Interim Pillar 3 disclosures

Appendix II - Environmental, Social and Governance Risks

2025

Bank of Cyprus Holdings

Contents

1. Environmental risk

1.1. Business strategy and processes

1.1.1. Business strategy to integrate environmental factors and risks

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 3 emissions through its supply chain (i.e. third-party providers) and its financing activities, which also entails the alignment and commitment of its clients towards this goal.
Steadily 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 line 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 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 in own operations, given this was the year the Group's decarbonisation efforts were initiated. For the Group to meet the carbon neutrality target by 2050, the Group has set an interim target to reduce Scope 1 and Scope 2 GHG emissions 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 activities and actions in relation to Own Operations of the Group conducted the last two 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

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 2024 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, BOC PCL established certain sector lending limits to restrict its exposure to sectors which are widely considered as carbon intensive sectors (i.e. cement, oil, gas, iron, steel, aluminium and power generation through fossil fuels). The role of BOC PCL is to engage with the customers operating in carbon intensive sectors, in order to educate them on the C&E risks that are exposed and support them in the transition to low carbon economy by providing them Green or transition financing. The sector limits are not applicable to Green or Transition financing or to entities, operating in carbon intensive sectors, with an externally validated transition plan so to motivate and support the customers to their transition to a low carbon economy. The abovementioned sector limits have been reflected in the BOC PCL Concentration Policy.

Decarbonization targets

The Group, by taking into account the GHG emissions estimated for loan portfolio, the most significant loan exposures and the Materiality Assessment (MA) 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. Following the establishment of the decarbonisation target on Mortgage portfolio BOC PCL designed the strategy to meet the target and align its Mortgage portfolio with the International Energy Agency's (IEA) Below 2 Degree Scenario (B2DS) by aiming to finance more energy efficient residential properties. BOC PCL designed and introduced a "Green Housing" product, aligned with GLPs of Loan Market Association (LMA), in order to support the feasibility of the decarbonisation target. The decarbonisation target on Mortgage portfolio and the new lending strategy to meet the target have been incorporated in the Group's Financial Plan. The Group is also examining to set decarbonisation targets going forward on other sectors of the loan portfolio by taking into consideration the GHG emissions estimated, and the available methodologies to set targets.

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 2025 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.

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

The Green/Transition new lending internal KPIs have been included in the Group's Financial Plan for 2025 – 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. At the end of 2023, the Group launched the Green Housing product, with variable interest rate and in 2024 launched Green Housing product 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 2025-2028, includes the ambition on the new Green Housing product in order 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 grasps 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

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.

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

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).

Following the setup of the SFF in 2023, 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 had been allocated to eligible green projects as described in the SFF.

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 and 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.

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 is to set at least two targets associated with the PRB's impact areas which can have the most significant impact. For BOC PCL the two key impact areas are Climate Stability and availability, accessibility, affordability & quality of resources and services. BOC PCL has set, in 2023, a 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. BOC PCL is evaluating to set SMART target on availability, accessibility, affordability & quality of resources and services impact area as part of its ongoing strategic planning.

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 RMD 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.

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

Business Environment Scan (BES)

BOC PCL, established and implements a structured and detailed process, with clear roles and responsibilities, to gather a broad range of updates and developments, both internal and external, and link them with sectors/industries and products/services so to assess their impact, across different time horizons, and identify C&E risks emerging from these updates and developments and inform 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 monthly basis, from various sources, such as news articles, publications, policy and regulatory updates, as well as internal information such as strategy updates, process changes and other relevant internal documentation.

The identified developments are then mapped to the relevant business lines, sectors/industries and portfolios that might be impacted, as well as to specific products/services, where applicable. Developments are further assessed in terms of their relevance across the various time horizons, and preliminary impact scores are assigned based on the expected effect on the 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 2024, have been considered and informed the RIMA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical".

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 quarterly 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 ESG strategy until the Group's Environmental policy becomes effective by the end of 2025.

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 3,431 tCO_2e in 2024 compared to 2021 which represents c.25% reduction. The Group should perform additional decarbonisation actions to reduce Scope 1 and Scope 2 GHG emissions by c.17% to achieve the interim target of 2030.

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.

The Group 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.

For the purpose of the calculation of the 2021, 2022, 2023, 2024 and 2025 Carbon footprint, the Group uses the operational GHG accounting approach. The 2021, 2022, 2023, 2024 and 2025 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 as at 31 December 2024 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, BOC PCL 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 2025 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.

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

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

1.1.2 Objectives, targets and limits (continued)

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 metre, 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 (International Energy Agency (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 International Energy Agency's Net Zero Scenario given the fact that Cyprus market is pre-mature in the climate field. Therefore, BOC PCL considers reasonable to initiate its efforts based on a less intense scenario and then intensify its efforts when the overall Cyprus market is more mature in the field.
iii. Lack of data enhances the risk of not having a solid baseline, so BOC PCL considers that is more prudent to initiate its efforts based on a less optimistic scenario until data availability and quality is enhanced.
iv. The scenario is more straightforward to obtain and use as it is aligned with 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 metre for the properties financed under its Mortgage portfolio as at 31 December 2030. In order to project the Mortgage portfolio as at 31 December 2030, BOC PCL used various assumptions such as:

i. Projected new lending on Mortgage portfolio between 2025-2030;
ii. Projected square metres of each property financed under projected Mortgage new lending;
iii. Allocation of new lending on Mortgages to Energy Performance Certificate (EPC) classifications;
iv. PCAF proxies on GHG emissions per financed residential property;
v. Cyprus Government targets on the reduction of GHG emissions as well as the utilisation of renewable energy on residential buildings by 2030;
vi. Expiration of Mortgage exposures between 2025-2030.

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.

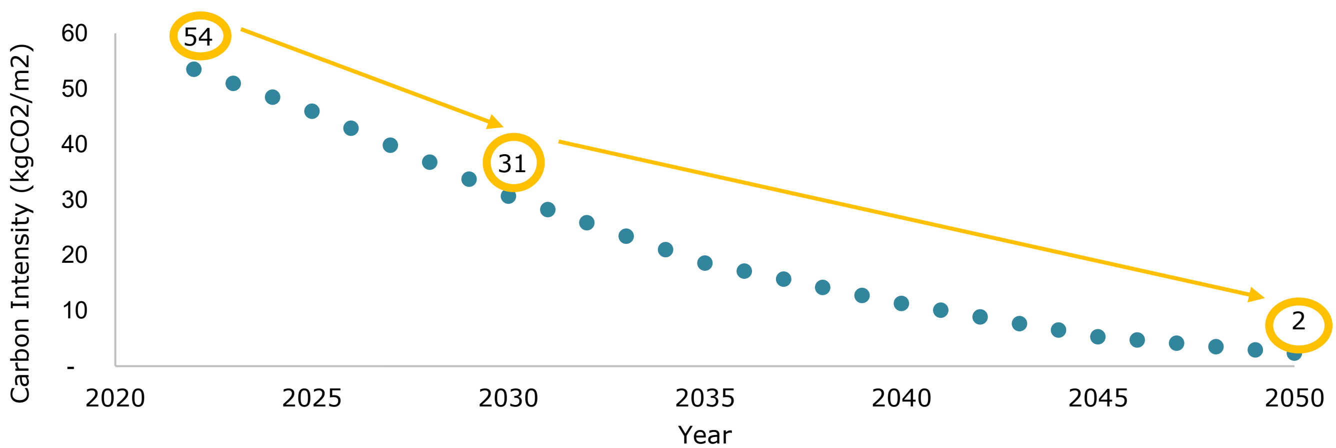
1.1.2 Objectives, targets and limits (continued)

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 2025	Figure as at 30 June 2025	Methodology
$kgCO_2/m^2$	S1 & S2	53.50	2030	30.65	(43%)	(12%)	48.78	PCAF/SBTi
$kgCO_2/m^2$	S1 & S2	53.50	2050	2.34	(96%)	(12%)	46.78	PCAF/SBTi

The Group aims to reduce by 43% the kilograms of GHG emissions financed per square metre (kgCO2e/m2) under the Mortgage portfolio, by 2030 compared to 2022 baseline. The Mortgage portfolio as at 30 June 2025 produced 46.78 kgCO2e/m2 which is 13% lower compared to the baseline due to carbon intensive mortgages expiring within 2025 and substituted with higher energy efficient residential properties.

Carbon Intensity Target – Mortgage Portfolio



At the end of 2023, the Group introduced the Green Housing product with a variable interest rate. In 2024, the Group introduced 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 2025-2028 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. The Group 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 (Quarterly);
iv. By BDC on a monthly basis.

1.1.2 Objectives, targets and limits (continued)

Operational Limits to manage material climate transition and physical risks
In addition to the decarbonisation target set on Mortgage portfolio, the Group has set Key Risk Indicators (KRIs) for both 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 for the year 2025 therefore no progress against the indicator has been reported.

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:**
	<=30%	**30 – 40%**	**>40%**

Note:

1) The KRI measures the Potential Exposure at Risk [PEAR = (Exposures with CO2 emissions >= the Cyprus average Scope 1 emissions)/(Total Exposure)].
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 2013 to 2022. The data from 2020 to 2021 were excluded due to the impact of COVID-19, which resulted in lower and non-representative emissions figures. 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 were summed (numerator) and then divided by the total GHG emissions 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 & landslides) over the total exposure collateralised with immovable property. This allows the monitoring and mitigation of such risks. The indicator is monitored by the SC, EXCO, RC and Board as part of the Risk Appetite quarterly reporting. The KRI is effective for the year 2025 therefore no progress against the indicator has been reported.

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:**
	<=7,5%	**7,5 – 10%**	**>10%**

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.
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 SPRIs 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 Group has amended the methodology for the wildfire hazard by treating properties located in urban and rural areas differently, hence the thresholds for the above indicator have been revised. The indicator is also monitored across material portfolios and geographies (concentration) and their thresholds are the same as indicated above.

1.1.2 Objectives, targets and limits (continued)

Water scarcity was also identified as a material risk, in the long-term horizon. As such, a KRI was set based on location and sector specific data.

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:**
	<=34%	**34 – 40%**	**>40%**

Note:
1) The KRI 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.
2) The KRI is monitored both at Bank and material portfolios.

The Group has set the following operational limits, applicable for the year 2025, to track the effectiveness of the policies mentioned in Section Policies and Actions Related to Climate Change Mitigation and Adaptation:

Target	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 polices	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% of all eligible ESG Due Diligence large and medium sized customers	Lending Policy

Operational Limits - Details

Target	**% 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
Target	**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 polices

1.1.2 Objectives, targets and limits (continued)

Target	**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
Target	**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
Target	**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 collaterals 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
Target	**% 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. •
Risks addressed	Environmental (nature-related) risks: water scarcity
Lines / Portfolios	All eligible customers under SME Banking (Line 2) and Corporate Banking (Line 3).
Thresholds	60% of eligible ESG Due Diligence large and medium sized customers provide their water consumption data.

The KRIs and operational indicators are effective for the year 2025 therefore no progress against the indicators is reported. The limits are not based on scientific evidence and only internal stakeholders were engaged in setting those limits.

Escalation process

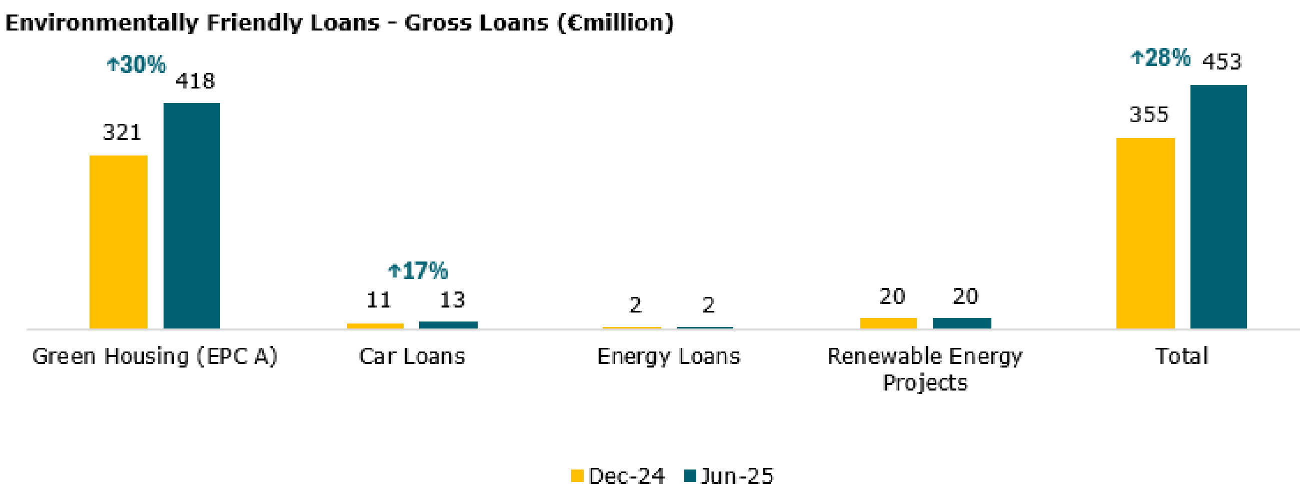
If any of the KRIs listed above is breached (whether at the early warning level or the in-breach level) then the breach is escalated to the CRO. If the breach relates to either a RAS or a Recovery Plan indicator, then the respective escalation process is followed.

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 C&E risks, deviations will be reported to the CRO who may decide to escalate to the SC before any further escalation to the RC.

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.



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.

1.2. Governance

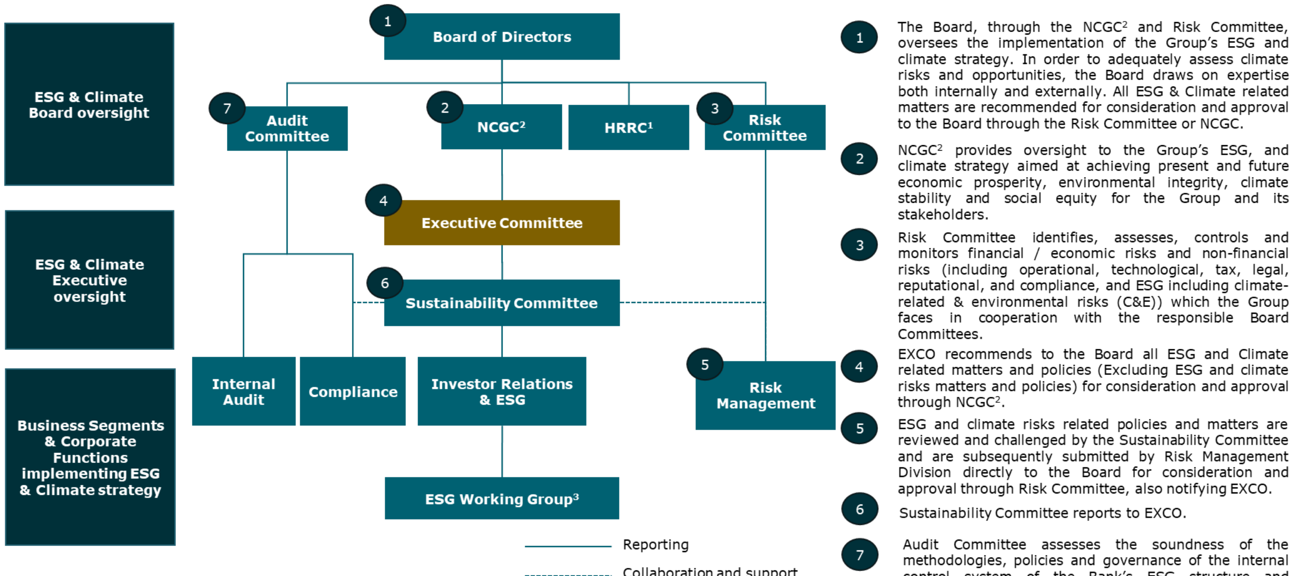
1.2.1. Responsibilities of the management body for setting the risk framework

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

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



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

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 the Nominations 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 BOC PCL and/or BOC PCL to issue Green/Social or Sustainable bonds.

The role of the 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. 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 BOC PCL or the Board.
iv. Ensure that Internal audit incorporates ESG, including C&E risks, in its Risk and Audit Universe.
v. 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 PACTA and 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;
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. Develops and rolls out the institution's climate-related client questionnaires for due diligence and data collection purposes;
x. Conducts C&E risks stress testing and provides input on ESG supporting Governance;
xi. Produces reports on C&E risks for submission to the SC, EXCO and RC;
xii. 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.

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

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, adhering to the importance of connecting the performance of its personnel to ESG and climate matters as a way of incorporating ESG culture within the organisation. The remuneration policy promotes and is consistent with sound and effective risk management, 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 pay. Fixed remuneration does not embed any ESG incentive considerations. Variable remuneration 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.

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 percentage of the salary to be paid as 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 individual Senior Management's performance appraisal is between 3%-15%. Senior Management's KPIs for individual performance appraisal are approved annually by HRRC. The Board should annually approve a proposal for the implementation of a STIP across the organisation. The allocation criteria are to be decided on an annual basis by the HRRC. The 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 Extended EXCO, 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 will be subject to malus and clawback provisions in accordance with applicable legislation and regulations. The applicable scorecard under the long-term incentive plan ('2022 LTIP') include a KPI on External ESG ratings Score with a target being an AA rating with 5% weight.

The applicable scorecard under the LTIP include 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.

1.3. Risk Management

1.3.1. Timeframes

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

Time horizon label	Start Year	End Year	Rationalisation
Short-term (1 years)	2024	2025	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 2026 in order to lead the decarbonisation efforts, lead by example and also to benefit from any government subsidies that will be announced as part of the Recovery and Resilience Facility (RRF) of the EU. Taking also into account the CSRD which is a milestone for sustainability activation effective for FY2024 for EU listed companies, and every year thereafter up until 2028 to include certain SMEs and large companies, the Group decided to set short-term time horizon at 1 year as of the end of the reporting date.
Medium-term (2-6 years)	2026	2030	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 IROs should be identified and managed in a horizon of 2-6 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 sustainability IROs. Therefore, the time horizon for medium term is between 2-6 years.
Long-term (>6 years)	2031	n/a	The Group considers a time horizon of more than 6 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 7 years. As such a long-term time horizon has been set of over > 6 years to cover both the risks as well as the strategic aspects of climate-related risks within the organisation.

1.3.2. Definitions and methodologies

BOC PCL has 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 report on management and supervision of ESG risks for credit institutions and investment firms (June 2021). 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

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

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

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

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

Specifically, the Group 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 the Group 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 C&E risks have been mapped to the existing financial and non-financial risks through respective transmission channels.

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

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

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

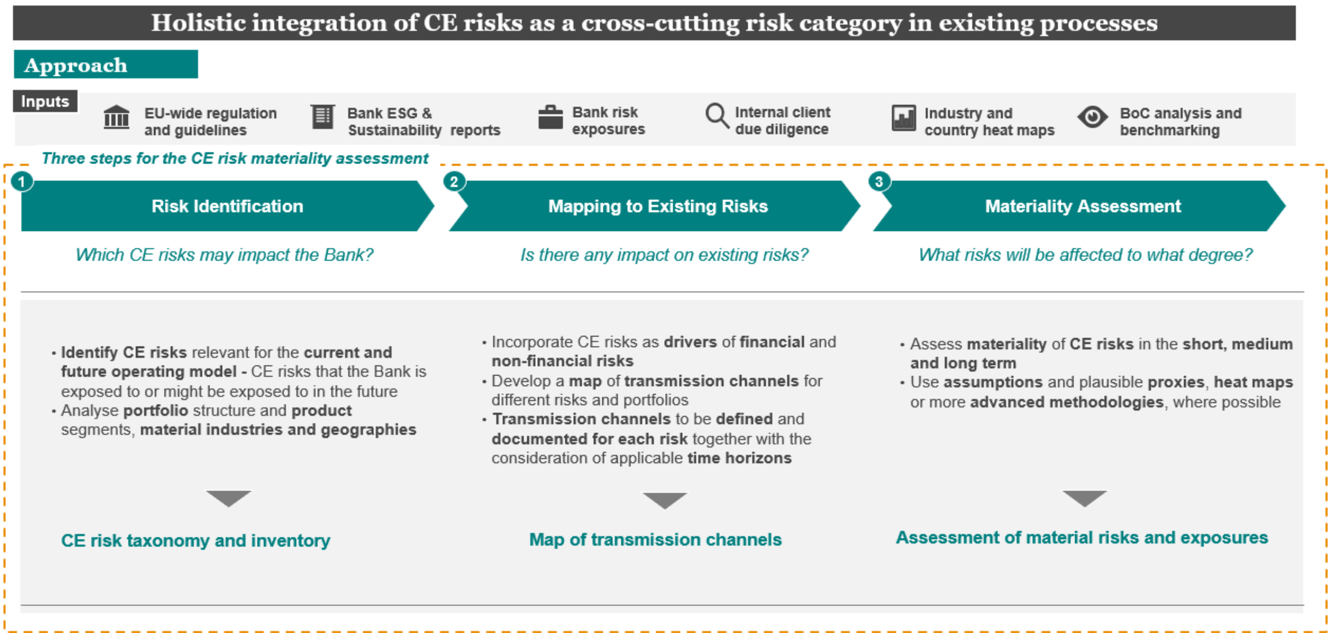


Figure X: *Overview of BoC's C&E MA 2023 stages*

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

The following table provides an overview of the Group'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 behaviour

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.

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 BOC PCL directly or indirectly through counterparties, assets (microeconomic channels) or the broader economy in which the relevant clients and BOC PCL operates (macroeconomic channels). BOC PCL has defined the transmission channels through which the C&E risks can influence each of its existing risk categories. By the end of the Q2-2025, BOC PCL has defined the transmission channels with regards to the social and governance risks based on the ESRS Standards' topic areas as imposed by the CSRD Directive. The tables below provide a non-exhaustive list of transmission channels and is not limited to the C&E risks identified as material. A more detailed description of each of the C&E risk and Social/Governance risks transmission channels with regard to the principal risks and the arising impact on BOC PCL are provided in the Table 1 and Table 2 below respectively.

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

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks*

* Including Counterparty risk, Settlement risk, Issuer risk, Concentration risk and Country risk.
** Including Interest rate risk, FX risk, Real Estate risk, Credit Spread risk and Equity risk.
*** Including Liquidity risk and Funding risk.

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

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

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

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks (continued)*

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

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

Table 1: *Overview of the key transmission channels and potential impact on the Group through C&E risks*

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

<table>
<tr><th>Social & Governance Risk Drivers</th><th>Transmission Channels (Non-exhaustive List)</th><th>Potential Impact on BoC across prudential risks</th></tr>
<tr><td>Social Risks - Workers in the value chain (ESRS S2)</td><td>- Poor working conditions and labour disputes can reduce productivity, disrupt operations and weaken the financial stability of clients and suppliers, affecting their ability to repay loans and maintain deposits.
- Negative publicity or social scandals involving clients or suppliers linked with the Bank can damage the Bank’s reputation and erode trust among depositors and investors.
- Labour-related controversies can lead to stock price volatility and reduced investor confidence, impacting the market value of assets linked to affected sectors.
- Association with non-compliant third parties in the value chain can expose the Bank to legal action, regulatory pressure, increased reputational risk, reduced stakeholder trust and long-term strategic setbacks.
- Disruptions in the value chain due to reduced output or labour unrest can impact the Group’s operations.
-</td><td rowspan="2">- Credit risk: Increased probability of default (PD) due to weekended financial stability of borrowers, suppliers, or customers affected by poor labour practices, community disruption, consumer harm, or unethical conduct.

- Liquidity Risk: Potential deposit withdrawal increases funding costs, and reduced investor confidence triggered by social or governance scandals, legal penalties, or reputational damage.

- Market Risk: Volatility in asset values and market perception due to association with unethical practices, and affect investor sentiment, especially in sectors linked to affected customers or communities.

- Operational Risk: Disruptions from strikes, protests, poor supplier performance, or internal governance failures can increase costs, reduce efficiency, and impair service delivery.

- Legal/Litigation Risk: Non-compliance with labour, consumer, or governance regulations can result in lawsuits, fines, and regulatory sanctions, increasing legal exposure.

- 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.

- Strategic Risk: Failure to manage social and governance issues across the 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</td></tr>
<tr><td>Social Risks – Affected Communities (ESRS S3)</td><td>- Borrowers negatively impacting affected communities may experience reduced financial stability due to displacement or bad reputation, affecting their ability to repay loans.
- Non-compliance with social regulations affecting communities can lead to fines and penalties for clients and suppliers.
- Community protests or regional instability can depress local asset values. Additionally, if the Bank is perceived as contributing to social harm, its own stock may experience volatility.
- Social issues affecting communities can lead to negative publicity and loss of trust among clients, investors, and other stakeholders.
- Affected communities or regulators could bring legal action against the Bank due to non-compliance with social standards within its value chain.</td></tr>
</table>

Table 2: *Overview of the key transmission channels and potential impact on the Group through Social and Governance risks*

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

<table>
<tr><th>Social & Governance Risk Drivers</th><th>Transmission Channels (Non-exhaustive List)</th><th>Potential Impact on BoC across prudential risks</th></tr>
<tr><td>Social Risks – Consumers and End- users (ESRS S4)</td><td>- Clients or suppliers offering problematic products or services that harm consumers may face financial strain due to consumer backlash or legal action, potentially affecting their ability to repay loans.
- Non-compliance with consumer protection regulations can result in fines and penalties, while dissatisfied customers may withdraw funds, increasing liquidity risk for both clients and the Bank.
- Harmful products or services could shift consumer behaviour due to social concerns can lead to stock price volatility and affect the Bank’s market position.
- Issues such as lack of privacy, accessibility, or consumer protection in the Bank’s services can lead to operational disruptions, regulatory scrutiny, and increased compliance costs.
- Poor consumer practices, including discrimination or lack of transparency, can lead to negative publicity and loss of trust among stakeholders.</td><td rowspan="2">- Credit risk: Increased probability of default (PD) due to weekended financial stability of borrowers, suppliers, or customers affected by poor labour practices, community disruption, consumer harm, or unethical conduct.

- Liquidity Risk: Potential deposit withdrawal increases funding costs, and reduced investor confidence triggered by social or governance scandals, legal penalties, or reputational damage.

- Market Risk: Volatility in asset values and market perception due to association with unethical practices, and affect investor sentiment, especially in sectors linked to affected customers or communities.

- Operational Risk: Disruptions from strikes, protests, poor supplier performance, or internal governance failures can increase costs, reduce efficiency, and impair service delivery.

- Legal/Litigation Risk: Non-compliance with labour, consumer, or governance regulations can result in lawsuits, fines, and regulatory sanctions, increasing legal exposure.

- 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.

Strategic Risk: Failure to manage social and governance issues across the 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</td></tr>
<tr><td>Governance Risks – Business Conduct (ESRS G1)</td><td>- Corruption, bribery, or poor client / supplier relationship management can weaken financial performance and increase the risk of loan defaults.
- Non-compliance with customer-related regulations, mishandling of complaints, and external fraud can erode client and investor confidence, potentially triggering deposit withdrawals and creating funding challenges.
- Reputational damage from unethical practices can lead to stock price volatility and reduced investor trust, affecting both the Bank and its investments.
- Ineffective supplier management, poor corporate culture, and compliance failures can cause operational inefficiencies, service disruptions, and increased legal and reputational risks.</td></tr>
</table>

Table 2: *Overview of the key transmission channels and potential impact on the Group through Social and Governance risks*

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. The Group has applied a combination of both qualitative and quantitative methods. The following methodologies have been applied:

a. Quantitative Geographic Assessment

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

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

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

i. Property collateral for Credit risk secured portfolio (geolocation coordinates of collateral properties) - 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. BOC PCL'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, the Group has performed a heatmapping exercise to determine how physical and transition risks affect certain industries that the Group 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 Conditional Value at Risk (CvaR))

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 CVaR across risk scores has been performed.

Country climate physical risk heat map
The heatmap was used to assess:

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

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

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

e. Determination of materiality

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

The definitions of each Magnitude 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".

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

f. Reperformance of Materiality

In November 2024, the Bank reperformed the MA using identical methodologies to establish whether new risks must be considered as material. More specifically, Credit, Liquidity, Market and Operational risk analysis was reperformed 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. The outcome of this analysis did not yield any changes in the material risks. The RIMA process will be performed at least on an annual basis, or ad-hoc, if necessary.

g. Business Environment Scan (BES)

The Group 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 Group's risk and strategic profile. This integrated approach enhances the Group'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 2024, have been considered and informed the RIMA and Business Strategy, particularly developments which have been classified as having a "High" or "Critical" risk scores.

h. Climate risk assessment at loan origination

During 2023, BOC PCL established an ESG Due Diligence process with the objective being to assess customers (existing and new) on their performance against various aspects around ESG and climate risks. The process 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 syndicated 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. Going forward, the Bank will consider the expansion of the ESG assessment to more customers.

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

i. Syndicated 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 the Key Carbon Intensive sectors indicated by Fit for 55 ECB's Stress Test one-off exercise performed in November 2023.

The syndicated questionnaires are a critical component of the ESG Due Diligence process and enable BOC PCL 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.

Qualitative & Quantitative Metrics

Assessment Dimensions / Sectoral Dimensions

	Environment	Social	Governance
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
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 Syndicated Questionnaires*

The completion of the syndicated questionnaire allows both BOC PCL 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.

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

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.

BOC PCL is currently incorporating ESG Covenants 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, the Bank will broadly align the imposition of these covenants with the implementation timeline of the CSRD.

j. Climate Risk Sensitivity and Stress Testing

(a) 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 business plan. The sensitivity analysis carried out on physical and transition risks are described below.

Transition risks

To assess the potential impact of transition risks on the Business Model, a sensitivity analysis was carried out on portions of the corporate and mortgage portfolios that were identified as being exposed to transition risks. The analysis related to the Financial Plan for the period between 2025 – 2028 and reflected the potential impact of a short-term disorderly scenario according to which a set of climate related policies are implemented at the beginning of 2024.

Estimation of impact was done on a top-down basis considering the outcome of regulatory climate stress tests, and specifically the outcome of the Bank of England Climate Biennial Exploratory Scenario. Considering the specific composition of BOC PCL's portfolio, such climate related policies would most likely affect customers in the sectors identified as vulnerable to transition risks as well as customers with mortgage loans granted prior to 2009, implying thus a less-energy efficient property. These sectors account for c.49% of the Bank's total loan portfolio as at September 2024. The outcome of the analysis thus provided a magnitude of losses BOC PCL might face if both BOC PCL and its customers do not respond effectively to climate risks. The analysis indicated that over the period of the next financial plan (2025 – 2028), an average decrease of the Bank's profitability of €19 million per year was estimated, totalling to €75 million for the period. This is an adverse sensitivity scenario and given the energy strategy of Cyprus, this is not considered a likely outcome.

Physical risks

This sensitivity analysis is designed to evaluate the financial implications of climate-related physical risks on the real estate assets we hold as collateral within the four-year timeframe of the financial plan. It focuses on three risks, namely wildfire, landslide and flood. The analysis utilised the concept of damage functions.

The analysis assumes that climate-related risks will gradually materialize through market pricing mechanisms, even before physical damage occurs. This assumption reflects growing market awareness of climate risks and their incorporation into property valuations. The transmission channels through which these risks affect property values could include:

- Insurance premium adjustments reflecting increased risk exposure
- Market participants' risk perception and preference shifts
- Regulatory changes affecting building requirements and land use
- Adaptation costs necessary to protect properties
- Changes in local economic conditions due to climate vulnerabilities

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

While actual climate impacts may materialize over longer timeframes, it is possible that market pricing mechanisms will begin to incorporate these risks more rapidly as climate risk awareness increases.

Scenarios

The NGFS scenarios considered for this assessment were the Hot House World and the Orderly Transition. The former scenario is more appropriate for wildfires and floods as it implies that physical risks increase the further you move into the future. On the other hand, the Orderly Transition scenario is more appropriate for landslide as the particular risk requires the additional element of heavy rain to act as a trigger. Heavy rain is not assumed in the Hot House World scenario. The damage functions resulting from each scenario up to the year of 2034 were thus compared. No significant differences were observed between the two scenarios given the short time frame examined and therefore the Hot House World scenario was used to run the sensitivity analysis which aligns with the scenario used for physical risks in the RIMA process.

Results

The sensitivity analysis results indicate a collective charge of €3.5 million and €6.8 million, assuming that prices are reduced equally to the calculated damage functions for the years 2028 and 2034 respectively. Both charges are not deemed material.

Employing the damage functions over a longer term would yield additional provisions as per the logic embedded in the climate scenarios which provide for increasing impacts as you move further into the future. However, that would ignore both the dynamic nature of the balance sheet and the mitigating actions that the BOC PCL can put in place in the interim. Furthermore, the precise timing and magnitude of any climate impact on property prices remain uncertain.

(b) Transition Risk Framework

BOC PCL developed a Framework to quantify transition risk for the purposes of stress-testing within the context of ICAAP, under the normative perspective. 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 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 regrading Climate Stress Testing (CST) design is structured into three layers:

- Scenario Layer: This layer encompasses scenario variables, which are divided into macroeconomic variables and climate risk parameters. It is essential that the macroeconomic variables remain internally consistent with the climate risk parameters.
- Climate Risk Layer: The climate risk parameters are utilized to adjust the rating components through transition risk models.
- Quantification Layer: The macroeconomic variables are used to estimate IFRS 9 PD and LGD based on a forward-looking approach.

The Bank has assessed the Climate Transition Risk for both Normative and Economic dimension in the 2024 year-end ICAAP.

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 focussed 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 of clients in activities relating to immovable properties such as Construction, Accommodation & Food Service, Real Estate, Mortgages as well as the fact that a significant portion of BOC PCL's collaterals are real estate assets.

To that end, data were obtained from an external vendor, providing granular, location level information. Based on existing literature[1], only five physical hazards are considered as having impact on immovable properties and these were analysed further. These include wildfire, landslide, wind gust, flood and sea level rise.

For the purposes of the analysis which was also used as part of its RIMA process, the NGFS scenarios were employed and used as a reference. In particular, the following scenarios were used and projected up to 2050:

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

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

Focusing on the most conservative climate scenario (Hot House World) the data indicated that only three hazards, namely wildfire, landslide and flood could potentially impact collaterals' value. The impact of wildfires on the collateral portfolio was quantified in the 2024 year-end ICAAP as well as in the subsequent quarterly updates both from an economic and a normative perspective.

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 and flood as well as the below factors:

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

Economic Perspective

Conclusively, based on the revised reduced market value of collaterals, the economic capital requirement add-on for the impact on Physical Risk for the four-year period of the financial plan (2025 – 2028) was calculated to c. €3 million. The presence of insurance contracts as mitigant was considered in the calculation.

[1] Real-Estate-Sector-Risks-Briefing.pdf (unepfi.org)

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

Normative Perspective

For the normative perspective, three different potential scenarios were considered for each of the ICAAP horizon based on once-off event impact, for wildfires in 2025, floods in 2026 and landslides in 2027.

To estimate the impact of wildfire, the rural areas in the Limassol district were selected based on the latest destructive fires that have occurred in that area. To establish the potential scenario for floods, the areas identified as risky by the Ministry of Agriculture within the districts of Nicosia, Larnaca, and Limassol were considered. Given the lack of available historical data on the occurrence of landslides, BOC PCL has considered all collaterals rated as "Very High" on the mountainous areas of Cyprus and additional collaterals that met the same criteria from the Limassol district.

To calculate the impact of climate-related physical risks, the market value of the selected collaterals was reduced by a certain percentage (damage function provided by an external vendor) to simulate the respective physical risk destruction caused under the Hot House World scenario.

Based on the revised reduced market value of the selected collaterals and the presence of insurance contracts as mitigant for both wildfire and flood, the impact was calculated at c.€0.4 million.

Physical Risks on Non-Financial Corporations (NFCs)

BOC PCL has estimated the impact of physical risks on NFCs credit risk profiles. This project involved geolocating companies and their units to map and measure physical risks such as floods, heatwaves, and other hazards. The mapping process assigns risk levels to different locations based on the likelihood and severity of these hazards, and the potential financial impacts on companies are assessed by focusing on key financial metrics like revenue and operating costs.

The final output of this process shows the potential financial losses for each company due to various hazards, helping to understand the vulnerability of NFCs to these risks. This information will be considered by BOC PCL and will enable to adjust risk drivers in the rating model and calculate climate-adjusted ratings under different climate scenarios and time horizons.

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 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 assess 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. 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.

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

Losses in the market value of Cyprus Government bonds, which constitute 20% of the marketable securities and 6% 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.

I. 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.

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 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 C&E 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.
- Establishment of the E&S policy to manage environmental impacts of new lending.
- ESG Questionnaires aiming to identify C&E risks of counterparties and set mitigation action for risk reduction.
- Continuous enhancement of Credit granting processes in relation to C&E 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.

1.3.4 Mitigation Measures (continued)

- 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 C&E 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 though the BES process.
- 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.
- Establishment 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.
- Implementation of informative webinars in collaboration with the Support CY and Cyprus Fire Service to increase physical risk awareness and inform both staff members and customers about prevention measures that can be taken in case of fires and floods.
- 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 2024 ICAAP process as well as climate-related transition risks. 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

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

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

Market Risk

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

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

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

Liquidity Risk

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

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

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, 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.

Risk Quantification Results

Results on risk quantification for both physical and transition risks are stated in Section 1.3.3 (point i).

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 (1 year)	*Medium-term (2-6 years)*	*Long-term (>6 years)*
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**
	Transitional Risk	Credit Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Market Risk	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-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)	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 (1year)	*Medium-term (2-6 years)*	*Long-term (>6 years)*
Environmental-related Risk	Physical Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	**Material**
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
	Transition Risk	Credit	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Market	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Liquidity	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Operational	Quantitative Assessment (Geographical/ Industry Heatmapping)/ Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Reputational	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Legal	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material
		Strategic	Qualitative Analysis (Expert Judgment)	Non-material	Non-material	Non-material

Table 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

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

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 m^2		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

1.3.8. Description of limits to environmental risks

The Group has introduced lending restrictions on carbon intensive sectors. A limited amount of new lending for carbon intensive NACE sectors subject to a total (cumulative) exposure of €100 million as per the provisions of the policy, unless for green or transition purposes, will be allowed subject to approval by the RC or BOC the Group'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 the Group earmarked exposures identified as vulnerable to transition risk as appropriate to receive transition finance. Furthermore, the Group does have in place certain restrictions in lending as provided by the Environmental and Social Policy which is described below.

Environmental and Social Policy

The Group'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 granting new facilities to physical persons or legal entities secured by mortgage on immovable property and granting of new funded facilities to legal entities (excluding credit cards). The Policy does not apply to activities outside of Cyprus nor to restructuring cases unless new facilities are also requested with the restructuring.

Lending applications associated with activities included in the policy's Exclusion Sectors / Prohibited Activities (i.e. Thermal coal mining, upstream oil exploration etc.) are rejected and reported to RMD. For activities that are classified as low risk by EBRD's E&S Risk Categorization assessment a written customer confirmation for proper business conduct, relevant licenses and work permits must be obtained. For activities that are classified as Medium / High risk by EBRD's E&S Risk Categorization assessment a written customer confirmation for proper business conduct, relevant licenses and work permits must be obtained and an E&S study by external expert should be performed. 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 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 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.

1.3.8 Description of limits to environmental risks (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. An annual report is submitted by CRM to the EBRD, covering the previous financial year and confirming that BOC PCL is in full compliance with EBRD's E&S requirements. 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.

Details on the E&S Policy are provided directly to customers through Business lines as part of the loan origination process.

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 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.

Consequently, the Group has introduced lending and corporate bond restrictions on carbon intensive sectors as mentioned above.

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, outlying the key principles and rules that govern the risk appetite setting. It includes qualitative statements as well as quantitative measures expressed relative to Financial and Non-Financial risks. Within this context, 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
iii. PEAR – Water Scarcity risk on NFCs

2. Social Risk

2.1 Business strategy and processes

2.1.1 Business strategy to integrate social factors and risks

1. Health & Safety

The Group, following the Double Materiality Assessment conducted in accordance with European Sustainability Reporting Standards, is exposed to Health & Safety risks associated with its own workforce and customers and end users. To mitigate the above-mentioned risks, the Group is implementing the following policies and actions:

Health & Safety (H&S) Policy
The Group's H&S policy supports a safe and healthy environment for its employees, customers, visitors, suppliers, external associates and other third parties. The policy emphasises risk prevention, legal compliance, and continuous improvement. It includes regular risk assessments, workplace inspections, corrective actions, and oversight by Safety Committees.

The policy was updated in 2023 and is readily available through Internal Employee Portal. The policy was reviewed in 2024 and no changes were deemed necessary. The Organisational Procedure on H&S and the H&S internal manual, outlines the responsibilities of line management, employees, and departments. These resources foster collaboration and accountability in maintaining safety standards.

Executive Management has the ultimate responsibility to ensure compliance with the H&S regulatory framework, its relevant provisions and adherence to H&S policy.

Health and Safety Management System (HSMS)
At the cornerstone of the Group's approach is its HSMS, which complies with the Safety and Health at Work Laws of 1996 to 2020 in Cyprus. This system defines clear roles and responsibilities for management, employees, and technical teams to identify and address hazards across all operations. It incorporates tailored measures for each facility, including emergency response plans, risk assessments, training protocols, and detailed record-keeping.

In 2023, the HSMS underwent an external audit by a H&S Consultant (approved by the Department of Labour Inspection – member in EXYPP registry). The findings identified, were assessed and an action plan was prepared to address them. External audit confirmed the system's compliance and effectiveness. Senior Management ensure consistent application of HSMS protocols, promoting accountability and standardisation across all offices. The system applies to all employees and extends to outsourced workers and associates whose work is under the Group's control.

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

H&S Committees

The Group promotes H&S at work and takes measures to prevent any occupation hazards and inform and share knowledge to its workforce on H&S issues. The Group has approximately 51 H&S Committees that meet every six months and, on an ad-hoc basis when requested by a member or in response to an incident. The Group's employees are represented in committees by staff from all the units of the buildings. As per the regulatory framework, a committee must exist at all premises with more than 10 employees, and its composition depends on the number of employees stationed at the premises. The presidents of H&S Committees are the manager of the branch or the Technical Project Coordinator of the building. Buildings with less employees have a responsible person for the H&S issues which is the manager. The Committees are responsible to identify workplace hazards, prevent / assess risks of accidents and resolve issues at the premises in cooperation with other departments (e.g. Technical Services).

Incident Investigation

Employees play an active role in the HSMS by identifying hazards in their work environment. They are trained to report these hazards via the Group's dedicated application, or directly to the Safety Committee of their respective building or H&S Officer. This ensures timely response and resolution of any identified issues.

The investigation of H&S incidents and work-related accidents are managed by the H&S Officer in collaboration with the Manager of the respective branch or unit. The procedure includes:

- A detailed analysis of the cause;
- A description of the incident provided by the affected employee and witnesses;
- A site inspection; and
- The implementation of corrective actions to minimise future risks.

Any investigation of an incident/accident is documented in the relevant form, by the H&S officer and delivered to the Manager of the Branch or Unit, Head of Claims of General Insurance and Human resources. The H&S officer, within 15 working days from the accident, reports through dedicated forms the Department of Labour Inspection of Cyprus Government.

Following the incident investigation, a form detailing corrective measures and actions is delivered by the H&S officer to the Manager of Branch or Unit associated with the incident. The measures and actions are implemented by Technical Services Department of the Group. The Implementation of corrective measures is monitored by the Manager of the Branch or Unit associated with the incident and the Chairman of H&S Committee. Written confirmation of the completion of these actions is provided to all involved parties.

Emergency Response and Preparedness

The Group premises have emergency evacuation plans. Annual evacuation drills are conducted across branches and buildings, under the supervision of the Corporate Security Manager for all employees. These drills involve fire prevention and evacuation training for assigned employees, with outcomes reviewed to implement any necessary improvements.

The H&S Officer, as mandated by law, oversees the coordination and effectiveness of these procedures within the broader HSMS. This ensures that emergency response measures are both comprehensive and compliant with legal and operational standards, supporting the Group's commitment to a safe and secure working environment.

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

H&S Inspections

Inspections are conducted across the Group's branches and buildings to identify and mitigate H&S risks to maintain a healthy environment for own workforce and any other party.

Inspections are conducted by:

- An H&S officer on an annual basis (random inspection and ad-hoc following incidents or complaints);
- An H&S representative of the property every three months;
- The Chairman of H&S Committee on a six-month basis.

Inspections are conducted to:

- Identify issues and weaknesses that should be remediated;
- Assess issues and weaknesses identified;
- Document an action plan to remediate the issues and weaknesses identified.

The Technical Services department or any other relevant department should be informed about the action plan and the relevant timelines for implementation. The measures to remediate the issues and weaknesses identified are monitored by the H&S Officers and Chairman of the H&S Committee. When the measures are implemented the H&S Officer and Chairman of the H&S Committee are properly informed and subsequently re-assess whether the remedial actions implemented have resolved the issues and weaknesses identified.

H&S risk assessment studies

Additionally, the Group conducts H&S risk assessments in partnership with external H&S consultants (EXYPP). These assessments, performed every two years, prioritise high and medium risks through detailed action plans. Hazards such as slips and falls are addressed proactively by measures like floor inspections, placement of anti-slip tapes, and safety signage.

Work-related injuries

The work-related injuries reported by the Group relate to slip and fall type injuries, none of which resulted in high-consequence injuries. A procedure has been implemented by the Group in order to provide an analysis of the cause, description of the incident by the affected employee, supplier or customer and the people involved, along with the site inspection and decisions taken to minimise the identified incident. Such incidents are addressed on a case-by-case basis, and the actions taken by the Group include floor inspection, placement of anti-slip tapes and safety signs wherever considered necessary.

Physical and Environmental Security Policy

This policy applies to all property, facilities, assets, and equipment, whether owned or leased by the Group, including but not limited to all premises and buildings of the Group. In addition, this policy applies to all individuals working at all levels and grades. The Group regularly reviews and updates its strategic plans and compliance with health and safety and physical security policies. Performance metrics and compliance audits ensure risks are effectively mitigated. The policy ensures effective implementation of security controls, access controls, physical monitoring controls, equipment security and measures against physical and environmental threats. The material risks primarily affect customers who visit the Group's branches or premises. By mitigating these risks, the Group ensures a safe and secure environment for these interactions, reducing potential harm to consumers and end-users. Through these proactive measures, the Group demonstrates its commitment to minimising material risks and safeguarding its operations, customers, and stakeholders.

Privacy

The Group maintains 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 outlines 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 are responsible to oversee the Group`s compliance with this policy.

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

Additionally, they have the ultimate responsibility for the implementation and adherence to this policy throughout the Group, and the imposition of any remedial action. BOC PCL and its subsidiaries must, as a minimum meet the requirements of this policy. The policy is applicable for all subsidiaries of the Group as they are considered separate data controllers. The management 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. The Employee Privacy Notice, which was last updated in March 2024, outlines how employee data is collected, processed, and protected. This 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 with employee consent. 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 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.

The Group has faced privacy-related challenges, including a data breach in 2023 due to human error, where inaccurate addresses were used to mail loan sale notification letters. The breach was identified through internal reporting mechanisms and assessed by the DPO within 72 hours, as required by GDPR. Remedial actions were immediately implemented, including strengthening internal controls, while the breach was reported to the CPDP, resulting in a fine of €8,000.

In addition, the Group employs Data Protection Impact Assessments (DPIAs) at all stages of data processing and follows a data minimisation 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.). All procedures relating to DPIA are analysed in the relevant circular which is readily available in the Internal Employee Portal.

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

Internal circulars and manuals are annually reviewed and updated to ensure adherence from own workforce. The Group's DPO oversees GDPR compliance, provides guidance on data protection policies, and ensures effective handling of data breaches and privacy complaints as part of the complaints handling procedure. The DPO advises the Group 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 Officer (CIO) works closely with the DPO to address and mitigate data security incidents. 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 through quarterly monitoring report submitted by the DPO to the 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.

Internal Audit includes Personal Data Protection Compliance Policy as part of its Risk & Audit Universe and assesses the need for audit engagements during the annual audit planning process.

The Group 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.

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.

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

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.

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.

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

System Downtime and Disaster risks

The Group's wide range of financial products and services change from time to time and 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 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 ensures that essential banking functions remain available, even in the event of disruptions, safeguarding customer access and operational stability.

This internal policy approved by the Board through RC, supports with 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." BCMS aims to safeguard the interests of key stakeholders, reputation, brand and value creating-activities. It also adheres to directives from the Central Bank of Cyprus, in order to ensure 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 datacentres for an extended period, and to events that may deny access to parts of the datacentres 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 Plan (BCP).

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 defines 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

Health & Safety

There are no measurable, time-bound, outcome-oriented targets associated with H&S risks. The Group is in the process of evaluating the establishment of such targets. However, the Group nevertheless tracks the effectiveness of these actions through qualitative Key Risk Indicators and monitoring mechanisms designed to mitigate potential hazards and ensure a safe working environment. Current qualitative statements include:

1. **Managing H&S risks:**
   - Reducing the number of occupational accidents, illnesses, and injuries through preventive measures and improved systems.
   - Monitoring and reducing the number of untrained first aiders across premises to ensure preparedness in emergencies.
   - Addressing high- and medium-risk findings from risk assessments through corrective actions within defined timelines.
   - Conducting regular audits and inspections of the HSMS to ensure compliance with regulatory requirements and industry standards.
2. **Compliance statements:**
   - Maintaining full compliance with the H&S regulatory framework, ensuring all policies and practices align with legal obligations.
   - Incorporating new regulations into the H&S Management System as they are issued, with annual reviews to ensure alignment.

The process of setting the above-mentioned qualitative indicators 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, outlying 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.

Privacy

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. The Group is in the process of evaluating the establishment of such targets. 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.

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: BOC PCL 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: BOC PCL 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, outlying 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.

2.1.2. **Objectives, targets and limits** (continued)

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 is in the process of evaluating the establishment of such targets. 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 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 incidents. The Group is in the process of evaluating the establishment of such targets. 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.

It is noted that very few companies in Cyprus are obliged to publish Sustainability reports. Under the EU Non-Financial Reporting Directive (NFRD) very limited number of entities in Cyprus met the Directive's criteria so there was no need to publish Sustainability reports. Following, the EU Omnibus deferral proposals on reporting requirements, the EU CSRD, apart from entities that are already within the scope of NFRD, will apply for large corporates for financial years starting 1 January 2027 and for listed small and medium sized entities for financial years starting 1 January 2028. Therefore, from 2028 and 2029 onwards better data availability and quality is expected to derive from the loan origination process.

Environmental and Social Policy
Similarly, as described under Section 1.3.8 an Environmental and Social Policy is in place in relation to its lending activities which requires to ensure acceptable of E&S risks. Examples of activities that are excluded through the policy relevant to social risks are:

i. Activities involving child or forced labour, or violations of human rights
ii. Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage
iii. Forced evictions
iv. Production and trafficking of military goods and lethal weapons, the use of which violates basic humanitarian principles

Hence, all lending applications regarding for the above 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.

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.

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 Health & Safety, 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. BOC PCL 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.

BOC PCL'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 2025.

BOC PCL 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. No human rights violations, such as forced labour or discrimination, were reported during the period.

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).

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

The Internal Audit Division investigates the violation and submits a report to the Executive Director People & Change who oversees the process. 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 BOC PCL, 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. BOC PCL'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. BOC PCL 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. Additionally, there were no reported severe human rights issues or reported incidents connected to consumers or end-users.

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 Standards' topic areas as opposed by the CSRD Directive and disclosed in Section 1.3.3. 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.);
- Number of work-related accidents;
- Days lost due to work-related accidents;
- Number of work-related accidents leading to fatalities;
- 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.

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.

It is noted that very few companies in Cyprus are obliged to publish Sustainability reports. Under the EU NFRD very limited number of entities in Cyprus met the Directive’s criteria so there was no need to publish Sustainability reports. Following, the Omnibus deferral proposals on reporting requirements, the EU CSRD, apart from entities that are already within the scope of NFRD, will apply for large corporates for financial years starting 1 January 2027 and for listed small and medium sized entities for financial years starting 1 January 2028. Therefore, from 2028 and 2029 onwards better data availability and quality is expected to derive from the loan origination process. The Group will implement further procedures as part of customer’s credit assessment associated with the role of the counterparty’s top governing body in non-financial report.

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, Conflict of Interest 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.

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.

The Group through this policy ensures that the legal and regulatory requirements stemming from the provisions set out in the Law 188(I) 2007, the 5th edition of the Central Bank of Cyprus Directive for the prevention of Money Laundering and Terrorist financing and the 1st edition of the Central Bank of Cyprus Directive for Compliance with the Provisions of UN Security Council of the European Union, are addressed.

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

In addition, the Group adopted a Sanction Policy to manage the risk of customer's sanction 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) the Law for the Implementation of the Provisions of the United Nations (UN) Security Council Resolutions (Sanctions) and the Decisions and Regulations of the Council of the European Union (EU) Law 58(I) of 2016, and (b) the Central Bank of Cyprus Directive for Compliance with the Provisions of United Nations Security Council Resolutions and the Decisions/Regulations of the 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 those 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 (IA) division, the observations and comments of the Group's external auditors and the competent supervisory authorities as well as the assurance provided by the CEO and make appropriate recommendations to the Board.

The key element of Group's preventing Financial crime is the 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.

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.

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

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 assess 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 external auditors or 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 for receiving reports of 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.

There are no measurable, time-bounded and outcome oriented targets nevertheless there are indicators which monitor the effectiveness of these actions. The Group is in the process of evaluating the establishment of such targets. 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 violating sanctions or other measures imposed by American Authorities, such as the US Department of Treasury's Office of Foreign Assets Control (OFAC), and by the UN, the EU and by the government of countries that the Group operates in, with respect to violations of AML legislation 39 or Sanction programs. In case of such deviations, immediate rectification and investigation actions shall be 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 imposed by the US Department of Treasury's Office of Foreign Assets Control (OFAC).
3. No tolerance to facilitating any sort of financial crime/terrorism financing.

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

Conflict of Interest

The Group adopts a Conflict of Interest (COI) policy which sets out the framework for the prevention, identification, assessment, documentation, escalation, and effective management of COI in compliance with the legal and regulatory framework to which the Group is subject. This Policy applies to the Members of the Board, Senior Management, and all employees of the Group in every country the Group operates and to the Group's contractors, agents, and other Relevant Persons. The policy is readily available for all employees in the Group's internal portal and Group's website for all stakeholders.

The Board bears the ultimate responsibility for the effective implementation of this Policy and 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 those policies and informs the AC of any findings and relevant recommendations.

The Group implements procedures to identify the relationships, services, activities, or transactions in which COI may arise. These procedures cover relationships between the Group and customers, shareholders, Members of management body and their family members, employees, significant business parties and other related parties. In addition, these procedures cover COI between different customers of the Group. Board members and Senior Management self-assess potential conflict of interests annually. All COI identified by Compliance Division across the Group are documented in a dedicated software and relevant information is presented to the AC and EXCO quarterly.

COI identified at Management Level and Board level are reported to the NCGC for decision-taking. The above-mentioned actions are ongoing and associated with Group's own operations.

The Group through the Risk Appetite Statement establishes, annually, qualitative statements associated with the mitigation of Conflict of Interest risks:

- The Bank has no tolerance for participation in the decision making or voting on matters by persons that have a conflict of interest.
- No transactions in BOC securities are tolerated for persons classified as 'Relevant persons in possession of inside information for BOC Group', except in cases where permission is granted under the provisions of the BOC Dealing code.
- The Bank has no tolerance for selecting outsourcing service providers, connected to any member of the Group's senior management or management body, the Group's external auditors or legal advisors and where this information has not been duly disclosed to the Bank.
- The Bank has no tolerance to acts of bribery and corruption by any of its employees or any business partner.

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 those policies and informs the AC of any findings and relevant recommendations.

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

The Regulatory Compliance Department ensures that the Group adopts all regulatory, legal, and compliance requirements and is committed to the establishment of relevant controls and procedures to protect its clients and all other stakeholders. Regulatory compliance implemented, through the network of Compliance Liaisons at the various Departments, the compliance management system which automated most of the compliance processes. The system is an integrated compliance management system which provides a comprehensive set of tools for managing regulatory risks, including modules on regulatory change management with live regulatory feeds on new or amended regulations, the recording and management of identified risks through various assessment processes, the recording and management of regulatory incidents, conflicts of interest and gifts, KRIs and the monitoring and follow up of issues and actions. Additionally, Regulatory Compliance Department regularly performs compliance assurance reviews based on clear and aligned Compliance Review Methodologies aiming to cover high risk areas. The Compliance Division presents its Key Risk and Key Performance Indicators to the EXCO and the AC. Cases of significant non-compliance are identified through the three lines of defence model, whereby responsibility for compliance reviews lies primarily with management, secondly with the control functions, by assessing the severity of the instances of non-compliance. The above-mentioned actions are ongoing and associated with Group's own operations.

There are no measurable, time-bounded and outcome oriented targets nevertheless there are indicators which monitors the effectiveness of these actions. The Group is in the process of evaluating the establishment of such targets. The Group through the Risk Appetite Statement establishes, qualitative statements associated with the Compliance Risks and has no tolerance with regards to non-compliance with regulatory, legal and compliance requirements.

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 1.3.3.

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
Management of Conflict of Interest	Whether the counterparty has in place a code of conduct or code of ethics
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:

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