BOV

Bank of Valletta

Statement on principal adverse impacts of investment decisions on sustainability factors

April 2026

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Bank of Valletta plc [LEI 529900RWC8ZYB066JF16]

Summary

Bank of Valletta plc [LEI 529900RWC8ZYB066JF16] ("Bank of Valletta" / the "Bank") considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Bank of Valletta plc[1]. This statement covers the reference period from 1st January to 31st December 2025.

The principal adverse impact indicators considered by Bank of Valletta include the assessment of greenhouse gas emissions, impacts on biodiversity-sensitive areas, water usage and pollution, and hazardous waste management. Additionally, evaluation of social and employee matters such as gender pay gaps, adherence to UN Global Compact principles, human rights policies, and anti-corruption measures is also carried out. Assessment covers both direct and indirect investments.

Description of principal adverse sustainability impacts

Bank of Valletta, in its capacity as financial market participant, considers climate and other environmental related indicators as well as social and employee matters, respect for human rights, anti-corruption and anti-bribery matters of investee companies and investee countries in its investment decisions.

With regards to the former, these include **greenhouse gas emissions** (inc. Scope 1, 2 and 3 GHG emissions, GHG intensity, exposure to the fossil fuel sector, etc.), **biodiversity**, **water emissions** and **waste** (including hazardous and radioactive waste). In addition, investee companies which **lack water management policies** (Table 2 Adverse Sustainable Indicator (ASI) 7 of Annex 1) are also considered. This includes whether a company lacks plans or objectives related to water management, water efficiency, mitigation of water scarcity risks and water recycling.

With regards to the latter, these include **violations of UN Global Compact principles** and of the **Guidelines for Multinational Enterprises set by the OECD** (or lack of mechanisms to ensure compliance therewith), the **unadjusted gender pay gap**, **board gender diversity** and **exposure to controversial weapons** of investee companies. This also includes investments in investee countries subject to social violations.

Investee countries are considered as being subject to social violations if they are **sanctioned by the European Union or United Nations** for (a) governmental human rights abuses, (b) have evidence showing sanctioned persons holding a position in the government or governmental institutions, (c) have the current regime installed as a result of a coup, (d) have violated international law and/or (e) has misappropriated public funds resulting in undermining of democracy. Investee countries **sanctioned by the United States Office of Foreign Assets Control** due to human rights abuses are also subject to social violations.

Additionally, investee companies which **lack a human rights policy** (Table 3, ASI 9 of Annex 1) are also considered. A valid human rights policy is interpreted as one which constitutes the commitment of an investee company to respect international human rights standards and has provisions on the human rights for workers and on non-labour related rights issues.

In the indicators below, the **Covered percentage** is the portfolio weight covered for each PAI divided by all the applicable portfolio weight, expressed in % (e.g., for an indicator that only applies to sovereigns, companies are excluded from the coverage calculation). The **Reported percentage** refers to the proportion of investee companies and investee countries, as a percentage of all investment decisions, that have reported the relevant indicator directly. Estimates input in the **Estimated percentage** are derived by Clarity AI, a global fintech company based in New York. These are derived from available company information to estimate non-reported data using standard and propriety data analytics.

[1] This statement applies as of April 2026. It will be reviewed and updated at least annually.

Indicators applicable to investments in investee companies								
Adverse sustainability indicator		**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Impact 2022**	**Explanation[2]**	**Actions taken**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions[3]	46900.758 tonne CO2e	51390.53 tonne CO2e	12018.324 tonne CO2e	120781.234 tonne CO2e	Coverage 82.48% Estimated 20.21% Reported 79.79%	During FY2025, Bank of Valletta (the Bank) continued to strengthen its processes and procedures for identifying, assessing and managing principal adverse impacts of its investment decisions on sustainability factors in its capacity as financial market participant. Further enhancements were made to the Bank's sustainability framework, including improvements to the sustainability risk policy, together with a review and update of key risk indicators (KRIs) to support a more robust and granular monitoring of sustainability-related risks. Other improvements that were under development and originally planned for the FY25 release were deferred to FY26. Consequently, certain initiatives referenced in the previous statement were not addressed
		Scope 2 GHG emissions[4]	3748.3494 tonne CO2e	4342.995 tonne CO2e	1967.6802 tonne CO2e	8402.655 tonne CO2e	Coverage 82.48% Estimated 20.17% Reported 79.83%	
		Scope 3 GHG emissions[5]	411050.03 tonne CO2e	404096.2 tonne CO2e	132292.28 tonne CO2e	1805.364 tonne CO2e	Coverage 82.1% Estimated 33.54% Reported 66.46%	
		Total GHG emissions[6]	460610.75 tonne CO2e	457359.72 tonne CO2e	145666.8 tonne CO2e	111616.05 tonne CO2e	Coverage 82.07% Estimated 35.5% Reported 64.5%	

[2] Please refer to the Historical Comparison section at the end for a more detailed comparison.
[3] Scope 1 emissions are direct emissions generated from sources that are controlled by the investee company.
[4] Scope 2 emissions are indirect emissions from purchased or acquired energy (including electricity, steam, heat and cooling) generated off-site and consumed by the investee company.
[5] Scope 3 emissions are all indirect emissions that occur in the value chain of an investee company (including business travel, capital goods and processing of sold products).
[6] Total GHG emissions might differ from the aggregation of PAI Scope 1, 2, and 3 due to differences in coverage of data for the same year through the 3 scopes. In Total GHG, only 3 scopes of the same year are aggregated while in the PAI scope 1,2, and 3 the latest year available is shown.

								during FY25 and will continue to be pursued throughout 2026. Ongoing actions were also undertaken to enhance awareness and understanding of principal adverse impacts and sustainable investing. These included internal training and periodic presentations for Wealth Management staff. The target limit established in FY2024 in relation to exposure to companies active in the fossil fuel sector remains in place. As at the FY2025 reporting date, exposure to this sector continued to remain below the established threshold of 14.2% (see Table 1, Adverse Sustainability Indicator 4 above).
	2. Carbon footprint	Carbon footprint	1490.9089 tonne CO2e / EUR M invested	1817.7587 tonne CO2e / EUR M invested	725.39197 tonne CO2e / EUR M invested	658.61 tonne CO2e / EUR M invested	Coverage 82.07% Estimated 35.5% Reported 64.5%	
	3. GHG intensity of investee companies	GHG intensity of investee companies	1562.14 tonne CO2e / EUR M revenue	1222.372 tonne CO2e / EUR M revenue	1125.5045 tonne CO2e / EUR M revenue	1108.203 tonne CO2e / EUR M revenue	Coverage 82.29% Estimated 35.44% Reported 64.56%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	10.321959 %	13.560575 %	12.449724 %	10.2%	Coverage 84.54% Estimated 0% Reported 100%	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Consumption: 46.29212 % Production: 2.4518642 %	Consumption: 53.29316 % Production: 1.9403381 %	Consumption: 51.95053 % Production: 1.8177917 %	Consumption: 56.5% Production: 1.1%	Coverage 65.97% Estimated 1.63% Reported 98.37% Coverage 97.84% Estimated 0% Reported 100%	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high	Total: 0.28122747 GWh / EUR M revenue Sector A:	Total: 0.23472576 GWh / EUR M revenue Sector A:	Total: 0.2710284 GWh / EUR M revenue	Total: 0.2592018 GWh / EUR M revenue	Coverage 93.88% Estimated 26.38% Reported 73.62% Coverage 98.99% Estimated 23.08%	

		impact climate sector	0.0012286636 GWh / EUR M revenue Sector B: 0.051895328 GWh / EUR M revenue Sector C: 0.07996759 GWh / EUR M revenue Sector D: 0.112079285 GWh / EUR M revenue Sector E: 0.0006757762 GWh / EUR M revenue Sector F: 0.000818537 GWh / EUR M revenue Sector G: 0.0012721227 GWh / EUR M revenue Sector H: 0.015725331 GWh / EUR M revenue Sector L: 0.014080839 GWh / EUR M revenue	0.0010494438 GWh / EUR M revenue Sector B: 0.06601577 GWh / EUR M revenue Sector C: 0.09057616 GWh / EUR M revenue Sector D: 0.038114287 GWh / EUR M revenue Sector E: 0.001014083 GWh / EUR M revenue Sector F: 0.0006034599 GWh / EUR M revenue Sector G: 0.0014879091 GWh / EUR M revenue Sector H: 0.021174451 GWh / EUR M revenue Sector L: 0.016807232 GWh / EUR M revenue	Sector A: 0.0007033401 GWh / EUR M revenue Sector B: 0.10211805 GWh / EUR M revenue Sector C: 0.063693866 GWh / EUR M revenue Sector D: 0.07602827 GWh / EUR M revenue Sector E: 0.0007368227 GWh / EUR M revenue Sector F: 0.00029041016 GWh / EUR M revenue Sector G: 0.0015066168 GWh / EUR M revenue Sector H: 0.021560112 GWh / EUR M revenue Sector L: 0.022262108 GWh / EUR M revenue	Sector A: 0.0009906387 GWh / EUR M revenue Sector B: 0.09797692 GWh / EUR M revenue Sector C: 0.051436074 GWh / EUR M revenue Sector D: 0.04969979 GWh / EUR M revenue Sector E: 0.0008157346 GWh / EUR M revenue Sector F: 0.00028186914 GWh / EUR M revenue Sector G: 0.0019071209 GWh / EUR M revenue Sector H: 0.05815591 GWh / EUR M revenue Sector L: 0.0250195 GWh / EUR M revenue	Reported 76.92% Coverage 96.63% Estimated 28.64% Reported 71.36% Coverage 97.46% Estimated 22.24% Reported 70.82% Coverage 99.06% Estimated 39.01% Reported 60.99% Coverage 98.04% Estimated 22.22% Reported 77.78% Coverage 88.59% Estimated 38.95% Reported 61.05% Coverage 84.49% Estimated 28.94% Reported 71.06% Coverage 55.89% Estimated 25% Reported 75% Coverage 87.97% Estimated 27.17% Reported 72.83%	

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.7745755 %	4.1648293 %	2.8226438 %	1.0%	Coverage 78.25% Clarity AI leverages Natural Language Program (NLP) models to identify breaches for this PAI.	Please see Actions Taken note above.
Water	8. Emissions to water	Tonne of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.013679363 tonne / EUR M invested	0.02734875 tonne / EUR M invested	0.022102227 tonne / EUR M invested	0.025044804 tonne / EUR M invested	Coverage 30.33% Estimated 72.98% Reported 27.02%	Please see Actions Taken note above.
Waste	9. Hazardous waste ratio	Tonne of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	23.506124 tonne / EUR M invested	45.311417 tonne / EUR M invested	30.47986 tonne / EUR M invested	20.439133 tonne / EUR M invested	Coverage 81.27% Estimated 59.31% Reported 40.69%	Please see Actions Taken note above.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION, AND ANTI-BRIBERY MATTERS								
Adverse sustainability indicator		**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken**
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.9832999%	3.1625834 %	11.310886 %	6.1%	Coverage 78.25% Clarity AI leverages NLP models to identify breaches for this PAI.	Please see Actions Taken note above.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.5370568 %	1.272692 %	2.1073656 %	1.7%	Coverage 78.23% Estimated 0% Reported 100%	Please see Actions Taken note above.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12.994636 %	13.783831 %	12.38768 %	14.0%	Coverage 48.28% Estimated 0% Reported 100%	Please see Actions Taken note above.
	13. Board gender diversity	Average ratio of female to male board members in investee companies	29.040077 %	29.292137 %	30.710865 %	31.7%	Coverage 83.98% Estimated 0% Reported 100%	Please see Actions Taken note above.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	0 %	0 %	0 %	Coverage 85.50% Estimated 0% Reported 100%	As per Bank of Valletta Exclusion policy we do not invest in companies that are involved in the production or development of cluster munitions, anti-personnel mines, biological weapons, chemical weapons and nuclear weapons.

Indicators applicable to investments in sovereigns and supranationals								
Adverse sustainability indicator		Metric	Impact 2025	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken
Environmental	15. GHG intensity	GHG intensity of investee countries	91.62788 tonne CO2e / EUR M GDP	71.51402 tonne CO2e / EUR M GDP	40.880104 tonne CO2e / EUR M GDP	30.03931 tonne CO2e / EUR M GDP	Coverage 81.10% Estimated 100% Reported 0%	Please see Actions Taken note above.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Relative: 1.1873124 % Absolute: 1	Relative: 2.5073345 % Absolute: 2.25 -	Relative: 2.1980677 % Absolute: 2 -	Relative: 2.7%	Coverage 81.15% Estimated 0% Reported 100% Coverage 81.15% Estimated 0% Reported 100%	Please see Actions Taken note above.

Indicators applicable to investments in real estate assets								
Adverse sustainability indicator		**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A	N/A	Not applicable given our investment universe.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A	N/A	Not applicable given our investment universe.

Other indicators for principal adverse impacts on sustainability factors

In addition to the indicators set out above, we consider the two additional indicators included in the tables here below, subject to data availability and quality.

Table 2

Additional climate and other environment-related indicators

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Adverse sustainability impact	**Adverse sustainability impact (qualitative or quantitative)**	**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken**
Indicators applicable to investments in investee companies								
Water, waste and material emissions	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	18.4%	16.6 %	12.27 %	13.4%	Coverage 81.11% Estimated 0% Reported 100%	Please see Actions Taken note above.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION, AND ANTI-BRIBERY MATTERS								
Adverse sustainability impact	**Adverse sustainability impact (qualitative or quantitative)**	**Metric**	**Impact 2025**	**Impact 2024**	**Impact 2023**	**Impact 2022**	**Explanation**	**Actions taken**
Indicators applicable to investments in investee companies								
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	11.15%	14.92 %	19.2 %	21.3%	Coverage 77.96% Estimated 0% Reported 100%	Please see Actions Taken note above.

Selection of Adverse Sustainability Indicator referred to in Table 2 **Investee companies without a water management policy** [Article 6(1) point (a) Table 2, ASI 7 of Annex 1] The decision to monitor whether investee companies have water management policies was taken based on the view that water scarcity is a key issue for both environmental and social sustainability. This is especially important given Malta's significant water scarcity issues as one of the top 10 water-scarce countries in the world – an issue also highlighted by the European Environment Agency[7]. We also note that the water scarcity crisis is only not limited to Malta; the United Nations Environment Programme asserts that by 2024, 1.8 billion people are likely to face an absolute water scarcity[8]. The presence of a water management policy shows that a company is taking a proactive approach to mitigating water scarcity. This helps reduce the probability of the principal adverse impact through the promotion of efficient use and conservation of water resources. Such policies typically include measures for reducing water wastage, including recycling wastewater, and protecting natural water sources from over-extraction and pollution. By implementing sustainable water practices and improving infrastructure to prevent leaks, these policies ensure that water resources are used judiciously and replenished adequately, thus mitigating the risk of water shortages. This is all the more important given the potentially irremediable character of sustained mismanagement of water resources, such as the depletion and contamination of water sources, soil salinization, and increased vulnerability to climate change impacts like severe droughts and floods. These issues can permanently degrade ecosystems, reduce agricultural productivity, and undermine human and economic health.
Selection of Adverse Sustainability Indicator referred to in Table 3 **Investee companies without a human rights policy** [Article 6(1) point (b) Table 3, ASI 9 of Annex 1] The decision to monitor whether investee companies have human rights policies was taken because we believe that companies committed to human rights contribute positively to social sustainability by ensuring fair labour practices, preventing exploitation, and fostering inclusive workplaces. This aligns with the broader goals of sustainable development, promoting social equity and justice. By upholding human rights, companies can reduce social conflicts, improve community relations, and create stable, equitable environments, which are essential for long-term sustainability. Companies without these policies can contribute to abuses such as forced labour, exploitation, and unsafe working conditions. Ensuring corporate accountability is crucial for protecting vulnerable populations, promoting fair and safe workplaces, and achieving sustainable development goals[9]. This reduces the probability of social violations by companies by establishing clear standards and guidelines for ethical conduct, promoting compliance with international human rights norms. These policies promote accountability, transparency, and fair treatment of all stakeholders, including employees, suppliers, and communities. They help prevent abuses such as forced labour, discrimination, and unsafe working conditions by embedding respect for human rights into corporate practices and decision-making processes. This proactive approach helps mitigate risks and fosters a culture of respect and responsibility within the organisation. Human rights abuses, whether committed by a public or private entity, can also result in irremediable damage on individuals and communities. Violations such as forced labour, forced displacement, freedom of assembly, freedom of movement, etc. can lead to long-lasting psychological trauma, loss of life, and destruction of social and economic structures. Such practices not only harm the immediate victims but also contribute to broader social instability and undermine trust in institutions and may only reversible over generations rather than in the short-term. Even with a water efficiency and human rights policy, abuses can still occur if the policy is not effectively enforced or monitored. Factors such as lack of training, insufficient resources, or weak internal controls can undermine the policy's effectiveness. Additionally, if there is inadequate oversight or a failure to integrate the policy into all aspects of business operations, water mismanagement and human rights abuses can persist. External factors, such as supply chain complexities and local legal environments, can also pose challenges to fully preventing abuses, raising the probability of occurrence.

[7] Sapiano, Manuel. "Interview — Malta: Water Scarcity Is a Fact of Life." European Environment Agency, August 30, 2018. https://www.eea.europa.eu/signals-archived/signals-2018-content-list/articles/interview-2014-malta-water-scarcity. Accessed March 2024.
[8] United Nations Environment Programme. "Global Water Shortages Are Looming. Here Is What Can Be Done About Them." UNEP, December 3, 2021. https://www.unep.org/news-and-stories/story/global-water-shortages-are-looming-here-what-can-be-done-about-them. Accessed March 2024.
[9] Amnesty International. "Corporate Accountability." Amnesty International. Accessed March 2024. https://www.amnesty.org/en/what-we-do/corporate-accountability/.

No other indicators are used to identify and assesses additional principal adverse impacts on sustainability factors.

Description of policies to identify and prioritise principal adverse sustainability impacts

Identification and Assessment of Principal Adverse Impacts

To better identify and assess Principal Adverse Impacts of investment decisions on sustainability factors detailed in Tables 1, 2 and 3 above, Bank of Valletta makes use of the services of Clarity AI as a third-party sustainable finance platform. Clarity AI identifies and assesses principal adverse impacts PAIs by employing a comprehensive and tailored methodology for each PAI, aligned with the regulatory definitions set out by the SFDR. Their approach involves several steps:

i **Data Collection and Tailored Methodologies**: Clarity AI collects specific data relevant to each PAI, rather than relying on general or existing metrics. This data collection is tailored to meet the exact requirements of the SFDR, ensuring accurate and compliant reporting.

ii **Indicator Selection and Calculation**: For each PAI, Clarity AI provides detailed calculations based on company-level data. For instance, greenhouse gas emissions are broken down into Scope 1, Scope 2, and Scope 3 emissions, and similar granular data is used for other indicators such as carbon footprint, energy consumption intensity, and emissions to water.

iii **Aggregation at Portfolio Level**: The values of each PAI are aggregated at the portfolio level by calculating a weighted average, considering the value invested in each organization relative to the total investment. This allows for a comprehensive assessment of the overall impact of the portfolio on sustainability factors.

iv **Controversies Analysis**: Clarity AI uses Natural Language Processing models to analyse news articles and other sources for evidence of companies' involvement in activities that might breach specific PAIs, such as violations of biodiversity-sensitive areas or human rights abuses. These analyses are validated by human analysts to ensure accuracy.

v **Specific Metrics and Compliance Checks**: Clarity AI includes specific checks for compliance with international guidelines, such as the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. This involves mapping their controversies metrics to these guidelines and flagging any severe or very severe controversies that indicate breaches.

Prioritisation of Principal Adverse Impacts

We acknowledge that addressing principal adverse impacts involves complex multivariate optimization. Investing in a specific investee company or country may improve certain indicators, such as greenhouse gas (GHG) emissions, while potentially negatively impacting others, such as water management policies.

Therefore, the impact of climate-related PAIs is prioritised, recognizing that climate change poses the greatest risk to the environment, including biodiversity and marine resources, human life, social stability, and sustainable economic prosperity. Climate change mitigation and adaptation are fundamental goals that must be addressed as a priority to ensure a sustainable future. The general investment strategy therefore seeks to avoid adverse changes in sustainability indicators relating to greenhouse gas emissions, as demonstrated in the selection of fossil fuel activity as a KRI, for example. The adverse sustainability indicators relating to greenhouse gas emissions consist of: (i) investee company GHG emissions, (ii) investee company carbon footprint, (iii) GHG intensity of investee companies, (iv) investee company activity in the fossil fuel sector, (v) investee company share of non-renewable energy consumption and production, (vi) investee company energy consumption intensity per high impact climate sector, and (vii) sovereign and supranational GHG intensity.

Principal Adverse Impact Policy: Updating, Application and Implementation

Policies on the assessment and prioritisation of principal adverse impacts on sustainability factors are reviewed annually prior to the publication of the statement of principal adverse impacts of investment decisions on sustainability factors. Quarterly readings of Principal Adverse Impacts indicators are discussed as part of a ESG Management Forum which involves internal stakeholders from across the Bank.

Responsibility for the implementation of these policies lies, in the first instance, with the Investment Strategy and Research function, in its role of drafting the relevant sustainability policies, monitoring Principal Adverse Impact indicators, and producing this statement for the governing body in an accurate and timely manner; and secondly with the Discretionary Portfolio Management Services function, as the function responsible for taking investment decisions. Adherence to the relevant policies and agreed-upon action points is subject to oversight.

The governing body approved this policy on 23rd June 2025.

Engagement policies

The Bank's Engagement Policy, aligned with the amended Shareholders Rights Directive (SRD II), promotes effective stewardship and long-term shareholder engagement. This policy emphasizes transparency in investment strategies and mandates the integration of shareholder engagement within these strategies. The Bank monitors investee companies on several factors, including strategy, financial and non-financial performance, risk, capital structure, social and environmental impact, and corporate governance.

The Bank initiates engagement if its holdings, in its capacity as financial market participant (i.e. asset manager), exceed 5% of the investee company's shares or voting rights and if a company's performance in these areas is deemed inadequate. Voting rights are exercised to enhance long-term performance and focus on ESG issues, with specific thresholds for international investments. The Engagement Policy also highlights the importance of cooperation with other shareholders and stakeholders to improve corporate governance. To manage conflicts of interest, the policy incorporates measures to identify, prevent, manage, and disclose such conflicts, supported by various internal policies.An annual report on the application of the Engagement Policy is published, including details on voting behavior and significant votes. This approach aims to ensure transparency, accountability, and sustainable investment practices, promoting long-term value creation for stakeholders.

The Engagement Policy mandates the assessment of investee companies on their social and environmental impacts. When these assessments reveal subpar performance regarding ESG factors, the Bank may engage with an aim to mitigate adverse impacts and promote sustainable practices. Voting may be exercised with a focus on promoting transparency and proper disclosure on ESG issues. Thus the policy ensures that potential adverse impacts are identified, addressed, and managed effectively to protect the interests of investors and stakeholders. The Engagement Policy does not limit supervision to any one particular principal adverse impact.

No reduction of the principal adverse impacts over more than one period reported on also constitutes grounds for engagement with the investee company concerned. Should the outcome of such engagement not result in the expected improvement vis-à-vis ESG performance, an investment decision to not invest additional capital or to divest of existing holdings can be made in accordance with the Engagement Policy.

References to international standards

The Bank, in its capacity as financial market participant, does not officially adhere to responsible business conduct codes or internationally recognised standards for due diligence and reporting of principal adverse impacts of investment decisions on sustainability factors. Nevertheless, it has implemented their principles into several key areas of its operations, including the Principal Adverse Impact assessment policy, its Engagement Policy, Exclusion Policy, and the integration of Sustainability Risks.

By incorporating these principles, the Bank aligns with the core values and guidelines of international frameworks, such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, and the Principles for Responsible Investment (PRI). By integrating shared principles, such as the promotion of human rights and environmental responsibility, the Bank ensures that its operations are conducted in a manner that promotes responsible and sustainable business practices.

The Bank is not currently aligned with the objectives of the Paris Agreement in its capacity as financial market participant. As of writing, no financial product, in the sense of a portfolio managed in accordance with point (8) of Article 4(1) of Directive 2014/65/EU promoting environmental sustainability factors or with environmental sustainability as its objective is offered by the Bank's portfolio management service..

Historical comparison

Discretionary portfolio management services enjoyed a significant increase in Assets Under Management (AUM) year on year (YoY). PAIs are calculated by Clarity AI based on latest investee company-level data available at the time of preparation. As a result, when comparing the 2024 and 2025 PAI statements, YoY movements in adverse sustainability indicators in absolute terms such as Greenhouse gas (GHG) emissions need to be considered within this context. It is to note that YoY the actual number of investee companies reporting on adverse sustainability indicators is increasing as can be noted by the reported percentage.

Climate and other environmental indicators, focusing on investee companies total GHG emissions (Table 1, ASI 1) remained relatively unchanged between FY2024 and FY2025, with a reported increase of 0.71% YoY. Scope 1 and scope 2 GHG emissions decreased by 8.74% and 13.69% YoY respectively, whilst scope 3 GHG emissions increased by 1.72%. Investee countries' GHG intensity related to investments in sovereign debt (Table 1, ASI 15), saw an increase of 28.13% YoY, whereas investee companies GHG intensity (Table 1, ASI 3) increased by 27.8% YoY.

Nevertheless, exposure to investee companies active in fossil fuel decreased by 3.2 percentage points YoY (Table 1, ASI 4). The share of non-renewable energy consumption in investee companies decreased by 7 percentage points to 46.3%, whereas the share of non-renewable energy production in investee companies increased by 0.5 percentage points to 2.45% (Table 1, ASI 5). Meanwhile, the energy consumption intensity per high impact climate sector increased by 0.046 GWh per million euros in revenue (Table 1, ASI 6) but varied across sectors.

A decrease in investee companies PAIs pertaining to biodiversity, water and waste were registered albeit at varying levels. These environmental indicators show that in sites/operations near biodiversity sensitive areas decreased by 1.4 percentage points YoY (Table 1, ASI 7), emissions to water decreased by 49.98% (Table 1, ASI 8) and hazardous waste registered a decrease of 48.12% (Table 1, ASI 9).

As far as indicators for social and employee matters: respect for human rights, anti-corruption and anti-bribery matters PAIs generally improved YoY. A significant improvement is noted in the 1.18 percentage point drop in investee companies registering violations of either the UN Global Compact or OECD Guidelines for Multinational Enterprises (Table 1, ASI 10). On a YoY basis, the unadjusted gender pay gap (Table 1, ASI 12) decreased by 0.8 percentage points, while board gender diversity (Table 1, ASI 13) decreased by 0.25 percentage points. Investee countries subject to social violations (Table 1, ASI 16) meanwhile decreased from 2.25 to 1.