

Interim Pillar 3 disclosures

Appendix II - Environmental, Social and Governance Risks

2026

Bank of Cyprus Holdings



BANK OF CYPRUS HOLDINGS GROUP
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1. Environmental risk

1.1 Business strategy and processes

1.1.1 Business strategy to integrate environmental factors and risks

As a signatory to the UN PRB, the Group aims to align its own operations, supply chain and portfolios with the transition to a sustainable economy. This commitment was enforced through the Group's ESG primary ambitions, as determined in the ESG strategy, which was formulated in 2021. The Group's primary ESG ambitions are:

Group's ESG Primary ambitions	
Ambition	Description
Own operations 42% GHG emission reduction by 2030	The Group aims to become carbon-neutral in own operations by 2050, by gradually eliminating its scope 1 and 2 GHG emissions. The Group has set an interim target in line with carbon-neutrality ambition in own operations to reduce Scope 1 and Scope 2 GHG emissions by 42% (absolute target) by 2030 compared to the baseline of 2021.
Become Net Zero by 2050	The Group's ambition to become Net Zero, by reducing its Scope 1, Scope 2 and Scope 3 emissions through its supply chain (i.e. third-party providers) and its financing activities, which also entails the alignment and commitment of our customers towards this goal.
Steadily increase GAR	The Group aims to increase GAR. The GAR indicates the degree of alignment with the EU Taxonomy, such as showing 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, such as those consistent with the European Green Deal and the Paris agreement goals.
Steadily increase Green Mortgage Ratio	In accordance with the Green Asset Ratio, the numerator consists of mortgages used only for sustainable activities related to the construction of new buildings and renovation of buildings, while the denominator includes all mortgages. The Group has not yet developed EU taxonomy aligned Mortgages, however, aims to launch such an offering in upcoming years.

The Group, in 2025 has established the Environmental Management Policy which provides guidance to the Group on how to actively promote environmental sustainability in own operations through ongoing identification, management and improved efficiency of environmental impacts associated with the Group's business activities, namely: energy management, adaptation measures, use of resources, renewable energy, recycling and waste management and procurement decisions. The Group has implemented and plans to implement several actions, on owned buildings and branches, aiming to mitigate material negative impacts on climate change mitigation, climate change adaptation, energy efficiency and renewable energy deployment.

The decarbonisation activities and actions in relation to Own Operations of the Group conducted the last years include:

- i. Installation of electric chargers for cars
- ii. Air-conditioning systems replacements
- iii. Roof insulation
- iv. Solar Panels
- v. Plug in hybrid vehicles
- vi. Electric vehicles
- vii. Lighting replacement

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

In addition, Branch rationalisation associated with the Digital Transformation programme is considered a decarbonization lever as well. The Group is considering the implementation of a large project which is expected to reduce Scope 1 and Scope 2 GHG emissions between 10%-20% compared to 2025 emissions inventory.

Apart from the strategy to reduce GHG emissions associated with its own operations, BOC PCL should design the strategy to mitigate climate-related and environmental risks associated with loan portfolio (i.e. customers) and investment portfolio. 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. Sustainable Finance Framework;
5. ESG and Climate considerations in loan pricing.

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 customer's profitability, liquidity, creditworthiness and ultimately their sustainability in the longer term. In order to manage transition risks and be aligned with Net Zero commitment, BOCH 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 BOCH 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 BOCH Concentration Policy.

Decarbonization targets

The Group aims to work with its customers, colleagues and communities to support their transition to a resilient, low carbon 1.5°C aligned economy by 2050, in line with Cyprus governments' ambitions and actions.

The Group, taking into account the maturity of the market in Cyprus regarding climate change, the available methodologies for setting GHG emission reduction targets and the limited climate data, decided to set its GHG emission reduction targets by applying the International Energy Agency's Below 2 °C climate scenario (IEA B2DS), aiming to limit global warming to 1.75 °C. However, as methodologies evolve and more reliable climate data becomes available, the Group is committed to adjusting its targets to align with the 1.5°C goal. The Group utilized the Science Based Targets Initiative (SBTi) tools to set the GHG emission targets however, these targets are not externally validated by any global climate body. The Group has committed to reducing its scope 1, 2 and 3 GHG emissions to meet its stated targets below:

1. 42% reduction in GHG emissions (Scope 1 and 2) by 2030 compared to a 2021 base year;
2. 43% reduction in residential mortgage portfolio GHG emissions per square meter by 2030 from a 2022 base year.

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

Green/Transition Lending

The Group, by taking into account the results of Business Environment Scan (BES) and the MA on C&E risks, has set Green /Transition new lending internal KPIs for 2026 in order to support the transition of its customer and Cyprus to a low carbon economy and limit its exposure to transition and physical risks in certain sectors. Specifically, the Group by taking into account the results of the MA on C&E risks, the expected introduction of Green taxation in Cyprus, the amendments adopted on the Energy Performance Directive on buildings as well as the Cyprus Government subsidies identified climate related opportunities and has set Green/Transition new lending internal KPIs on specific sectors (i.e., Manufacturing, Trade, Construction and Accommodation) to enable the Green transition.

The Green/Transition new lending internal KPIs have been included in the Group's Financial Plan for 2026 – 2028 and monitored on a monthly basis by the BDC of the Group. Green / Transition new lending internal KPIs are set on an annual basis during the development of the Group's Financial Plan.

In addition, the Group 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 Fileco Product Scheme. The Group offers Environmentally friendly Car Hire Purchase addressed to anyone who wants to buy a new hybrid or electric car, providing its customers the opportunity to buy a new electric vehicle and to move away from transport options reliant on fossil fuels. Moreover, an environmentally friendly loan for home renovation is offered to customers who want to renovate and upgrade the energy efficiency of their privately owned primary residence or holiday home and achieve a higher energy efficiency rating. Further, the customers may benefit from an Energy Loan for the installation of energy saving systems for home use. This product is addressed to customers who seek financing for the installation of photovoltaic systems for home use and other home energy saving systems. The Group introduced Green Housing product with variable interest rate and with fixed interest rate, aligned with GLP of LMA, which drives the decarbonisation strategy of Mortgage portfolio. Green housing products provide a discount to customers providing the EPC Category A. The new lending strategy of the Group, embedded in the Financial Plan for 2026-2028, includes the ambition on the new Green Housing product in order to be aligned with the GHG emissions reduction target set and manage transition risk. The fact that the Cyprus legislation imposes residential properties to have an EPC A so to issue a planning permit after 1 July 2020 facilitates the process. The Environmentally friendly Gross Loans are not verified by independent body.

Sustainable Finance Framework

The Group established a Sustainable Finance Framework ('SFF') aiming to improve disclosure and transparency on sustainability and to bring to international investors more opportunities to invest in sustainable developments in Cyprus and Greece. The SFF is designed to support the management of climate change mitigation, adaptation and energy impacts and risks and grasp opportunities through sustainable financing. The Group has set up a Sustainable Finance Framework which will facilitate the issuance of:

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

The SFF is aligned with the Green Bond Principles and defines the following core elements:

- i. Use of Proceeds
- ii. Process for Project Evaluation and Selection
- iii. Management of Proceeds
- iv. Reporting

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

For Use of Proceeds an amount at least equivalent to the net proceeds of any Sustainable Financing Instrument issued by the Group will be allocated to finance new or re-finance, in whole or in part sustainable projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories. The Project Evaluation and Selection Process ensures that the proceeds of any of the Group's Sustainable Financing Instruments are allocated to new lending or existing projects that meets the criteria set out under the SFF. The Group has established a Sustainable Financing Working Group (SFWG) to carry out the evaluation and selection process.

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

- a) Renewable Energy (Environmental)
- b) Energy Efficiency (Environmental)
- c) Clean transportation (Environmental)
- d) Green Buildings (Environmental)
- e) Access to Essential Services – Healthcare
- f) Employment Generation and SME financing

For all Sustainable Financing Instrument issuances under this Framework, the Group is committed to providing investors with transparent reporting on the allocation of proceeds towards Eligible Sustainable Projects (Allocation Reporting), as well as to report on the positive environmental and social impacts of those projects (Impact Reporting). The Sustainable Financing Instrument Report will be updated annually, until full allocation of the proceeds of the issued Sustainable Financing Instrument(s).

BOC PCL, in 2024, issued a €300 million green senior preferred notes under the EMTN programme in line with the Group's Beyond Banking approach, aimed at creating a stronger, safer and future-focused bank and leading the transition of Cyprus to a sustainable future. An amount equivalent to the net proceeds of the Notes was allocated during 2025 to eligible green projects as described in the SFF. The Group published the Green Bond – Allocation & Impact Report in April 2025 associated with the above green senior preferred notes.

ESG and Climate considerations in loan pricing

The Group performed market research to identify the best practices to incorporate ESG and climate considerations in the loan pricing. Following the market research, the Group introduced margin discounts by taking into account the customer's ESG score or the transaction eligibility under Green Lending Policy. A margin discount, based on the client's ESG and climate impact, has been 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. The Group linked the margin discount at the client level to the borrower's "E" scoring (extracted from borrower's "ESG" score). In addition, the margin discount is linked at the transaction level (i.e. whether lending is Green or not) utilizing the provisions of the Green Lending Policy. This approach aims to incentivize customers to have a better ESG score and obtain green lending in order to be exposed to lower level of climate change transition and adaptation risks.

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

Principles for Responsible Banking (PRB)

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 United Nations Environment Programme Finance Initiative (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 the Bank 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 next step for BOC PCL was 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 decarbonization 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 decarbonization target on Mortgage refer to Section 1.1.2 Objective, targets and limits.

In 2026, BOC PCL has set its second SMART target for the "availability, accessibility, affordability & quality of resources and services" impact area. Considering the Group's positive impact to customers and society through the Group's financing activities, actions and digital means, it has been decided to set a target associated with financial health and inclusion to measure and demonstrate the Group's positive contribution. The Group decided to set a target on new JOEY accounts to be opened by 2030. JOEY is the Bank of Cyprus' digital banking app and debit card designed specifically for children and teenagers, covering the age range 6–17. It is a youth banking ecosystem that allows minors make transactions (with full parental oversight) and learn money management safely through several features such as setting saving goals, budgeting and money health scoring. More specifically, the Group has set a SMART target to open a total of at least 25,000 new JOEY accounts by 2030 from the total of 8,965 new JOEY accounts opened as of 31 December 2025. The Group aims to promote financial inclusion by bringing underserved groups into the formal financial system as youth under 18 are traditionally excluded from independent banking. In addition, the Group aims to promote financial health by providing and improving the financial literacy, resilience, habits and long-term financial well-being of youth 6-17. The target has been taking into consideration the number of accounts as at 31 December 2025, management expectations on new JOEY accounts projection between 2025-2030, the eligible population in Cyprus (ages 6-17) and assumptions on the Group's market share. The target relates to new accounts created and does not consider the accounts that will be closed in the following years for any reason. The target has been approved by the Board of Directors in March 2026 and is effective from the beginning of 2026 until 2030. As at 30 June 2026 a total of 12,888 opened. The Group monitors the performance against the target in order to take remedial actions on time through SC, EXCO and NCGC on a quarterly basis through the Sustainability Performance Report.

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

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 the 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. We aim 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 our 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.
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.

As a means to enhance not only its ESG and climate risk framework but also its ability to identify future opportunities BOC PCL has introduced new ESG questionnaires within its credit granting process. For more details on ESG questionnaires refer to Section 1.3.

Group Financial and Business Plan

The Group enhanced the Group Financial and Business Plan manual to ensure the incorporation of C&E risks and considerations in the Business Strategy. Specifically, during the planning phase of new lending the Governance and ESG Department (G&ESG) and Investor Relations and ESG Department (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 (BES)

BOC PCL established and implemented 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

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

identify C&E risks emerging from these updates and developments and inform the Group'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, the Group collects external information, on a quarterly 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 Group's risk and strategic profile. Scores range from 0 (No impact) to 5 (Critical impact).

The Group 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. The results of the BES, for 2025, have been considered and informed the RIMA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical".

As of June 2026, the BES Manual has been enhanced with regards to capturing both positive and negative impacts on the Group's risk profile and strategy. In addition, the governance framework was streamlined, with reporting to Executive Committees revised from quarterly to semi-annual and BES Working Group meetings from monthly to quarterly.

The preliminary impact assessment of key updates and developments on risk profile and strategy is conducted and reported to the Sustainability Committee and Executive Committee on a semi-annual basis. The final impact assessment of key updates and developments on risk profile and strategy is conducted and presented to the Sustainability Committee, Executive Committee, Nominations and Corporate Governance Committee and Risk Committee on an annual basis.

The Group established also a BES working group with specific responsibilities assigned to Compliance Division, Risk Management Division and Strategy Department so to collectively perform the impact assessment arising from key updates and developments on risk profile and strategy.

1.1.2 Objectives, targets and limits

The Group in its ESG Strategy focus on the following key ambitions:

- i. Reduction by 42% of GHG emissions from own operations by 2030;
- ii. Become Net Zero by 2050;
- iii. Steadily increase Green Asset Ratio; and
- iv. Steadily increase Green Mortgage Ratio.

The Group has estimated the Scope 1 (Mobile Combustion, Stationary Combustion and Fugitive Emissions) and Scope 2 GHG emissions of 2021 relating to own operations in order to set the baseline for carbon neutrality target, given this was the year the Group's decarbonisation efforts were initiated. 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 and sectoral decarbonisation approach using Science Based target initiative's (SBTi) tool. The decarbonisation target has not been externally assured by relevant climate global bodies, such as SBTi. The target is directly linked with the Group's Environmental Management policy which came into force in November 2025.

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1.1.2 Objectives, targets and limits (continued)

The Group's decarbonisation efforts, including actions described in Section 1.1.1 lead to the reduction in Scope 1 and Scope 2 GHG emissions by 3,319 tCO₂e in 2025 (2024: 3,431) compared to 2021 which represents 24% reduction (2024: reduction by c.25%). BOCH should perform additional decarbonisation actions to reduce Scope 1 and Scope 2 GHG emissions by c.18% to achieve the interim target of 2030. The reduction in Scope 1 and Scope 2 GHG emissions progress between 2025 and 2024 is primarily due to the incorporation in the estimation the GHG emissions associated with Ethniki Insurance acquired during 2025 and the increase in the emission factor for Scope 2 - purchased electricity emissions. The energy efficiency actions conducted in 2025 were netted off with the increase in energy consumption due to increase in emission factor for Scope 2 - purchased electricity emissions and due to the acquisition of Ethniki Insurance Cyprus Ltd.

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 target to be monitored.

BOC monitors the performance against the GHG emission target on own operation through SC, EXCO and NCGC on a quarterly basis through the Sustainability Performance Report.

BOCH completed the acquisition of 100% of Ethniki Insurance Cyprus Ltd on 25 July 2025, following a binding agreement signed with Ethniki Hellenic General Insurance Company S.A. on 14 April 2025. Ethniki Insurance Cyprus has been fully integrated by 31 December 2025 to the Group's insurance companies EuroLife Ltd (EuroLife) and General Insurance of Cyprus Ltd (Genikes Insurance). Following the acquisition of 100% of Ethniki Insurance Cyprus Ltd, the Group assessed whether the baseline of the GHG emission reduction interim target on own operations should be recalculated to reflect GHG emissions of Ethniki Insurance Cyprus Ltd. The Group, following the guidance of GHG Protocol Corporate Standard (2004) on significant thresholds for recalculation, applies a 10% threshold to assess whether a structural change qualifies for baseline recalculation. Following the estimation of Scope 1 and Scope 2 GHG emissions of Ethniki Insurance Cyprus Ltd, for full year 2025, the GHG emissions from Ethniki's own operations in 2025 correspond to 1% of the Group's own operation emissions in 2021 (baseline). Therefore, the baseline of GHG emission reduction target on own operations of the Group has not been recalculated. The Scope 1 and Scope 2 GHG emissions of Ethniki Insurance Cyprus are reflected, on a full year basis, in GHG emissions of the Group as part of EuroLife and General Insurance.

For the purpose of the calculation of the Carbon footprint, the Group uses the operational GHG accounting approach. The 2026 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.

Aligned with the Group's 2050 Net Zero ambition, the Group joined the Partnership for Carbon Accounting Financials (PCAF) in October 2022 and adopted its recommended methodology for estimating Financed Scope 3 GHG emissions from the Group's investment and lending activities, as well as its insurance contracts. Group's Financed Scope 3 GHG emissions constitute 97% of the Group's total emissions, estimated using the PCAF Standard and proxies. The PCAF Standard, reviewed by the GHG Protocol, aligns with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for category 15 investment activities. It includes a data quality ranking scale from 1 (highest quality) to 5 (lowest quality), applied to the estimation of emissions for each asset class.

To improve data quality and reduce data gaps, BOCH launched ESG Due Diligence process to gather relevant data and enhanced its loan origination process to gather Energy Performance Certificates (EPCs) for financed and certain collateral properties. Additional data collection actions will be undertaken in 2026 based on the ESG and Climate Data Gap & Strategy. The loan portfolio has been classified into PCAF asset classes to facilitate future decarbonisation target-setting.

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1.1.2 Objectives, targets and limits (continued)

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.
Project Finance	Project finance includes all loans provided to projects such as energy, power, industrial, infrastructure and agricultural project that rely primarily on the project's cash flow for repayment.
Commercial real estate	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 Financed Scope 3 GHG emissions are disclosed in ESG Template 1.

The Group, by taking into account the GHG emissions estimated for loan portfolio, the most significant loan exposures and the RIMA on C&E risks, decided to set a decarbonisation target on Mortgage portfolio, since their exposure corresponds to 34% of Households, Non-Financial and Other-Financial Corporations exposures and corresponds to c.6% of Group's GHG emissions of loan portfolio. The target is aligned with the Group's ESG ambition to reach Net Zero by 2050 and is linked with the objectives of the policies mentioned above. The Group has estimated the GHG emissions per square meter, as at 31 December 2022, for the properties financed under its Mortgage portfolio using the PCAF methodology and proxies, to identify the baseline. By applying SBTi target setting methodology, the baseline should be no more than a year from the target's effective date. Therefore, given the target was effective from December 2023, the baseline was set at December 2022. Then Group utilised the SBTi's tools, sectoral decarbonisation approach, 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, BOCH 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 BOCH 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 SBTi'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 December 2022. In order to project the Mortgage portfolio as at 31 December 2030, BOCH used various assumptions such as:

- i. Projected new lending on Mortgage portfolio between 2026-2030;
- ii. Projected square meters of each property financed under projected Mortgage new lending;

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1.1.2 Objectives, targets and limits (continued)

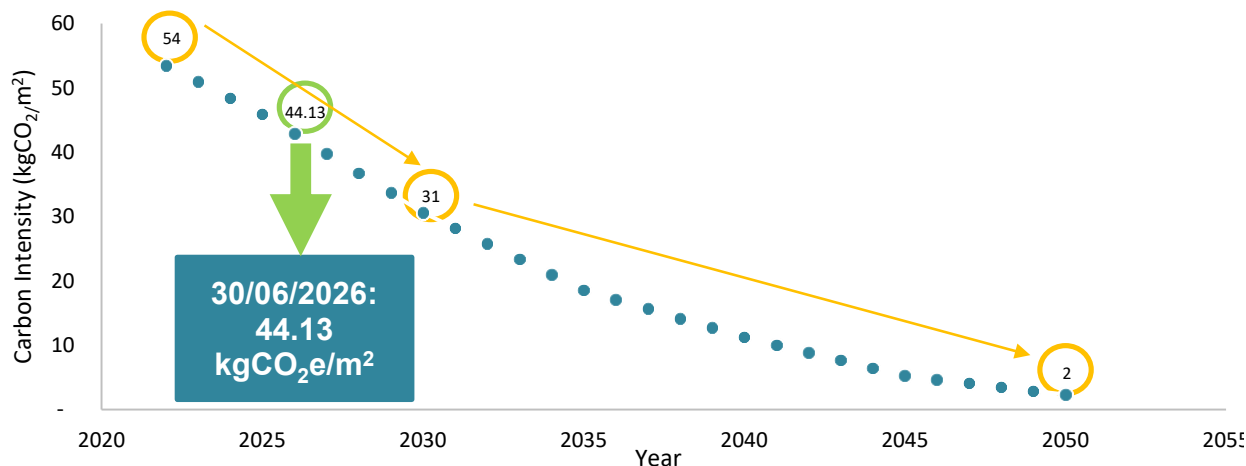
- iii. Allocation of new lending on Mortgages to EPC classifications;
- iv. PCAF proxies on GHG emissions per financed residential property;
- v. Cyprus Government targets on the reduction of GHG emissions as well as the utilisation of renewable energy on residential buildings by 2030;
- vi. Maturity of Mortgage exposures between 2026-2030.

When setting the target, the Group performed several sensitivities on the assumptions used to project Mortgage portfolio as at 31 December 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. The decarbonisation target has not been externally assured by relevant climate global bodies such as SBTi. The decarbonization 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 30 June 2026	Figure as at 30 June 2026	Methodology
kgCO ₂ /m ²	S1 & S2	53.50	2030	30.65	(43%)	(18%)	44.13	PCAF/SBTi
kgCO ₂ /m ²	S1 & S2	53.50	2050	2.34	(96%)	(18%)	44.13	PCAF/SBTi

The Group aims to reduce by 43% the kilograms of GHG emissions financed per square meter (kgCO₂e/m²) under the Mortgage portfolio, by 2030 compared to 2022 baseline. The Mortgage portfolio as at 30 June 2026 produced 44.13 kgCO₂e/m² (2025: 45.91 kgCO₂e/m²) which is 18% lower compared to the baseline due to increase in energy efficient residential properties.

Carbon Intensity Target - Mortgage Portfolio



- Actual carbon intensity performance as at 30 June 2026
- Targets

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1.1.2 Objectives, targets and limits (continued)

The Group in addition to the Green Housing product with a variable interest rate introduced in 2024 the Green Housing product with a fixed interest rate. Both products are aligned with the GLP of the LMA, supporting the decarbonization strategy of the mortgage portfolio. The Group's new lending strategy, embedded in the 2026-2028 Financial Plan, include a new lending internal KPI associated with the Green Housing product which represents the decarbonization lever to reach the carbon intensity reduction as presented in the above graph.

The feasibility of this GHG emission reduction target is strengthened by Cyprus legislation, which mandates that residential properties must have an EPC Category A to obtain a planning permit for construction after July 1, 2020. 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. BOCH 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 metric associated with decarbonisation target on Mortgage 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 (Monthly)
- iv. By BDC on a monthly basis.

Operational Limits to manage material climate transition and physical risks

In addition to the decarbonisation target set on the Mortgage portfolio, the Group has set Key Risk Indicators (KRIs) for both climate-related transition and physical risks. The KRI related to Transition Risks of Non-Financial Corporations (NFCs) measures the Scope 1 intensity per loan as compared with the average Scope 1 emission intensity of Cyprus Republic. The KRI and relevant thresholds are updated on an annual basis through revision of Risk Appetite process. The indicator is monitored by the SC, EXCO, RC and Board as part of the Risk Appetite quarterly reporting. The KRI is effective since 2025 and is estimated on a six-monthly basis based on PCAF standard and proxies. The indicator has been within the business-as-usual thresholds for the latest reported quarter. The limit is linked with the Group's Lending Policy.

Description	The indicator measures the potential exposure at risk in relation to transition risk. The indicator is applicable to Non – Financial Corporations only.			
Thresholds	Business as usual:	Early warning:	In-breach:	Q2-2026
	<=30%	30 – 40%	>40%	26%

Note:

- 1) The KRI measures the Potential Exposure at Risk [PEAR = (Exposures with CO2 emissions >= the Cyprus average Scope 1 emissions)/(Total Exposure)]. This KRI is also included in the RAF.
- 2) The GHG emissions for BOC PCL's exposures are estimated using the PCAF (Partnership for Carbon Accounting Financials) proxies and standard.
- 3) The average Scope 1 emissions for Cyprus, as reported by the Republic to EuroStat, cover the period from 2021 to 2023 have been utilized, except the Services sector where 2024 data were available. When setting the indicator those were the latest available GHG emission data for Cyprus.
- 4) To calculate the PEAR ratio, the Scope 1 emissions per loan exceeding the Cyprus average per Sector were summed (numerator) and then divided by the total GHG emissions per sector, of the Non-Financial Corporation of the Bank (denominator).

The Group is also exposed to climate-related physical acute risks driven by wildfire risk through its impact on credit risk on the loan portfolio. Therefore, the Group has set a KRI that measures the exposure collateralised by immovable property with a "Very High" rating for any physical risk that can impact collaterals (wildfire and landslides) over the total exposure collateralised with immovable property. This allows the monitoring and mitigation of such risks. The KRI is effective since 2025 where the indicator has been within business-as-usual thresholds in the latest reported quarter. The limit is linked with the Group's Lending Policy.

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1.1.2 Objectives, targets and limits (continued)

Description	The indicator measures the exposure collateralised by immovable property with a “Very High” rating for any physical risk over the total exposure collateralised with immovable property.			
Thresholds	Business as usual:	Early warning:	In-breach:	Q2-2026
	<=7.5%	7.5 – 10%	>10%	6.0%

Note:

- 1) The KRI measures the Potential Exposure at Risk [$PEAR = (Exposures\ with\ physical\ risk\ graded\ "Very\ High") / (Total\ Exposure)$] both at country and district level. This KRI is also included in the RAF.
- 2) Potential exposure at Risk is calculated by considering exposure collateralised by immovable property with a “Very High” rating for wildfire and / or landslide over the total exposure collateralised with immovable property.
- 3) Each collateral location receives a rating for each risk, ranging from “Low” to “Very High”. This is referred to as the SPRI (Synthetic Physical Risk Index), representing the asset's vulnerability to physical risk based on its geographic location, different climate scenarios and time periods. It is noted that SPRI do not indicate losses on asset values but aid in measuring the materiality of exposure to physical risks in the Bank's collateral portfolio.

The above KRI was established in late 2024 being effective since 2025. In 2025, the Group revised the methodology associated with wildfire hazard by updating the approach used to assess properties located in urban and rural areas. Compared to the approach followed in 2024, the revised approach utilizes a shorter distance threshold from surrounding green areas that could potentially transmit wildfire, resulting in a more accurate and realistic conclusion. As a result, the thresholds for the above indicator have been revised compared to prior reporting period. The indicator is also monitored across material portfolios and geographies (concentration) and monitored through the Climate Risk Report on a quarterly basis by SC, EXCO and RC.

In the first half of 2025, the Group has established specific KRI on material environmental-related physical chronic risks driven by water scarcity risk through its impact on credit risk on the NFCs loan portfolio. Therefore, the KRI set by the Group measures the potential exposure at risk of water scarcity for the NFCs portfolio and it acts as a vulnerability score, rather than direct estimate of the financial impact on counterparties. The water dependency score is based on a combination of a geographic water stress map and sector-specific considerations. This allows the monitoring and mitigation of such risk. The KRI is effective since the second half of 2025 and the latest reported KRI is within the business-as-usual threshold as per below.

Description	The indicator measures the exposures with “Very High” water dependency score over the total exposure of the NFC's portfolio.			
Thresholds	Business as usual:	Early warning:	In-breach:	Q2-2026
	<=34%	34 – 40%	>40%	23%

Note:

- 1) The KRI¹ measures the Potential Exposure at Risk to water scarcity at NFCs (non-financial corporations) portfolio [$PEAR = (Exposures\ with\ water\ dependency\ score\ graded\ "Very\ High") / (Total\ Exposure)$]. It represents a vulnerability score, rather than direct estimates of financial impact on counterparties. This KRI is also included in the RAF.
- 2) The geographic Baseline Water Stress metric measures the ratio between:
 - a. Total water demand, including domestic, industrial, irrigation, and livestock uses
 - b. Available renewable surface and groundwater resources, accounting for the impact of upstream water consumption and large dams on downstream water availability
- 3) Sector specific considerations are derived from separate models (Environmentally Extended Multi-Regional Input-Output Models).
- 4) The level of water dependency should not be seen as homogenous as it is further diversified across sectors, primarily, agriculture, manufacture, accommodation and Human health and Social work activities. To that end, sector limits are in place as part of the Bank's Concentration Policy which ensures that exposure to any one sector is controlled.

The above indicator is also cascaded across material portfolios and is monitored through regular reporting to SC, EXCO and RC via the quarterly prepared Climate Risk Report.

¹ The KRI has been developed with assistance from an external third party

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1.1.2 Objectives, targets and limits (continued)

The Group has set the following Key Performance Indicators (KPIs), applicable since 2025, where the Bank has set an additional KPI that captures water scarcity risk, to track the effectiveness of the policies mentioned in Section Policies and Actions Related to Climate Change Mitigation and Adaptation.

Limits	Level	Policies to address material impacts and risks
% of customers with ESG Due Diligence	100% of all eligible customers	Lending Policy
Overdue insurance policies	0% overdue insurance policies	Lending Policy
Outstanding valuations	0% overdue outstanding valuations	Valuation Policy
EPCs collections for new lending	100% of eligible collateral population	Lending Policy
50% of new EPCs to be > C	50% of eligible new collateral to be greater than EPC C	Lending Policy
% of collection of water consumption data	60% collection of water consumption data from Large and Medium sized customers	Lending Policy

Operational Limits – Details

Limit	% of customers with ESG Due Diligence	
Description	Requires the completion of the ESG Due Diligence process through the Synesgy platform (ESG questionnaires). The assessment takes place annually.	
Risks addressed	The questionnaires cover a wide spectrum of ESG risks as it is structured based on GRIs, ESRS and SDGs.	
Lines / Portfolios	All eligible customers under SME Banking (Line 2) and Corporate Banking (Line 3). The KPI will become applicable to any line to which the ESG Due Diligence process is introduced.	
Thresholds	100% of eligible customers within a single calendar year	
Q2-2026	SME	Corporate
	96%	100%
Actions to reach operational limits	Increase customer engagement and awareness of the ESG Due Diligence process through trainings.	
Limit	Overdue insurance policies	
Description	Requires that all real estate obtained as collateral maintains insurance against the main physical risks	
Risks addressed	Physical risks: wildfire, flood, earthquake	
Lines / Portfolios	All lines that obtain real estate as collateral	
Thresholds	0% overdue insurance policies	
Q2-2026	0%	

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1.1.2 Objectives, targets and limits (continued)

Limit	Outstanding valuations	
Description	Requires that all real estate obtained as collateral maintains current valuations as defined in the Valuation Policy. Since 2024, all valuers are requested to comment on C&E risks that affect each property. Furthermore, they are required to record in the Valuations System any flood, earthquake, and ground geological suitability findings as determined by the various authorities of the Republic.	
Risks addressed	Physical risks: flood, earthquake, geological findings	
Lines / Portfolios	All lines that obtain real estate as collateral.	
Thresholds	0% overdue outstanding valuations	
Q2-2026	0%	
Limit	EPCs collections for new lending	
Description	Requires that EPCs are collected for all new real estate obtained as collateral as part of new lending and are required by Law to have an EPC issued.	
Risks addressed	Transition risks	
Lines / Portfolios	All lines that obtain real estate as collateral.	
Thresholds	100% of eligible collateral population	
Q2-2026	87%	
Actions to reach operational limits	Enhance data gathering actions planned through the ESG Climate and Data gap strategy to ensure that EPCs gathered are properly reflected in the database	
Limit	% of collection of water consumption data	
Description	— Requires that at least 60% of water consumption data are collected for all eligible large and medium sized customers for which there is a requirement as part of the ESG Due Diligence process to disclose water consumption data. — Large and medium sized customers are those customers that complete the large and medium size ESG Questionnaire (Synesgy) and are defined as per the below: ○ Medium-sized (from 50 to 250 employees and turnover up to 50 million euros) ○ Large-sized (more than 250 employees or turnover exceeding 50 million euros)	
Risks addressed	Environmental (nature related) risks: water scarcity	
Lines / Portfolios	All eligible customers under SME Banking (Line 2) and Corporate Banking (Line 3).	
Thresholds		
Corporate Banking Thresholds	60% of eligible ESG Due Diligence large and medium sized customers provide their water consumption data.	
SME Banking Thresholds	60% of eligible ESG Due Diligence large and medium sized customers provide their water consumption data.	
Q2-2026	SME 71%	Corporate 86%

The above KRIs and KPIs are effective since 2025 and are being monitored by the RC, EXCO and SC through the Climate Risk Report on a quarterly basis. The limits are not based on scientific evidence and only internal stakeholders were engaged in setting those limits.

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1.1.2 Objectives, targets and limits (continued)

The operational limit associated with the EPC classification for new lending has been established in 2025 but calculated in 2026 due to limited available data on the eligible population. The Group monitored, based on data availability, the EPC classification on new lending through climate risk report and sustainability performance report which include the Financed Scope 3 GHG emissions associated with mortgage and CRE asset classes as well as break down of EPC gathered to EPC rating categories for on balance sheet exposures. The operational limit is calculated for 2026 and shown below, following the actions to reach 100% on EPC collection for new lending limits.

Limit	EPCs classification for new lending		
Description	Requires that 50% of EPCs collected for all new real estate obtained as collateral as part of new lending to have a classification greater than C. The KPI relates to properties that are required by Law to have an EPC.		
Risks addressed	Transition risks		
Lines / Portfolios	All lines that obtain real estate as collateral.		
Thresholds	50% of eligible collateral population to be greater than C		
Q2-2026	SME	Corporate	Retail
	62%	50%	90%

Escalation process

If any of the KRIs listed above is breached (whether at the early warning level or the in-breach level) then the breach is escalated to the CRO. If the breach relates to either a RAS or a Recovery Plan indicator (RPI), then the respective escalation process is followed. Non-RAS KRIs will be reported to the Sustainability Committee and Risk Committee on a quarterly basis and in case of material deviations will be reported to the CRO prior to committee submission, who may decide to escalate to the SC before any further escalation to the RC.

KPIs will be monitored as per the existing monitoring process in place which provides for:

- KPIs are reported to the Credit Monitoring Forum on a monthly basis and monitored versus targets on a quarterly basis;
- In case of material deviations, these will be reported to the RC as necessary.

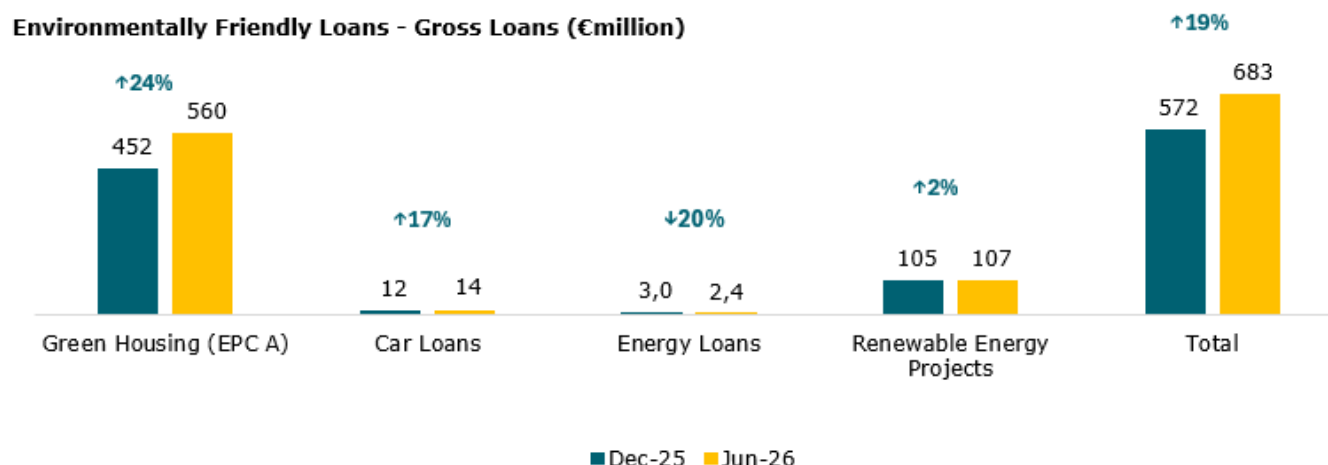
Given that the KPIs related to ESG risks, deviations will be reported to the CRO who may decide to escalate to the SC before any further escalation to the RC.

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1.1.3 Activities towards environmental objectives and EU Taxonomy-aligned activities

The Group's current Green Lending Policy is based on the Loan Market Association's Green Loan Principles. The policy provides the basis for developing green products through a set of criteria that includes the attainment of a specific environmental objective, the management of proceeds to ensure that the funds are only used for the specified purpose and appropriate reporting to support the attainment of the objective. The Group aims to enhance further its policy through the development of more detailed procedures to allow for the provision of green lending based upon the said Green Loan Principles and is also in the process of considering EU Taxonomy and looking for ways to implement it going forward on a best effort basis. The environmentally friendly loan portfolio of the Group is presented in the Graph below.



Notes:

- 1) Renewable energy projects relate to Solar and wind parks financed.
- 2) Energy loans relate to energy efficient equipment, solar panels and energy upgrade financed.
- 3) Car loans relate to financing the acquisition of Environmentally friendly vehicles under Fil-eco and Green cars under hire purchase agreement.
- 4) Green Housing relates to financing the acquisition or construction of a residential property with EPC A. The EPC is available at collateral level in the Group's database therefore the one to one (one account number one collateral property with EPC A) assumption has been applied to identify the Green Housing loans as at 30 June 2026 and as at 31 December 2025.

1.1.4 Engagement with new or existing counterparties

For the description of the engagement with customers and the actions taken to mitigate risks refer to Section 1.3.

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1.2 Governance

1.2.1 Responsibilities of the management body for setting the risk framework

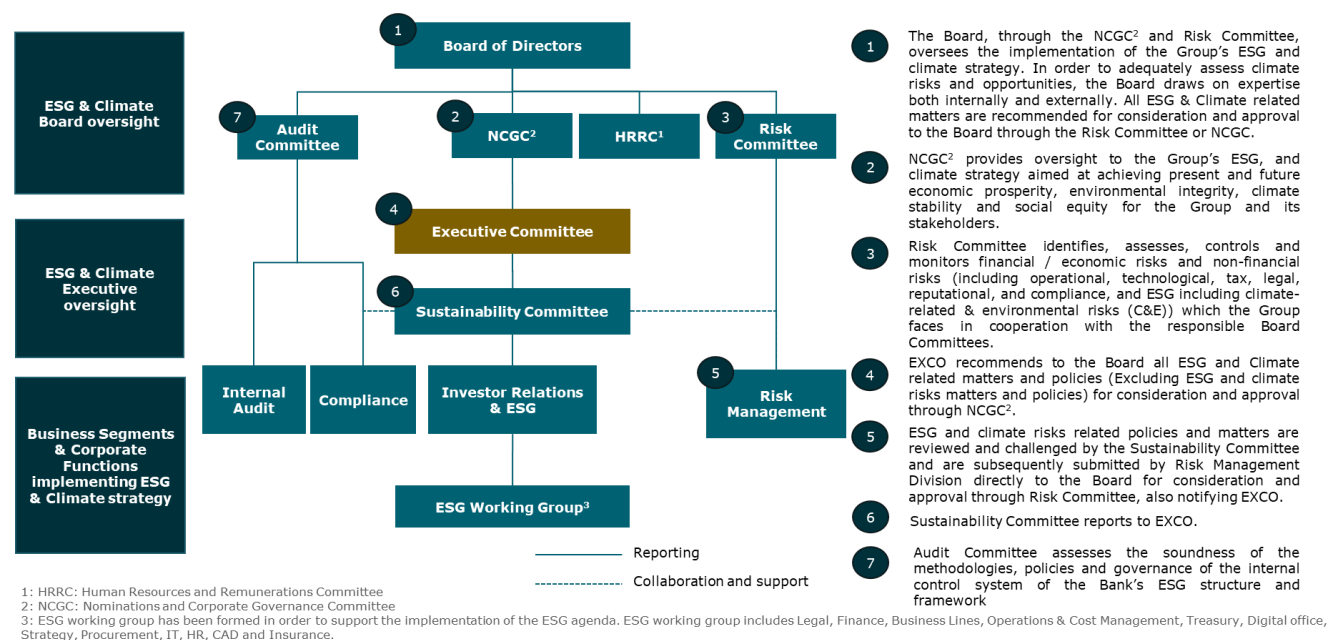
The Sustainability Committee ('SC') is an executive level committee chaired by the CEO and has as a primary role the oversight of the ESG agenda of the Group aiming to lead the Group towards a cleaner, fairer, healthier, and safer world by helping its customers manage risks in a long term sustainable and equitable way, and to be the employer of choice.

The SC is responsible for the following:

- i. Monitor and review the development of the Group's ESG strategy including the management of ESG risks, including C&E risks and recommend to EXCO for approval. Following EXCO approval then it is recommended to the Board for consideration and approval through NCGC.
- ii. Oversee the implementation of the Group's ESG & Climate strategy.
- iii. Review the institution's response and plan of action to the objectives set out under international agreements. and makes recommendations for the plan of actions to the EXCO for approval. Following EXCO approval then is recommended to the Board for consideration and approval through NCGC.
- iv. Review the ESG including C&E targets and KPIs and recommends to EXCO for approval. Following EXCO approval then is recommended to the Board for consideration and approval through NCGC. Monitor the performance of the targets and KPIs set.
- v. Review the incorporation of ESG including C&E targets, KPIs and KRIs in the business strategy and risk appetite.
- vi. Monitor progress against the Group's ESG working plan on a quarterly basis including the implementation of the ECB Guide on C&E risks
- 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 is monitored by the EXCO and NCGC on a quarterly basis.
- viii. Request from the relevant departments to submit proposals and recommendations of corrective actions whenever a KPI to manage C&E risks is not aligned with the thresholds set.
- ix. Monitor KRIs set to manage C&E risks, through the Climate Risk report, on a quarterly basis. The Climate Risk Report is also monitored by the EXCO and RC on a quarterly basis.
- x. Oversee the degree of the Group's alignment with regulatory ESG including C&E related guidance, rules (such as EU Taxonomy, SFDR and CSRD, EBA) and ECB expectations.
- xi. Oversee the establishment of environmentally friendly products and Sustainable Finance Framework.
- xii. 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).
- xiii. 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 the Board for consideration and approval through RC for approval of ESG and C&E risks related matters and policies, also notifying EXCO.
- xiv. Review non-financial disclosures and recommend to the Board for consideration and approval through NCGC and EXCO.
- xv. Monitor the external ESG and C&E trends affecting the formulation of ESG policies, strategies and objectives

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



The Role of the Risk Committee

The main purpose of the RC is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and ensure both Risk Profile and Risk Appetite remain appropriate.

The RC is responsible for the following:

- 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.
- ii. Ensure that the Group's overall Risk Profile and Risk Appetite remain appropriate given the evolving external environment, the Group's character and the internal control environment.
- 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.
- 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.
- v. Determine the principles that should govern the management of risks (including ESG and C&E risks), through the establishment of appropriate Risk Policies.
- vi. Review and monitor key enterprise wide ESG including C&E metrics, targets, KPIs, KRIs and related goals and monitor the progress towards achieving targets and benchmarks.
- 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.

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

The role of Nomination and Corporate Governance Committee

The Nominations and Corporate Governance Committee (NCGC) has been delegated authority by the Board to provide oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity, climate stability and social equity for the Group and its stakeholders.

The NCGC is responsible for the following:

- i. Oversight the development of the 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.
- ii. Advise, support and guide 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.
- iii. Oversee the SC's implementation and progress regarding the ESG working plan.
- iv. Review the institution's response and plan of action to the objectives set out under international agreements.
- v. Review and recommend to the Board for approval the ESG targets and KPIs, including C&E targets and KPIs, and monitor their performance.
- vi. Review and recommend to the Board for approval the non-financial disclosures presented by the SC, including CSRD Sustainability Statement in accordance with ESRS.
- vii. Review and recommend to the Board for approval the ESG and Environmental Policy and Sustainable Finance Framework which enables BOCH and/or BOC PCL to issue Green/Social or Sustainable bonds.

The role of Audit Committee

The AC has been delegated authority by the Board 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 for sustainability.

The AC is responsible for the following:

- i. Ensure the ESG frameworks/standards, including C&E frameworks/standards, used are proper and relevant climate-related financial disclosures are investor grade.
- 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 (Impact materiality).
- iii. Ensure the ESG-related disclosures to be included in the Group's period reports.
- iv. 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.
- v. Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe.
- vi. Assess the soundness of methodologies and policies management the Group uses to develop ESG include C&E metrics and other disclosures and to assess the key vendor's plans about sustainability.
- vii. Overseeing all matters relating to the relationship between the Group and the external auditors. This also includes overseeing the external audit activities in relation to the limited assurance over the Sustainability Statement.

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

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

Investor Relations and ESG Department (IR&ESG)

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

- 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. Develops and rolls out the institution's methodology for portfolio alignment assessments (e.g., using SBTi);
- v. Develops and rolls out the institution's methodology for measuring financed emissions (e.g., using PCAF);
- vi. Prepare ESG and climate-related reporting, including CSRD;
- 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 Risk Management; 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 materiality assessment 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 the Bank'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. Conducts annual review and update of the Prudential Transition plan.
- x. Develops and rolls out the institution's climate-related client questionnaires for due diligence and data collection purposes;
- xi. Conducts C&E risks stress testing and provides input on ESG supporting Governance;
- xii. Produces reports on C&E risks for submission to the SC, EXCO and RC;
- xiii. Provides advice and checks on the institution's climate-related product offering, such as green products.

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

Three Lines of Defence

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

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, 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 the 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 and climate-related risks and communicating to business units any regulatory developments applicable to them;
- ii. Ensuring that a complete and updated register of ESG and climate-related 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 and climate-related 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 and climate-related 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 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

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

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

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.

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 for C&E related topics, if required).

It is noted that, since the maintenance of the Risk and Audit Universe is an ongoing process, as BOC PCL gradually builds its overall capabilities for managing 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.

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1.2.3 Lines of Reporting

The Group has introduced frequent reporting to administrative, management and supervisory bodies around sustainability matters, predominantly climate, as follows:

Reporting	Frequency	Committee	Material Impacts, Risks and Opportunities
Progress update to the ESG working plan	Quarterly	1. SC/EXCO 2. NCGC/RC	1. Progress update on the ESG Working plan designed to articulate delivery of Group's ESG strategic objectives and is aligned with ECB expectations and other regulatory disclosure requirements
Sustainability performance report	Quarterly	1. SC/EXCO 2. NCGC	1. Progress update on Climate change mitigation GHG emission reduction targets (42% reduction of Scope 1 and Scope 2 GHG emissions by 2030 compared to 2021 and 43% reduction in carbon intensity metric of mortgage portfolio by 2030 compared to 2022) 2. Progress update on Climate change mitigation new lending internal KPIs
Climate risk report	Quarterly	1. SC/EXCO 2. RC	1. Update on exposure to C&E risks 2. Progress on Climate change mitigation KRIs 3. Progress on Climate change adaptation KRIs 4. Update on implementation of ESG Due Diligence on loan Origination process 5. Update on Energy Performance Certificates (EPC)
Risk appetite framework (RAS) dashboard	Quarterly	1. EXCO 2. RC	1. Climate change mitigation and climate change adaptation update on KRIs
Business environment scan (BES) preliminary impact assessment on C&E updates and developments	Quarterly	1. SC/EXCO	1. Identification of C&E related updates and developments impacting Business Strategy and Risk assessment of the Group (Climate Change ROs).
BES final impact assessment on C&E updates and developments	Annually	1. SC/EXCO 2. NCGC/RC	1. Identification of C&E risk related updates and developments and integration to the Business Strategy and Risk assessment of the Group (Climate Change ROs).
Double materiality assessment	Annually	1. SC/EXCO 2. NCGC/AC	1. Approach towards DMA 2. Approach to the Group's Business segments on DMA 3. Impacts identified and threshold applied 4. Risks and opportunities identified, and threshold applied 5. Key assumptions used in the DMA and procedures performed to support the assumptions 6. Material IROs identified and comparison of IROs with best practices 7. Results of stakeholder validation and consultation procedures
Green new lending internal KPIs	Monthly	1. BDC/EXCO	1) Progress update on energy, climate change mitigation and adaptation new lending internal KPIs

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

The Group has taken necessary steps in embedding its ESG strategic goals within its remuneration policy, to connect the performance of its personnel to ESG and climate matters. The remuneration policy promotes sound and effective risk management, 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.

Remuneration structure of the Group typically consists of fixed plus variable remuneration. Fixed remuneration does not embed any ESG incentive considerations. Variable remuneration (Additional discretionary remuneration paid to an individual as an incentive for increased productivity and competitiveness) is based on a combination of the performance of the employee, the overall performance of the business unit the individual belongs to, and the Group's consolidated financial results. Variable remuneration provisions are also captured in the Financial Plan.

Regarding variable remuneration, 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 sustainability related objectives, in accordance with the role and responsibility of each Senior Manager in relation to the ESG Strategy. These KPIs are used to evaluate the performance of Senior Management, when the distribution of a Short-Term Incentive Plan (STIP) is activated. Specifically, the level of STIP for Senior Management is adjusted in accordance with Group's performance and individual performance. The KPIs embedded in the performance criteria of Senior Management are primarily qualitative (Oversee the ESG Working Plan, effective implementation of decarbonisation activities on own operations etc.) but certain quantitative KPIs are included as well, such as annual Green new lending internal KPIs for Business Lines. The weight of ESG related KPIs on applicable individual Senior Management's performance appraisal is between 3%-15%. Senior Management's KPIs for individual performance appraisal are approved annually by the Board of Directors. The Board of Directors annually approves a proposal for the implementation of a Short-Term Incentive Plan (STIP) across the organisation. The allocation criteria are to be approved on an annual basis by the Board of Directors. The STIP annual bonus pool will vary in accordance with the Group's performance/profitability for each financial year. Performance will typically be assessed based on a one-year performance period.

The Long-Term Incentive Plan (LTIP) was approved by the 2022 AGM, which took place on 20 May 2022. The LTIP involves the granting of share awards and is driven by scorecard achievement, with measures and targets set to align pay outcomes with the delivery of the Group's strategy. Currently, under the plan, the employees eligible for LTIP awards are the members of the Senior Management Team, including the Executive directors. The LTIP stipulates that performance will be measured over a 3-year period and sets financial and non-financial objectives to be achieved. At the end of the performance period, the performance outcome will be used to assess the percentage of the awards that will vest.

The AGM resolution, approved by the shareholders in May 2024, gave the Group the flexibility to increase the ratio of variable to fixed remuneration to up to a maximum of 100% for Material Risk Takers. Up to 100% of the awards are subject to malus and clawback provisions in accordance with applicable legislation and regulations.

Individual performance is also taken into consideration in the LTIP. Furthermore, the applicable scorecard under the LTIP includes a KPI on external ESG rating score with a target being an AA ESG rating for the Group, and this outcome has a 5% weight in the LTIP.

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1.3 Risk Management

1.3.1 Timeframes

The time-horizons are aligned with regulatory expectations of the European Banking Authority (EBA).

For the purposes of the Double Materiality Assessment (DMA) within the Sustainability Statement, the time-horizons are aligned accordingly with the European Sustainability Reporting Standards (ESRS).

Specifically, the short-term horizon utilised under risk management is aligned to the Group's strategic financial and planning process and is defined as zero to four years, while the long-term horizon is defined as beyond ten years, as expected with EBA Guidelines for the assessment of C&E Risks. The logic of this is explained below:

Time horizon label	Start Year	End Year	Rationalisation
Short-term (0-4 years)	2025	2029	The Group is committed to become carbon neutral in own operations by 2050 with interim target to reduce Scope 1 and Scope 2 GHG emissions from own operations by 42% by 2030 compared to 2021 baseline. The Group has focused its main decarbonisation actions in the short-term up to 2029 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 EU. Taking also into account the CSRD's amended scope and reporting periods following the Omnibus Directive and the "Stop the Clock" Directive, for EU companies, the general scoping thresholds apply (>1000 employees and >€450 million Net Turnover) and will be applicable from 2028 and every year thereafter up until 2029.
Medium-term (5-10 years)	2030	2034	The Group is committed to become carbon neutral in own operations by 2050 with interim target to reduce Scope 1 and Scope 2 GHG emissions from own operations by 42% by 2030 compared to 2021 baseline, therefore sustainability ESG Risks should be identified and managed in a horizon of 5-10 years. 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 and management of ESG Risks. Therefore, the time horizon for medium term is between 5-10 years.
Long-term (11-20 years)	2035	2050	The Group considers a time horizon between 11 and 20 years. The Group has set its ambition to become net zero by 2050, which indicates that Scope 1, Scope 2 and Scope 3 GHG emissions should be reduced by 2050 to net zero. 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 10 years. As such a long-term time horizon has been set of over > 11 years to cover both the risks as well as the strategic aspects of climate-related risks within the organisation.

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1.3.2 Definitions and methodologies

BOC PCL has aligned its definitions of C&E risks with the requirements set in the ECB's Guide on climate-related and environmental risks (November 2020), Good practices for climate-related and environmental risk management Observations from the 2022 thematic review (November 2022) and the EBA's Guidelines on ESG Risk Management (January 2025). BOC PCL has enhanced its Risk Identification and Materiality Assessment process (RIMA), and this analysis was also supported through the usage of the UNEP FI PRB's Impact Analysis Tool as well as several resources through literature and other reports. Furthermore, BOC PCL has used the Network for Greening the Financial System scenarios (NGFS) in the development of its stress testing framework that took place in 2023. More details on these methodologies and the outcome of the analysis are provided in the sections that follow.

1.3.3 Processes to identify, measure and monitor activities and exposures

ESG Risks Identification & Materiality Assessment (RIMA) process

The Group while conducting the DMA, utilised the results derived from the RIMA process in regard to C&E risks. BOCH 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. For 2025, the Group has utilised the work carried out in the Double Materiality Assessment (DMA) under the Corporate Sustainability Reporting Directive (CSRD) to incorporate Social and Governance (S&G) risks within the RIMA process. As a result, the RIMA process has been renamed from "C&E" to "ESG" RIMA.

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

- i. Identification and documentation of ESG risk drivers
- ii. Definition of transmission channels for ESG risks
- iii. Assessment of materiality of C&E risk drivers
- iv. Incorporation of S&G risks as per the qualitative mapping of the European Sustainability Reporting Standards (ESRS) sub-topic areas to the Group's existing risks within the Key Risk Matrix (KRM), which acts as the Bank's Risk Register. More details on the identification and assessment of S&G risks can be found within Section 2.3 and Section 3.3 respectively.

Specifically, BOCH 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 Group 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 BOCH in the course of the previous C&E risk assessment exercises. In particular, the Group 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 ESG risks have been mapped, by RMD to the existing financial and non-financial risks through respective transmission channels. For transmission channels refer to the relevant paragraph below.

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

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

the method and data used for assessment. In addition, the evolution of C&E risks has been considered over the short, medium and over a long-term horizon of at least 10 years as expected by the EBA Guidelines.

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

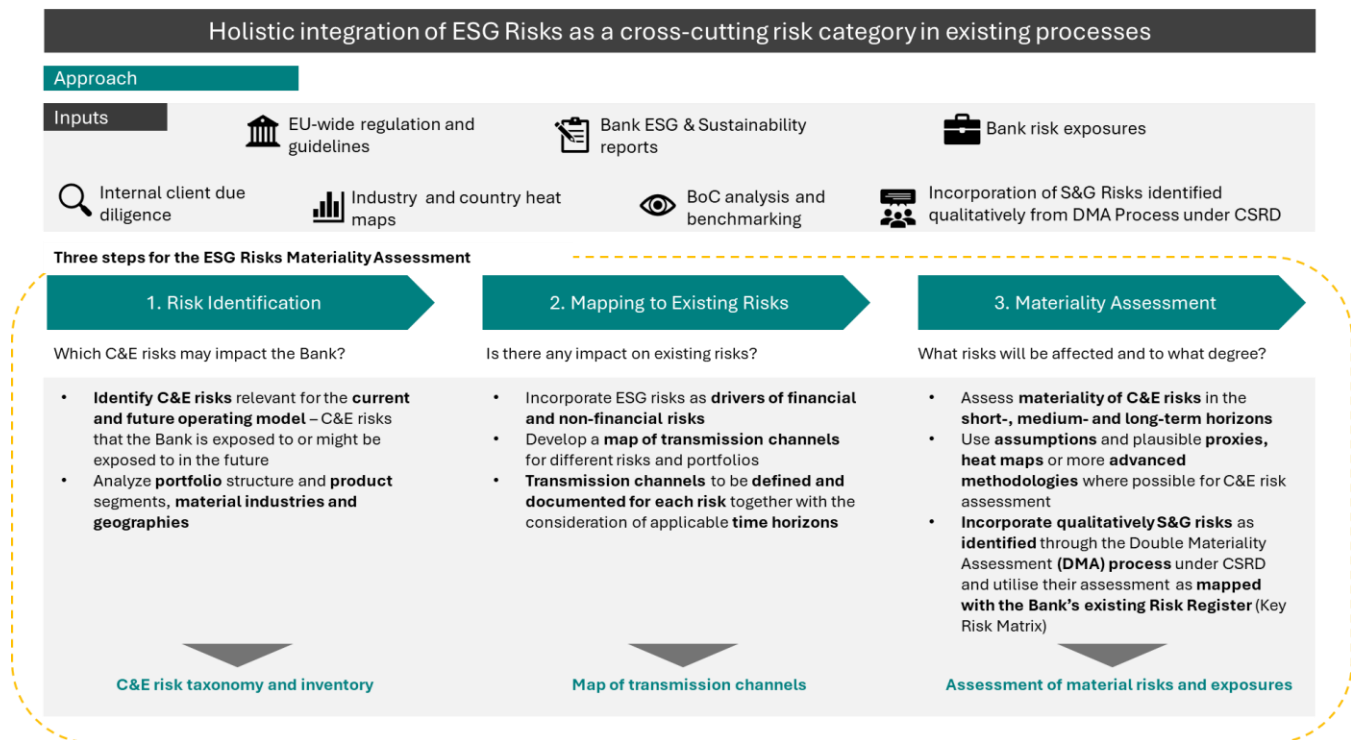


Figure X: Overview of BoC's ESG Risks MA 2025 stages

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

The following table provides an overview of the BOCH'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
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 behavior

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.

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

ESG Transmission Channels

C&E risks are recognized as drivers of the existing risks (Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Reputational Risk, Strategic Risk and Legal Risk) and may impact BOCH directly or indirectly through counterparties, assets (microeconomic channels) or the broader economy in which the relevant clients and BOCH operates (macroeconomic channels). BOCH has defined the transmission channels through which the C&E risks can influence each of its existing risk categories. During 2025, BOCH has defined the transmission channels with regards to the social and governance risks based on the ESRS topics in alignment with the CSRD Directive. A more detailed description of each of the ESG risk transmission channels (not limited to ESG risks identified as material) regarding the principal risks and the impact arising on BOCH is provided in the table below.

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

ESG Risk Drivers	Transmission Channels (Non-exhaustive List)	Potential Impact on the Group
Climate related and Environmental Transition Risks	Business - Physical damage & Operational disruption - Stranded assets & Demand shifts Households - Income loss - Property damage - Higher living costs Macro economy - Price shifts - Productivity changes - Labor market disruptions	Credit risk: Increased probability of default (PD) due to impacted financial stability of borrowers, suppliers, or customers affected. Liquidity Risk: Potential deposit withdrawal increases funding costs, and reduced investor confidence triggered by ESG drivers. Market Risk: Volatility in asset values and market perception due to association with ESG risks. Operational Risk: Disruptions from ESG risks can increase costs, reduce efficiency, and impair service delivery. Legal/Litigation Risk: Non-compliance with ESG regulations can result in lawsuits, fines, and regulatory sanctions, increasing legal exposure.
S1: Own workforce S2: Workers in the Value Chain S3: Affected communities S4: Consumers and End-Users	Social & Governance - Loss of trust or preference among customers, employees and investors - Legal liability and loss of customer preference - Negative effects on employees and workplace culture - Exposure to reputational damage from controversies	Reputational Risk: Erosion of stakeholder trust and brand value due to negative publicity, unethical partnerships, or increases costs from reactive compliance or reputational recovery efforts caused by ESG aspects. Strategic Risk: Failure to manage climate, social and governance issues across the operations, financed activities, value chain, communities, consumers and internal governance, can lead to reputational damage, regulatory penalties, loss of stakeholder trust and ultimately undermining long-term business objectives and market positioning
G1: Business Conduct		

Table 1: Overview of the key transmission channels and potential impact on the Group through ESG risks

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1.3.3 Processes to identify, measure and monitor activities and exposures (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. BOCH 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 BOCH'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: BOCH'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) – in respect to Air pollution, Soil pollution and Earthquake;
- ii. Borrowers for Credit risk unsecured portfolio (postal codes or municipalities of borrowers' location) – in respect to Air pollution, Soil pollution and Earthquake;
- iii. Property collateral for the REMU portfolio for Market risk (geolocation coordinates of collateral properties) – in respect to Earthquake;
- iv. Deposits held by Cyprus residents for Liquidity risk (postal codes or municipalities of deposit holders' locations) – in respect to Earthquake;
- v. BOCH's physical locations for Operational risk (postal codes or municipalities of the Bank's facilities) – in 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 (consistently, the same 4-level unique risk scale has been applied).

b. Quantitative Country Heatmaps

To inform the MA process, BOCH has performed a heatmapping exercise to determine how physical and transition risks affect certain industries that BOCH is exposed to, and subsequently to determine the impact on the overall Group'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 Value at Risk (VaR))

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

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 VaR 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 BOCH's third-party outsourcing/ providers

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 (VaR 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.

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

For transition risks, the BOCH 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 the Group'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. In addition, materiality risk score levels "High" and "Critical" have been considered as "material" for the purposes of the Materiality Assessment, whilst "Low" and "Medium" scores as "non-material".

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

f. Reperformance of MA for 2025

The Bank has reperfomed the MA for 2025 using identical methodologies to establish whether new risks must be considered as material. More specifically, Credit, Liquidity, Market and Operational risk analysis was reperfomed with revised data and for the rest of prudential risks that were critically assessed based on expert judgement, the assessment has been revisited to ensure its validity. Furthermore, the Bank incorporated S&G risks into the MA, utilizing the DMA methodology and alignment with ESRS Sub Sub-Topics for 2025. The outcome of this analysis indicated that climate-related physical acute risks driven by wildfire are material across all time horizons under Credit, Market and Strategic risk, where water scarcity was assessed material under credit risk across all time horizons in contrast to last year's long-term materiality. Transition risks have also been identified material with regards to increase in commodity goods price and transition to low-carbon emission technologies as drivers of credit, market and liquidity risk. The RIMA process will be performed at on an annual basis, as per EBA Guidelines on ESG Risk Management.

g. Business Environment Scan (BES)

BOCH established and implemented the BES process to monitor C&E developments / updates as already described in Section 1.1.1. 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. New developments identified within the BES are carefully analysed for their relevance and potential impact on the BOCH's risk and strategic profile. This integrated approach enhances the BOCH'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.

The results of the BES, for 2025, have been considered and informed the RIMA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical".

h. Climate risk assessment at loan origination

During 2025, BOCH implements the 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 involved the utilization of internal developed 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. Since March 2024, the internally developed questionnaires have been replaced by ESG questionnaires deployed through a common platform across the Cypriot Banking System, a fact that ensures a harmonised approach in terms of the customers' ESG assessment in all Cyprus Banks.

Since June 2026, the Bank has expanded the ESG Due Diligence process to include International Corporate Banking and Syndications. For Syndicated Lending, a Moody's ESG Credit Impact Score (CIS) or other external ESG assessment is requested in order to proceed with the lending process. With regards to International Lending, there is an option to either complete an ESG questionnaire, present an external ESG rating or provide a valid Transition Plan.

During the credit application assessment process, that falls under specific thresholds / criteria, for granting new and/or reviewing existing credit facilities, Business Units must identify, evaluate and assess ESG matters that are relevant to the borrower. ESG Due Diligence includes the following:

1. ESG questionnaires (applicable for new lending and review): The questionnaires must be completed by the customer, in order to collect relevant quantitative and qualitative information, identify and

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

assess ESG matters that are relevant to the borrower and derive an ESG score which reflects the performance of the customer towards ESG factors and exposure of customers towards ESG risks.

2. Scenario Analysis (currently applicable for new lending and reviews): The repayment ability of the borrower is evaluated under certain negative Environmental (E) scenarios, to assess the extent to which environmental risks affect the borrower's financial position and repayment ability.
3. Assessments under (1) and (2) above are evaluated and, where necessary, recommendations to borrowers in aligning with regulations and existing best practices are made, (depending on the ESG questionnaires results) and/or specific covenants will be set for monitoring (depending on the joint assessment of (1) and (2) above).

As of June 2026, the Bank has also incorporated into the loan origination process, a pre-screening geolocation tool to assess the potential physical risk exposure of upcoming collaterals located in Cyprus.

i. ESG Questionnaire Structure and Outcome

The questionnaires are differentiated by company size allowing for a proportionate assessment to be carried out. Furthermore, the questionnaires utilise a two-tiered assessment approach:

- A core version that includes questions aligned with the Global Reporting Initiative (GRI), concentrating on business aspects and ESG principles.
- An industry-specific section tailored to the company's sector. 36 Sectors are currently covered by the questionnaires capturing carbon intensive sectors as well.

The ESG questionnaires are a critical component of the ESG Due Diligence process and enable BOCH to effectively assess customer's capacity to manage ESG aspects, ensuring a thorough evaluation of their sustainability practices. The process involves determining significant ESG factors for each sector and establishing key assessment dimensions and performance metrics to evaluate customers' ESG performance compared to industry and business activity. A non-exhaustive list of key assessment dimensions considered are depicted in the following figure.

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1.3.3 Processes to identify, measure and monitor activities and exposures
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		Qualitative & Quantitative Metrics				
		Environment	Social		Governance	
Assessment Dimensions	Management Approach	• Management Systems • Climate Change • Personnel Management • Policies • Environmental & Social Targets			• Code of Conduct • Corporate Governance • Internal controls • ISO Certifications • Prescence of a Sustainability Expert • Data privacy and Security policies • Reporting & Accountability	Sectoral Dimensions
	Evaluation of Management approach	• External verification • Environmental Certifications • Number of work -related incidents				
	Performance Assessment	• Energy consumption • Clean technologies • Renewable energy • Materials • Waste separation • Waste production • Water consumption • Scope 1, 2, 3 GHG Emissions	• Average Wages of employees • Average Age of employees • Working hours • Training hours • Donations/Charities • Employee and Customer Initiatives • Occupational Health & Safety • Stakeholder relations			

Figure 1: Key assessment dimensions of the ESG Questionnaires

The completion of the ESG questionnaire allows both BOCH and the customer to receive the customer's final assessment that includes the ESG Score. The assessment is valid for a 12-month period and following the lapse of that period, a new assessment needs to take place. The ESG Score is provided in a scale of A to E, where A indicates an excellent level of sustainability where E indicates a low level of sustainability respectively.

Upon completion of the process, the customer receives an ESG certificate, a survey report that includes the ESG Score obtained as well as the breakdown of the scores across the macro-areas that make up the questionnaire, the customer responses to the questionnaire and an Action Plan.

The Action Plan contains recommendations on actions to be taken by the customer ranked according to their priority. At this point, these recommendations such as calculations of GHG emissions etc. are not binding but they are however viewed as the initial steps to guide customers to improve their customer ESG Score and increase their resilience against C&E risks.

BOCH is currently incorporating ESG Covenants to certain customers to address risks identified during the ESG Due Diligence Process. Recognizing the current market conditions and the gradual shift of its customers towards sustainability in Cyprus, BOCH will align the imposition of these covenants with the implementation timeline of the CSRD.

j. Climate Risk Scenario Analysis and Stress Testing

Scenario analysis and climate risk stress testing are methods which assist in evaluating and managing the possible effects of C&E risks, to the Group's business strategy and financial planning decisions. By nature, this analysis is of an informative nature and focuses on the planning horizon of the business plan.

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

BOC PCL has a risk-based approach for the management of C&E transition and physical risks in lending. C&E risks have been incorporated into the risk identification, measurement, and capital planning processes, in line with regulatory expectations and supervisory guidance. Physical risks and transition risk drivers were assessed across the relevant portfolios, considering sectoral sensitivities, collateral vulnerabilities, geographical location, and forward-looking macroeconomic scenarios. The integration of these risk factors reflects the BOC PCL's commitment in enhancing risk management practises and ensuring its resilience under both baseline and stressed climate pathways.

Climate scenarios developed by the Network for Greening the Financial System (NGFS) have been utilised by BOC PCL as the basis for assessing climate risks. These scenarios provide different possible future pathways for climate policy and enable the Group to understand how C&E physical and transition risks could influence the risk profile of certain exposures through changes in borrowers' financial capacity, asset value, and recovery prospects. Consequently, these risks were incorporated within the estimation of the Probability of Default (PD) and Loss Given Default (LGD). As a result, customers within sectors more vulnerable to transition pressures or physical and environmental hazards such as Hotels, Real Estate etc are more susceptible to experience an impact on their LGDs and PDs. The calibration was embedded in BOC PCL's internal models and stress testing framework, ensuring that capital adequacy reflects the potential impact of climate and environmental related risk drivers over the short- and long-term planning horizon.

(i) C&E Risk ICAAP Qualification

In 2025, BOC PCL enhanced its quantification framework with regards to C&E risks for the purposes of scenario analysis and stress-testing within the context of ICAAP, as expected with regulatory requirements and market best practices. 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.

The ICAAP is a key annual planning process that supports the Board and senior management in identifying, measuring, and monitoring the Group's risks, while ensuring that sufficient capital is maintained to support the Group's risk profile. C&E risks have been integrated into the ICAAP and the broader scenario analysis framework to assess the potential impacts of both transition and physical risk drivers across all material prudential risk. The outcomes of this assessment inform policies and actions to mitigate climate risks across the Group, as set out on Section 1.3.8 Description of Limits to Environmental Risks.

The approach builds on the risk quantification methodology that BOC PCL has put in place. The main elements of the approach are described below.

The overall approach regarding Climate Stress Testing (CST) design is structured into three layers:

- i. **Baseline Scenario Selection:** During 2025, BOC PCL incorporated the NGFS Current Policies scenario in its baseline on which the calculations and estimations will be executed. The Current Policies scenario is considered to best reflect Cyprus' current energy realities and captures a credible outlook of limited transition risk but increasing long-term physical risk exposure.
- ii. **Transition Risk models, Physical Risk integrations and IFRS9:** In 2025 based on selected scenario, BOC PCL has integrated physical risks impact into transition risk impact by evaluating climate risks transmission into financial parameters. This includes evaluating the impacts on credit ratings / quality and real estate asset values.
- iii. **Quantification Layer:** Quantification of the financial impact by transposing it into IFRS9 risk parameters (PD and/or LGD). Within that context, IFRS9 parameters are expressed in a forward-looking approach by utilizing the macroeconomic variables of the climate scenarios. The Bank has expanded its methodology to consider both PD and LGD impacts into its quantification assessment, compared to the previous year where the assessment focused solely on LGDs.

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

Physical Risks on Collateral Portfolio

In terms of physical risks, efforts were focused on estimating the impact on property value from the potential materialisation of climate-related physical risks. This is considered relevant to BOC PCL, given the concentration to 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, BOC PCL adopted a granular property level approach to assess the impact of physical risks on collateral values using damage functions expressed as Annual Average Depreciation (AAD), reflecting climate related physical impacts within LGD estimation. Using external vendor data with location specific hazard information aligned to the NGFS Current Policies scenario, the Bank assessed the three hazards relevant for Cyprus, namely, wildfire, flood and landslide where wildfire is recognised as the primary acute risk while also capturing increased post wildfire susceptibility to the other two hazards. AAD represents the annual percentage reduction in market value based on property type, size and hazard severity and is calculated per asset through 2050. The resulting cumulative depreciation across the portfolio indicates gradual but manageable increases in physical risk exposure.

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 and other use.

The impact of these physical hazards on the collateral portfolio was quantified in the 2025 year-end ICAAP as well as in the subsequent quarterly updates both from an economic and a normative perspective. The wildfire hazard was chosen, as the analysis indicated that it can potentially affect the largest amount of collaterals.

For the purposes of the quantification and taking a worst-case scenario perspective, BOC PCL considered the effectiveness of insurance contracts as mitigants of wildfire as well as the below factors:

- i. Macro-economic conditions: Economic downturns could increase insurance lapses.
- ii. Severe economic depression: This could challenge insurers' financial stability and ability to pay claims.
- iii. Climate change: Increasingly severe wildfires may lead insurers to limit coverage.
- iv. Limited coverage: Standard policies might not cover all wildfire damages.

Physical Risks on the Financials of Non-Financial Corporations (NFCs)

Average Annual Loss (AAL) is used to assess how climate related physical risks affect the turnover and assets of NFCs by translating hazard intensity into expected financial impacts, based on data aligned to the NGFS Current Policies pathway. For each hazard and sector, damage functions estimate the percentage impact on customers using event characteristics such as consecutive days above temperature thresholds in heatwaves—with results weighted by return period probabilities to produce location specific AAL, later aggregated to determine overall expected impacts. This approach shows how physical climate events can directly translate into financial losses and captures sector specific vulnerabilities, enabling a more accurate forward-looking assessment of exposure and resilience. Across the portfolio, the resulting expected losses indicate gradual but manageable increases in physical risks.

Environmental Risks on the Financials of NFCs

To assess environmental risks for NFCs, BOC PCL incorporated data on production losses caused by water scarcity, which directly impacts turnover in water intensive sectors. These estimates were combined with broader physical risk data to quantify how operational disruption translates into financial strain, with resulting declines in revenues and operational performance feeding into PD calculations. Integrated into BOC PCL's credit risk models and based on the NGFS Current Policies pathway (pessimistic scenario), this evidence-based approach captures how nature related risks in particular water scarcity could affect business continuity

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

and financial resilience, with expected losses across the portfolio indicating gradual but manageable increases in exposure.

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Transition Risk

For transition risk assessment, BOC PCL incorporated EPC information for its collateral portfolio, ESG scores from its ESG Due Diligence, and macro financial variables (GDP growth, Electricity, Oil, Carbon and Gas Price indices) sourced from the NGFS Current Policies scenario used for the baseline. EPCs indicate collateral energy efficiency and potential regulatory impacts, while ESG scores reflect borrower readiness for transition and sector specific vulnerabilities. These data are integrated into BOC PCL's models to quantify the impact of C&E risks on PD and LGD parameters. Additionally, the ASCOR Index is used to rank sovereign bonds based on transition risk across emissions pathways, climate policies and climate finance, providing further insight into sovereign level vulnerabilities.

Stressed Scenarios

To assess its resilience to climate change, the Group utilizes adverse climate scenarios in addition to its base-case assumptions as part of ICAAP for the short-term horizon and a complementary sensitivity analysis for the long-term horizon as described in the following sections. The adverse scenarios described below examine how severe transition policies and physical climate impacts could negatively affect the economy, asset values and the Group's financial position. The results of these exercises are used to assess potential risk exposure, ensure sufficient capital buffers and support forward planning under the Group's strategic ICAAP.

a) Short-Term Adverse Scenario

For the short-term adverse scenario, BOC PCL applies an RP500 (1 in 500 year) extreme physical event overlay onto the NGFS Current Policies baseline to reflect low probability, high severity acute shocks within the near-term capital horizon. The scenario assumes water scarcity impacts in year one, dry events in 2026 (heatwave and wildfire effects on turnover; wildfire on assets) and wet events in 2027 (flood impacts). These extreme hazards namely, heatwaves, droughts, wildfires and floods are applied to companies within the portfolio that exhibit high materiality. Drought prone sectors assessed uniformly given limited geographic differentiation in Cyprus, while using average drought impacts to avoid overestimation.

Impacts on turnover are assumed to carry over into subsequent years (halved in 2027, quartered in 2028), while asset impacts apply only in the year of occurrence. This overlay approach is appropriate for Cyprus due to its high exposure to acute hazards particularly extreme heat, wildfires and flash flooding, with recent evidence indicating elevated wildfire risk and high relative burned area exposure compared to other European countries, supporting the need for explicit tail-event calibration rather than reliance on smooth macro pathways alone.

b) Long-term Stressed 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. By nature, this analysis is of an informative nature and focuses on the planning horizon of the Group's Financial plan. The sensitivity analysis carried out by the Bank is described below.

For the long-term stressed scenario, the BOC PCL applies the NGFS "Net Zero 2050" pathway to capture transition risk associated with a severe, economy-wide decarbonization trajectory that reaches global net zero CO₂ emissions around 2050, driven by stronger policies and innovation.

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

Even though the Net Zero 2050 scenario leads to lower physical climate damage than Current Policies, it is still a challenging adverse scenario for the Bank. This is because the transition to a low carbon economy can create short to medium term challenges such as higher carbon costs, faster technological change, and shifts in customer and investor behavior, which can affect valuations and credit risk.

Using the Net Zero 2050 climate scenario as a reference point in the Bank's resilience analysis does not necessarily mean forecasting the most likely scenario. It is about testing the Bank against a scenario that contains big financial risks stemming from high transition risks.

This is particularly relevant for Cyprus since it is highly exposed to climate sensitive and energy dependent sectors, such as Electricity, Transportation, Tourism, Construction, and Real Estate. Because these sectors rely heavily on fossil fuel-based activity, a rapid shift to a low carbon economy could significantly increase transition risks. These risks may weaken borrower affordability and reduce collateral values, even if the long-term transition ultimately benefits the economy.

In addition, the European policy direction toward climate neutrality by mid-century is explicitly recognized in supervisory context, reinforcing the relevance of a net-zero pathway as a credible stress for long-horizon resilience analysis.

The stress tests described above were included in the ICAAP process, which provided comfort that the Group has adequate capital to withstand these risks.

(ii) Capital resources and Mitigation actions

For the year end 2025, the Group has incorporated C&E risks into its credit risk quantification framework utilising an internal Expected Credit Losses (ECL) Calculator. The methodology captures the impact of C&E risks through forward-looking adjustments to key credit risk parameters, including PD and LGD. PDs are updated using projected customer credit ratings over the remaining loan lifetime, while LGDs are adjusted to reflect impacts on collateral values, incorporating both transition and physical risk effects. As a result, this overlay continues to be applied and resulted in an ECL release of €0.7 million with net flows to Stage 2 exposures of a gross book value of €3 million for the six months ended 30 June 2026 (31 December 2025: € 21 million).

(iii) Resilience of Strategy and Business Model

BOCH has embedded climate resilience into its strategic planning. ESG is a core pillar of the Group's long-term strategy, with the ambition to achieve Net Zero by 2050. In line with this commitment, a decarbonisation target has been established for the mortgage portfolio, aligned with the IEA's B2DS. The lending strategy has been adjusted to support this target, with integration into the Financial Plan for 2026-2028. A long-term stressed sensitivity test has been conducted to ensure alignment with climate targets and resilience under varying transition risk scenarios.

The overall resilience of BOCH's business model is reinforced by a relatively low exposure to carbon-intensive sectors, such as coal, oil, and gas. Further mitigating measures include the introduction of new lending sector limits to carbon-intensive industries. These restrictions do not apply to green or transition financing or to entities operating in carbon-intensive sectors with an externally validated transition plan, thereby incentivizing customers to transition toward a low-carbon economy.

The current assessment under the long-term stressed sensitivity scenario in the above section, indicates that BOCH's business model remains resilient under a 2°C or lower climate scenario, supported by a risk assessment framework, portfolio management, and the integration of climate risk considerations into financial planning.

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

k. ILAAP Updates

BOC PCL considered the C&E risks in relation to liquidity risks through its liquidity Stress scenarios. The impact of C&E risks considered relate to transition risk and the climate physical risk of water scarcity and Wildfires.

It is assessed that the main risk arises from the possibility of increased deposit withdrawals by customers. Climate-related, acute, physical risk of Wildfires also impacts the valuation of the Cyprus Government bonds held in the liquidity buffer of the Bank.

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

In relation to the physical risk of Wildfires, upon realization of a severe hazard event, the liquidity position of the Bank might undergo stress since depositors might simultaneously withdraw deposits to address increased costs. Higher deposit withdrawals are assumed for deposits which have been assessed with high risk of wildfire. In relation to water scarcity risk, higher outflow of deposits is assumed for water intensive sectors, e.g. tourism, agriculture, manufacturing etc. However, it is highlighted that outflows due to C&E risks are significantly less than those caused due a loss of depositor confidence under the liquidity stress scenarios.

Losses in the market value of Cyprus Government bonds, which constitute c.23% of the marketable securities and c.7% of the total internal liquidity buffer, are anticipated due to extreme wildfires. As per stress scenarios assumptions, investors' confidence in the country's ability to meet its obligations deteriorates, negatively impacting the price of Cyprus government securities. This is attributed to unexpected increased government spending on relief efforts, support for the health system, and aid for severely impacted local sectors.

The BOC PCL maintains sufficient buffers to cover the potential negative impact of C&E risks under stress conditions.

l. Risk Control, Monitoring and Reporting

BOC PCL has taken actions in relation to collecting C&E risk data for internal C&E risk monitoring and reporting purposes, across risk types as per the established ESG data working group.

m. Prudential Transition Planning

As part of its ongoing efforts to manage climate risk and support the transition towards a more sustainable economy, and in line with the EBA Guidelines on the management of ESG risks and CRD VI requirements, the Bank has developed its first Prudential Transition Plan (PTP).

The PTP establishes a framework for managing climate and environmental risks structured around strategic objectives, metrics and targets, implementation, monitoring and reporting, governance, and engagement activities. As a first iteration, it reflects the Bank's current ESG risk management maturity and existing risk management practices. The Plan will be reviewed annually and enhanced over time, recognising that certain elements remain dependent on evolving data availability, methodologies and regulatory developments.

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1.3.4 Mitigation measures

Changing regulatory and legal requirements, increased stakeholder concern, shifts in consumer preferences, and the mandates on and regulation of existing products and services are just a few ways that BOC PCL can be exposed to climate risk. The RIMA process is fundamentally based on an inherent risk basis and the RIMA outcome as described in Section 1.3.6 are used to inform key stakeholders. These results guide decision-making and key processes at BOC PCL, promoting awareness of C&E risks. Management prioritizes measures to efficiently handle significant C&E risks, aiming to minimize their impact on BOC PCL's business model and operations.

Measures involve all management levels and are implemented across the three Lines of Defence. They address both downside risks (to minimize the impact of significant risk sources) and opportunities (to promote sustainability objectives and maximize positive impacts that offset adverse C&E risks). Specifically, the outcomes and conclusions of the C&E RIMA provide insights on:

- The existing risk types significantly affected by C&E risk drivers.
- The main regions/geographies most relevant to the BOC PCL's overall C&E risk profile.
- How C&E risk factors may impact key portfolios/business lines critical to the business model.
- The main economic activities (sectors) likely more vulnerable to C&E risk factors, both currently and in the future.
- The time horizons for potential risk impacts and the estimated impact size, considering BOC PCL's size and operations.
- The assumptions and conditions under which various C&E risk implications may be enhanced or mitigated.

In addition, BOC PCL has implemented several mitigation measures as follows:

- Establishment of both C&E physical and transition risks KPIs to comprehensively cover all material portfolios of BOC PCL; namely, Mortgages/Retail/Corporate and SME Division.
- Monitoring of the business, regulatory, and financial environment in relation to developments linked to ESG risk transmission channels is essential for promptly identifying necessary strategy changes and/or improvements.
- Internal control, monitoring and reporting from the Risk Management perspective, employing financial and non-financial KRIs and risk analytics, addressing holistically the C&E risks across primary risk types.
- Implementation of the E&S policy to manage environmental impacts of new lending.
- ESG Questionnaires aiming to identify ESG risks of counterparties and set mitigation action for risk reduction.
- Continuous enhancement of Credit granting processes in relation to ESG set of assessment criteria.
- Introduction of pricing arrangements, supporting the C&E objectives' achievement.
- Integration of transition risks in scenario analysis with regards to the repayment ability based on climate scenarios.
- Inclusion of C&E elements in the collateral policies and relevant valuation processes; specific provisions relating to energy efficiency and insurance policies, grounded on the indications of the RIMA on the secured portfolios (both in terms of transition and physical risk components).
- Presence of lending restrictions to carbon intensive sectors through both BOC PCL's Concentration and E&S policy.
- Setting of decarbonization targets in Mortgage asset class and other carbon concentrated sectors, where these targets will be incorporated into the Group's strategy and Financial Plan to reach Net-Zero by 2050.
- Regular monitoring of the new legal actions faced by BOC PCL to establish if any C&E related actions have materialised performed by the Legal Department.
- A Corporate Bond Investment Framework is in place and describes the approach followed for the risk assessment and exclusion of corporate bond investments in case of non-permissible industries.
- Development of a classification methodology to identify and monitor which positions of Corporate and Sovereign bonds are the most exposed to C&E risks based on transition risk.
- Ongoing monitoring of C&E risks arising from regulatory developments, macroeconomic trends, technological advances and geopolitical updates across short-, medium- and long-term time horizons through the BES process.

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1.3.4 Mitigation Measures (continued)

- Introduction of a Green Lending Policy that provides a framework for creating green loans and supporting environmentally sustainable projects.
- Identification of the main material physical risks events affecting each branch, own building as well as each building that it operated but is not owned by BOC PCL and has assigned the physical risks of the branches/owned buildings/ supplier's buildings, to the existing risk classification system.
- Business continuity plan in place captures the risks through the relevant business continuity procedures/manuals and branches relocation matrices that provide the required course of action in the case these events materialise.
- Implementation of the Reputational Risk Policy provides guidelines on the identification, quantification and management of reputational risks that might arise from the business activities of the Group, including all ESG related risks that may have a material impact on its reputation.
- Development of informative webinars that have been carried out for front line officers in relation to the ESG Due Diligence platform (Synesgy) whilst short speeches were given on the Bank's actions to address climate change in regional customer meetings.
- Development of webinars to increase customer awareness on ESG Due Diligence process and the utilisation of the Action Plan to improve their ESG performance.
- Enhancement of the Bank's identification approach to environmental risks to develop a nature-related heatmap based on the potential impacts and dependencies on nature at sectoral level.

1.3.5 Tools for identification, measurement and management of environmental risks

As already mentioned, MA, BES and UNEP FI's Impact Analysis Tool are used by BOC PCL to identify and manage any potential environmental risks associated with the operations and the portfolio of BOC PCL. Refer to Section 1.1.1 for more details on BES. Refer to Section 1.3.3 for more details on UNEP FI's impact analysis tools. The Bank is currently developing a stress test framework to incorporate identified climate risks as described in the above Climate Risk Sensitivity and Stress testing section.

1.3.6 Results and outcome of the risk tools implemented

BOC PCL considered the impact of climate-related, acute physical risks from its collateral portfolio in its 2025 ICAAP process as well as climate-related transition risks and environmentally related, acute physical risks driven by water scarcity. In terms of the top-down sensitivity analysis carried out in relation to transition and physical risks. These analyses are detailed in Section 1.3.3 above.

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 materiality assessment. 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.

BOC PCL has established respective definitions of C&E risks and the results of the materiality assessment exercise regarding the impacts derived from relevant risks have been included to BOC PCL's Risk Register and Risk Inventory.

Moreover, the identified material risks are in the process of being incorporated into all relevant processes of the Risk Management Division 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, both secured and unsecured exposures were assessed using quantitative and qualitative methods. The analysis indicated that climate related acute physical risks are material across all time horizons, supported by expert judgement, due to recent events, ongoing drought conditions, and the increased probability of major wildfire incidents in Cyprus. In addition, environmental chronic physical

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1.3.6 Results and outcome of the risk tools implemented (continued)

risks were also assessed as material across all time horizons, primarily due to the Bank's significant exposure to sectors who are considered water intensive. This is consistent with Cyprus experiencing four consecutive years of drought. With respect to climate related transition risks, Technology and Market risk categories are assessed as material in the medium and long term, reflected by the increased energy and raw material costs and the ongoing transition toward lower emission technologies.

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 were identified as material across all time horizons 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 VaR of the HQLA portfolio has been assessed through a country heatmap of physical risk and was also identified as material. Furthermore, climate-related transition risks were assessed material, mainly due to the potential increase in energy and raw material costs, as well as transition to lower emission technologies over the medium- and long-term horizons. 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.

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 material climate-related transition risks driven by transition to lower-carbon emission technologies and market aspects such as increased energy and raw material costs. However, within climate-related physical risks, the acute risk driver Wildfire has not been identified as material but it could act as the dominant cause of liquidity issues due to possible simultaneous deposit withdrawals upon a widespread wildfire damage in Cyprus. Environmental acute risks, Earthquake, is not considered material since its likelihood is estimated as improbable for high magnitude events. Chronic physical risks are not relevant for liquidity considerations due to their progressive and long-term character.

Operational Risk

For each of the identified C&E risks, the materiality in connection with the operations of its owned and rented properties and third-party providers was assessed. Based on quantitative geolocation analysis and country physical and climate heatmap exercising, both physical and transitional 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 behaviour and any technological advancements. The assessment also included considerations of compliance, customer due diligence, and litigation risk. In terms of Strategic Risk, BOC PCL considers its exposure concentration,

1.3.6 Results and outcome of the risk tools implemented (continued)

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.

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1.3.6 Results and outcome of the risk tools implemented (continued)

The table 2 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	Medium-term	Long-term
Climate-related Risk	Physical Risk	Credit Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Material	Material	Material
		Market Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Material	Material	Material
		Liquidity Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational Risk	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal Risk	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic Risk	Qualitative Analysis (Expert Judgment)	Material	Material	Material
	Transition Risk	Credit Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Material	Material
		Market Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Material	Material
		Liquidity Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Material	Material
		Operational Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational Risk	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal Risk	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic Risk	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material

Table 2: Overview of the aggregated results of the C&E risk MA

1.3.6 Results and outcome of the risk tools implemented (continued)

C&E Risks		Risk	Approach	Materiality Result		
				Time Horizons		
				Short-term	Medium-term	Long-term
Environmental-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)	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 2: Overview of the aggregated results of the C&E risk MA (continued)

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

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

- i. Established an ESG Data Working Group.
- ii. Set up bi-weekly catch-up calls for the ESG Data Working Group.
- iii. Identified Data Gaps under various workstreams (Disclosures, Risk Management, Group's 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.

The Group 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 the Group as well as strategic priorities:

- i. Corporate Sustainability Reporting Directive (Annual report) - Disclosures
- ii. Pillar 3 Disclosures on ESG risks (Semi-annually) - 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. Sustainable Finance Framework - Business Objectives
- viii. Net Zero by 2050 – Group's Commitments
- ix. Financed Scope 3 GHG emissions estimation of loan and investment portfolio – Disclosures/ Risk Management Needs/Business Objectives
- x. EBA guidelines

ESG Data Sources to close the ESG Data Gaps:

- i. ESG questionnaires (Utilised for customer's Due Diligence)
- ii. Customer's disclosures
- iii. Third party provider (Acquisition of certain databases)
- iv. Public open sources (Online databases)
- v. Cyprus Government databases

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1.3.7 Data availability, quality and accuracy, and efforts to improve aspects
(continued)

Refer to the following table for a summary of the ESG and Climate Data Gap & Strategy.

Financed Scope 3 GHG Emission on Mortgages & Commercial Real Estate				
Field Name	Level of Data	Source Document	Data Strategy - New lending	Data Strategy - Existing Lending
Property value at origination	Financed Property	Sales Agreement	Loan origination process	Use Collaterals
GHG Emissions per m²		EPC		Access to EPC database of the Government
EPC rate		EPC		Access to EPC database of the Government
Floor Area (square meters)		Building permit		Use Collaterals
Under construction / Built		Building permit		Use Collaterals
Year of Construction		Sales Agreement		Use Collaterals
Property type		Building permit/Sales Agreement		Use Collaterals
# of Properties per account number	Account	Sales Agreement		Use Collaterals
Financed Scope 3 GHG Emission on Business Loans				
Total Debt	Account level	Financial Statements	Annual revision	Annual revision
Total Equity		Financial Statements	Annual revision	Annual revision
Total Assets		Financial Statements	Annual revision	Annual revision
Scope 1 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run
Scope 2 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run
Scope 3 GHG Emissions		ESG Questionnaires	Loan Origination	Annual Questionnaire run
Collaterals				
Field Name	Level of Data	Source Document	Data Strategy - New lending	Data Strategy - Existing Lending
Physical Risk - Acute	Collateral	Acquired from Vendor	Loan origination through an interactive tool	Existing property collaterals were mapped to physical risks manually. The data should be updated to collateral tables when the fields are ready
Physical Risk - Chronic				
Physical Hazard - Wildfire				
Physical Hazard - Landslide				
Physical Hazard - Sea Level Rise				
Physical Hazard - Flood				
Physical Hazard - Wind Gust				
Physical Hazard Score				
Climate Scenarios				
Climate Scenarios Time Horizon				
Property Use		Sales agreement/Valuation Report	Loan origination	Annual valuation of collaterals

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1.3.8 Description of limits to environmental risks

BOCH has introduced lending restrictions on carbon intensive sectors. A limited amount of new lending for carbon intensive sectors subject to a total (cumulative) exposure of €100 million as per the provisions of the Concentration risk policy and relevant circular, will be allowed subject to approval by the RC or BOD BOCH'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)

As also indicated BOCH earmarked exposures identified as vulnerable to transition risk as appropriate to receive transition finance. Furthermore, BOCH does have in place certain restrictions in lending as provided by the Environmental and Social Policy which is described below.

Environmental and Social (E&S) Policy

BOCH's E&S Policy aims to address E&S responsibilities by establishing an E&S management framework, fostering a culture of E&S responsibility, managing E&S risks in lending activities, training staff for policy implementation, and supporting customers address E&S matters. The policy guides departments involved in credit granting process and applies to the granting of new funded and non-funded facilities to physical persons or legal entities secured by mortgage on immovable property, as well as granting of new funded facilities to legal entities (excluding credit cards). The Policy does not apply to activities outside Cyprus nor to restructuring cases unless new facilities are also requested as part of the restructuring.

Lending applications associated with activities included in the policy's Exclusion Sectors / Prohibited Activities (e.g. sectors or activities considered illegal under applicable legislation) are rejected and reported to the RMD. In addition, customers carrying out activities included in the Referral Sectors / Activities Requiring Approval may only be financed subject to the conditions and approvals specified in the E&S Policy. For new funded facilities granted to legal entities, E&S due diligence is performed, including obtaining written customer confirmation for proper business conduct, relevant licences and permits and, where required by applicable legislation, Environmental Impact Assessments (EIAs). In addition, other E&S checks should be performed, such as investigations into penalties, public complaints, adverse media reports, accidents / incidents, regulatory investigations and legal actions as well as site visits. The findings of the above actions must be stated in the credit application together with any corrective measures for the mitigation of the E&S risk.

The approving authority decides whether the E&S risk is acceptable and may set specific terms and covenants to control any E&S risks as well as decides the frequency of future E&S studies (at least every 3 years for High-Risk E&S ratings).

E&S risks associated with a facility are monitored throughout its lifetime:

- As part of the normal monitoring of the facility (i.e. customer's credit review)
- When certain events qualify for re-evaluation of the E&S risks, such as change in business activity, expiry of operating permits, regulatory investigations, company investments / improvements, public complaints or adverse media reports, changes to environmental legislation, accidents / incidents and legal actions.

The Board bears the ultimate responsibility for the effective implementation of the Policy and for setting the right tone from the top. Credit Risk Control & Monitoring (CRC&M) reviews the Policy for proper governance and is responsible to examine adherence to policy and report divergence to guidelines, as part of on-going monitoring, through the review of credit applications on a sample basis, at regular intervals, as described in the Credit Risk Monitoring Policy and CRC&M operations manual. Monitoring compliance with this Policy, on a regular basis, is a key factor in minimizing E&S risks.

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1.3.8 Description of limits to environmental risks (continued)

Environmental and Social (E&S) Policy (continued)

This is achieved through quality checks from CRC&M, which indicate the level of adherence to the Policy in order to take corrective action. Findings are communicated to Chief Risk Officer (CRO), and recommendations are made for enhancing compliance. RMD performs periodic (at least on an annual basis) monitoring on the E&S management procedures, to inform management and other stakeholders if policies and procedures have been implemented and are functioning as expected or if improvements or revisions are required. The Board approves the Policy, RC reviews and recommends the Policy prior to the submission to the Board for approval, making sure, that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the Policy and monitoring the effective implementation of the Policy via the Control Functions. The policy is available for all employees through internal portal.

The above-mentioned actions are not associated with any capital or operating expenditure as are allocated on existing resources of the Group including Consumer Banking Division, Corporate & SME Division, International Banking Division, Credit Risk Control & Monitoring, Corporate & SME Credit Risk and Credit Sanctioning.

Concentration Risk Policy

The Concentration Policy applies at Group level and defines limits and the methodology for setting limits towards exposures in specific assets, liabilities and off-balance sheet items to ensure that concentration risk is within the Risk Appetite. The Concentration Risk Policy complements the efforts of managing negative impacts and risks associated with energy, climate change adaptation and climate change mitigation by restricting lending to carbon-intensive sectors, including oil, gas, manufacturing of cement, manufacturing of Iron & Steel & Aluminium and non-renewable power generation. Financing in these sectors is only permitted for carbon-intensive sectors subject to a total (cumulative) exposure of €100m as per the provisions of this policy and for transition or green projects that align with the Group's sustainability objectives, subject to approval by its highest credit committees.

The Board approves the Policy and bears the ultimate responsibility for the effective implementation of the Policy and for setting the right tone from the top. Monitoring of Concentration Risk Policy is performed by:

1. CRC&M through monitoring of:
 - i. Large exposures on a monthly basis.
 - ii. Credit risk concentration limits through semi-annual quality assurance reviews.
2. Market & Liquidity Risk Department is responsible for monitoring country, counterparty risks, funding sources, derivatives and brokers.
3. Credit Risk Management Department is responsible for monitoring sector, collateral and name concentration. In general, monitoring is performed at least on a monthly basis and more frequently as required by the type of limit and Business Lines are informed accordingly, in order to ensure real time monitoring. As part of this process, data is sourced from the Data Warehouse system. Such data is governed by data quality rules put in place by the Data Quality & Governance department. RC is informed about the outcome of this monitoring.

The above-mentioned actions are not associated with any significant capital or operating expenditure. The resources allocated relate to existing resources including Consumer Banking Division, Corporate & SME Division, International Banking Division, Credit Risk Control & Monitoring, Corporate & SME Credit Risk and Credit Sanctioning.

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 the Group's Risk Appetite.

Risk Appetite Framework (RAF)

The Group maintains a RAF which sets out the level of risk that the Group is willing to take in pursuit of its strategic objectives, outlining 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

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1.3.8 Description of limits to environmental risks (continued)

risks. Within this context, the Group has incorporated in the RAF the below KRIs as already mentioned in Section 1.1.2:

- i. PEAR – Physical risks on immovable properties
- ii. PEAR – Transition risks of NFCs and;
- iii. PEAR – Water Scarcity risk on NFCs
- iv. Carbon Intensity Target on Mortgage Portfolio

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2. Social Risk

2.1 Business strategy and processes

2.1.1 Business strategy to integrate social factors and risks

Privacy

In 2026, the Group maintained a Personal Data Protection Compliance Policy, to align with relevant regulations, including the EU General Data Protection Regulation (GDPR) and national laws such as the Protection of Natural Persons regarding the Processing of Personal Data Law 125(1)/2018 and section 106 of the 'Regulation of Electronic Communications and Postal Services Law 112(I)/2014', as well as the relevant guidelines issued by the CPDP from time to time. This policy outlined the Group's commitment in protecting the personal data of customers, employees, suppliers, and business partners, ensuring that data collection, use, and retention are lawful, transparent, and aligned with GDPR principles. Protecting the security and privacy of personal data is important to the Group, in order to conduct its business activities in the context of the envisaged privacy culture. The Board and Senior Management were responsible to oversee the Group's compliance with this policy.

Additionally, they had the ultimate responsibility for the implementation and adherence to this policy throughout the Group, and the imposition of any remedial action. BOC and its subsidiaries must maintain their own Personal Data Protection Compliance Policy. The management and the Board of each subsidiary is ultimately responsible for the implementation of this policy and to ensure, at entity level, that there are adequate and effective procedures in place for its implementation and ongoing monitoring to its adherence. The policy is readily available to all employees through internal portal and to any affected stakeholder through Group's website.

The Group complies with GDPR requirements, ensuring transparency and accountability in employee data processing activities. Each subsidiary publishes its own Employee Privacy Notice. The Employee Privacy Notices, which were last updated in 2025, outlines how employee data is collected, processed, and protected. Each notice is readily accessible on the Group's internal portal, ensuring employees are informed of their data privacy rights at all times.

The Group collects and processes personal data strictly as necessary for its business activities, in accordance with legal obligations, contractual requirements, legitimate interests, or for those cases where employee consent is required. Data collection is limited to relevant and essential information, with retention periods aligned to guidelines provided by the Local CPDP. To ensure lawful processing, employees are informed of their right to withdraw consent at any time, and specific consent is appropriately secured and documented when required.

Employees can raise concerns about how employee data are collected, processed or protected by emailing a dedicated Human Resources address for GDPR matters or contacting the CPDP, as described in the Employee privacy notice. In the event of suspected or actual data breaches, employees are required to report such incidents to the respective subsidiary's Data Protection Officer (DPO), within a maximum timeframe of 24 hours. The reporting can be done through designated communication channels, including email or phone and after completing a form (form for reporting a possible personal data breach).

In case where the data breach incident affects a large volume (combination between data subjects affected and systems affected or could be affected) of customers/employees, the Information Security Department is notified, and the Security Incident Response Plan procedures are initiated. The Group has established an incident response plan that includes containment, investigation and notification procedures in the event of data breach. The plan is annually tested and updated to ensure effectiveness and compliance with applicable laws and regulations. To facilitate effective reporting of data breaches, the Group has established a guidance that serves as a reference for all employees and is embedded in the Employee Portal. This guidance outlines the criteria and procedures for identifying and reporting reportable data breaches, empowering employees to promptly and accurately report any incidents.

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2.1.1. Business strategy to integrate social factors and risks (continued)

Privacy (continued)

The Group in 2025 had 3 fines relating to GDPR violations (Regulation 2016/679) which relate to incidents reported in 2023 and are not deemed financially material (2024: zero). The fines relate to breach of principles of personal data processing and transparency associated with the clients by the employees of the Group. Any incidents that may arise during 2026 will be reported on an annual basis.

In addition, the Group employs Data Protection Impact Assessments (DPIAs) at all stages of data processing follows a data minimization strategy. DPIAs support the identification of potential data privacy risks and comply with data protection obligations and meet individuals' expectations on privacy. The DPIA is initiated whenever a new process/ product or system that involves personal data is implemented and it shall be revisited/updated when there is a change in the risk profile of the process (e.g. new vendor, change of the procedure etc.). The procedure relating to DPIA is analysed in the relevant circular which is readily available in the Internal Employee Portal.

Internal circulars and manuals are annually reviewed and updated to ensure adherence from own workforce. Each subsidiary's DPO is responsible to oversee GDPR compliance, provide guidance on data protection policies, and ensure effective handling of data breaches and privacy complaints as part of the complaints handling procedure. The DPO advises the Company on GDPR obligations, monitors compliance, oversees DPIAs, consults on high-risk processing, and liaises with supervisory authorities. The DPO also ensures the resolution of data breaches and privacy complaints, coordinating with other Group DPOs to address compliance issues. The Chief Information Security Officer (CISO) works closely with the DPO to address and mitigate data security incidents. The Group leverages any possible synergies where any significant privacy matter threatening the reputation of the Group entities is promptly escalated to the Bank DPO. This collaborative approach reflects the Group's commitment to maintaining a high standard of data privacy and security, protecting employees' personal data, and adhering to all regulatory requirements.

The Group tracks the effectiveness of its privacy actions on a subsidiary level through monitoring reports submitted on a quarterly basis by the DPO to the respective Board through AC. Metrics such as the number of reported incidents, participation rates in training programs, and vendor compliance evaluations enhance processes. The incident response plan undergoes annual testing to ensure readiness, while privacy statements and data-handling procedures are reviewed annually to maintain compliance with the regulations.

The Internal Audit Division is responsible for providing independent and objective assurance to the Board, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to this policy and informs the AC of any findings and relevant recommendations.

BOCH invests in privacy management through cybersecurity tools, dedicated DPOs for each legal entity handling personal data, and cross-departmental collaboration across Legal, IT, HR, Internal Audit, Compliance, Procurement, Vendor Management and Risk Management. This approach aims to mitigate risks, enhance privacy practices, and maintain stakeholder trust.

Information Technology and Security

The Group's Information Security Policy further outlines a structured management approach, to address information and cybersecurity risks and events associated with the Group's technology systems and information assets.

The purpose of the Policy is to provide an unambiguous set of standards, guidelines, controls, measures and requirements designed to achieve a desired level of information security across all business and technical layers of the Group. In essence, it governs the direction of all activities in the areas of information security and acts as an umbrella document to all other Group Security Policies and associated standards, aiming to contribute to a safe and responsible Information Security Management System (ISMS) within the Group, while supporting the overall business objectives and goals. The scope of this policy includes all subsidiaries of the Group and all individuals working at all levels and grades.

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2.1.1. Business strategy to integrate social factors and risks (continued)

Information Technology and Security (continued)

The functional scope of the policy includes all assets (in the broadest sense, e.g. systems, platforms, networks, applications, documents, devices, etc.) that are used to store, process and transport Group's information and the information belonging to the customers, as well as facilities, equipment, resources, people and property.

This Policy is approved by the Group Board Risk Committee (RC) and reviewed on an annual basis, adhering to internal guidelines for continued pertinence of the business documentation, to reflect in the policies and procedures the latest regulatory requirements and any changed business processes and circumstances.

The Group has adopted an Information Security Management System (ISMS), in line with acknowledged international standards (ISO/IEC 27001, NIST, CSA), as a basis for the structuring and maintaining of a system of measures to safeguard confidentiality, integrity and availability of its information assets and information systems. The ISMS provides a set of policies, frameworks, standards, guidelines, controls, measures and requirements designed to achieve a desired level of information security across all business and technical layers of the Group.

The Group is committed in protecting the security of its business information. For the purposes of meeting that business objective the Group established the Information Security Division with the IT related personnel and implemented, maintained an ISMS based on internationally acknowledged standards. Information Security team is constantly monitoring cyber security threats (either internal or external, malicious or accidental) and invests in cyber security measures and controls to protect, prevent, and respond against such threats to Group systems and information. The ISMS ensures the protection of information assets through key security controls:

- Risk Management: Identifies, assesses, and mitigates security risks.
- Information Protection: Implements measures to classify, handle, and secure data.
- Supplier Security: Ensures third-party security compliance.
- Human Resources Security: Trains employees and contractors on security responsibilities.
- Physical Security: Protects assets from unauthorized access and disruptions.
- Operations Security: Secures IT infrastructure, networks, and communication channels.
- Cloud Security: Maintains data integrity and security in cloud environments.
- Mobile Security: Controls for secure mobile device management.
- Access Management: Restricts system and data access to authorized users.
- System Security: Integrates security in system development and maintenance.
- Backup Management: Ensures data recovery through secure backups.
- Data Retention: Defines retention and archival policies.
- Data Leakage Prevention: Detects and prevents unauthorized data distribution.
- Patch Management: Regularly updates systems to address vulnerabilities.
- Incident Response: Implements processes for managing security incidents.
- Business Continuity: Ensures resilience against data loss and disruptions.

The Group implements processes to conduct periodic reviews to evaluate the effectiveness of implemented information security controls in accordance with current risk appetite and prioritise corrective actions. The reviews combine several different approaches, to improve situational awareness on the status of security controls across the Group's environment and increase insights into the processes used to manage organisational security. Those reviews include Information security assessments, Information security controls maturity assessment, Vulnerability and Security Configuration assessments/scanning, Enterprise penetration testing and Penetration testing of specific applications/systems.

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2.1.1. Business strategy to integrate social factors and risks (continued)

Information Technology and Security (continued)

Where a control is found to operate outside the Group's defined risk appetite:

- A risk assessment should be performed, and risks should be managed using the procedure defined in the Information Security Risk Management Methodology.
- Each control owner should aim to reduce the identified exposure within the defined risk appetite, in line with the defined risk remediation targets.

The Board Technology Committee (TC) supports the Board in fulfilling the oversight responsibilities with respect to the overall role of technology, including information security. The RC has the responsibility for the oversight of Operational and Information Security risks. The TC is informed on the application of Information Security policies. No significant operational expenditures and/or capital expenditures are associated with the above-mentioned actions.

System Downtime and Disaster risks

The Group's wide range of financial products and services change from time to time in order to adapt to the needs of its customers, whether businesses or individuals, and aim to be in line with the changes in the broader economy and environment. However, access to products and services can be significantly affected by system downtimes, posing a material risk to the Group's operations. Such downtimes disrupt customer services and hinder transaction capabilities, leading to potential revenue losses, customer dissatisfaction, and reputational damage. To address these risks, the Group has adopted a Business Continuity Management & Disaster Recovery Policy that demonstrates its commitment to maintaining a Business Continuity Management System (BCMS). This policy applies to all employees within the Group that support the delivery of financial products and services to consumers and businesses. It aims to support the continued availability of essential banking functions during disruptive events, safeguarding customer access and operational stability.

This internal policy approved by the Board through RC, establishes the Group's commitment to the maintenance of a BCMS to meet the Group's business continuity objectives as well as statutory, regulatory, and contractual obligations. The BCMS framework is designed according to the standards set by ISO 22301:2019 "Societal security - Business continuity management systems – Requirements" and reflects the Digital Operational Resilience Act (DORA) alongside applicable Central Bank of Cyprus directives. BCMS aims to safeguard the interests of key stakeholders, reputation, brand and value creating-activities and ensures a structured and reliable approach to mitigating the risks associated with service disruptions. The overall responsibility for approving and monitoring the Group's strategy and policy for managing Business Continuity risk lies with the Board which exercises this responsibility through the RC. The Policy, circulars and procedures are readily available on the Employee Internal Portal. In addition, the Head Business Continuity Risk Management conducts BCMS workshops and training programs to ensure that the business continuity liaisons who are assigned business continuity responsibilities are competent to perform the required tasks.

To manage interruptions of critical IT systems and to avoid loss of data and services, as an after effect of natural or man-made disasters, the Group implements a Disaster Recovery Plan (DRP). The DRP applies both to major events that deny access to data centres for an extended period, and to events that may deny access to parts of the data centres or certain systems. In that respect, the DRP is IT focused and designed to restore operability of IT systems and applications at an alternative site, with the aim to mitigate any effects a disaster might have upon the on-going operations of the Group. The Executive Director Technology & Operations is responsible for reviewing, amending and updating the Group's DRP for the recovery of key IT systems, telecommunications and data to support the implementation of recovery locations in the context of Business Continuity planning.

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2.1.1. Business strategy to integrate social factors and risks (continued)

System Downtime and Disaster risks (continued)

The DRP covers all relevant risk and incident types (i.e., flood, fire, tornado, electrical storms, act of sabotage, electrical power failure, loss of communications network services), including recovery options and strategies for cyber-security scenarios. The plan incorporates and define the priorities in recovering IT systems, considering their interdependencies. Procedures for recovery priority identification and management are defined and periodically reviewed. Ownership of the DRP is assigned to the Disaster Recovery Committee (DRC), which nominates a Disaster Recovery Coordinator (DR Coordinator) to undertake responsibility for the efficient maintenance of the DRP. The DRP is tested annually for the identification and implementation of necessary remedial actions on any issues recognised during the test. The Group must maintain Crisis Management processes towards the effective and efficient management of any crisis events in order to mitigate, as much as possible, the impact on the organization, its stakeholders and its customers.

2.1.2 Objectives, targets and limits

There is no set measurable, time-bound and outcome-oriented target associated with data protection and privacy however, the Group nevertheless tracks the effectiveness of these actions through quarterly reporting to EXCO and AC. Metrics reported include the number of data incidents, employee participation in privacy and information security training programs. Board, Management and all staff participate, in Information security training, GDPR training and use of personal data training.

Metrics associated with information security and GDPR training hours as well as personal data leakage reported to the CPDP, are not validated by an external body.

In line with its Risk Appetite Statement (RAS), the Group has adopted the following qualitative stances associated with data privacy and information security:

- Zero Tolerance for Privacy Risks: BOCH maintains a strict no-tolerance policy for any non-compliance with GDPR and expects full adherence to legal and regulatory requirements across all operations.
- No Data Leakage: The Group has zero tolerance to data leakage, whether due to system vulnerabilities or employee mishandling. Rigorous protocols are in place to prevent and respond to potential breaches.
- Vendor Compliance: BOCH does not engage with vendors who lack robust GDPR-aligned procedures and practices. All third-party relationships are subject to assessments to ensure compliance with data protection standards.
- Immediate Response to Data Subject Rights: The Bank has a zero-tolerance approach to delays or avoidance in responding to data subject rights under GDPR. Processes are streamlined to ensure timely action on data access, correction, or deletion requests.

The process for setting the above-mentioned qualitative metrics is described in the Risk Appetite Framework of the Group. The objective of the Risk Appetite Framework (RAF) is to set out the level of risk that the Group is willing to accept in pursuit of its strategic objectives, outlining the key principles and rules that govern the risk appetite setting. It comprises the Risk Appetite Statement (RAS), the associated policies and limits where appropriate, as well as the roles and responsibilities for the implementation and monitoring of the RAF.

Information Security

There is no set measurable, time-bound, outcome-oriented target however, the Group nevertheless tracks the effectiveness of these actions through established processes, procedures and KRIs. The Group maintains a leakage registry to document and monitor data incidents, reviewed quarterly and reported to senior management and the AC. Data subject requests and complaints are tracked to ensure resolution. Cyber-attacks and resolutions are recorded, with updates provided to the DPO and regulatory authorities. The Group also maintains a Record of Processing Activities (RoPA), conducts Data Protection Impact Assessments (DPIAs), updates GDPR-related actions, including Privacy Statement revisions and provides internal training. Moreover, the Group's Risk Appetite Statement (RAS) reflects a zero-tolerance approach to privacy and data

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2.1.2. Objectives, targets and limits (continued)

protection risks. Board, Management and all staff participate, in Information security training, GDPR training and use of personal data training.

System Downtime and Disaster risks

There are no measurable, time-bound and outcome-oriented targets on system downtime and disaster risks however, the Group tracks effectiveness of these actions through established escalation arrangements to CEO, CRO and Deputy CEO in case of a critical impact incident. The Group conducts Business Continuity Management training and Disaster Recovery training.

2.1.3 Engagement with counterparties

Social risk assessment at loan origination

As indicated under the environmental risks in Section 1.3.3 the Group has implemented an ESG questionnaire within the context of its underwriting processes. The completion of the ESG questionnaire results in an action plan with suggested actions that each customer can take to improve its practices around social risks such as, for instance, the adoption of ISO26000 for social responsibility or 450001 for occupational health and safety etc. The action plan will allow the Group to engage with its counterparties with the aim to remediate social risks.

In addition, very few companies in Cyprus have been required to publish Sustainability Reports, as only a small number met the NFRD criteria. With the Omnibus I amendments to the CSRD published on 26 February 2026 and effective from 18 March 2026 the scope has been significantly narrowed. Under the revised CSRD, only undertakings with over €450 million turnover and more than 1,000 employees remain in scope, while “wave one” entities falling outside these thresholds may be exempted for 2025 and 2026. Mandatory reporting for in scope companies begins for financial years starting 1 January 2027, with publication in 2028. In addition, Cyprus officially transposed the Corporate Sustainability Reporting Directive (CSRD) into national law on 29 July 2025. As a result, improved sustainability data from loan origination is expected from 2028 onwards, although most Cypriot SMEs will remain outside the regime. The Group will continue enhancing credit assessment practices, including reviewing the counterparty’s governing body regarding sustainability governance and non-financial reporting responsibilities.

Environmental and Social Policy

Similarly, as described under Section 1.3.8, the Bank has in place an Environmental and Social (E&S) Policy for lending purposes, which the identification, assessment and management of E&S risks. In particular, the Policy prohibits financing activities considered illegal under applicable legislation and requires the assessment of social risk factors through confirmation of proper business conduct, compliance with applicable laws and regulations, review of regulatory findings and legal actions, and consideration of any adverse information identified through due diligence

Accordingly, all lending applications relating to prohibited sectors or activities are rejected and no lending is allowed.

Sourcing and Procurement & Vendor Management Policy

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

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2.1.3. Engagement with counterparties (continued)

Labour / Human Rights / Ethics

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

Working Conditions

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

Health & Safety

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

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2.2 Governance

2.2.1 Responsibilities of the management body for setting the risk framework

The Sustainability Committee as described under Section 1.2.1 has the oversight of the totality of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the Board as well. For Information Security, Privacy and System Downtime risks different Governance arrangements apply which are described in Sections 2.1.1 and 2.1.2 above.

Commitment to Human Rights – Own Workforce

Respect for human rights is integrated into the Group's operational policies and procedures. The Group's Code of Ethics and Code of Conduct outline defined standards for behaviour, responsibilities, and ethical practices applicable to all employees. These frameworks are supported by reporting mechanisms and investigation procedures to address issues and ensure equitable treatment. BOCH engages its workforce through channels designed to promote accountability and inclusion, as detailed below, supporting a culture aligned with these principles.

The Group's approach to human rights is based on internationally recognised frameworks, including the International Bill of Human Rights and international directives, principles and initiatives to protect human rights, such as the Core Labour Conventions of the International Labour Organisation (ILO). The Group adheres to the ILO Declaration on Fundamental Principles and Rights at Work, integrating its principles into various aspects of operations. For instance, the Group's collective agreement and relationship with the trade union address the first principle of the Declaration. Fair and inclusive hiring practices ensure compliance with the second and third principles, while health and safety measures, supported by the "Well at Work" wellbeing programme and Health & Safety Management system, reflect the fifth principle. Group's policies and practices are aligned with ILO Declaration on Fundamental Principles and Rights at Work so by monitoring adherence to such policies and practises also align with ILO. Additionally, the OECD Guidelines for Multinational Enterprises are encompassed within the Group's Code of Conduct, Code of Ethics, and Employee Handbook. These frameworks establish clear expectations for ethical behaviour and corporate responsibility. Violations are addressed through the Group's formal disciplinary process.

BOCH's existing policies and processes, including the Recruitment Policy, Code of Ethics, and Code of Conduct, already address concerns related to human trafficking, forced labour, and child labour, ensuring responsible management. However, to enhance clarity and explicitly reinforce these commitments, the Group will update its policies and processes by the end of 2026.

BOCH maintains a zero-tolerance policy toward discrimination of any kind. This includes, but is not limited to, discrimination based on race, ethnicity, colour, sex, sexual orientation, gender identity, disability, age, religion, political opinion, national origin, social background, or any other grounds. Similarly, harassment in any form—whether verbal, physical, visual, sexual, or bullying—is strictly prohibited. In addition, decisions related to recruitment, promotion, and remuneration are based solely on objective criteria such as ability, ethics, and experience. The Group through the Code of Conduct and Anti-Sexual Harassment Code of Practice set clear standards for employee behaviour and responsibilities against any form of discrimination. In 2025, one potential incident regarding human rights violation was reported during the period which was strictly handled in accordance to the aforementioned policies. Any incidents that may arise in 2026 will be reported on annual basis.

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

The Group promotes integrity, as a core organisational value, through the implementation of the Disciplinary code. This framework ensures timely detection and mitigation of any violations related to the Code of Conduct, Code of Ethics, Anti-Sexual Harassment Code, internal policies, employment terms, circulars and any other decisions of the Group associated with own workforce. To address significant breaches, the Group has established the Disciplinary Committee. Misconduct, breaches or violations can be reported through various channels:

- Whistleblowing channel;
- Planned or unplanned internal audits;
- Complaints;
- Other means (Direct communication to Branch Manager, Manager, Director or through Internet Banking).

The Internal Audit Division evaluates whether incidents reported should be investigated. For those necessary, Internal Audit investigates the incidents reported and submits the Investigation report, among others to the Executive Director People & Change, if a violation is identified. If the investigation confirms a violation, the report is escalated to the Disciplinary Committee. For breaches relating to the Code of Conduct or Code of Ethics (or any other matter associated with HR) the matter is investigated by the relevant HR department and the relevant report is submitted as described above. A Senior Management committee decides whether the matter requires escalation to the Disciplinary Committee, which is responsible for determining appropriate disciplinary actions.

Commitment to Human Rights – Customers

At BOCH, respecting human rights of consumers and end-users is embedded in the Group's Code of Ethics, Code of Conduct, and organisational values. These commitments are integrated into the Group's strategy and business model to ensure that the interests, views, and rights of consumers and end-users are considered in the decision-making processes. BOCH's policies follow internationally recognised frameworks, including the UN Guiding Principles on Business and Human Rights, the ILO Core Labour Conventions, the Universal Declaration of Human Rights (UDHR), and the OECD Guidelines for Multinational Enterprises. BOCH has established formal policies to ensure ethical practices, consumer protection, and operational transparency. The Customer Complaints Management Policy provides a structured framework for addressing and resolving complaints. The Group Information Security Policy sets out safeguards for customer data breaches, and GDPR compliance. These policies are supported by the Code of Ethics and Code of Conduct, embedding fairness, accountability, and respect for consumer and end-user rights into all operations. The Group has no reported cases of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, or the OECD Guidelines for Multinational Enterprises involving consumers or end-users have been reported in its downstream value chain in 2025 and 2024. Additionally, there were no reported severe human rights issues or reported incidents connected to consumers or end-users. Any incidents that may arise in 2026 will be reported on annual basis.

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

The Group has dedicated resources for the handling of ESG issues as described under Section 1.2.2 Integration of measures to manage environmental factors and risks in internal governance arrangements.

2.2.3 Lines of reporting

The Group established Sustainability performance report which monitors the performance of the Bank against Social and Governance targets. For more details refer to Section 1.2.3 Lines of reporting.

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

For the alignment of the remuneration policy with the Group's social risk refer to Section 1.2.4 Alignment of the remuneration policy with institution's environmental risk-related objectives.

2.3 Risk Management

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

The United Nations Environment – Finance Initiative (UNEPFI) Impact Analysis Tool has been employed to obtain insights on both the actual and potential, positive and negative impacts of BOC PCL's portfolio towards Social sub-sub-topics as determined by ESRs. The UNEP-FI impact analysis tool is used as the basis for Double Materiality Assessment under ESRs. Social risks associated with the counterparties were assessed on a qualitative basis through expert judgement during the Double Materiality Assessment. BOC PCL has defined the transmission channels with regards to the social risks based on the ESRs topic areas as opposed by the CSRD Directive and disclosed in Section 1.3. Additional work is expected to be carried out going forward aiming to identify social risks the Group is exposed through its counterparties and the implementation of limits were deemed material.

Social risks identified by the Group following the Double Materiality Assessment as mentioned in Section 2.1, are understood to potentially impact, as risk drivers, the main prudential risks such as credit, market, liquidity and other non-financial risks including reputational risk.

The Group through the Lending Policy which established the ESG Due Diligence procedures in loan origination process, integrates social performance of its counterparties into risk management processes. The ESG Questionnaires which are part of the ESG Due Diligence process incorporate the following social aspects assessing counterparties performance in social spectrum:

- Whether that counterparties have engagement channels with employees, suppliers, communities, customers, trade unions;
- Whether counterparties conduct, customer's satisfactory surveys;
- Whether the counterparties assess the ESG performance of their supply chain;
- Number of employees split between Male and Female;
- % difference between weighted average salary between Female and Male employees;
- % of employees based on their employment type (permanent etc.);
- Whether the counterparty provides any other benefits to its employees (Bonus, insurance etc.);
- Whether the counterparty was involved in philanthropy, school or community programs;
- Whether the counterparty made monetary donations for the benefit of local community.

2.3.2 Setting limits to social risk

Based on the Double Materiality Assessment performed the limits associated with the material social risks were disclosed in section 2.1.2.

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3. Governance Risk

3.1 Governance

The Sustainability Committee as described under the Section 1.2.1 has the oversight of the ESG agenda of the Group. The same governance arrangements remain in relation to the interaction with the Board as well.

3.2 Integration of Governance performance of counterparties in Governance arrangements

The Group through the Lending Policy which established the ESG Due Diligence procedures in loan origination process, integrates the ESG governance performance of its counterparties into its governance arrangements. For details on the Governance areas of the counterparty covered under the ESG Due Diligence process refer to section 3.3. In addition, following Double Materiality Assessment performed in accordance with ESRS identified that Financial Crime, Fraud and Compliance with laws and regulations are material for the Group. The Group establishes and implements actions, procedures and policies to ensure that those risks are managed, and monitoring of such risks is part of Group's governance arrangements.

In addition, very few companies in Cyprus have been required to publish Sustainability Reports, as only a small number met the NFRD criteria. With the Omnibus I amendments to the CSRD published on 26 February 2026 and effective from 18 March 2026 the scope has been significantly narrowed. Under the revised CSRD, only undertakings with over €450 million turnover and more than 1,000 employees remain in scope, while "wave one" entities falling outside these thresholds may be exempted for 2025 and 2026. Mandatory reporting for in scope companies begins for financial years starting 1 January 2027, with publication in 2028.

Cyprus officially transposed the Corporate Sustainability Reporting Directive (CSRD) into national law on 29 July 2025. As a result, improved sustainability data from loan origination is expected from 2028 onwards, although most Cypriot SMEs will remain outside the regime. The Group will continue enhancing credit assessment practices, including reviewing the counterparty's governing body regarding sustainability governance and non-financial reporting responsibilities.

Financial Crime and Fraud

This section concerns the Group's reporting related to the work conducted to combat financial crime. This section describes financial crime, defined as money laundering, financing of terrorism, bribery and corruption and fraud.

The Group adopted a Policy relating to the Prevention of Money Laundering and Terrorism Financing. The purpose of this policy is to set the minimum standards and provide general guidance and clarity on Group's effort to prevent and suppress money laundering, terrorist financing and other illegal activities and to ensure compliance with all applicable legal and regulatory requirements. The Group is committed in the fight against money laundering and terrorism financing and institutes appropriate procedures to comply with relevant legislation, regulations, guidelines and best practices, and exercises due diligence to deter the use of its services and products by money launderers and those involved in illegal activities including the financing of terrorism. The policy is readily available for all employees in the Group's internal portal and Group's website for any affected stakeholders. The policy covers both upstream and downstream value chain.

The main objectives of the principles incorporated in this Policy are to:

- Take all reasonable steps and exercise Due Diligence to deter the use of Group's systems and processes by money launderers and those involved in criminal and illegal activities including the Financing of Terrorism.
- Avoid violations, since they may result in criminal, civil and regulatory sanctions and/or penalties/fines imposed.
- Protect Group's reputation by protecting the Group and its employees from unfounded allegations of facilitating Money Laundering and Terrorist Financing.
- Create a high standard of compliance culture among all the staff across the Group.

3.2 Integration of Governance performance of counterparties in Governance arrangements (continued)

The Group through this policy ensures that the legal and regulatory requirements stemming from the provisions set out in the Law 188(I) 2007 and the 6th edition of the Central Bank of Cyprus Directive for the prevention of Money Laundering and Terrorist financing, are addressed.

In addition, the Group adopted a Sanction Policy to manage the risk of sanctions violation. The purpose of the Policy is to ensure Group's full compliance with sanctions or restrictive measures imposed on countries, territories, entities, or specific persons and bodies. The policy is readily available for all employees in the Group's internal portal and Group's website for all stakeholders. The Sanctions Policy outlines the legal and regulatory requirements/principles emanated from the provisions set out in (a) criminalization of the Violation of Union Restrictive Measures Law 2025, and (b) the 1st edition of the Central Bank of Cyprus Directive for Compliance with the Provisions of UN Security Council of the European Union. In addition to UN, EU sanctions, the Group fully adheres to sanctions imposed by the US and the UK. The policy covers both upstream and downstream value chain.

The Board bears the ultimate responsibility for the effective implementation of the above-mentioned Policies and for setting the right tone from the top. The AC makes sure that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the above-mentioned policies and monitors the effective implementation of those Policies through the Control Functions. The Internal Audit Division is responsible for providing independent and objective assurance to the Board, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to these policies and informs the AC of any findings and relevant recommendations.

The Group also adopted a Fraud Risk Management Policy (applicable to activities in both upstream and downstream) which sets out the appropriate steps to be followed for managing Internal and External Fraud risks within the Group. The purpose of this Policy is to set out the minimum requirements and basic principles underlying the governance and management of Fraud Risks in the Group, providing guidelines on the prevention, detection, investigation, and response of actual (perpetrated) and suspected Fraud. The policy is readily available for all employees in the Group's internal portal. The Policy aims to safeguard the Group and internal or external stakeholders' interests.

The overall responsibility for approving and monitoring the Group's strategy and policy for managing Fraud risk lies with the Board, which exercises this responsibility through the RC. The RC annually reviews the adequacy and effectiveness of the internal controls system, including areas related to Fraud Risk Management (FRM), based on data and information produced by the Internal Audit division and the Fraud Risk Management (FRM), the observations and comments of the competent supervisory authorities as well as the assurance provided by the CEO and make appropriate recommendations to the Board.

The key element of the Group's Financial Crime Compliance Framework is Customer Due Diligence. Customer Due Diligence includes the following:

- ascertaining the identity of the customer before establishing a business relationship or making a one-off transaction;
- establishing the Ultimate Beneficial Owner of legal entities taking particular care on the identification of the true owners of trusts, foundations, client accounts and other similar entities;
- building a detailed Economic Profile of the Customer;
- undertaking Enhanced Due Diligence for High and Significant Risk Customers and transactions;
- updating the identification data of customers on a regular basis;
- Detecting suspicious activities/transactions and where appropriate, reporting such activities/transactions to the local FIU.

3.2 Integration of Governance performance of counterparties in Governance arrangements (continued)

The Group also implements specialised software packages for the continuous monitoring of the customers' accounts, to enable suspicious transactions to be recognised and to maintain procedures for the reporting of such transactions to the appropriate authorities. The Group through specific procedures and circulars established a specific process to identify and manage specific, general, sectoral sanctions imposed by the UN, EU, US and the UK and focused prohibitions on the export / import of commercial and dual-use goods, software and technology issued by the Council of the European Union, or subject to U.S. jurisdiction under the Export Administration Regulations sanctions.

The Group established a Fraud Risk Management program with the following main components to identify, prevent, detect and respond to Fraud Risk:

- **Fraud risk identification and assessment:** The risk of Fraud is identified, assessed and monitored in all activities through established methodologies and processes. Fraud risks are scored and suitably prioritised for action. The Group identifies inherent Fraud risk through an assessment of incentives, pressures and opportunities to commit fraud. The Group assesses likelihood and potential impact of residual Fraud risk. The Group responds to reasonably likely, significant fraud risks through identification and implementation of effective controls or detection procedures for the risks identified.
- **Fraud prevention:**
 - **Process-level controls:** Business lines supported by Fraud Risk Management (FRM) department, Organisation (OD) and Digital Transformation departments developed and implement appropriate anti-Fraud control procedures and mechanisms for all relevant business processes that either prevent or minimise the likelihood and/or the potential impact of Fraudulent Conduct.
 - **Transaction level controls:** Reviews of third-party and related-party transactions are established throughout business processes. These controls are driven by appropriate know-your-customer/client (KYC), know-your-intermediary (KYI) and know-your-staff (KYS) procedures, as well as background checks on suppliers and business partners, to indicate potential entities that bear higher risk of Fraud.
 - **Awareness:** Ensure that all employees receive training on Code of Conduct, Fraud trainings as well as training on any updates or changes on related processes and procedures.
- **Fraud detection:**
 - **Business process-level mechanisms:** Business processes and procedures are designed so that they accommodate and integrate the systematic identification of the types of Fraud schemes that can be perpetrated in relation to the specific business process.
 - **Key Fraud Indicators:** Key Fraud Indicators (KFIs) are established and updated to monitor variables, which may indicate the possibility of Fraud. Breach of relevant KFIs or adverse trend indications provide early warning for high-risk Fraud areas and must trigger further assessment of the necessary controls in that area and the residual risk.
 - **Other detection mechanisms:** Includes IA reports, periodic reviews by regulators or findings and reports from other expert external business partners.
 - **Proactive Fraud detection procedures:** Automated data analysis, continuous Monitoring techniques, and appropriate technology tools to effectively detect Fraudulent Activity
 - **Internal Fraud reporting channels:** Report fraud incidents to Internal Audit, Compliance or Fraud Risk Management Department or through whistleblowing channels.
 - **Other external reporting channels:** Complaint Management system.
- **Fraud investigation and response:** The Internal Audit Director is responsible to assess reports related to alleged or suspected internal Fraudulent Conduct involving the Group's activities or the members of governing bodies and employees, carry out an investigation of actual or suspected Internal Fraud and report findings to the AC, as well as the CEO or any other reporting line, on a need-to-know basis.

The above-mentioned actions are ongoing and associated with both upstream and downstream activities.

3.2 Integration of Governance performance of counterparties in Governance arrangements (continued)

There are no measurable, time-bounded and outcome oriented targets nevertheless there are indicators which monitors the effectiveness of these actions. The Group through the Risk Appetite Statement establishes certain qualitative indicators to monitor risks associated with Financial Crime, Sanctions and Fraud risks:

1. No tolerance for violations of sanctions or other measures imposed by American Authorities such as the US Department of Treasury's Office of Foreign Assets Control (OFAC), the United Nations, the European Union and the United Kingdom's His Majesty's Treasury. In case of such deviations, immediate rectification and investigation actions are enacted.
2. No tolerance for deviations with regards to the opening of accounts in US Dollars for persons connected with countries subject to strict sanctions.
3. BoC maintains a zero tolerance for regulatory fines. Consequently, non-compliance to regulatory requirements immediately trigger mitigation/ rectification actions.

The Group ensures relevant trainings are conducted to support mitigation of Financial Crime risks.

Compliance with Laws and Regulations

The Group adopted a Compliance policy which sets out the business and legal environment applicable to the Group, the principles and responsibilities for compliance and how these responsibilities are allocated and carried out at group and entity level. The policy is readily available for all employees in the Group's internal portal and Group's website for all stakeholders. The policy covers operations at Group level.

The Board bears the ultimate responsibility for the effective implementation of the above-mentioned Policies and for setting the right tone from the top. The AC makes sure that sufficient, dependable, and secure internal procedures are in place to ensure that the Group complies with the above-mentioned policies and monitors the effective implementation of those Policies through the Control Functions. The Internal Audit Division is responsible for providing independent and objective assurance to the Board, through the AC, and to management, by assessing the effectiveness of governance, risk management, and control processes related to these policies and informs the AC of any findings and relevant recommendations.

The Regulatory Compliance Department is responsible for ensuring that the Group adheres to all applicable regulatory, legal, and compliance obligations. It is dedicated to implementing appropriate controls and procedures to safeguard the interests of clients and other stakeholders. A network of Compliance Liaisons, Business Risk Compliance Officers, and Subsidiary Compliance Officers is positioned in all major departments and business functions within the Group to support the monitoring activities of the Compliance Function, thereby ensuring full compliance with both internal and external obligations.

The Compliance Management System automates the majority of compliance procedures, offering an integrated platform equipped with a comprehensive suite of tools designed to address regulatory risks. It also offers real-time updates on any new or amended regulations, supports tracking of issues and actions. The Regulatory Compliance Department conducts regular reviews using the Compliance Review Methodology.

Significant non-compliance cases are identified through the application of the Three Lines of Defence model. The first line comprises business management, who have direct ownership and responsibility for risk management, including the implementation of controls and corrective measures. The second line encompasses oversight functions, such as Compliance, which establishes policies, monitors risks, and offers guidance and assurance. The second line is responsible for developing and maintaining an effective risk and compliance framework to support management in the delivery of its business and strategic objectives. The third line is represented by the Internal Audit Division, which conducts independent assessments of the effectiveness of governance, risk management, and internal controls. The above-mentioned actions are ongoing and associated with Group's own operations.

3.2 Integration of Governance performance of counterparties in Governance arrangements (continued)

There are no measurable, time-bound, or outcome-oriented targets in place; however, indicators exist to assess the effectiveness of these actions, beyond the monitoring of regulatory fines and reprimands. One case of non-compliance with laws and regulations occurred in 2025 (2024: zero). Following an investigation by the Consumer Protection Service, a non-material fine imposed on the Bank upon identification of unfair and partly unfair clauses embedded in the terms of the consumer housing loan contracts. The Group took the necessary corrective actions and mitigation measures to address the issue and comply with laws and regulations. An action plan whereby corrective actions have been implemented to ensure that no such terms will be embedded in future contracts and that the clients were notified. The EXCO and AC were involved and thoroughly informed. None of these incidents related to bribery and corruption in 2025 and 2024. Any incidents that may arise in 2026 will be reported on annual basis.

Through the Risk Appetite Statement, the Group defines qualitative guidelines related to Compliance Risks and maintains zero tolerance for any breaches of regulatory, legal, or compliance obligations.

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3.3 Risk Management

At the basis of the Double Materiality Assessment under ESRS, the Group has identified Business conduct as a governance risk driver including aspects of corporate culture and management of relationships with suppliers including payment practices. Business conduct has been qualitatively assessed and is understood to potentially impact, as risk drivers, the main prudential risks such as credit, market, liquidity and other non-financial risks including reputational risk. BOC PCL undertook a comprehensive qualitative analysis of potential transmission channels with regards to governance risks in 2025 and are disclosed in Section 1.3.

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

Recognition of Governance issues in the ESG Client Questionnaires

As mentioned earlier in Section 1.2.1, BOC PCL employs ESG client questionnaires to identify and assess ESG matters as part of its ESG Due Diligence process. BOC PCL has incorporated the following governance aspects into its ESG questionnaires which are used to assess customer's performance under various ESG matters:

Governance Area	Assessment under ESG Due Diligence Questionnaire
Ethical Considerations	Whether the counterparty adheres to code of conduct and code of ethics and whether the counterparty implements processes and/or policies associated with human right
Strategy and risk management	Whether the counterparty enhanced strategy to be aligned with ESG framework
Inclusiveness	Whether the counterparty implements processes or policies associated with equality, diversity and inclusiveness. Number of employees split between Male and Female for Board of Directors, Senior Management and all staff.
Transparency	Whether the counterparty publishes performance on sustainability matters and the relevant initiatives and standards applied on sustainability statements
Internal communication on critical concerns	Whether the counterparty implements whistleblowing processes and procedures
Privacy	Whether the counterparty implements a Data Privacy Policy
Information Security	Whether the counterparty implements an Information Security Policy
Compliance with laws and regulations	Whether the counterparty received any fines associated with legal cases

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

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