



Bank of Cyprus



# The Role of Banking Sector in Green Transition

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## The Game has new rules



Paris Agreement

European Green  
Deal

Fit for 55

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## ECB Expectations on Financial Institutions

Business model &  
strategy

Governance and  
risk appetite

Risk management

Disclosures

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## Climate transition – Business Strategy

### GHG Emissions:



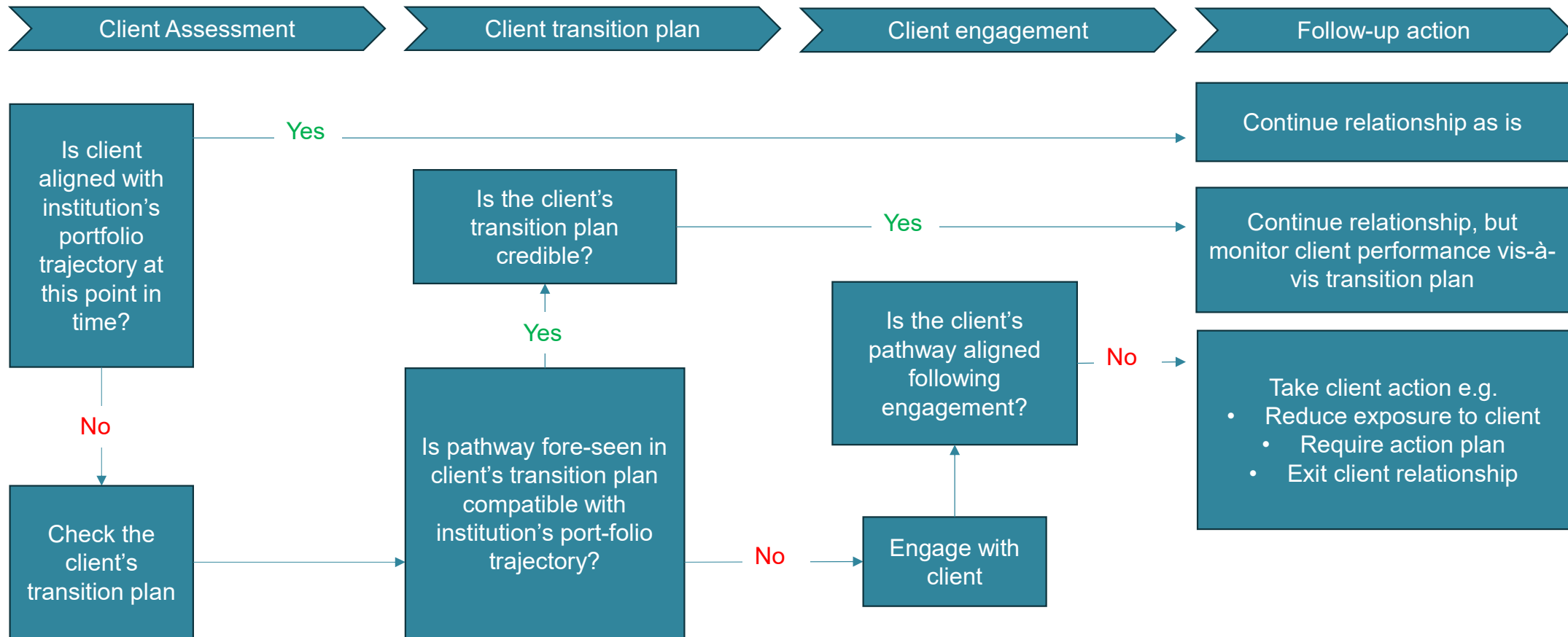
### Green/Transition lending:

Institutions are developing a variety of products and advisory services to support their clients in the transition to a low-carbon economy and effectively manage transition risk:



# Climate transition – Business Strategy

## Client Engagement:



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## ESG Risk Management

1. Exclusion criteria (transactions not acceptable to finance by taking into account ESG risks i.e. coal mining)
2. Client-level risk assessment – Due Diligence (ESG Questionnaires)
3. Develop ESG risk scorecard (High, Medium, Low)
4. The ESG score of the customer informs the lending decisions and is part of credit assessment
5. Incorporate ESG score of the customer to the probability of default rating (qualitatively or quantitatively)
6. Decide which client's ESG risk is acceptable and incorporate in the risk appetite
7. Incorporate ESG score into loan pricing
8. Due diligence process is repeated on a regular basis

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# Thank you