOC PCL to gain an understanding of the assets vulnerable to the various physical risks, their level of riskiness as well as potential concentrations across the island. Furthermore, following the identification of physical risks, the monetary impact (damage function) for each combination of property, hazard, scenario, and year was estimated. This monetary impact considered not only the geo-localisation features, but also the asset-specific characteristics, i.e., commercial, industrial, residential, other use. At the moment, the damage function measurement, for wildfire hazard, has been incorporated as part of the ICAAP process.

**iv. ILAAP Updates**

BOC PCL considered the C&E risks financial impact, and in particular transition risks, and how these might affect BOC PCL's counterparties efforts to meet any C&E requirements from the process of adjustment towards a lower carbon economy.

Stress testing analysis was used to assess the effects on BOC PCL's liquidity, focusing on sectors expected to be impacted by transition risks. Higher outflows were assumed for the deposits of economic sectors which are expected to be more vulnerable to C&E risks and more specifically to transition risk.

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

**Pillar III - Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**g. C&E Risks-related Data**

BOC PCL determined to approach holistically the ESG and Climate Data, by developing an ESG and Climate Data Gap & Strategy. Specifically, BOC PCL:

i. Established an ESG Data Working Group.
ii. Set up weekly catch-up calls for the ESG Data Working Group.
iii. Identified Data Gaps under various workstreams (Disclosures, Risk Management, Commitments, Business Strategy).
iv. Determined the strategy to close the gaps.
v. Set indicative deadlines to close the gaps.
vi. Discussed with several third-party software providers on ESG and Climate Risk Management platform and Disclosure platform.
vii. Determined the follow up actions on the ESG and Climate Data Gap & Strategy.

BOC PCL acknowledges that the ESG and Climate spectrum is extremely fast pacing, therefore the ESG and Climate Data Gap & Strategy is an ongoing process and further actions are expected to be performed in the future to further enhance the existing ESG and Climate Data Gap & Strategy.

The ESG Data Gaps have been identified by focusing to the main ESG risks' workstreams run by BOC PCL as well as strategic priorities:

i. Task Force on Climate related Financial Disclosures requirements (Annual report) - Disclosures
ii. Pillar 3 Disclosures on ESG risks (Six monthly) - Disclosures
iii. Sustainability Performance Report (Monitoring Key Performance Indicators) – Business Objectives
iv. Climate Risk Report (Internal risk reporting) – Risk Management Needs
v. ESG Questionnaires for Due Diligence purposes - Risk Management Needs
vi. Physical Risks & Transition Risks assessment, quantification and management - Risk Management Needs
vii. BOC PCL's Sustainable Finance Framework - Business Objectives
viii. Net Zero by 2050
ix. Financed Scope 3 GHG emissions estimation of loan portfolio – Disclosures/ Risk Management Needs/Business Objectives

BOC PCL initiated implementation of ESG and Climate Data Strategy in 2024.

**h. 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:

i. Human needs (the social pillar – people)
ii. Environmental conditions or constraints (the environmental pillar – planet)
iii. Economic development (the economic pillar – prosperity)

The tool allows 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.

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 €4.5 billion of exposures out of a total of €10 billion gross loan book as of 31 December 2023. In terms of industries, Accommodation, Real Estate, Trade and Construction have the highest share in BOC PCL's portfolio. Sectors that are of less importance in terms of financed exposure but are considered significant due to their impact on the Sustainable Development Goals, 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.

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

**Pillar III – Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**h. UNEPFI Impact Analysis Tool** (continued)

**Analysis**

*a)* ***Corporate Portfolio***

As a result of the analysis carried out, the most relevant impact areas of strategic importance were identified:

i. Employment, Wages and Social Protection (SDG 1 and SDG 8) - Social
ii. Health and Safety and Healthcare and Sanitation (SDG 3) - Social
iii. Healthy economies, Housing, Finance and Infrastructure (SDG 8, SDG 9 and SDG 11) - Social
iv. 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:

i. 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 €100,000 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.
ii. 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.
iii. 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 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:

i. Circularity,
ii. Biodiversity & healthy ecosystems, and
iii. Climate stability

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

i. Biodiversity,
ii. Resource Intensity,
iii. Waste, and
iv. 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 GHG. The accommodation sector, which is the largest in BOC PCL's portfolio, it is not considered a key sector by the UNEP FI tool. However, it is negatively associated with waste, pollution, and the cause of strain on land and local ecosystems.

*b)* ***Consumer Banking – Households***

The analysis 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 (GHG emissions). Similarly, vehicle loans are adversely related to Climate stability and Resource intensity due to their GHG emissions. Student loans help to promote education across the population and is thus positively associated with the Education (SDG 4).

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

**Pillar III – Risk Management** (continued)

**C&E Risk Management Tools & Processes** (continued)

**h. UNEPFI Impact Analysis Tool** (continued)

*c)* ***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). For more details refer to section 'Principles for Responsible Banking' in 'Pillar II – Strategy' of these TCFD.

**i. Corporate Bond Investment Framework**

ESG considerations are an important part of BOC PCL's investment process and framework and are considered in aiming to enhance sustainable investment outcomes. Therefore, BOC PCL aims to specify through this framework, the approach followed for the risk assessment and limit allocation of corporate bond investments.

Controlling the set of portfolio characteristics based on the industry activity, BOC PCL ensures that only acceptable industries are permitted for evaluation and analysis by the Market and Liquidity Risk Unit. The non-permissible industries list used for preliminary industry assessment is the 'Exclusion & Referral Sectors' of the E&S Policy (see section 'e. Policies' of 'Pillar III- Risk Management' of these TCFD).

Acceptable industries are further assessed with regards to their Moody's credit impact score ('CIS') and issuer profile score ('IPS'), where corporates with CIS equal to 4 or 5 and IPS equal to 5 are not acceptable and no limits are allocated. The resulting allocated limit is affected by the ESG score of only-acceptable industries corporate bonds. Therefore, corporate bonds with low IPS score, receive lower score within the Qualitative Assessments which eventually affects the final score and the resulting allocated limit.

**j. Other Actions**

BOC PCL has put in place several follow-up actions to mitigate existing risks and enhance the work carried out so far. Indicatively, these include:

i. Further integration of C&E risks into BOC PCL's Risk Strategy and Risk Appetite Statement;
ii. Further integration of client's Due Diligence procedures at the origination and during regular monitoring (on an ongoing basis);
iii. Integration of C&E risks in ICAAP/ ILAAP processes;
iv. Enhance monitoring processes for material risks and explore various methodologies for assessing and quantifying potential effects from these risks.

**Integrating ESG and C&E risks into BOC PCL's three Lines of Defence Framework**

Consistent with the Group's overall risk management approach, ESG and climate risk has been incorporated into the Three Lines of Defence Model for ESG and climate risk management purposes. For more details on roles and responsibilities of Three Lines of Defence refer to 'Pillar I – Governance Section' of these TCFD.

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

**Pillar IV – Metrics and Targets**

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

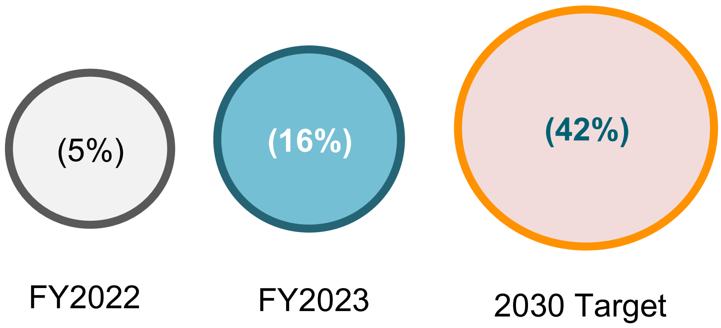
**Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050**

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

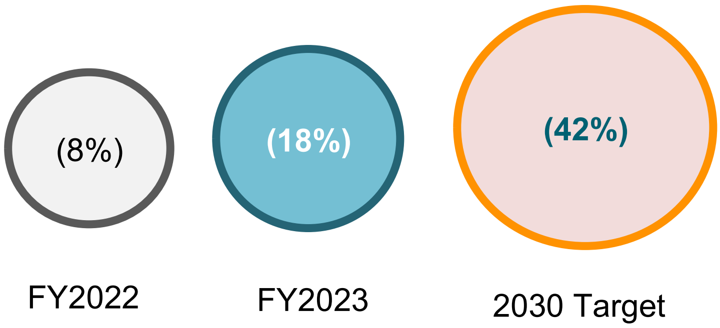
The Group has estimated the Scope 1 and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target. For the Group to meet the carbon neutrality target, the Scope 1 and Scope 2 GHG emissions should be reduced by 42% (absolute target) by 2030. The absolute reduction target has been set following the IEA's B2DS. 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 designing the decarbonisation strategy for the reduction of Scope 1 and Scope 2 GHG emissions of its subsidiaries.

BOC PCL's efforts in 2022 and 2023 lead to the reduction in Scope 1 and Scope 2 GHG emissions by 2,265 $tCO_2e$ in 2023 compared to 2021 which represents c.18% reduction. BOC PCL should perform additional decarbonisation actions to reduce Scope 1 and Scope 2 GHG emissions by c.24% to achieve the carbon neutrality target by 2030.

**Group - Performance on Carbon Neutrality target against baseline of 2021**




**BOC PCL - Performance on Carbon Neutrality target against baseline of 2021**



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

**Pillar IV – Metrics and Targets** (continued)

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

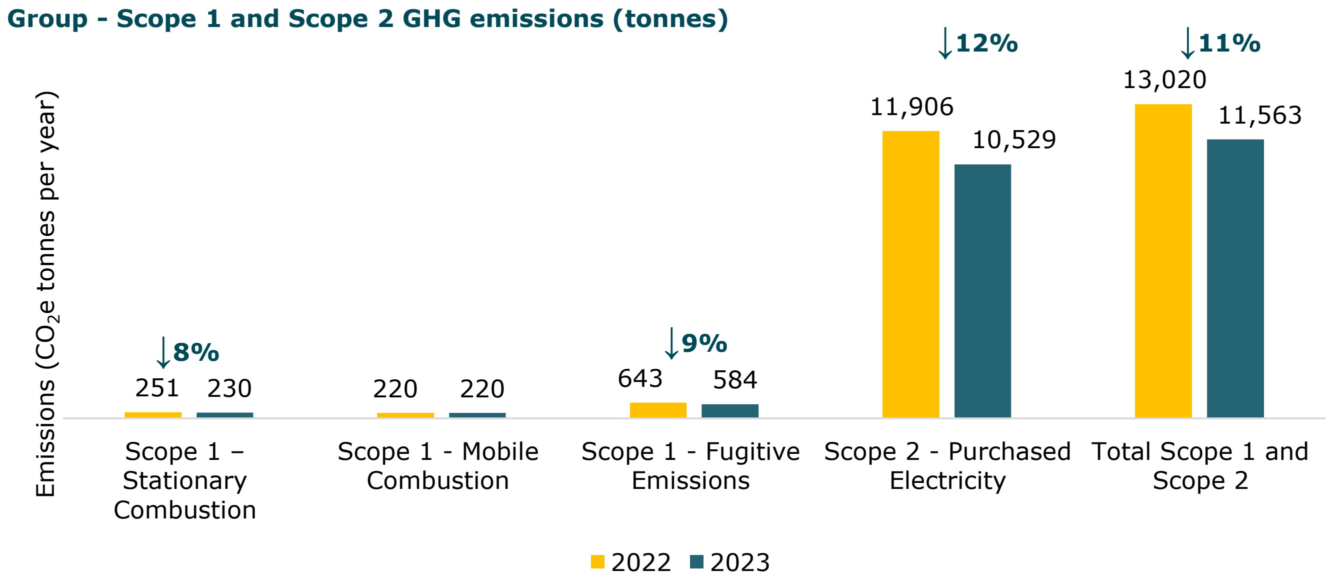
For the purpose of the calculation of the 2021, 2022 and 2023 Carbon footprint, the Group has set its decarbonisation boundaries based on the operational control approach. The 2021, 2022 and 2023 carbon footprint for Scope 1 and Scope 2 GHG emissions was estimated based on the methodologies described 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.

Following the implementation of energy efficiency actions in 2022 and 2023 the Group achieved c.16% reduction in Scope 1 and Scope 2 GHG emissions, in 2023 compared to 2021. At the end of 2022 and early in 2023, the Group has installed solar panels to four owned buildings leading to reduction in Scope 2 GHG emissions in 2023. BOC PCL has formulated a plan of actions to reduce Scope 1 and Scope 2 GHG emissions and meet carbon neutrality target by 2030 and plans to invest further in energy efficient installations and actions and replace fuel intensive machineries and vehicles from 2024 to 2025, which would lead to c.3-4% 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. The Group is also considering several other actions aiming to a further reduction of c.30% in Scope 1 and Scope 2 GHG emissions by 2030 compared to 2022.

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:

i. implementation of Energy Management system;
ii. installation of electric chargers for cars;
iii. improvement of waste measurement;
iv. increase initiatives for waste recycling; and
v. reduction of paper use.

The Group has estimated Scope 1 and Scope 2 GHG emissions for 2023 in order to monitor the progress on carbon neutrality target:

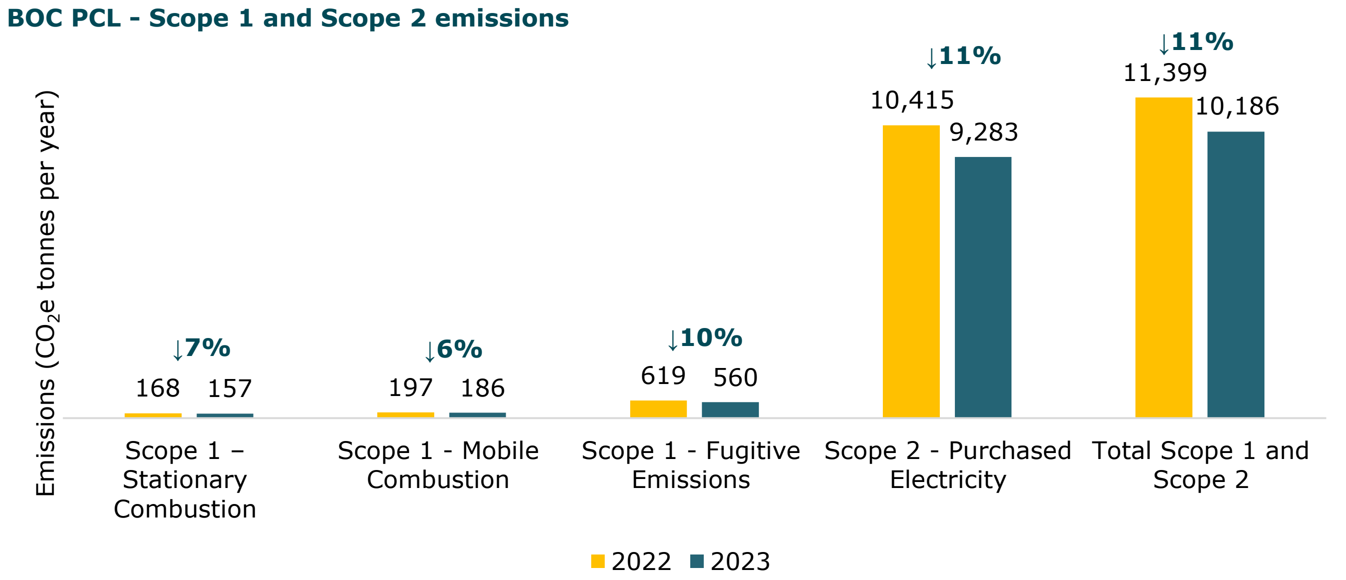



(Note: For the purpose of GHG emissions inventory, the Group includes BOC PCL, EuroLife Ltd ('Eurolife'), Genikes Insurance of Cyprus Ltd ('GI') and Cyprus Investment and Securities Corporation Ltd ('CISCO').)

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

**Pillar IV – Metrics and Targets** (continued)

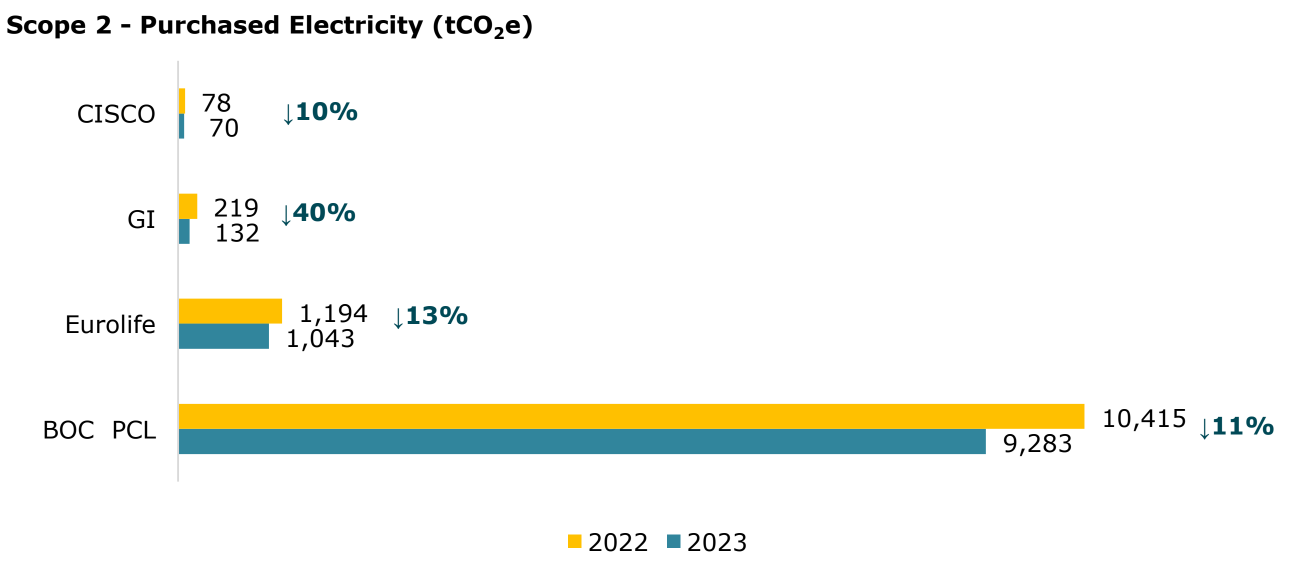
**Reduction of scope 1 and 2 GHG emissions – Become Carbon neutral by 2030 and Net Zero by 2050** (continued)




(Note: The 2022 estimated Scope 1 and 2 GHG emissions presented here are slightly different to those reported in the 2022 ESG Disclosures due to the following factors: the overestimation of certain Global Warming Potentials (GWP) for Scope 1 Stationary Combustion, re-estimation of Scope 1 Fugitive GHG emissions to include all properties and reallocation of relevant GHG emissions between companies within the wider Group following revised ownership rights.)

**Energy Management**

The Group is implementing several actions to become more energy efficient and reduce GHG emissions on its own operation.



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

**Pillar IV – Metrics and Targets** (continued)

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

**Energy Management** (continued)

BOC PCL reduced by c.11% Scope 2 – Purchased electricity GHG emissions in 2023 compared to 2022 due to new solar panels connected to energy network in 2022 and early 2023 as well as buildings abandoned as part of the digitalisation journey. GI achieved c.40% reduction in Scope 2 – Purchased electricity GHG emissions in 2023 compared to 2022 following relocation of its headquarters to Eurolife building.

Increase in renewable energy consumption and production supported the reduction of Scope 2 GHG emissions of the Group. The Group aims to increase renewable energy utilisation in its own operations. The Group following connection of solar panels with the energy network on four owned buildings increased the renewable energy production and consumption by 65% in 2023.

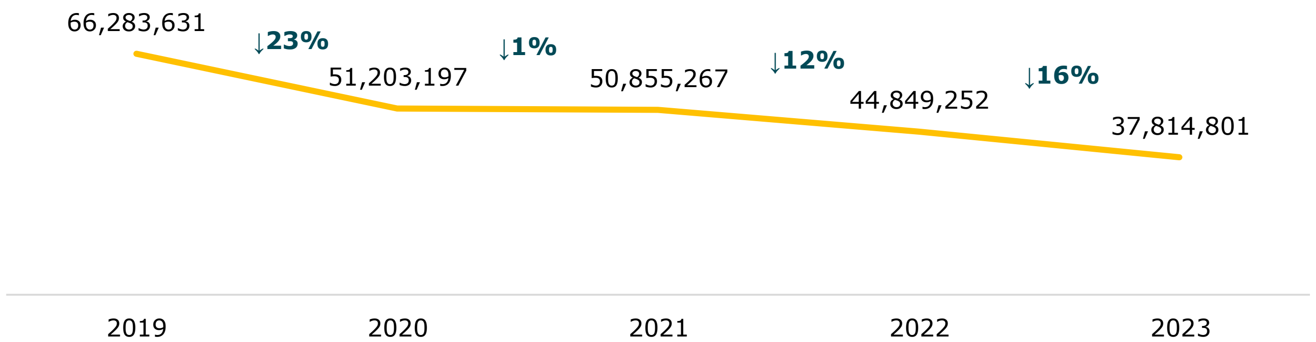
**Renewable energy consumption (Kwh)**


**Resource Management and Recycling**

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

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

**BOC PCL - Paper Consumption (kgs)**



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

**Pillar IV – Metrics and Targets** (continued)

**Reduction of all GHG emissions to become Net Zero by 2050**

The Group is estimating GHG emissions on all material Scopes and Categories following the GHG protocol and the available methodologies under PCAF.

| Group's GHG Emissions | | | | |
|---|---|---|---|---|
| **Category** | **Absolute $tCO_2e$ 2022** | **% to total** | **Absolute $tCO_2e$ 2023** | **% to total** |
| Scope 1 | 1,114 | 0.0% | 1,034 | 0.0% |
| Scope 2 | 11,906 | 0.4% | 10,529 | 0.3% |
| Scope 3 – Purchased Goods and Services | 16,138 | 0.6% | 16,512 | 0.5% |
| Scope 3 – Upstream transportation and distribution | 2,243 | 0.1% | 2,348 | 0.1% |
| Scope 3 – Waste generated in operations | 2,883 | 0.1% | 2,821 | 0.1% |
| Scope 3 – Business Travel | 196 | 0.0% | 277 | 0.0% |
| Scope 3 – Employee commuting | 2,298 | 0.1% | 2,062 | 0.1% |
| Financed Scope 3 – Mortgages – Loan Portfolio | 153,023 | 5.3% | 152,251 | 4.7% |
| Financed Scope 3 – Commercial Real Estate – Loan Portfolio | 63,832 | 2.2% | 59,685 | 1.8% |
| Financed Scope 3 – Business Loans – Loan Portfolio | 1,738,453 | 60.0% | 1,763,963 | 54.4% |
| Financed Scope 3 – Motor Vehicles – Loan Portfolio | 37,331 | 1.3% | 61,879 | 1.9% |
| Financed Scope 3 – Corporate Bonds – Investment Portfolio | 54,271 | 1.9% | 79,819 | 2.5% |
| Financed Scope 3 – Sovereign Bonds – Investment Portfolio | 800,908 | 27.7% | 1,080,046 | 33.3% |
| Insurance associated Scope 3 – Commercial Lines – Insurance Portfolio | 7,436 | 0.3% | 7,634 | 0.2% |
| Insurance associated Scope 3 – Motor Personal Lines – Insurance Portfolio | 3,660 | 0.1% | 3,820 | 0.1% |
| **Total** | **2,895,692** | **100%** | **3,244,680** | **100%** |

Note 1: For the purpose of GHG emissions inventory, the Group includes BOC PCL, Eurolife, GI and CISCO.
Note 2: The estimation of Financed Scope 3 GHG emissions associated with loan portfolio has been restated compared to those reported in ESG Disclosures of 2022 following revision of PCAF's database and methodology.

Financed Scope 3 GHG emissions comprise of more than 98% of Group's GHG emissions inventory. Therefore, the Group primarily focus its decarbonisation efforts on Financed Scope 3 GHG emissions associated with loan and investment portfolio.

The Group joined the PCAF in October 2022 and is following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions and Insurance associated GHG emissions. The Group has estimated Financed Scope 3 GHG emissions relating to the loan portfolio based on PCAF standard and proxies for 2022 and 2023. 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.

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

**Pillar IV - Metrics and Targets** (continued)

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

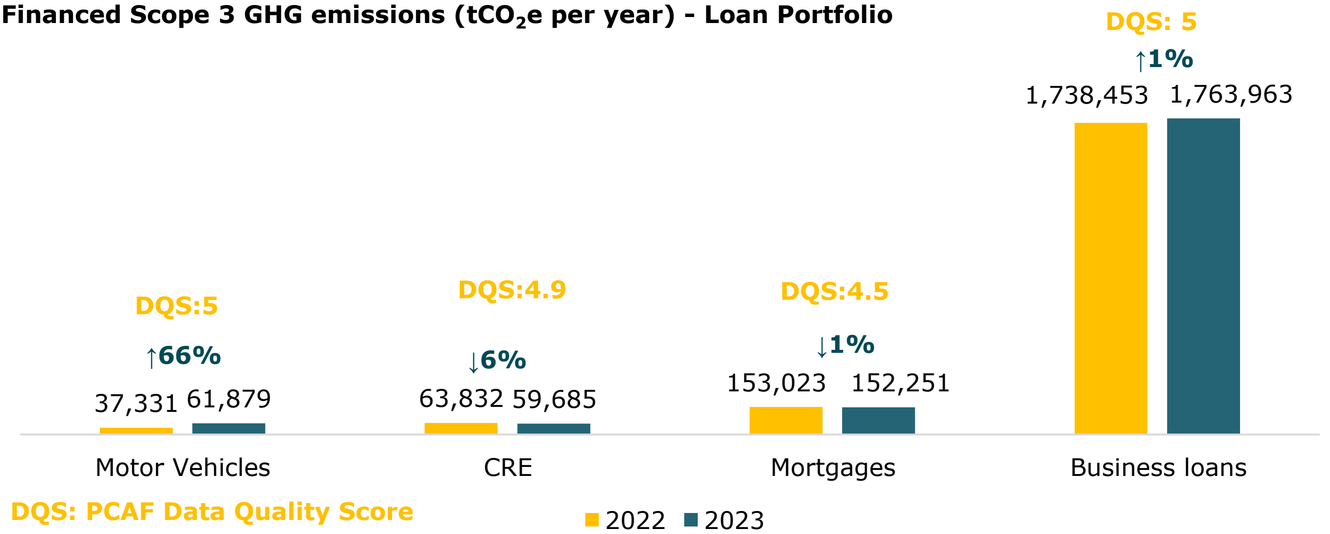
The Group aims to continuously enhance the data quality used on the estimation of Financed Scope 3 GHG emissions and eliminate the data gaps, therefore in 2023 a client questionnaire has been launched to gather the relevant data, where possible, as well as continue to enhance the loan origination process. 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 2024 based on the ESG and Climate Data Gap & Strategy.

For the estimation of Financed Scope 3 GHG emissions relating to loan portfolio, the 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 CRE-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 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 Group estimated the Financed Scope 3 GHG emissions for c.89% of Gross Loans and advances portfolio which fall under the above-mentioned asset classes. GHG emissions associated with loan portfolio are metrics of transition risks that the portfolio is exposed.

**Financed Scope 3 GHG emissions ($tCO_2e$ per year) - Loan Portfolio**




Note 1: The estimation of Financed Scope 3 GHG emissions associated with loan portfolio has been restated compared to those reported in ESG Disclosures of 2022 following revision of PCAF's database and methodology.

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

**Pillar IV - Metrics and Targets** (continued)

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

The Group, by taking into account the GHG emissions estimated for loan portfolio, the most significant loan exposures and the MA on C&E risks, it has decided to set a decarbonisation target on Mortgage portfolio. To limit global warming to 1.5°C above pre-industrial levels (Paris Agreement and EU Green Deal), all sectors of society need to decarbonise and collectively reach net-zero emissions by 2050. The transition to low carbon economy triggers transition risks, therefore BOC PCL has set decarbonisation target on Mortgage portfolio in order to be aligned with its Net Zero ambition and manage transition risk by directing its lending to more energy efficient residential buildings.

The Group has estimated the GHG emissions per square meter, as at 31/12/2022, for the properties financed under its Mortgage portfolio using the PCAF methodology and proxies. Then Group utilised the Science Based Target Initiative's tools in order to estimate the decarbonisation pathway that the Mortgage portfolio should follow to be aligned with the IEA B2DS. The Group decided to align the Mortgage portfolio with IEA B2DS due to the following reasons:

i. The scenario is consistent with Global warming projections (IEA and Intergovernmental Panel on Climate Change ('IPCC')) and is considered a widely acceptable scenario.
ii. The scenario is considered more plausible compared to the IEA's Net Zero Scenario given the fact that Cyprus market is pre-mature in the climate field. Therefore, BOC PCL considers reasonable to initiate its efforts based on a less intense scenario and then intensify its efforts when the overall Cyprus market is more mature in the field.
iii. Lack of data, enhances the risk of not having a solid baseline, so BOC PCL considers that is more prudent to initiate its efforts based on a less optimistic scenario until data availability and quality is enhanced.
iv. The scenario is more straightforward to obtain and use as it is aligned with Science Based Target Initiate's available tools.

In order to ensure the feasibility of the interim decarbonisation target and derive the decarbonisation strategy of Mortgage portfolio, the Group has projected the GHG emissions per square meter for the properties financed under its Mortgage portfolio as at 31/12/2030. In order to project the Mortgage portfolio as at 31/12/2030, BOC PCL used various assumptions such as:

i. Projected new lending on Mortgage portfolio between 2024-2030;
ii. Projected square meters of each property financed under projected Mortgage new lending;
iii. Allocation of new lending on Mortgages to EPC classifications;
iv. PCAF proxies on GHG emissions per financed residential property;
v. Cyprus Government targets on the reduction of GHG emissions as well as the utilisation of renewable energy on residential buildings by 2030;
vi. Expiration of Mortgage exposures between 2024-2030.

The Group performed several sensitivities on the assumptions used to project Mortgage portfolio as at 31/12/2030 in order to ensure the feasibility of the target. Under all scenarios (sensitivities) the decarbonisation target on Mortgage on 2030 is achieved. In addition, sensitivities were performed to the baseline of 2022, given the lack of sufficient data, in order to ensure that when data quality of the estimation is improved in the upcoming years the adjusted decarbonisation target will be met. The decarbonisation target on Mortgage is also achieved after the increase / decrease of baseline by 10%, under all scenarios.

At the end of 2023, the Group launched the "Green Housing" product, aligned with GLP of LMA, which drives the decarbonisation strategy of Mortgage portfolio. The new lending strategy of the Group, embedded in the Financial Plan for 2024-2027, includes projections on the new "Green Housing" product which comprise of c.40% of new Housing lending of 2024. In 2024, BOC PCL will continue to build its green product offering under the Mortgage portfolio to strengthen its decarbonisation strategy. The feasibility of the target is also enhanced by taking into account that Cyprus legislation imposes residential properties to have an EPC A so to issue a building permit after 1 July 2020.

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

**Pillar IV - Metrics and Targets** (continued)

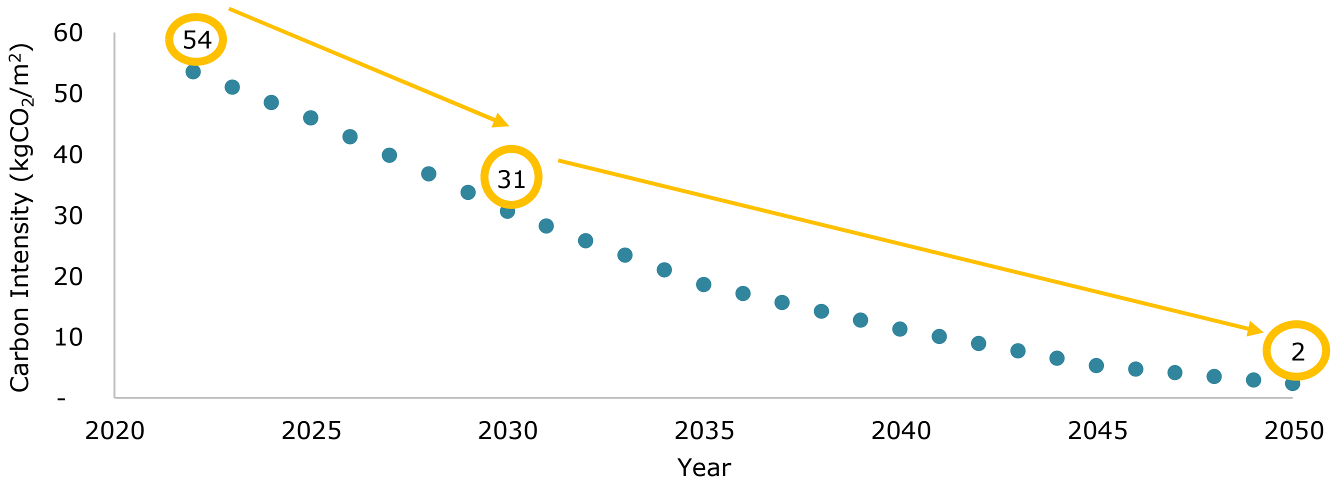
**Reduction of all GHG emissions to become Net Zero by 2050** (continued)

The decarbonisation target set on Mortgage portfolio is summarized on the table below:

| Metric | Emissions Scope | 2022 Base line | Target year | Target | Target reduction | Performance as at 31/12/2023 | Figure as at 31/12/2023 | Methodology |
|---|---|---|---|---|---|---|---|---|
| $kgCO_2/m^2$ | S1 & S2 | 53.50 | 2030 | 30.65 | (43%) | (5%) | 50.73 | PCAF/SBTi |
| $kgCO_2/m^2$ | S1 & S2 | 53.50 | 2050 | 2.34 | (96%) | (5%) | 50.73 | PCAF/SBTi |

The Group has set decarbonisation target on c.34% of Gross Loans and advances portfolio. The Group aims to reduce by 43% the kilograms of GHG emissions financed per square meter ($kgCO_2e/m^2$) under the Mortgage portfolio, by 2030 compared to 2022 baseline. The Mortgage portfolio as at 31/12/2023 produced 50.73 $kgCO_2e/m^2$ which is 5% lower compared to the baseline due to increased installation of solar panels in residential properties in Cyprus in 2023 leading to the reduction in the average proxy variables.

**Carbon Intensity Target – Mortgage Portfolio**




The Group's Mortgage portfolio should be aligned with the abovementioned graph in order to be aligned with the climate scenario of IEA B2DS and being exposed to lower transition risks. BOC PCL following the abovementioned analysis determined its new Mortgage lending strategy to meet the decarbonisation target on Mortgage.

The Group monitors the performance against the new lending target in order to take remedial action on time:

i. By the SC, EXCO and NCGC through the Sustainability Performance Report (Quarterly)
ii. By the SC, EXCO and RC through the Climate Risk Report (Quarterly)
iii. By EXCO through the monthly performance pack (Quarterly)
iv. By BDC on a monthly basis.

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

**Pillar IV - Metrics and Targets** (continued)

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

Given that the majority of Financed Scope 3 GHG emissions of loan portfolio derive from Business Loan asset class, the carbon concentrated sectors under Business Loan asset class have been identified and are considered primary sectors for setting decarbonisation targets. The primary sectors identified under Business Loan asset class are Transportation and storage (42%), Wholesale and retail trade (21%), Manufacturing (15%) and Construction (6%). The GHG emissions of Transportation and storage sector corresponds to c.23% of GHG emissions of the Group.

| BOC PCL – Financed Scope 3 GHG emissions – Business loan asset class | | | | | |
|---|---|---|---|---|---|
| | | 2022 | | 2023 | |
| **NACE** | **Sector** | **OS Loan Amount (€million)** | **Emissions ($tCO_2e$ per year)** | **OS Loan Amount (€million)** | **Emissions ($tCO_2e$ per year)** |
| H | TRANSPORTATION AND STORAGE | 275 | 589,598 | 299 | 736,988 |
| G | WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES | 785 | 397,788 | 745 | 377,354 |
| C | MANUFACTURING | 360 | 300,944 | 331 | 256,115 |
| F | CONSTRUCTION | 325 | 118,767 | 306 | 112,440 |
| D | ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY | 48 | 106,127 | 86 | 85,758 |
| A | AGRICULTURE, FORESTRY AND FISHING | 42 | 80,601 | 34 | 65,941 |
| M | PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | 262 | 47,600 | 235 | 42,638 |
| I | ACCOMMODATION AND FOOD SERVICE ACTIVITIES | 770 | 30,380 | 712 | 28,090 |
| L | REAL ESTATE ACTIVITIES | 685 | 30,167 | 595 | 26,198 |
| J | INFORMATION AND COMMUNICATION | 33 | 9,172 | 43 | 9,922 |
| Q | HUMAN HEALTH AND SOCIAL WORK ACTIVITIES | 86 | 8,932 | 53 | 5,479 |
| B | MINING AND QUARRYING | 12 | 6,360 | 8 | 4,144 |
| N | ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES | 24 | 4,026 | 22 | 3,794 |
| K | FINANCIAL AND INSURANCE ACTIVITIES | 134 | 1,407 | 211 | 2,263 |
| S | OTHER SERVICE ACTIVITIES | 18 | 2,303 | 16 | 2,038 |
| R | ARTS, ENTERTAINMENT AND RECREATION | 15 | 1,810 | 15 | 1,816 |
| P | EDUCATION | 44 | 1,671 | 40 | 1,501 |
| E | WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES | 4 | 800 | 4 | 1,484 |
| **Total** | | **3,922** | **1,738,453** | **3,755** | **1,763,963** |

BOC PCL is taking into account the annual MA on C&E risks, the BES annual impact assessment and the loan portfolio's annual impact assessment based on UNEP FI tools, so to decide which sectors and asset classes should approach in order to set additional decarbonisation targets. Furthermore, the data availability, the estimation of Financed Scope 3 GHG emissions and decarbonisation target methodology availability are also considerations taken into account to determine which sectors and asset classes to focus for target setting. The Group is examining to set decarbonisation target on CRE asset class as well as Transportation and Storage sector of business loan portfolio within 2024 as those are considered sectors exposed to transition risks following the estimation of GHG emissions.

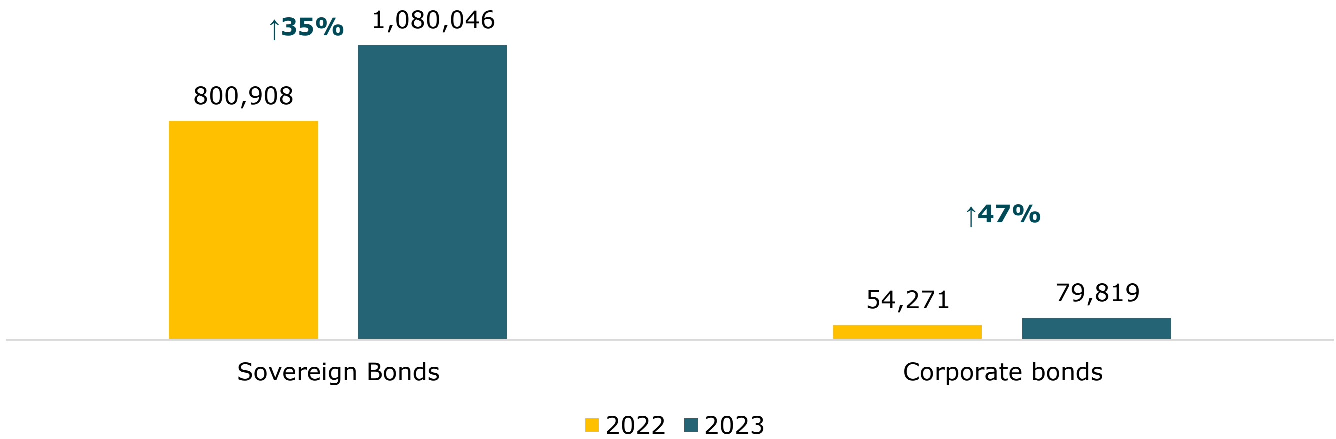
**Task Force on Climate-related Financial Disclosures (TCFD)** (continued)

**Pillar IV - Metrics and Targets** (continued)

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

The Group has estimated the Financed Scope 3 GHG emissions of Investment portfolio for 2022 and 2023 using the PCAF standard and proxies.

**Financed Scope 3 GHG emissions ($tCO_2e/yr$) - Bond portfolio**




Note 1: BOC PCL has not estimated Financed Scope 3 GHG emissions of c.12% of Corporate and Sovereign bond portfolio due to lack of available data mainly on Supranational Organisations.

| BOC PCL – Financed Scope 3 GHG emissions – Bond portfolio – 31/12/2023 | | | | |
|---|---|---|---|---|
| **Investment Class** | **Total investment amount (€million)** | **Total GHG Emissions ($tCO_2e$)** | **Emission intensity ($tCO_2e$/€million)** | **Weighted data quality score** |
| Corporate Bonds | 1,710 | 79,819 | 44 | 4.7 |
| Sovereign Bonds | 1,833 | 1,080,046 | 589 | 5.0 |
| **Total** | **3,543** | **1,159,865** | | |

| BOC PCL – Financed Scope 3 GHG emissions – Bond portfolio – 31/12/2022 | | | | |
|---|---|---|---|---|
| **Investment Class** | **Total investment amount (€million)** | **Total GHG Emissions ($tCO_2e$)** | **Emission intensity ($tCO_2e$/€million )** | **Weighted data quality score** |
| Corporate Bonds | 1,248 | 54,271 | 43 | 4.6 |
| Sovereign Bonds | 1,247 | 800,908 | 642 | 5.0 |
| **Total** | **2,495** | **855,179** | | |

The increase in Financed Scope 3 GHG emissions for both Corporate and Sovereign bond portfolio is aligned with the increase in investment exposure at each reporting date. Aligned with the strategy for loan portfolio, BOC PCL has set sector limits on Corporate bond investments for carbon intensive sectors aiming to reduce GHG emissions of Corporate portfolio. GHG emissions associated with Sovereign Bond portfolio comprise of c.33% of Group's GHG emissions inventory.

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

**Pillar IV - Metrics and Targets** (continued)

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

The Financed Scope 3 GHG emissions of Sovereign bond portfolio are c.58% concentrated to BOC PCL's exposure to Cyprus Government bonds. As soon as, Cyprus intensifies its efforts to lead the country to a low carbon economy the GHG emissions associated with Cyprus Government Bond are expected to be reduced. GHG emissions associated with Cyprus Government Bonds comprise of c.19% of Group's GHG emissions.

The Effort Sharing Regulation establishes for each EU Member State a national target for the reduction of GHG emissions by 2030 in the following sectors: domestic transport (excluding aviation), buildings, agriculture, small industry and waste. In total, the emissions covered by the Effort Sharing Regulation account for almost 60% of total domestic EU emissions. In addition, EU members are committed to Net Zero by 2050. Therefore, any decarbonisation strategy to be determined on Sovereign exposure should take into account the expected progress against the EU targets regarding GHG emissions. Cyprus is committed to reduce GHG emissions in the above-mentioned sectors by 32% by 2030.

In addition, BOC PCL is expected to inform its Sovereign bond investment decisions with the GHG emissions per million euro invested in a country's Government bond as well as any available ESG score assigned to the relevant bond under examination. As at 31/12/2023, countries like Canada, Australia and Saudi Arabia have the highest emission intensity per million of euro invested. Canada and Australia are countries that are committed under the Paris agreement whilst Saudi Arabia is not.

| Sovereign Bond Portfolio – 31/12/2023 – Analysis by country | | | |
|---|---|---|---|
| **Country** | **Investment amount (€million)** | **Financed Scope 3 GHG emission ($tCO_2e$)** | **Emission intensity ($tCO_2e$/€million)** |
| Cyprus | 925 | 631,139 | 682 |
| Germany | 119 | 59,175 | 496 |
| Belgium | 79 | 50,794 | 644 |
| France | 95 | 35,977 | 380 |
| Saudi Arabia | 40 | 33,117 | 831 |
| Iceland | 42 | 32,806 | 776 |
| Israel | 47 | 30,502 | 653 |
| Finland | 50 | 29,575 | 591 |
| Canada | 35 | 29,127 | 827 |
| Austria | 46 | 24,440 | 531 |
| Croatia | 39 | 18,889 | 488 |
| Spain | 41 | 16,726 | 412 |
| Italy | 36 | 15,664 | 433 |
| Slovakia | 18 | 13,521 | 756 |
| Ireland | 25 | 11,627 | 470 |
| Chile | 19 | 10,014 | 534 |
| Greece | 15 | 9,905 | 654 |
| Luxembourg | 11 | 8,330 | 762 |
| Poland | 10 | 6,701 | 651 |
| Bulgaria | 8 | 4,973 | 658 |
| Australia | 5 | 4,224 | 840 |
| Slovenia | 5 | 2,820 | 621 |
| **Total** | **1,710** | **1,080,046** | |

The Group is exploring to set decarbonisation targets and design the decarbonisation strategy on Corporate and Government Bond Investment portfolio based on methodology and data availability.

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

**Pillar IV - Metrics and Targets** (continued)

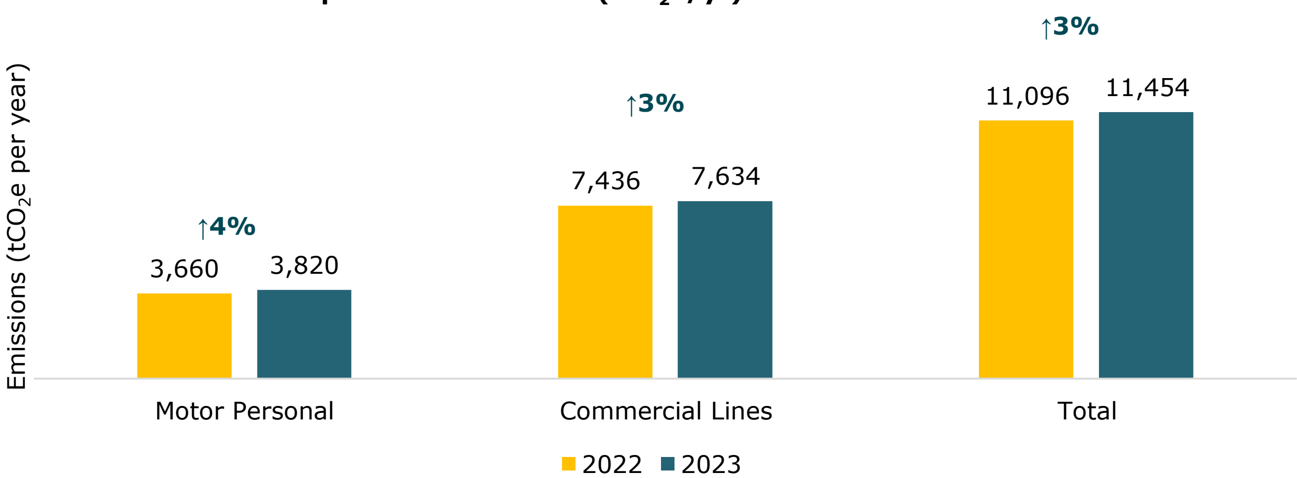
**Reduction of all GHG emissions to become Net Zero by 2050** (continued)

The Group has estimated the Insurance associated GHG emissions using the PCAF standard and proxies. Currently PCAF standard covers the estimation of Insurance associated GHG emissions for certain Commercial lines and Motor personal line. The following table summarizes the lines that, at the moment, are out of scope of PCAF standard.

| Segment | Line of Business ('LoBs') |
|---|---|
| Commercial insurance | Structured trade credit |
| | Surety |
| | Engineering lines: Construction all-risk, erection all-risk only |
| | Corporate life and pensions, personal accident |
| Personal lines | Liability |
| | Property |
| | Travel assistance |
| | Life and Health |
| Treaty reinsurance | All LoBs |
| Facultative reinsurance | All LoBs |

As soon as the relevant methodology becomes available the Group will estimate Insurance associated GHG emissions for the remaining lines of business.

**Insurance associated Scope 3 GHG emissions ($tCO_2e/yr$)**




Note 1: For 70% of Insurance associated GHG emissions estimated for in-scope Commercial lines, the Group utilized Group wide Scope 1, Scope 2 and Scope 3 GHG emission proxies rather than industry specific proxies due to lack of available data on which industry those customers operate. The Group wide proxies are based on the industries of the remaining 30% of in-scope Commercial Lines customers.

The Group has estimated Insurance associated GHG emissions for 64% of in-force portfolio as at 31/12/2023. The PCAF methodology has a fixed point in time approach for the estimation of Insurance associated GHG emissions to avoid double counting and exclude any expiring insurance contracts before the selected fixed point in time. For the purpose of the calculation the fixed point in time is the last day of the fiscal year, 31/12/2023 and 31/12/2022. By measuring insurance-associated emissions and using the intensity metrics the Group aims to identify sectors and businesses in its portfolio that require the most support in their decarbonisation efforts and independently determine how best to support the transition by developing innovative products and services. Insurance associated GHG emissions comprise of c.0.3% of GHG emission inventory of the Group. Even though it is not considered material, the Group is exploring to set decarbonisation targets and design the decarbonisation strategy on Insurance contracts based on methodology and data availability.

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

**Pillar IV - Metrics and Targets** (continued)

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

The increase of c.4% in Insurance associated GHG emission of Motor personal line is due to increase in Motor insurance contracts (increase in by c.10%). For motor personal line, the calculation considers the Scope 1 and 2 GHG emissions of insured vehicles within the portfolio and multiplies them by an attribution factor. The attribution factor represents the insurance industry's share of the total cost of ownership of a vehicle, which includes other costs such as depreciation, fuel, and maintenance. The carbon emissions of the insured vehicles are multiplied by the industry attribution factor (calculated by PCAF as 6.99 %) to calculate the insurance-associated emissions.

Insurance associated GHG emissions for commercial lines are calculated by multiplying an attribution factor (i.e., for commercial lines this is the insurance premium divided by insured customer's revenue) by the absolute GHG emissions of the re/insured customer or asset. The attribution factor determines what share of the absolute emissions of an insured customer or asset is attributable to GI. The movement in the Insurance associated GHG emissions of Commercial lines is aligned with the increase/decrease in Gross Written Premiums ('GWP'). As soon as customer specific information become available more meaningful comparisons would be made available and the data quality used in the estimation will be enhanced. The property line comprises c.44% of Insurance associated GHG emission of in-scope Commercial lines.

| GI – Insurance Associated GHG Emissions – Commercial Lines – 31/12/2023 | | | | | | |
|---|---|---|---|---|---|---|
| **Line of Business** | **Total GWP (€million)** | **Scope 1 & Scope 2 GHG emission ($tCO_2e$) absolute** | **Scope 3 emissions ($tCO_2e$) absolute** | **Total emissions ($tCO_2e$) absolute** | **Intensity ($tCO_2e$/€million per GWP)** | **Data quality score** |
| Motor | 4.1 | 207 | 857 | 1,064 | 260 | 5 |
| Property | 12.7 | 794 | 2,561 | 3,355 | 263 | 5 |
| Liability | 6.6 | 362 | 1,424 | 1,786 | 269 | 5 |
| Other | 5.1 | 305 | 1,125 | 1,430 | 281 | 5 |
| **Total** | **28.5** | **1,668** | **5,967** | **7,634** | | |

| GI – Insurance Associated GHG Emissions – Commercial Lines – 31/12/2022 | | | | | | |
|---|---|---|---|---|---|---|
| **Line of Business** | **Total GWP (€million)** | **Scope 1 & Scope 2 GHG emission ($tCO_2e$) absolute** | **Scope 3 emissions ($tCO_2e$) absolute** | **Total emissions ($tCO_2e$) absolute** | **Intensity ($tCO_2e$/€million per GWP)** | **Data quality score** |
| Motor | 3.1 | 160 | 698 | 858 | 278 | 5 |
| Property | 11.5 | 642 | 2,435 | 3,077 | 268 | 5 |
| Liability | 5.9 | 300 | 1,354 | 1,654 | 282 | 5 |
| Other | 6.2 | 348 | 1,499 | 1,847 | 299 | 5 |
| **Total** | **26.7** | **1,450** | **5,986** | **7,436** | | |

**Climate physical risks metrics**

Following the MA on C&E risks, the analysis indicated that climate-related physical risks, acute hazards are material due to BOC PCL's exposure to high Wildfire risk. Therefore, an internal indicator measuring the exposure to wildfire hazard has been introduced through the Climate Risk Report. The metric indicates the immovable property collaterals, which are potentially exposed to wildfire hazard.

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

**Important information in climate disclosures**

What is important to our investors and stakeholders evolves over time, and the Group aims to anticipate and respond to these changes. Disclosure expectations in relation to climate change matters are particularly fast moving, and differ from more traditional areas of reporting including in relation to the level of detail and forward-looking nature of the information involved. Our climate disclosures take into account the wider context relevant to these topics, which may include evolving stakeholder views, the development of our climate strategy, longer timeframes for assessing potential risks and impacts, international long-term climate-based and nature-based policy goals and evolving sustainability-related policy frameworks. Our climate disclosures are subject to more uncertainty than disclosures relating to other subjects, given market challenges in relation to data reliability, consistency and timeliness – the use of estimates, judgements and assumptions which are likely to change over time, the application and development of data, models, scenarios and methodologies, the change in regulatory landscape, and variations in reporting standards. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops, and could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any forward-looking statements or metrics included in our climate disclosures. The Group gives no assurance as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained in our climate disclosures and make no commitment to revise or update any such disclosures to reflect events or circumstances occurring or existing after the date of such statements.

**Disclaimers in climate disclosures**

In preparing the climate content within the Group's Annual Financial Report, the Group have:

i. Made certain key judgements, estimations and assumptions. This is, for example, the case in relation to financed emissions, portfolio alignment, classification of environmental financing, operational emissions, measurement of climate risk and scenario analysis.
ii. Used climate data, models, scenarios and methodologies, the Group considers to be appropriate and suitable for these purposes as at the date on which they were deployed. This includes data, models, scenarios and methodologies made available by third parties (over which the Group has no control) and which may have been prepared using a range of different methodologies, or where the basis of preparation may not be known to us. Climate data, models, scenarios and methodologies are subject to future risks and uncertainties and may change over time. Climate disclosures in this document, including climate-related data, models and methodologies, are not of the same standard as those available in the context of other financial information and use a greater number and level of judgements, assumptions and estimates, including with respect to the classification of climate and sustainable financing activities.
iii. Continued (and will continue) to review and develop our approach to data, models, scenarios and methodologies in line with market principles and standards as this subject area matures. The data, models, scenarios and methodologies used (including those made available by third parties) and the judgements, estimates and/or assumptions made in them or by the Group are rapidly evolving, and this may directly or indirectly affect the metrics, data points, targets, convergence points and milestones contained in the climate content within the Annual Financial Report.
iv. Made certain forward-looking statements only as of the date they are made. The Group expressly disclaims any obligation to revise or update these climate forward-looking statements, other than as expressly required by applicable law.

**Uncertainties in climate disclosures**

i. The evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
ii. Changes in the climate regulatory landscape including changes in government approach and regulatory treatment in relation to climate disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to climate across all sectors and markets;
iii. Climate reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different climate metrics are still emerging;
iv. The Group's climate disclosures are limited by the availability of high-quality data in some areas and its own ability to timely collect and process such data as required.

**PART B:**

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

The preparation of the EU Taxonomy reporting is based on prudential consolidation of the Group. The consolidation is in accordance with the supervisory reporting of financial institutions as defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council, and the Commission Implementing Regulation (EU) 2021/451 (FINREP). The EU Taxonomy is a classification system of economic activities that make a substantial contribution to environmental sustainability under Taxonomy Regulation (EU) 2020/852. In addition, the preparation of reporting is based on the Delegated Act supplementing Article 8 of the Taxonomy Regulation (Disclosures Delegated Act 2021/2178). Article 3 of the EU Taxonomy Regulation sets out the criteria that an economic activity must meet to qualify as environmentally sustainable. This includes economic activity that is carried out in compliance with the minimum safeguards and contributes substantially to one or more of the environmental objectives.

The EU Taxonomy has six environmental objectives namely:
- climate change mitigation (CCM);
- climate change adaptation (CCA);
- sustainable use and protection of water and marine resources (WTR);
- transition to a circular economy (CE);
- pollution prevention and control (PPC); and
- protection and restoration of biodiversity and ecosystems (BIO).

**Minimum Safeguards**

As part of the assessment of environmentally sustainable economic activities, it is required that economic activity is carried out in compliance with minimum safeguards as part of Article 18 of the EU Taxonomy Regulation. The purpose of the minimum safeguards is to ensure compliance with minimum human and labour rights standards, preventing activities that breach key social principles by aligning with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. In the Taxonomy reporting, compliance with minimum safeguards is an integral part of the non-financial undertakings' Taxonomy KPIs that the Group applies to exposures.

**Substantial contribution to the EU environmental objectives**

Through its financing of large undertakings subject to the Non-Financial Reporting Directive ('NFRD') and investments in bonds, the Group supports a variety of economic activities that contribute to the EU environmental objectives. In addition, the Group's sustainable finance products including green housing, green home improvement loans and green motor loans contributes to the EU environmental objective of climate change mitigation. To classify sustainable products as Taxonomy-Aligned there are further criteria that must be adhered in addition to the contribution to EU environmental objectives.

**Taxonomy KPIs**

For the first time, the Group is reporting on Taxonomy KPIs and green asset ratios (GAR). Reporting includes input on turnover and CapEx from Taxonomy KPIs. The total GAR covers the two climate-related (CCM and CCA) EU environmental objectives.

The Group's total GAR based on turnover amounted to 0% of total covered assets, with the total GAR based on CapEx equivalent to 0.01% of total covered assets as at year end 2023. The Taxonomy-aligned activities amounted to €1 million at year end 2023. Gross carrying amount of total covered assets amounted to €14,497 million as at year end 2023. Total green asset ratio: Taxonomy-aligned activities as a proportion of total covered assets. Total covered assets: Total assets excluding exposures to sovereigns and trading book. Total assets are defined according to the prudential consolidation of the Group per FINREP.

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

**Taxonomy KPIs** (continued)

Climate Delegated Act The Complementary Climate Delegated Act 2022/1214 including specific nuclear and gas energy activities published in July 2022, requires the Group to assess and disclose taxonomy eligibility and non-eligibility of nuclear and fossil gas-related activities at 31 December 2023. The Group has no direct exposure through lending to customers that have economic activities related to the production of electricity or heating using nuclear installations or electricity generation facilities that produce electricity from nuclear processes. The Group also has exposure to customers involved in the operation of electricity generation facilities that produce electricity using fossil gaseous fuels. See supplementary information in the section 'Additional Information – EU Taxonomy Disclosure Tables' of Annual Financial Report under Annex XII of the Delegated Act.

**Enhancing our EU Taxonomy Disclosures**

As companies' transparency in line with the EU Taxonomy increases, it will enable expanded reporting against the Taxonomy. The adoption of CSRD and European Sustainability Reporting Standards ('ESRS') will support the further implementation of the EU Taxonomy Regulation into our business strategy, systems, and investment and lending processes.

Limitations in data when assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial undertakings, actual published information provided by counterparties is required. However, a complete data collection has been limited as published reporting on Taxonomy-alignment KPIs from financial and non-financial undertakings is not yet available at the reporting date.

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

**Summary of KPIs**

The following table is a summary of KPIs to be disclosed by credit institutions under Article 8 of the EU Taxonomy Regulation. See supplementary information in section 'Additional Information – EU Taxonomy Disclosure Tables' of Annual Financial Report for additional EU Taxonomy tables reported under Annex VI of the Disclosures Delegated Act and taxonomy aligned activities.

| | | Total environmentally sustainable assets (€million) | KPI turnover[14] % | KPI CapEx[15] % | % coverage (over total assets)[16] | % of assets excluded from the numerator of the GAR | % of assets excluded from denominator of the GAR |
|---|---|---|---|---|---|---|---|
| **Main KPI** | **Green asset ratio (GAR) stock** | **1** | **0%** | **0.01%** | **30%** | **26%** | **44%** |
| Additional KPIs | GAR (flow) | 1 | 0% | 0% | 46% | 29% | 25% |
| | Trading book[17] | n/a | n/a | n/a | | | |
| | Financial guarantees | - | 0% | 0% | | | |
| | Assets under management | - | 0% | 0% | | | |
| | Fee and commission income[17] | n/a | n/a | n/a | | | |

Limitations in data Reporting on Taxonomy-aligned activities for FY 2023 has been constrained due to current limitations on the availability of relevant information across key categories:

a. When assessing Taxonomy-eligible and Taxonomy-aligned activities for financial and non-financial counterparties, actual information published by counterparties is required:
  i. published reporting on Taxonomy-alignment KPIs from financial undertakings is not available at the reporting date;
  ii. non-financial undertakings have not yet published data for FY2023; consequently, the Taxonomy reporting of eligibility and alignment for non-financial undertakings is based on published data from FY2022;
  iii. furthermore, reporting on Taxonomy-eligibility for the four additional environmental objectives implemented in 2023 is not possible for FY2023 as non-financial undertakings are only reporting on these objectives from FY2023, with financial undertakings reporting on these objectives from FY2025; and
  iv. exposure to non-financial counterparties in the Group's corporate lending portfolio currently considered taxonomy eligible is limited due to the eligibility criteria requiring counterparties to be large companies publicly listed in the EU.

b. When assessing Taxonomy-eligible and Taxonomy-aligned activities for lending to households, other data limitations impact reporting:
  i. Hybrid and Electric Vehicles lending exposures originated since the beginning of FY2023 are considered eligible per taxonomy criteria. However, they are not classified as aligned due to the lack of available information in the industry to assess the vehicles against the Taxonomy DNSH (Do No Significant Harm) criteria.

[14] Based on the Turnover KPI of the counterparty.
[15] Based on the CapEx KPI of the counterparty.
[16] Percentage of assets covered by the KPI over the total assets.
[17] Trading book and Fees and Commissions KPIs only apply starting 2026.

**PART C:**

**Non-financial information statement**

The Group plays a key role in driving economic growth of Cyprus with a long presence and a dominant market position. Sustainable development, social progress, environmental integrity, climate stability and a viable economy are all among the Group's key targets for 2023 and beyond.

The Group publishes its Annual Non-Financial Results based on the Global Reporting Initiative ('GRI') and the Sustainability Accounting Standards Board ('SASB') guidelines and standards, which identify and include all the above information. The Corporate Sustainability Report 2023 will be available at the Group's website http://www.bankofcyprus.com (Group/Sustainability/Our Sustainability Reports). Going forward, the Group will align its disclosures with the Corporate Sustainability Reporting Directive ('CSRD') and the International Financial Reporting Standards ('IFRS') for Climate (S2) and Sustainability Disclosures (S1).

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

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

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

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

Employee Engagement
As of 31 December 2023, the Group employed 2,830 employees compared to 2,889 persons as at 31 December 2022. Analysis per geographical location of the Group's average number of employees (full time) and analysis of the average number of employees in Cyprus per business line for 2023 is disclosed in Note 14 of the Consolidated Financial Statements. The Group has developed policies to safeguard gender equality, diversity and inclusion. Policies, procedures, training and a series of tools are available to ensure the Group fosters a culture of meritocracy and fairness. Following the agreement with the Cyprus Union of Bank Employees for the renewal of the collective agreement for the years 2022 and 2023 a performance-based pay structure was introduced across the Group to drive greater alignment with Group's strategy and ambition.

In 2023, under the 'Organisational Health' project, the Group executed a full survey to reassess peoples' perspectives, management's commitment and engagement around the Group's business pillars and management practices. The four selected health priorities (Personal Ownership, Knowledge Sharing, Employee Involvement and Career Opportunities) were significantly improved through tailor made initiatives that the Group launched and dedicated workshops and brainstorming sessions for next steps planned with the Senior Management and Culture Ambassadors.

One of the highlights of 2023, was the successful launch of the 1st BOC Intrapreneurship Competition "Think Tank". The vision was to empower creativity, increase engagement, nurture a Culture of Innovation, and identify talent. More than 70 idea submissions were received and 9 Think Tank finalists presented their ideas to the committee in a final pitching event. The 3 winning ideas were around ESG, Digital Transformation and New products.

The Group has continued to upgrade its staff's skill set by providing training and development opportunities to all staff, and capitalising on modern delivery methods. In 2023, the Group heightened its emphasis on staff wellness by offering webinars, team building activities and family events with sole purpose to enhance mental, physical, financial and social health, attended by approximately, 2,000 employees, through its 'Well-at-Work program'.

**Non-financial information statement** (continued)

***Commitment to Sustainability*** (continued)

***Employees*** (Continued)
Learning and Development
Under the Group's Learning and Development Policy, in 2023 the training programmes delivered were based on the following training pillars:

i. Reskilling - Provide reskilling opportunities to unlock our people's potentials and help them to better cope with the ongoing changing professional needs and skills. Focus on systems training and data analytics.
ii. Upskilling - Advance leadership and management skills to better manage and engage with people. Invest and emphasize on Customer Service & Selling Skills to improve customer experience and maximise sales effectiveness of Consumer Banking
iii. Business Essentials - Provide ongoing training opportunities to keep our people up to date with regulatory, compliance, information security and knowledge, to perform with integrity and professionalism. Provide training and ensure that our people are adequately trained to promote the new digital banking services.

The training programs offered to members of staff increased by 7% in 2023 in comparison to 2022 and total training hours offered increased by 11% in comparison to 2022. In 2023, 100% of employees received training, with a total of 72,888 training hours being offered. Further to the provision of e-learnings and live webinars, BOC PCL provided 103 physical trainings and programs totalling 31,149 hours during 2023.

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

In 2023 the Group H&S Policy and the internal procedures were revised so as to ensure compliance with the new H&S regulations. Employees were trained on H&S issues and procedures through an e-learning course. In addition, training sessions were conducted for the Presidents of the Safety Committees and key persons of the H&S team, the Compliance Liaisons and the First Aiders. The Group conducts evacuation exercises once a year nationwide for the emergency procedures, including earthquakes and fire. Identified risks through the risk assessments have been properly addressed throughout the year. Our approach is to provide assurance that risks are being properly managed and make our people feel safe. In 2023, the Group continued emphasizing staff wellness offering seminars on Healthy Eating and Mental Health in the workplace, through its 'Well at Work program'.

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

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

In 2023 the Group continued to undertake sustainable support to the local community with Health Pillar initiatives, and Education Pillar initiatives, based on the relevant policy and strategy. Additionally, the Group continued to develop initiatives that aimed to preserve local culture and history, through the Bank of Cyprus Cultural Foundation and to enhance innovation and start-ups through the IDEA Innovation Centre. The Group successfully continued and expanded the operation of the award winning SupportCY network of companies and Non Governmental Organisations ('NGOs').

**Non-financial information statement** (continued)

***Commitment to Sustainability*** (continued)

*Society* (continued)
SupportCY was created in March 2020, in order to support public services performing frontline duties during the COVID-19 pandemic, its actions led by the Group expanded in supporting various societal needs. At the same time, it continued to generate Social Capital which is both sustainable and more effective, by bringing businesses and organisations together to share what each does best, in responding to specific needs. By 31 December 2023, the SupportCY network had more than 180 members, while the SupportCY Crises and Disasters Respond Center, the SupportCY Volunteers Corps and SupportCY House, continue to operate and expand in order to satisfy and cover even more needs of the Cyprus society, and beyond. Since establishment, the SupportCY initiative contribution to society, reached €1 million worth in funds services and products with the Group contributing most of the monetary support.

To support actions for the society, the Group contributed approximately €700,000 for the support and enhancement of more than 100 NGOs, associations, charity organisations, municipalities, schools, sports federations, and sports academies, while offering refurbished computers and other office equipment to schools, associations and NGOs from the Group's stock.

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

Health pillar main actions:

i. More than 50,000 patients have been treated at the Bank of Cyprus Oncology Centre since its establishment by the Group 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.
ii. The Group coordinated for one more year the fundraising campaign with the Cyprus Anticancer Society ('CAS') under the new slogan "Be there". The campaign resulted in fund raising of €416,000 for CAS. In 2023, the Group repeated its provision of financial and other medical support to families in need through key NGOs, based on the Donations, Sponsorships and Partnerships Policy, and within the SupportCY network. Additionally, the Group partners work with, and support several Patient Associations.

Education pillar main actions:

i. 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.
ii. In 2023 IDEA successfully completed its 8th cycle, introducing its revamped Startup Program. The comprehensive business-creation training Program was 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. In 2023 IDEA has brought to life innovative businesses relating to HR, eCommerce, booking & social platforms and real estate sectors, through its current start-ups: Hello Radius, Freyia Labs, Park in Town, Design Inspiration Group and Insavior. During 2023, 7 Start-ups joined IDEA, and 7 New companies were established, totaling 89 start-ups supported by 2023. In 2023, 5 companies successfully completed the IDEA Startup Program, and 55 mentors and 40 trainers took part. Financial support provided in 2023 amounted to €100,000 (€20,000 to 5 companies), with a total number of 210 entrepreneurs being trained since 2015 and more than 100 new jobs being created by 2023.

**Non-financial information statement** (continued)

***Commitment to Sustainability*** (continued)

*Society* (continued)

iii. In 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, through awards and prizes. The Group also awarded talented youth in sports, through sport associations and academies.

iv. In 2023, the Group announced the 'Mathainoume Allios' (Update your skills) programme promoting economic and digital literacy. The programme is geared at senior citizens, but also any member of the public wishing to learn in simple terms and with images how to carry out their banking transactions easily by making use of the available technology and digital tools, through a series of presentations to municipalities and communities.

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

*Environment*

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

During 2023, the Group initiated more environmental programmes in partnerships with expert NGOs and other entities, focusing on climate change impacts and the prevention, response to and recovery of forest fires, biodiversity and sea pollution.

Environmental pillar main actions:

i. The 'Melissa Zoi' Centre, a bee artificial insemination project for biodiversity, was inaugurated in June 2022, by the Group 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.

ii. 'Seammahia', a joint Sea Venture, is a project funded by the Group and includes the study and installation of two pilot systems for monitoring the quality of sea water; one in the area of the Ayia Napa Marina and one in the Blue Lagoon (Akamas peninsula) in Cyprus. The purpose is to monitor and record important water quality parameters in real time, for the provision of early detection of pollution indices, which in turn will provide warnings for necessary corrective actions to ensure environmental protection.

iii. The Bank of Cyprus SupportCY network of businesses and organisations joined forces and supported the Forest Department and the Cyprus Fire Services 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 has been programmed by the SupportCY Volunteers Corps and the Crises and Disasters Centre. Concurrently, educational and informative actions have been planned in shopping centres and rural municipalities with the collaboration of the Forest Department.

iv. Members of the SupportCY Volunteers Corps flew to Greece immediately after the deadly floods in the Larissa area to help the locals with the water pumping from buildings and houses. More specifically, with the use of their own pumps, SupportCY volunteers pumped tons of water out of the local elementary school, and in return students and teachers at the school organised an emotional ceremony, one month after the floods, to thank and honour them.

**Non-financial information statement** (continued)

*Political donations*
Political donations are required to be disclosed under the Electoral Act 1997 of Ireland (as amended). Based on the Donations, Sponsorships and Partnerships Policy of the Group, the Group does not sponsor political parties, or any associations/organisations related directly, or indirectly, to one. The Directors, on enquiry, have satisfied themselves that there were no political donations made during the year ended 31 December 2023.

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

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

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

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

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

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

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

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

**Diversity Report**

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

**Non-financial information statement** (continued)

**Business Model**

The business model of the Group is described in the 'Business Overview' and 'Strategy and Outlook' sections of the 'Directors' Report' within the Annual Financial Report 2023.

**Risk Management**

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

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

**Key Performance Indicators**

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