DISCLOSURE SHEET

ESG – Environmental, Social, Governance Solution

Sustainability Risk Policy

Bank of Valletta p.l.c. (the "Company") falls within scope of Regulation (EU) 2019/2088 of the European Parliament of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation or SFDR), which came into force on the 10 March, 2021 requiring financial market participants, including the Company, to make certain sustainability-related disclosures to end investors.

The Company is required under the SFDR to publish on its website information about its policies on the integration of sustainability risks in its investment decision-making process.

The transition towards a greener and more sustainable economy is becoming a priority for the BOV Group. The Company aims to integrate, where possible, environmental, social and governance (ESG) factors across the products and services being manufactured and distributed thus integrating these sustainability factors in the assessment. The Company did not develop a stand-alone sustainability risk policy but rather has incorporated elements of sustainability in the existing BOV Sales Policy.

BOV Wealth Management's objective is to enhance your financial situation through its wealth investment services. With an informed insight of the markets, an extensive range of financial services and products, and a reputation for managing the complexities of financial needs, we can tailor-make and manage your investment portfolio designed specifically around your requirements.

BOV Wealth Management is now incorporating elements of sustainability when recommending investments to you and will steer recommendations into making socially and environmentally responsible investment decisions. Therefore, investment advice or portfolio management will not only take into consideration factors such as risk profile, potential return, diversification to determine the suitability of investments but will also take into account

- the ESG rating. We will choose investments having ESG rating up to 'C-' when the rating is available.
- your personal ESG preferences.

What is ESG?

ESG stands for Environmental, Social, and Governance and is a non-financial factor which is being taken highly into consideration as part of an investment solution to identify material risks and growth opportunities.

Environmental, social, and governance (ESG) criteria are a set of standards for a company's ethical operations that socially conscious investors use to screen potential investments.

- Environmental – Take into consideration how the company performs whilst being environmentally conscious.
- Social – Take into consideration how relationships with internal and external stakeholders are managed.
- Governance – Take into consideration a company's leadership, executive pay, audits, internal controls, and shareholder rights.

The ESG factor can impact the risk and return of the investment as well as the pricing of the financial asset and the valuation and performance of companies.

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Environmental, Social and Governance (ESG) Solutions

Investment Advice and Portfolio Management Service are of a medium to long term nature, this implies that long term risks and opportunities have to be taken into consideration. We will steer our recommendations into making socially and environmentally responsible investment decisions. Our investment advice or portfolio management will be taking into consideration the ESG rating, taking into consideration your (the client) ESG preferences, which can ultimately impact the long term risks and opportunities when investing in the selected company.

ESG integration describes an approach where the material ESG factors are considered as part of the broader investment process. Such an approach does not automatically exclude financial products from investment purely on ESG grounds. Its purpose is to ensure that the investment decision-makers are aware of and take informed investments decisions with knowledge of key ESG risks. In this way, ESG factors are an input into the investment process, though they are not necessarily the key determinant in the final investment decision, which ultimately takes also into consideration the view of an investment's risk or return and other related factors.

We will continue developing our investment decision approach along the coming months so as to comply with our regulatory obligations.

Currently the investments underlying our financial products do not take into account the EU criteria for environmentally sustainable economic activities.

What is Sustainable Investing and how do we intend to achieve this?

Sustainable investing is the process of incorporating environmental, social and governance (ESG) factors into investment decisions. Investment decisions are therefore more inclined towards investments with good ESG ratings and are also based on one's values and priorities. Our investment decisions are reviewed to determine the impact Sustainability Factors have on our approach. We will thus look at the potential impact ESG risks will have on the investment value chosen

In our investment proposition we will take into consideration a company's ESG rating which has recently increased in popularity and demand, thus we will not only assess the potential return of the investment but also the impact from an environment, social and governance aspect thus improving long-term outcomes. To do so, we will rely on the ESG rating as being quoted by REFINITIV. A document detailing the ESG rating methodology implemented by Refinitiv (which presently applies to Equities and Equity Funds/ETFs only) can be found by accessing the website *here*.

Unless otherwise instructed by you (the client), we will recommend investing in securities and funds with a REFINITIV ESG Rating of C- or better i.e. in companies or funds which invest in companies with a "satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly."

Nevertheless, the unavailability of an ESG rating (due to, for example, lack of available data for Malta Stock Exchange listed securities) will not prevent BOV Wealth Management from investing in such securities or funds. Any investment made in securities or funds lacking an ESG score must however respect the spirit of ESG investing in general.

We will also take into consideration your preferences and include them in our investment solution proposed to you.

BOV Wealth Management reserves the right of amending the ESG scoring methodology in the future.

Sustainability Risk

Sustainability risk refers to an environmental, social or governance event or condition that if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

The Bank considers that Sustainability Risks can have an impact on the returns of the financial products it makes available by leading to a significant deterioration in the profitability, reputation or goodwill of an underlying investment and may therefore impact its liquidity and/or market price materially.

The identification of Sustainability Risks and their likely impact is performed on the holdings of a given investment. For direct investments (e.g. bonds, equities), this assessment is made on the basis of the company's sector categorisation[1] and their business conduct. Specific risks will vary in materiality across different sectors and business models, and companies may also be exposed to risks throughout value chains, including suppliers and customers.

In the case of indirect investments through a fund the identified Sustainability Risks and their likely impact will be described in the relevant risk warnings under the "Risk Factors" section of the Fund's Prospectus.

[1] Companies classified as Mining and Quarrying (NACE Category B), Coke and Refined Petroleum Products (NACE Category C.19) and Manufacture of Chemicals and Chemical Products (NACE Category C.20) are flagged.

Materialisation of these risks can lead to a deterioration in financial outcomes. The impact on the returns of the investment may be due to:

i. direct losses of the impacted investments following such an event (where the effects may be immediate or gradual), or

ii. losses incurred due to rebalancing the portfolio.

Investments in Bonds

A wide range of Sustainability Risks can affect bond issuers' cash flows and affect their ability to meet their obligations. For corporate bond issuers, environmental risks include but are not limited to the ability of companies to mitigate and adapt to climate change and the potential for higher carbon prices, exposure to increasing water scarcity and potential for higher water prices, waste management challenges, and impact on global and local ecosystems. Social risks include, but are not limited to product safety, supply chain management and labour standards, health and safety and human rights, employee welfare, discrimination, data & privacy concerns and increasing technological regulation. Governance risks are also relevant and can include board composition and effectiveness, management incentives, management quality and alignment of management with shareholders.

Sovereigns

For sovereigns and other government related issuers, in some instances, Sustainability Risks may affect the credit quality of the bond issuer through their impact on tax revenues, trade balance or foreign investment.

Property Companies

A wide range of Sustainability Risks apply to property companies. Environmental risks include but are not limited to Physical risk: potential physical damage to property resulting from extreme weather events and climate change, such as droughts, wildfires, flooding and heavy precipitations, heat/cold waves, landslides or storms, and Transition Risk, such as the ability of the company to respond to regulatory and public pressure to reduce the energy and water consumption of buildings. Social risks include but are not limited to health and safety of tenants and employees, labour standards, employee welfare, human right abuses and exploitation, and data & privacy concerns. Governance risks include board composition and effectiveness, management quality and alignment of management with shareholders.

Failure to effectively manage these risks can lead to a deterioration in financial outcomes such as a fall in the value of real estate assets as well as negative impacts on society and the environment.

Investment in Small Companies

A wide range of Sustainability Risks apply to investments in small companies (including the vast majority of Maltese publicly listed companies). Environmental risks include but are not limited to potential damage to physical infrastructure assets resulting from extreme weather events and climate change, the ability of smaller companies to mitigate and adapt to climate change and the potential for higher prices. Social risks include but are not limited to cyber risks and the potential theft of customer data, increasing technological regulation, health and safety and employee welfare. Governance risks include board composition and effectiveness, management incentives, management quality and alignment of management with shareholders. In addition, smaller companies typically have limited or lower levels of disclosure and resources dedicated to corporate sustainability compared to larger companies. As such they may present additional challenges when assessing their management of Sustainability Risks and the likely impact of such risks on funds which invest in smaller companies. Failure to effectively manage Sustainability Risks can lead to the deterioration in financial outcomes as well as negative impacts on society and the environment.

Investment in Emerging Markets

A wide range of Sustainability Risks apply to investments within global emerging markets. Governance risks can be more pronounced in the developing world, with a lack of maturity or corporate tenure being one of the contributing factors. Other risks include board composition and effectiveness, management incentives, management quality and alignment of management with shareholders. Governance risks in emerging markets can present a higher risk compared to developed markets; ownership structures more commonly include controlling state interests or the controlling interests of an individual or family amongst other trading in influence and bribery. In addition, share structure can be more complex, with non-voting shares leaving minorities with less recourse and connected parties can introduce political risks, which have far-reaching implications. Finally, data quality and transparency required to mitigate sustainability and/or financial risks is still evolving and therefore it is not easily verifiable. This might have the potential of producing low quality results, notwithstanding the mitigations in place to exclude companies with high sustainability risks, and also prevent the erosion of the application of sustainability risks when screening companies.

Principal Adverse Impact Statement

BOV believes in the importance of taking a responsible approach to investment. Part of this approach includes considering how the investment decisions we make for our end clients might have material negative effects on environmental, social and governance factors ("Sustainability Factors" or just "ESG"). Any investment decision we take might have a negative effect on the sustainability factors.

Making good sustainable decisions will help to support long-term returns and increase the growth and stability of the financial system. Our investment decisions are reviewed to determine how our decisions will have an adverse impact on Sustainable Factors.

PAI may result in the exclusion of certain investment if no alternative action is deemed suitable to address the adverse impact, the breadth and depth of the Refinitiv Environmental, Social and Governance platform.

Further detail can be found through the following link *https://www.bov.com/content/esg-environmental-social-governance-solution*

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