# Exclusion Policy

**Environmental and Social Sustainability-Based Negative Screening Criteria**

**Date: 15th June 2024**



BOV

Bank of Valletta

| Version Control Data | | | |
|---|---|---|---|
| **Version Number** | **Changes** | **Date** | **Approved By** |
| **1.0** | **First Version** | **26th May 2023** | **Wealth Management Investment Committee** |
| **1.1** | **Clarified only assets held under nominee are subject to Exclusion Policy. Clarified that investment/advice prohibition relates to WM net exposures to an excluded entity.** | **15th March 2024** | **Wealth Management Investment Committee** |
| **1.2** | **Inserted reference to minimum standards in Paris aligned benchmarks under 'Types of Exclusions'** | **15th June 2024** | **ESG Committee, Risk Committee** |

# 1. Overview

Bank of Valletta's sustainable and responsible investment approach is based on our long-term oriented and conviction-based principles.

The issue of exclusions requires considerable reflection, particularly in a context that increasingly promotes the environmental, social and governance aspects of securities. As the regulatory landscape continues to change at a fast pace, we envision the need for this policy to develop, improve and be amended in the future. The development and emergence of ESG-related data services will also empower better, more granular approaches to sustainable finance.

The exclusion policy has been drafted and proposed by the Wealth Management Investment Strategy and Research Unit and approved by Wealth Management Investment Committee.

# 2. Exclusions Scope

The exclusion policy applies to any portfolio with direct investments in equities and/or bonds for which BOV acts as portfolio manager.

The exclusion policy also applies to any investment advice given by financial advisors. Financial advisors and portfolio managers are prohibited from recommending new or additional investments in any entity present in the exclusion list that would result in a net increase in the overall BOV exposure to the excluded entity.

# 3. Types of exclusions

In formulating the Exclusion Criteria, BOV has considered the minimum standards for Paris-aligned Benchmarks set out in Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks[1] in order to inform the spirit of this policy. The Exclusion Criteria focus on excluding investment in any company that meets any one of the following:

i. Involvement in **activities related to controversial weapons[3]**.
ii. Involvement in **activities related to tobacco**.
iii. Deriving 5% or more of revenue from activities related to **thermal coal**.
iv. Deriving 50% or more of revenue from **activities related to oil and gas production**.
v. Deriving 5% or more of revenue from activities related to **oil sand**.

[1] Benchmark Regulation Delegated Regulation; Commission Delegated Regulation (EU) 2020/1818; Article 12(1)-(2)

The above does not exclude the possibility of additional criteria from being imposed to take into account other Paris-aligned criteria as data becomes more readily available. Data availability precludes exclusion based on separate oil fuels and gaseous fuel revenue percentage figures. It also excludes exclusion based on revenues derived from electricity generation activities having a GHG intensity of more than 100g $CO_2$ e/kWHh.

Securities are screened on a quarterly basis. Companies are placed on the Exclusion list if they are found to violate any one of the criteria (i) through (v) above. Companies in violation are removed from the Bank of Valletta's recommended list within 3 months.

Portfolio Managers and/or Financial Advisors may appeal to reinclude an excluded company by appealing to the Wealth Management Investment Committee. Any such appeal must be defended purely on Environmental, Social or Governance grounds. The Wealth Management Investment Committee decides on whether to uphold or reject any such appeal by simple majority and all decisions are final.

## 4. Data Transparency

BOV uses the services of third-party data providers to assess the criteria set above. Unavailable data is treated as a lack of transparency. Data unavailability is not valid grounds for exclusion.

## 5. Procedure in case of non-compliance

The Exclusion Policy enters into force on 30th June 2023 and is not retroactive. Any investments or recommendations made prior to this date are not subject to this Exclusion policy.

Any excluded investee companies present in portfolios that were either (a) held under nominee of BOV p.l.c. prior to 30th June 2023 and/or (b) transferred in from a portfolio held with another financial institution may be held on a reduce-only basis.

Any decision or recommendation which would result in a net increase of BOV p.l.c. nominal exposure to excluded investee companies after the introduction of this Exclusion Policy on 30th June 2023 would be in violation of this policy. Any investments undertaken under these conditions would have to be divested of and the initial position of the customer must be reinstated.

As per above, the company's inclusion in the Exclusion list may be appealed to the Wealth Management Investment Committee purely on ESG grounds. The Wealth Management Investment Committee decides such matters by simple majority and all decisions are final.