Disclosure Sheet

Environmental, Social, Governance Solution (ESG)

BOV

Bank of Valletta

Sustainability Risk Policy

Bank of Valletta p.l.c. (the "Company", the "Bank", "BOV") 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 the "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 and/or investment/insurance advice, and the consideration or otherwise of principal adverse impacts (PAIs) of their investment and/or advisory processes on sustainability factors.

The transition towards a greener and more sustainable economy is becoming a priority for the Company. 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 has developed a stand-alone sustainability risk policy and has also incorporated elements of sustainability in the existing BOV Sales Policy.

BOV objective is to enhance your financial situation through its investment and insurance 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 also integrates sustainability risk through its Exclusion Policy, Engagement Policy, and due diligence processes. For direct investments, ESG risks are evaluated using the London Stock Exchange Group (LSEG) Environmental, Social, Governance and Controversy (ESGC) scores when available. For indirect investments, the Company reviews fund disclosures and strategies. The Company applies the principle of proportionality, tailoring its approach based on the nature and complexity of its services, while ensuring compliance with EU and national regulations.

Sustainability risk is considered as part of the overall investment decision, and may be accepted if justified by other financial or strategic factors. The Company also considers both financial materiality (how sustainability issues affect companies) and impact materiality (how companies affect society and the environment). Environmental risks include climate-related events and changes in policy and regulations; social risks involve issues like human rights and workplace safety; and governance risks relate to leadership, ethics, and transparency. Controversies in any of these areas, such as fraud or environmental violations, can significantly affect a company's reputation and financial performance.

What is ESGC?

ESGC stands for Environmental, Social, Governance and Controversy 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.

The ESGC criteria represents a framework of ethical standards that guide socially responsible investors in evaluating and selecting companies for investment.

- 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.
- Controversies – Take into consideration negative events or incidents of a company.

The ESGC 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.

ESGC 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 ESGC risk 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.

ESGC 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 ESGC grounds. Its purpose is to ensure that the investment decision-makers are aware of and take informed investments decisions with knowledge of key ESGC risks. In this way, ESGC 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.

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

The Company assesses sustainability risk as part of its investment decision making process, whether for direct investments, indirect investments (such as funds), or when providing investment or insurance advice, irrespective of the client's sustainability preferences.

For direct investments, the Company evaluates both financial and non-financial factors, including ESG risks, using scores provided by LSEG. These ESGC scores combine environmental, social, governance, and controversy data to give a complete picture of a company's sustainability profile. If data is unavailable, we disclose that sustainability risk could not be assessed.

For indirect investments, such as funds, we use aggregated ESGC scores which is based on the fund's underlying assets. In insurance advice, sustainability risk is assessed at the level of the underlying investments, especially in "Unit Linked" products. For "With Profits" products, sustainability considerations are outlined in the Key Feature Document.

When available, LSEG ESGC scores are updated weekly and based on over 870 metrics. Companies are compared within their industry and country, with ESG factors weighted from 1 to 10 depending on their relevance. The scoring also accounts for controversies and company size. Final scores are ranked and grouped into four grades:

Score	Grade	LSEG Interpretation
0-25	D	Poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.
26-50	C	Satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.
51-75	B	Good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.
76-100	A	Excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.

This process helps ensure that sustainability risks are considered alongside financial factors when making investment decisions or recommendations

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

Sustainability Risk

Sustainability risk refers to environmental, social, governance and controversy 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.

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.

[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.

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.

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 LSEG.

Further detail can be found through the following link
https://www.bov.com/meta/downloads/assessment-and-integration-sustainability-risk-policy

This Disclosure Sheet provides information on certain characteristics, attributes, and risks associated with Environmental, Social and Governance (ESG) matters. However, it is not intended to and cannot disclose or analyse all ESG-related risks, considerations, or implications. ESG factors are complex and may vary significantly across industries, geographies, and regulatory environments. They are subject to change over time and may be interpreted differently depending on the methodologies and data sources used.

In this Disclosure Sheet, the Bank does not take into consideration your particular ESG preferences, risk appetite, financial situation, or specific needs. This Disclosure Sheet is intended for information purposes only and should not be construed as an offer or recommendation to buy or sell any financial instrument, nor as a solicitation or recommendation to adopt any ESG strategy or framework. If you require advice on ESG matters or wish to discuss the suitability of any ESG-related decision, you should seek professional advice from qualified financial, legal, or sustainability advisors as appropriate.

Past ESG performance or ratings are not a reliable indicator of future outcomes. ESG-related risks, including regulatory changes, reputational impacts, and environmental or social disruptions, may adversely affect the value, performance, or sustainability of investments. ESG information may also be constrained by data limitations, evolving standards, and external factors beyond the control of the issuer or investor.

Bank of Valletta p.l.c. (C-2833) of 58, Zachary Street, Valletta VLT 1130 is a public limited company licensed by the Malta Financial Services Authority to carry out the business of banking in terms of the Banking Act, Cap. 371 of the Laws of Malta, and investment services in terms of the Investment Services Act, Cap. 370 of the Laws of Malta. Bank of Valletta p.l.c. is enrolled under the Insurance Distribution Act, Cap. 487 of the Laws of Malta, as a Tied Insurance Intermediary for both Mapfre Malta p.l.c. and Mapfre Msv Life p.l.c. Mapfre Malta p.l.c. (C-5553) is authorised by the MFSA to carry on both long-term and general business under the Insurance Business Act, Cap. 403 of the Laws of Malta. Mapfre Msv Life p.l.c. (C-15722) is authorised by the MFSA to carry on long-term business under the Insurance Business Act. All entities are regulated by the MFSA.

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