



ArmSwissBank

CLIMATE TRANSITION PLAN

ArmSwissBank

Acknowledgements

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The technical development of the Climate Transition Plan was led by [Climate Lens Advisors \(CLA\)](#), whose team brought deep expertise in climate risk, sustainable finance, and regulatory alignment. We would like to express our sincere gratitude to the CLA expert team—**Relja Zambelić, Hussein Anooshah, Marjan Stojiljković, Maša Njegovan,** and **Goran Banduka**—for their dedication, strategic insight, and hands-on support throughout all stages of design and implementation. Their contribution was instrumental in delivering a robust and actionable plan, grounded in international best practices and adapted to the specific needs of the Armenian banking sector.

We also extend our appreciation to the **EIB** for continued support and technical guidance. This Plan reflects a shared commitment to enabling financial institutions across the region to manage climate-related risks, seize emerging opportunities, and contribute meaningfully to the low-carbon transition.



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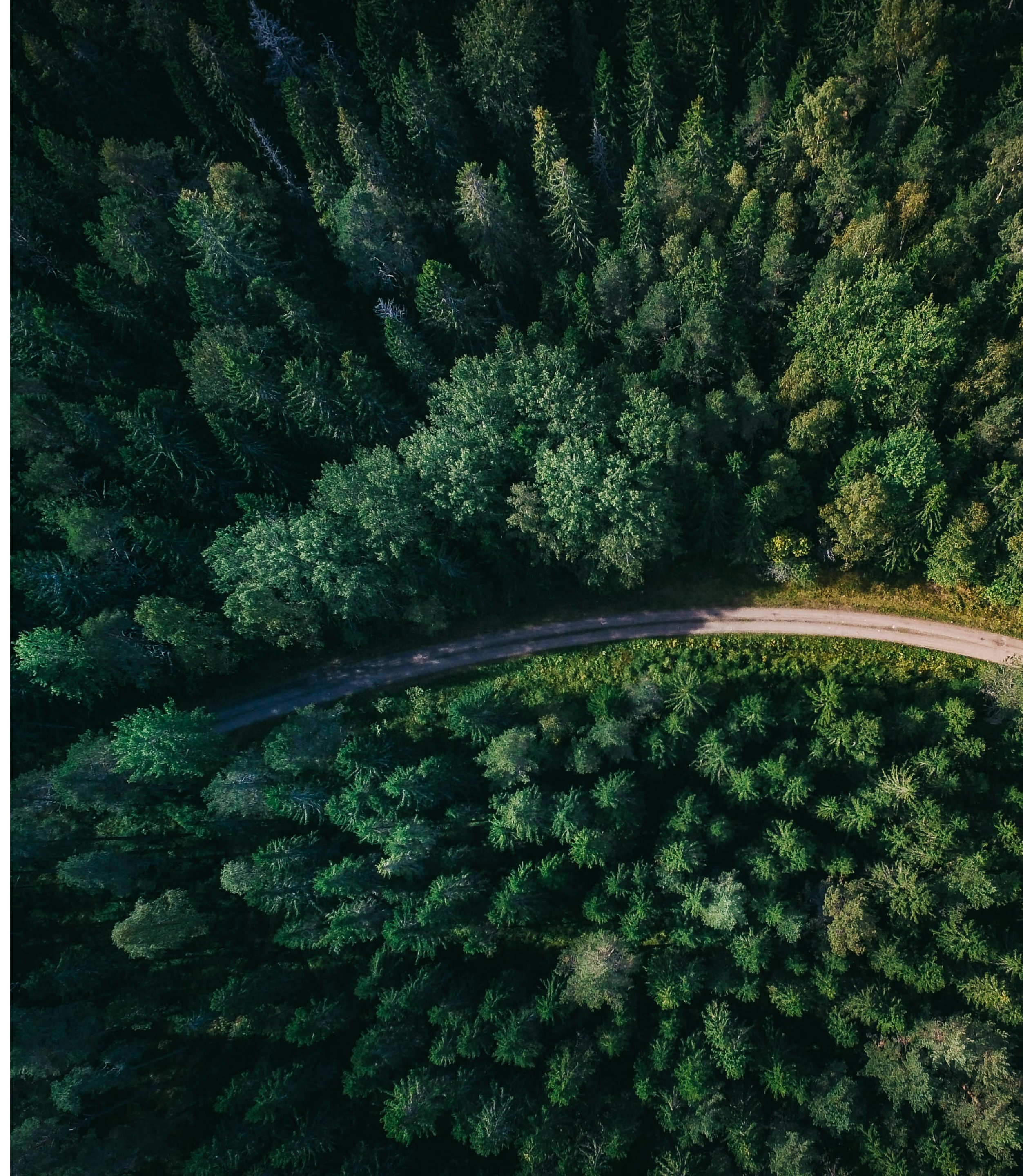
ARM SWISS BANK

A. Introduction

A climate transition plan serves as a strategic tool for aligning an organization's climate ambitions with the goals of the Paris Agreement. It translates long-term objectives into actionable steps supported by clear governance and accountability. While planning for future risks is not new, the scientific urgency and scale of the climate challenge make transition plans essential for long-term organizational resilience.

Climate change poses material risks to Armenia's economy and financial system, with extreme weather events such as floods, droughts, and heatwaves affecting both economic activities and community resilience. These events can lead to significant financial losses, impacting businesses, clients, and broader society. For financial institutions, such risks manifest through traditional channels, including credit, market, operational, liquidity, and reputational risks. At the same time, climate-related risks present opportunities to generate long-term value. By supporting the transition to a low-carbon economy, ArmSwissBank can grow its portfolio, serve evolving client needs, and strengthen market positioning.

Our Climate Transition Plan reflects this dual perspective—recognizing the overlap between climate risks and opportunities. This is embedded in how we collect and analyze data, steer our portfolio, engage clients in their own transitions, and align with stakeholder expectations.



Successfully navigating this shift requires action across all areas of the Bank:

- **Clients:** We support businesses in their low-carbon transition by offering guidance, innovative products, and tailored financial solutions.
- **Investors:** We are committed to implementing a credible climate strategy aligned with the Paris Agreement and enhanced transparency standards such as IFRS S2.
- **Employees:** As a purpose-driven institution, we aim to attract and retain talent by embedding sustainability into our core values and operations.
- **Regulators:** We support national efforts such as the Central Bank of Armenia’s Sustainable Finance Roadmap and are strengthening climate risk governance to meet regulatory expectations.

To this end, ArmSwissBank is enhancing its approach to governance, strategy, risk management, metrics, and targets to fully integrate climate considerations and support Armenia’s low-carbon development.

B.Ambition

Our Climate Transition Plan is built on a solid foundation of climate risk and opportunity assessment and carbon footprint analysis. These insights help us identify priority vulnerabilities and emerging opportunities, guiding where action is most needed. By strengthening our climate data, governance, and processes, we are setting the groundwork for defining a clear and impactful strategic ambition aligned with long-term transition goals. **All this grounded work will later help us articulate our strategic ambition and objectives to reach a climate resilient business model and to achieve low-carbon pathways to limit global warming to 1.5°C degrees in line with the Paris Agreement.**



Figure: ArmSwissBank’s approach to Climate Transition Planning

B.1 Foundation

B.1.1 Climate risk and opportunity materiality analysis

Climate-related risk analysis

As an outcome of our climate risk identification and assessment process, we have developed a Climate Risk Heatmap to inform and strengthen our risk management strategy. This tool maps potential credit risk exposures across sectors and scenarios, categorizing them by climate sensitivity from high to low. It enables a materiality-driven approach across three key dimensions:

- 1. Identifying High-Risk Concentrations – The heatmap highlights areas of elevated climate vulnerability, helping us prioritize resources for deeper risk analysis and targeted mitigation efforts.
- 1. 2.Enabling Client-Centric Support – By pinpointing clients most exposed

to climate risks, we can tailor financial products and advisory services to support their transition, with a particular focus on expanding green lending solutions (further outlined in our Engagement Strategy).

- 1. 3.Improving Decision-Making – The heatmap serves as a decision-useful tool, integrated into our due diligence and risk assessment processes. It helps frontline teams determine when further climate-related data and scorecard analysis are needed.

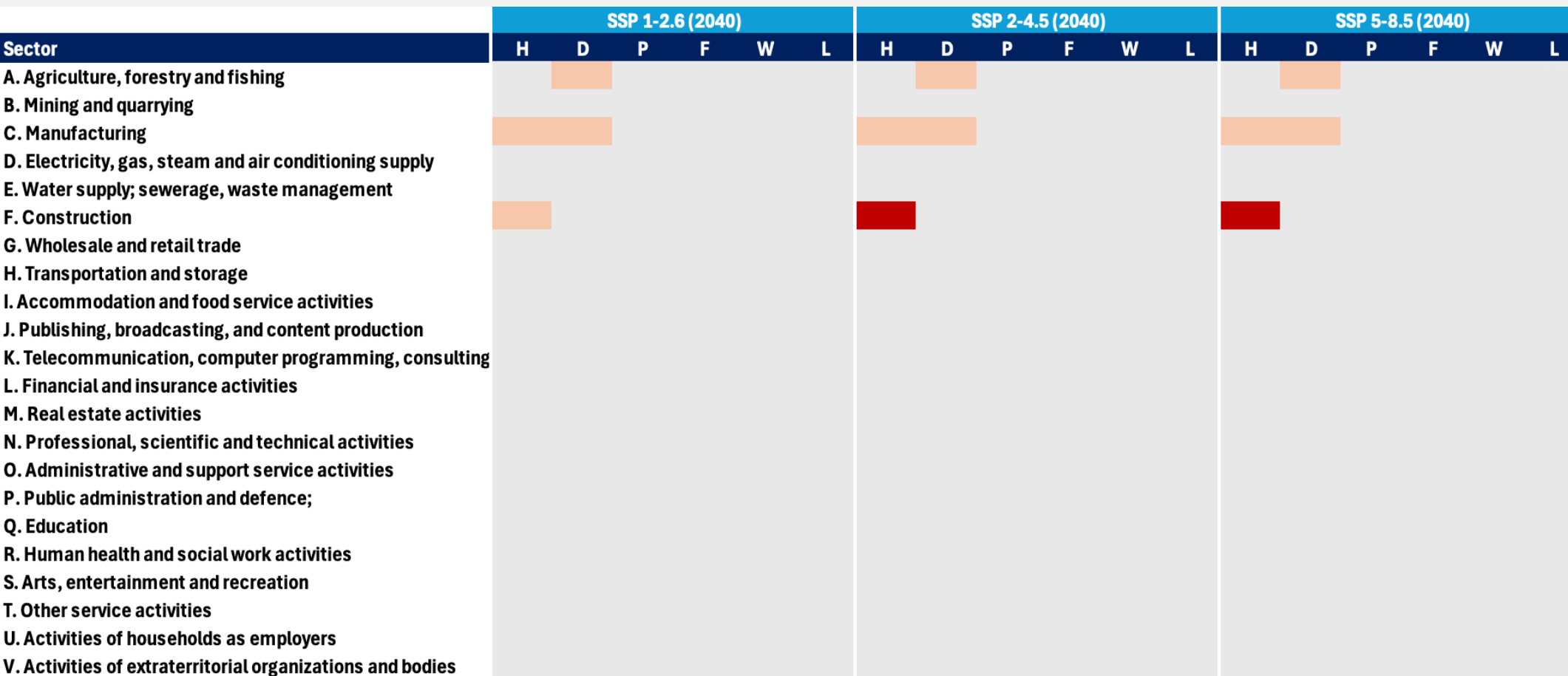


Figure: Climate-related physical risk heatmap across 3 scenarios

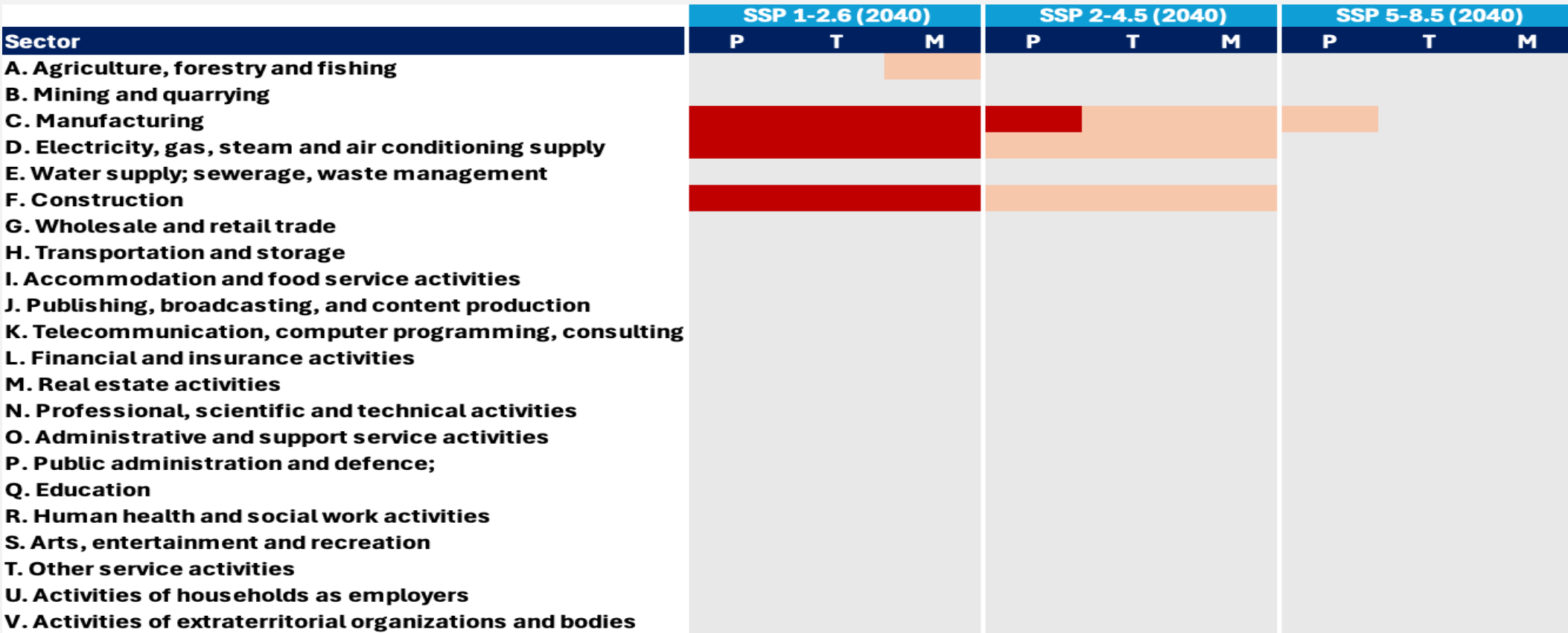


Figure: Climate-related transition risk heatmap across 3 scenarios

These heatmaps use predefined materiality thresholds to categorize exposures as low, medium or high risk, enabling a scenario-based evaluation of potential vulnerabilities within portfolio. Materiality thresholds are derived from scenario-based approach using multiple scenarios: Net Zero (SSP126), Delayed Transition (SSP245), and Current Policies (SSP585). These scenarios simulate the financial impacts of climate-related physical and transition risks over multiple time-horizons, quantifying the potential value at risk for each sector.

Hazard & risk types		Risk classification	
H	Heatwave		Low
D	Drought		Medium
P	Precipitation		High
F	Flood		
W	Wildfire		
L	Landslide		
P	Policy risk		
T	Technology risk		
M	Market risk		

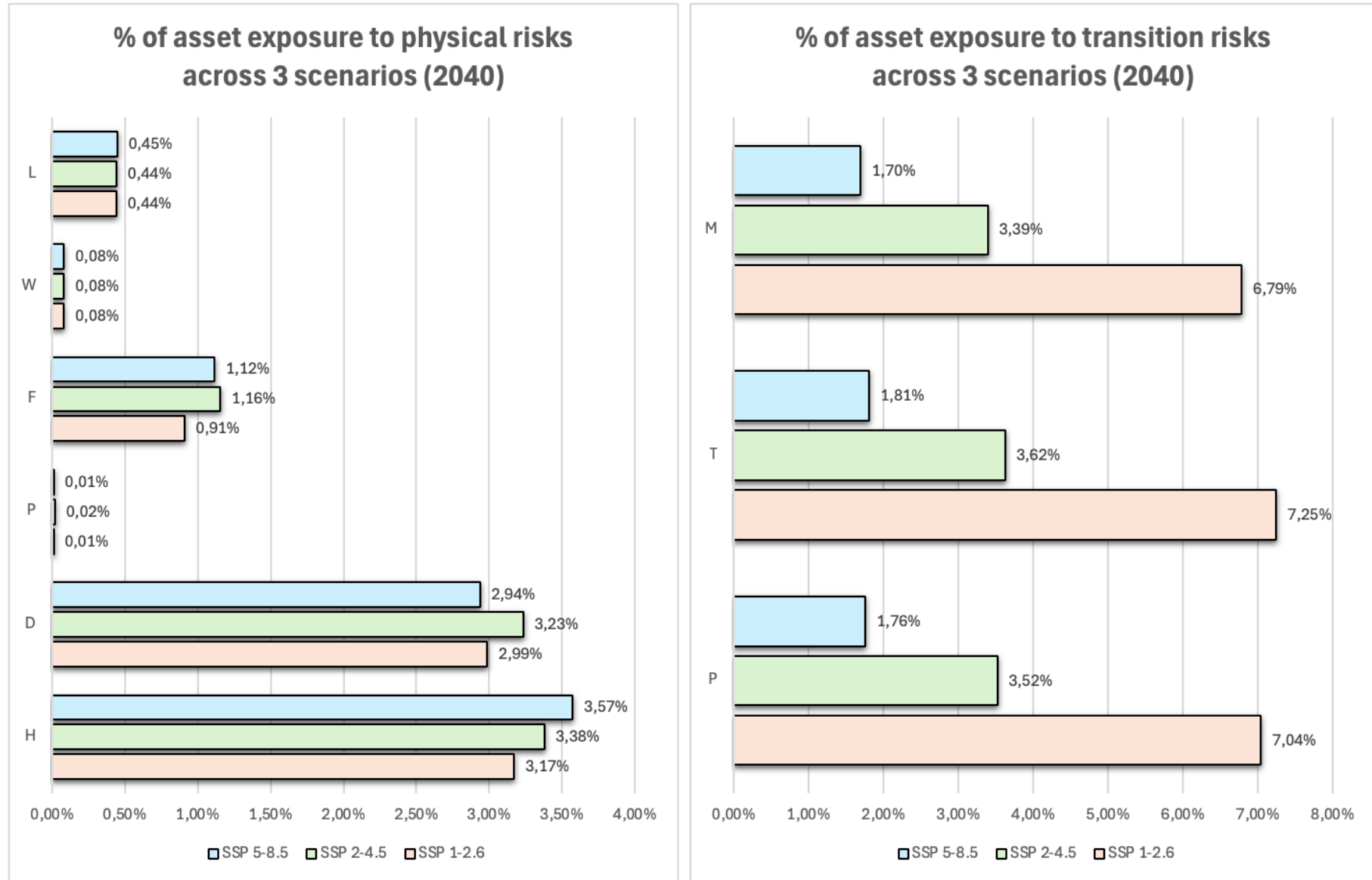














Figure: Exposure analysis to climate-related physical and transition risks across 3 scenarios focusing on medium-term horizon (2040)










We assessed physical and transition risks in our portfolio using a medium-term (2040) outlook:


- **Climate-related Physical Risks:** Highest exposure is to **heatwaves** (under SSP5-8.5), followed by **droughts and floods**.
- **Climate-related Transition Risks:**
 - 1. High under Net Zero** (SSP1-2.6) scenario due to sharp policy, market, and technology shifts affecting high-emitting sectors.
 - 2. Moderate under Delayed Transition**, reflecting a gradual adjustment.
 - 3. Low under Current Policy**, where carbon-intensive activities continue largely unaffected.


Climate-related opportunities analysis

Through our assessment of physical and transition risks across short (1–5 yrs), medium (5–15 yrs), and long-term (15+ yrs) horizons, we have identified climate-related opportunities that can enhance portfolio resilience and business growth. These include supporting clients in low-carbon transitions, developing green financial products, and strengthening our market position in response to evolving regulation, technology, and climate impacts.

Opportunity	TYPE	DESCRIPTION	TERM	Business model effects	
Efficient cooling and renewables 	Physical Opportunity	Supporting investment in cooling systems, energy-efficient buildings, and renewable energy solutions to combat rising temperatures and heatwaves	<div><div></div><div></div></div>	 Current heatwaves provide immediate demand for energy-efficient solutions and cooling systems	 As heatwaves become more frequent, Bank can offer financing for green buildings and renewable energy systems, enhancing its product portfolio in energy efficiency
Water efficient technologies 	Physical Opportunity	Financing for technologies that reduce water use and enhance efficiency, such as irrigation systems, water recycling, and flood-resilient infrastructure—especially in drought-prone sectors.	<div><div></div><div></div></div>	 Offers opportunities to finance water-saving solutions in agriculture and manufacturing, especially in regions facing water stress.	 As drought conditions intensify, demand for water-efficient technologies is likely to grow. Bank can expand its green finance offerings to support clients adapting to water scarcity.
Flood resilience 	Physical Opportunity	Financing for infrastructure that can withstand extreme rainfall and flooding, such as stormwater systems, flood defenses, and elevated roads.	<div><div></div><div></div></div>	 Immediate demand for infrastructure to mitigate flooding in high-risk regions.	 Increased flooding risks will lead to long-term demand for flood resilience projects, enabling Bank to support long-term adaptation strategies for clients in affected sectors
Infrastructure financing 	Physical Opportunity	Extreme weather events such as flooding that could damage infrastructure, disrupt supply chains, and affect real estate values	<div><div></div><div></div></div>	 Presents opportunities to finance flood-resilient infrastructure projects, particularly in construction and urban planning	 As flooding events become more frequent, demand for resilient infrastructure (e.g., drainage systems, flood defenses) is expected to grow.

Opportunity	TYPE	DESCRIPTION	TERM	Business model effects	
Green investment adoption 	Transition Opportunity	Providing financing for businesses investing in low-carbon technologies like renewables, energy efficiency upgrades, electrification of transport, and sustainable farming practices.	<div><div></div><div></div></div>	 Renewable energy investments are progressing in Armenia, but adoption of broader low-carbon technologies remains limited—offering early-stage opportunities for Bank.	 Demand for low-carbon solutions is expected to grow as climate regulations tighten and market expectations shift. Bank can scale green financing to support clients in energy, transport, and agriculture transitions.
Financing industrial decarbonization 	Transition Opportunity	Financing for clients to reduce direct (Scope 1) emissions through energy efficiency, fuel switching, or cleaner production processes.	<div><div></div><div></div></div>	 Limited activity in reducing direct emissions but rising awareness in energy-intensive sectors.	 As regulatory and market pressure increases, Bank can support clients by offering transition finance for decarbonizing operations—enhancing credit quality and client resilience.
Enabling Supply Chain Emission Reductions 	Transition Opportunity	Financing to help clients reduce indirect emissions across their supply chain, including clean energy procurement, supplier upgrades, and logistics efficiency.	<div><div></div><div></div></div>	 Most clients are not yet engaged in value chain decarbonization, but export-facing sectors are beginning to explore it.	 Bank can offer financing and advisory solutions as clients face increasing pressure from global buyers to decarbonize supply chains and disclose Scope 3 emissions.

 Current effects

 Anticipated effects

STMTLT

Tables: Climate-related opportunities and business model effects

B.1.2 Carbon footprint measurement

Establishing a robust inventory of our Scope 1, 2, and 3 GHG emissions is a foundational step in our climate transition planning. It serves as the baseline for setting future emission reduction targets across our operations and financed portfolio. In collaboration with our partner **Greenly**, we conducted a comprehensive carbon footprint assessment aligned with leading international standards, including the GHG Protocol and the PCAF Financed Emissions Standard.

For operational emissions, **Greenly** applied GHG Protocol methodologies using a combination of physical activity data, expenses, and employee surveys, supported by emission factors from global databases such as ADEME, CDP, IEA, Eurostat, DEFRA, and Exiobase. For financed emissions (Scope 3, Category 15), the assessment covered business loans, real estate, and sovereign bonds. Emissions were estimated using PCAF methodologies, applying sector-specific factors and attribution principles to ArmSwissBank’s portfolio data.

Our financed emissions assessment covers 100% of assets under management across three asset classes: business loans, sovereign bonds, and real estate. Business loans accounted for the largest share (55%), followed by sovereign bonds (44%), while real estate contributed only 1%. The distribution is illustrated in the chart below.

Category	Description	Unit	2023
Scope 1.1	Generation of electricity, heat or steam in own operations	tCO2eq	60,00
Scope 1.2	Transportation of materials, products, waste and employees	tCO2eq	2,00
Scope 1.3	Fugitive emissions	tCO2eq	3,00
Scope 1	Total Scope 1 emissions	tCO2eq	65,00
Scope 2.1	Electricity consumption	tCO2eq	46,00
Scope 2	Total Scope 2 emissions (location-based)	tCO2eq	46,00
Scope 3.1	Purchased goods and services	tCO2eq	119,00
Scope 3.2	Capital goods	tCO2eq	21,00
Scope 3.3	Fuel and energy-related activities	tCO2eq	34,00
Scope 3.5	Waste generated in operations	tCO2eq	5,00
Scope 3.6	Business travel	tCO2eq	17,00
Scope 3.7	Employee commuting	tCO2eq	20,00
Scope 3.8	Upstream leased assets	tCO2eq	4,00
Scope 3.15	Investments	tCO2eq	324.592,00
Scope 3	Total Scope 3 emissions	tCO2eq	324.812,00
Scope 1-2	Emissions from scopes 1 and 2		111,00
Scope 1-3	Emissions from all scopes		324.923,00

Table: 2023 GHG Emissions by Scope

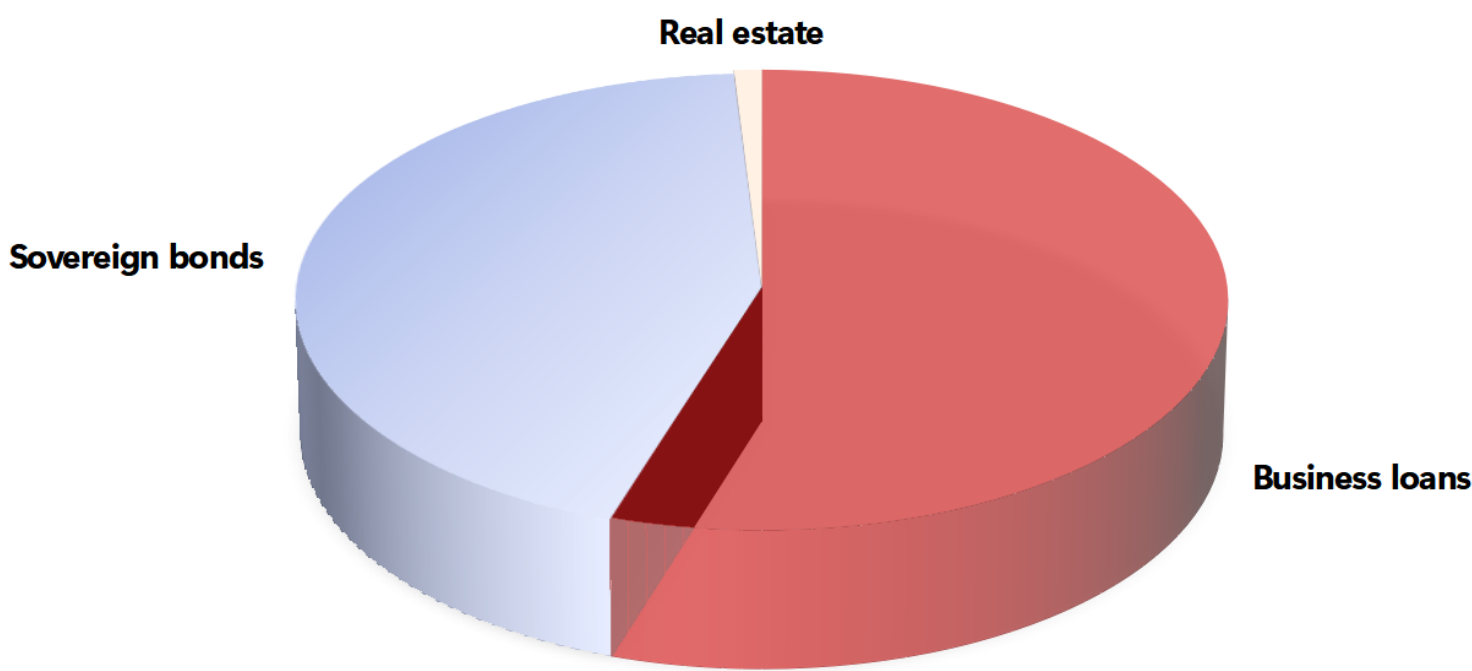


Chart: 2023 Financed Emissions by asset class (% total)

The main contributors were electricity generation (33%), manufacturing of wine (6%) and construction of buildings (6%).

Sector	Financed emissions (tCO2eq)	% of total
Production of electricity	58.591	33%
Manufacture of wine from grape	11.1	6%
Construction of residential and non-residential buildings	9.891	6%
Wholesale of dairy products, eggs and edible oils and fats	8.377	5%
Wholesale of solid, liquid and gaseous fuels and related products	7.381	4%
Construction of roads and motorways	6.017	3%
Distilling, rectifying and blending of spirits	4.786	3%
Manufacture of cocoa, chocolate and sugar confectionery	4.64	3%
Manufacture of light metal packaging	4.36	2%
Other processing and preserving of fruit and vegetables	4.323	2%
Manufacture of prepared feeds for farm animals	3.513	2%
Manufacture of concrete products for construction purposes	3.234	2%
Raising of poultry	3.233	2%
Wholesale of coffee, tea, cocoa and spices	3.032	2%
Freight rail transport	2.897	2%

Table: Top 15 sectors contribution to 2023 Financed Emissions from business loans

Improving Financed Emissions Data Quality

In 2023, our financed emissions had a weighted average data quality score of 4 (PCAF scale). To improve data quality, we will implement a structured roadmap focused on engaging key clients for primary data, integrating climate criteria into loan origination and due diligence, and using sector benchmarks. For sovereign bonds, we aim to enhance estimates using national-level data from public sources. In real estate, we will incorporate EPCs and actual energy use data. System upgrades will support more automated and reliable emissions tracking over time.

B.2 Strategic ambition

B.2.1 Key pillars of our climate ambition



Figure: Key pillars of our climate ambition

B.2.2 Sectoral transition pathways

To support the low-carbon transition, we identified carbon-intensive sectors most relevant to our portfolio and climate risk exposure. Our focus includes power, construction, and manufacturing—together representing the majority of financed emissions. In line with NZBA guidance, we are in process of target-setting 2030, 2040, and 2050 emission intensity targets for these sectors, using Paris-aligned scenarios (e.g. IEA, GCCA) to guide our portfolio toward science-based decarbonization pathways.

Sector	Emission Scope	Target metric	Reference scenario	Baseline 2023 emission intensity	Targets (emission intensities)		
					2030	2040	2050
Power	Scope 1	tCO ₂ e/MWh	IEA B2DS	<i>To be calculated, subject to the availability of portfolio emissions data disaggregated across scopes and corresponding sectoral production outputs.</i>	0.229	0.072	-0.008
Construction – residential buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m ²	SBTi CREEM, IEA NZE		0.264	0.084	0.011
Construction – office buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m ²	SBTi CREEM, IEA NZE		0.410	0.130	0.014
Construction – retail buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m ²	SBTi CREEM, IEA NZE		0.414	0.122	0.013
Concrete manufacturing	Scope 1	tCO ₂ e/m ³	GCCA 2050 Roadmap		0.308*	N/A	0**

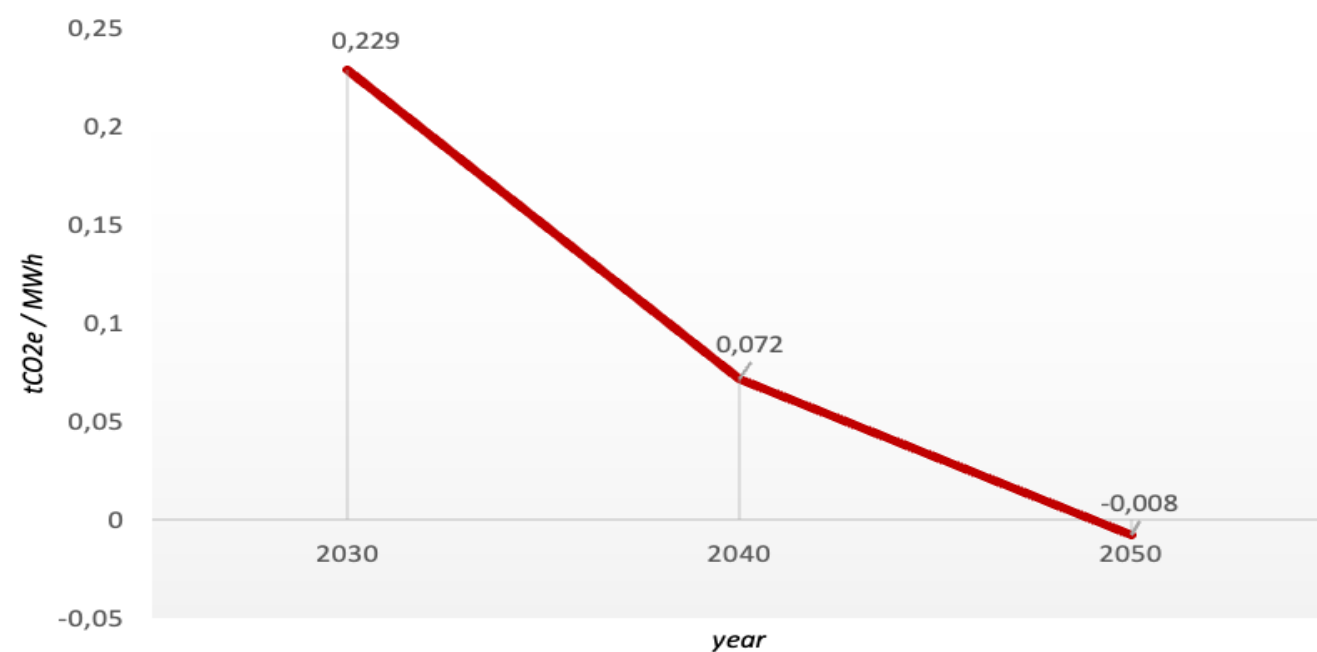
Table: Sectoral emission intensity targets for 2030,2040 and 2050

* Based on the -25% emission intensity benchmark vs. 2020 baseline

** Based on the -100% emission intensity benchmark vs. 2020 baseline

Power generation sector transition pathway

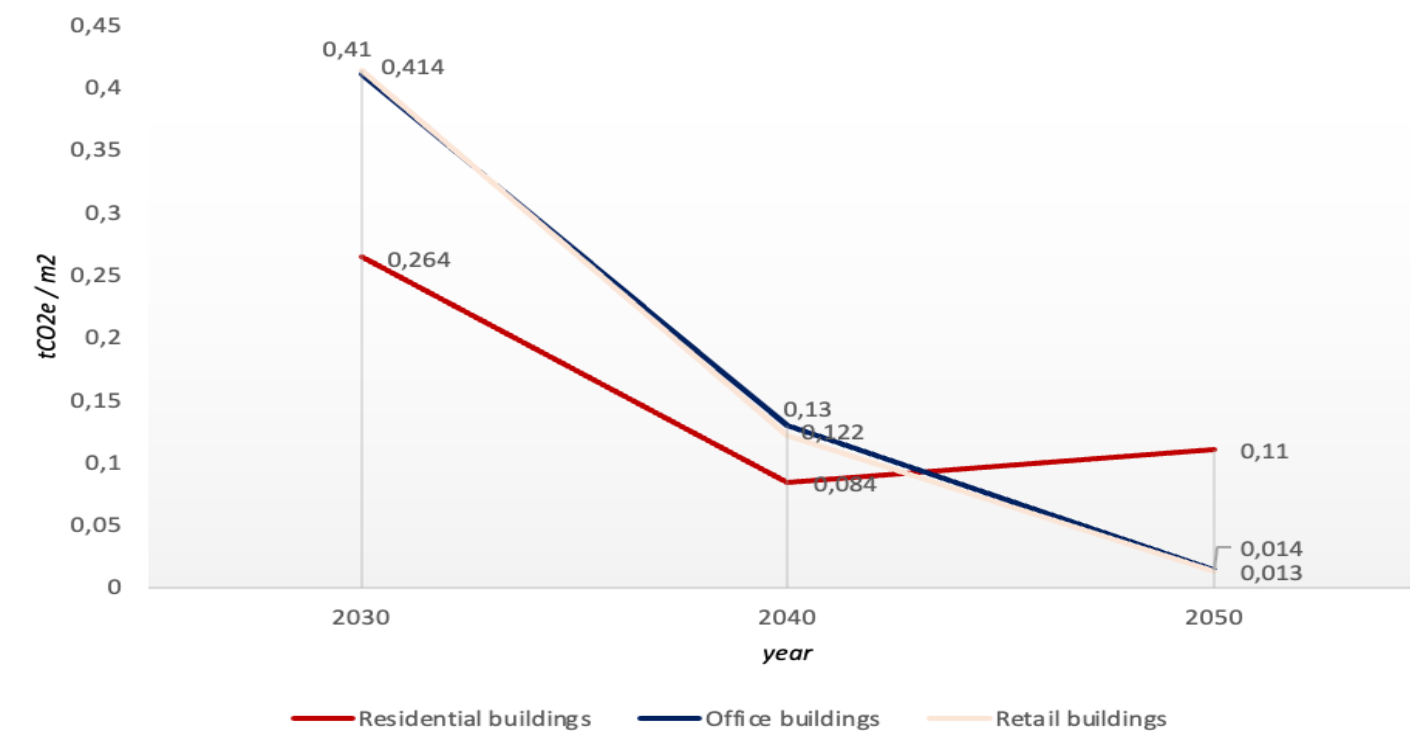
In Armenia, power generation accounts for 15% of national GHG emissions, with 42% of electricity still produced from natural gas. The LT-LEDS targets a shift to renewables, energy efficiency, and grid modernization. Globally, the IEA Net Zero by 2050 scenario calls for 90% renewable electricity by 2050, supported by expanded solar and wind, storage, digital grids, and phase-out of unabated coal. Our sectoral targets reflect these ambitions to support Armenia's low-carbon energy transition.



Graph: Portfolio alignment targets for Power sector Scope 1 emissions (tCO₂e/MWh)

Construction of buildings sector transition pathway

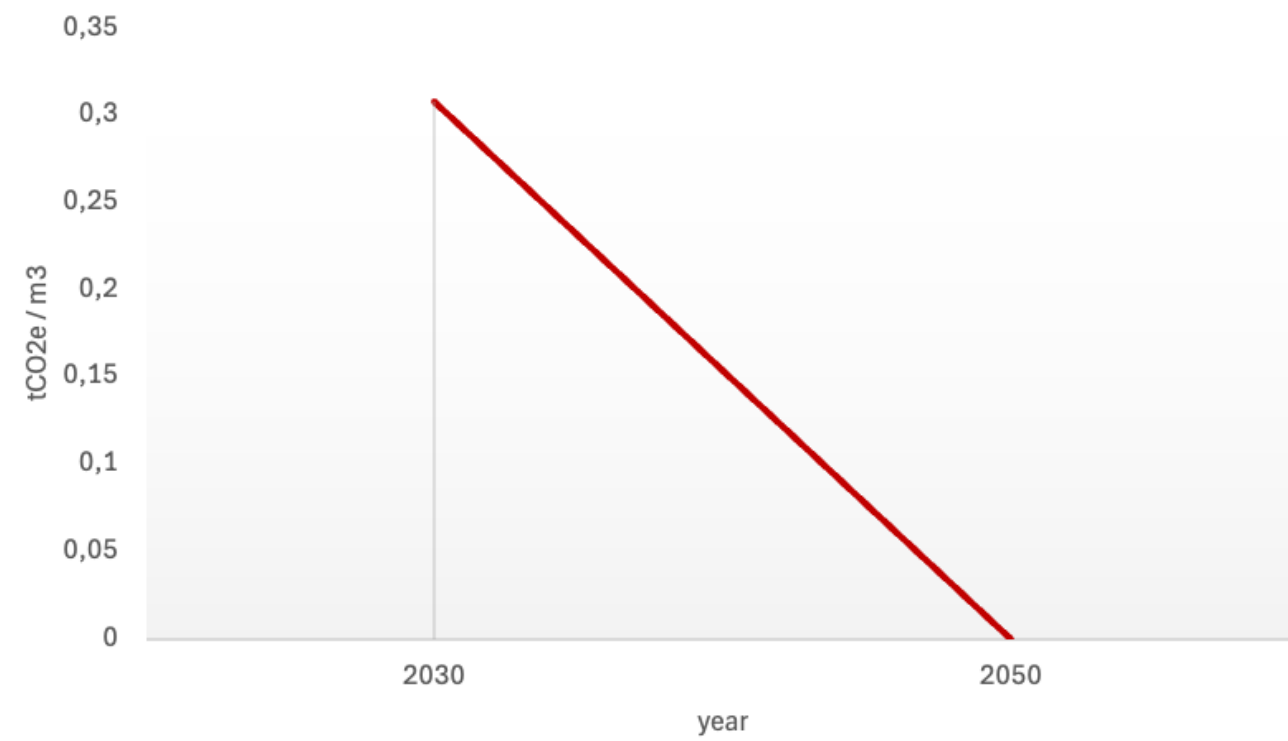
The buildings sector is a major energy user in Armenia, with high reliance on natural gas for heating and outdated infrastructure. Globally, buildings contribute up to 39% of CO₂ emissions, including emissions from construction materials like cement and steel. The IEA Net Zero scenario calls for full electrification of heating, energy efficiency upgrades, and widespread use of low-carbon materials. By 2030, all new buildings should be net zero, with 50% of existing buildings deeply retrofitted by 2040. Our sectoral targets reflect these pathways to support the decarbonization of Armenia's building stock.



Graph: Portfolio alignment targets for Buildings sector embodied emissions (tCO₂e /m²)

Manufacturing of concrete and cement sector transition pathway

In Armenia, cement production accounts for 82% of industrial process emissions, making it a key target for decarbonization. The LT-LEDS promotes low-carbon technologies, clinker substitution, and circular economy practices. Globally, the IEA NZE scenario calls for a 95% reduction in cement-related emissions by 2050, driven by innovations such as carbon capture, alternative binders, and electrified production. As construction demand grows, financial institutions have a key role in enabling investments in sustainable cement solutions.



Graph: Portfolio alignment targets for Concrete manufacturing sector Scope 1 emissions (tCO2e/m³)

Assumptions, uncertainties and data limitations

Our climate targets are based on science-aligned methodologies and international frameworks, but their achievement depends on key assumptions—including sustained policy support, client readiness, and improved emissions data. Uncertainties such as geopolitical shifts, evolving regulations, and technology availability may affect our transition path. A core limitation is the lack of sector-specific production data, which currently prevents us from calculating baseline emission intensities for certain sectors, particularly in buildings. We aim to improve data granularity, collaborate with clients, and advocate for better disclosures to strengthen portfolio-level emissions tracking.

C.Action

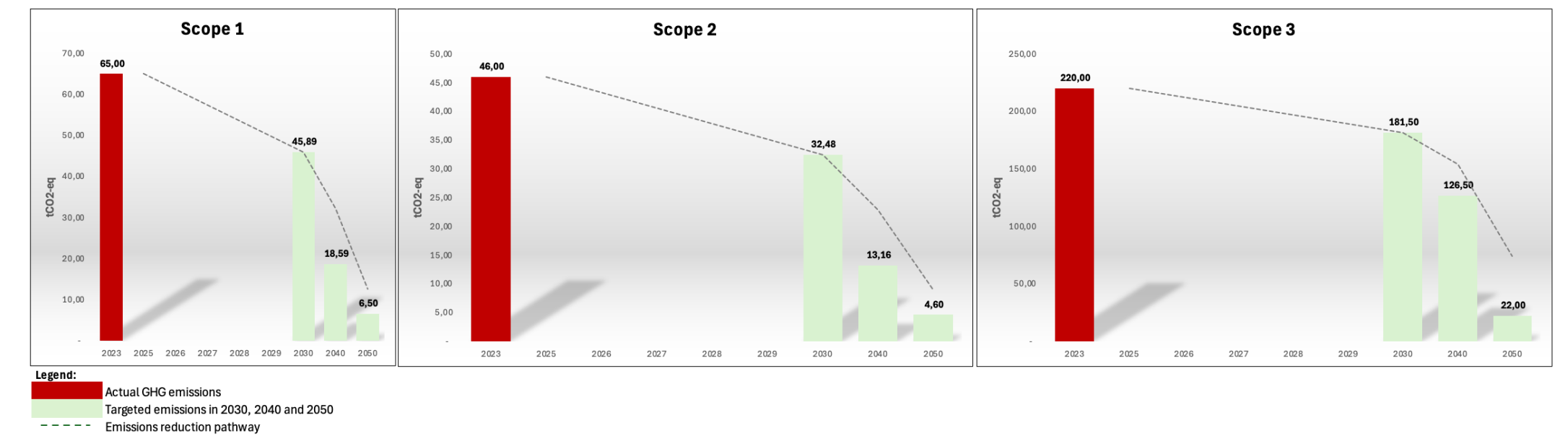
Our action strategy combines internal transformation and external engagement. We are embedding climate goals across our operations while

supporting clients in their own low-carbon transitions, focusing on high-impact sectors and partnerships that drive real-world decarbonization.

C.1 Internal implementation strategy

C.1.1 Our approach to achieve targets in our own operations

We plan to reduce our Scope 1 and Scope 2 operational GHG emissions by 29% by 2030, and our Scope 3 value chain GHG emissions by 17.5% by 2030, with the long-term aim to achieve net zero emissions in our own operations by 2050. The initial calculation of our operational GHG emissions in 2024 gives us the baseline against which we will measure our progress. The graph below shows our pathway to achieving our near-term and long-term targets across different emission scopes.



Graph: 2030, 2040 and 2050 emission reduction targets in our own operations by Scope (tCO2e)

Our approach to reducing our operational GHG emissions in line with our targets is based on a three-pillar approach, which enables us to achieve emissions reductions most efficiently. Our approach is visually represented in the graphic below.

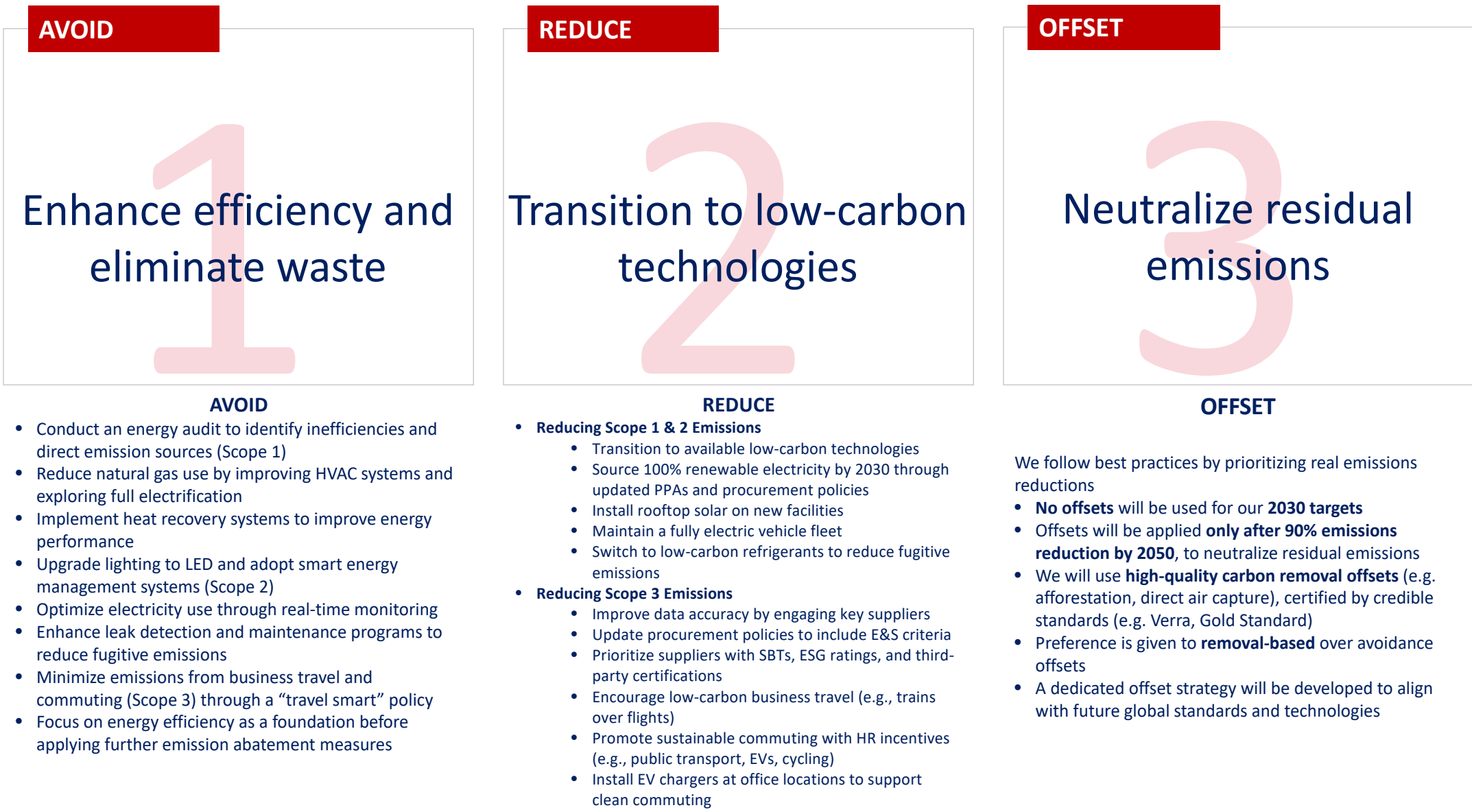


Figure: Key pillars and actions of our implementation strategy for our own operations

C.1.2 Innovating with Green Financial Solutions

As Armenia moves toward a low-carbon and climate-resilient economy, **ArmSwissBank is committed to playing a leading role in financing the transition.** We recognize green finance as both a responsibility and a strategic opportunity to support our clients’ decarbonization while positioning the Bank at the forefront of sustainable banking.

With **Armenia’s Green Taxonomy under development**, we will proactively establish our **own Green Finance Framework**, aligned with global best practices and designed for integration with the national taxonomy once finalized. This framework will guide the design and deployment of targeted green financial products. To address sector-specific needs, we plan to offer a range of innovative solutions:

- **For corporates and SMEs:** green project finance, sustainability-linked loans, equipment and vendor financing to support energy efficiency and renewable energy adoption
- **In power generation:** renewable energy loans, battery storage financing, and support for corporate PPAs
- **For buildings and real estate:** green mortgages, retrofit financing, and sustainable construction loans

In manufacturing (e.g cement): financing for low-carbon technologies, carbon capture solutions, and circular economy initiatives

To deliver tailored solutions, we will expand **our ESG advisory capabilities**, enabling us to assess client sustainability needs, co-develop transition plans, and recommend suitable green finance instruments. Through these efforts, we aim to accelerate capital flows into sustainable investments and reinforce our leadership in Armenia’s green finance ecosystem.

Risk Identification

Climate-related risks are categorized into physical and transition risks. These risks are interconnected—physical climate impacts can trigger regulatory, market, and technological responses that heighten transition risks. To ensure resilience, we integrate both types of risks into our overall risk management framework.

Physical Risks

Physical risks arise from the direct impacts of climate change on infrastructure, ecosystems, and economies. They include:

- **Acute risks** from extreme weather events such as floods, storms, and heatwaves
- **Chronic risks** from long-term shifts like rising temperatures and changing precipitation patterns

These risks can disrupt operations, supply chains, and financial systems. Identifying and managing physical risks is critical to enhancing resilience and reducing vulnerability across our portfolio.

C.1.3 Building a resilient Climate Risk Management Framework

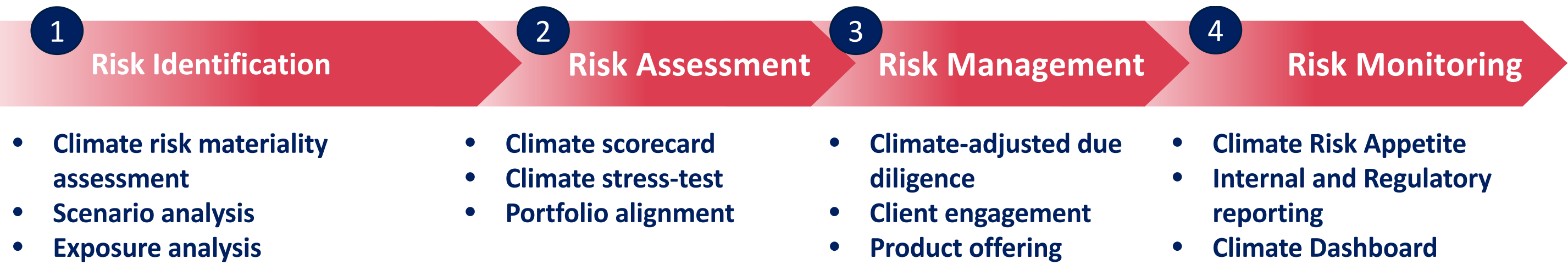


Figure: Climate Risk Management Framework

Transition Risks

Transition risks result from the policy, market, and technological changes needed to shift to a low-carbon economy. Key drivers include:

- **Policy and regulatory changes**, such as new emissions standards or climate disclosure rules
- **Technological shifts**, where emerging low-carbon innovations disrupt existing business models
- **Market changes**, as demand for carbon-intensive products declines and green alternatives grow

Managing transition risks involves monitoring regulatory trends, anticipating technological developments, and adapting to shifting market expectations to safeguard long-term value.

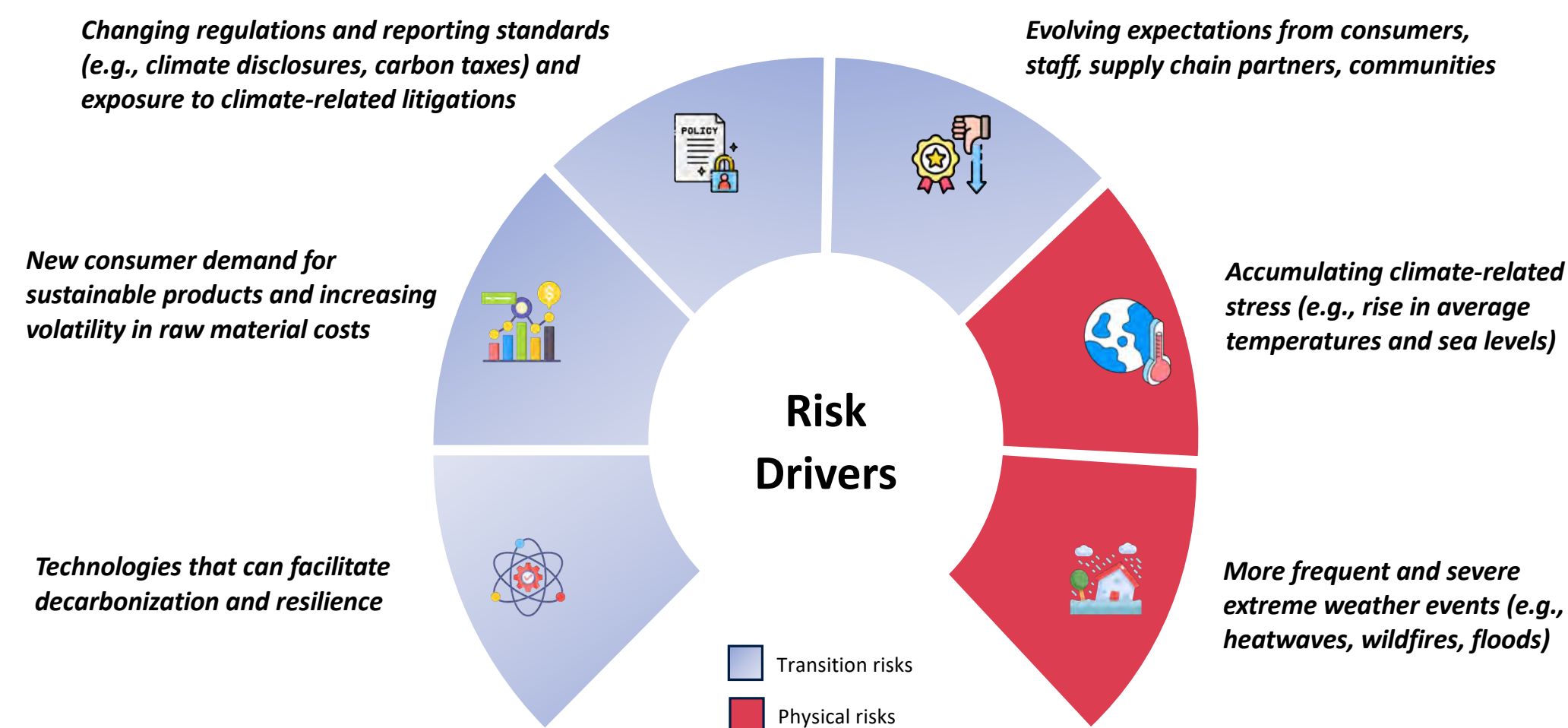


Figure: Classification of climate-related risk drivers

Climate-related physical risk assessment approach

For climate-related physical risk to become manifest, climate hazard is not sufficient alone. In the face of these hazards, the Bank has differing levels of exposures and vulnerability, including:

- **Climate hazards** are utilizing climate data probabilities of occurrence in Armenia, focused on six climate hazards, including heatwaves, extreme precipitation, flooding, wildfires and landslides across multiple scenarios and time horizons.
- **Sectoral vulnerability level** provides a comprehensive evaluation of the impacts of physical climate risks—heatwaves, droughts, extreme precipitation, floods, landslides and wildfires—on various economic sectors. These impact levels reflect sector-specific characteristics, including their dependence on natural resources, infrastructure, and operational resilience, as well as exposure to climate hazards.
- **Exposure** is used in the classic financial sense of outstanding balance distributed across economic sectors.

Climate-related transition risk assessment approach

- The **transition risks** arise from the risks embedded in the company transition to the green economy, and it is made of three elements: policy, technology, and market risks (some methodologies, like TCFD, include the fourth - reputation, but in our case, the reputation is part of market component). Vulnerability level is made of three components – probability of driver to occur, estimated sector impact and scenario impact factor used to leverage the impact of the different scenarios on the risk driver and to align vulnerabilities to the climate scenario properties.

Policy related risks are taken from the CBA's ESG Risk Radar methodology¹, while the technological and market risks are taken from the worldwide sources, since both technology change and market change are universal and not location specific.

Risk Assessment

Our climate risk assessment framework integrates the key methodologies recommended by EBA² ensuring a comprehensive and forward-looking evaluation of risks:

1. Exposure Method – Climate Scorecards

We apply a climate scorecard approach to assess the performance of individual exposures and counterparties. Using our climate risk heatmap, we annually identify the most material sectors and assess the share of assets vulnerable to physical and transition risks. For high-exposure sectors or geographies, we apply two scorecards:

Physical Risk Index (PRI): Evaluates exposure to extreme weather and chronic climate changes

Transition Risk Index (TRI): Assesses risks from policy, market, and technology shifts

These tools support strategic planning by highlighting vulnerabilities and opportunities.

2. Risk-Based Method – Internal Climate Stress Testing

To assess portfolio resilience under climate scenarios, we will conduct internal climate stress tests using a mix of bottom-up and top-down

approaches. The exercise will cover selected transmission channels, asset classes, and scenarios for both physical and transition risks. Results will inform our Annual and Strategic Capital Plans and strengthen long-term risk management.

3. Portfolio Alignment Method

We aim to align our portfolio with Paris Agreement goals by supporting decarbonization in key sectors. This includes setting science-based targets and engaging clients on their own transition pathways, ensuring our financing activities contribute to a low-carbon economy (reference to Section B.2.2)

Risk Management

In a time of growing climate uncertainty, proactive and data-driven climate risk management is essential for resilience and long-term sustainability. At ArmSwissBank, we integrate climate risks into strategic planning, investment decisions, and operations to protect our assets and identify opportunities for innovation. This forward-looking approach strengthens financial stability, supports stakeholder interests, and reinforces our commitment to a sustainable future.

Climate-Adjusted Due Diligence

We apply climate-adjusted due diligence to systematically assess climate-related risks and opportunities in client engagements. This process includes evaluating physical risks (e.g. extreme weather), transition risks (e.g. regulatory and market changes), and sustainability-related opportunities. By leveraging

¹CBA, ESG Risk Radar for Armenia, Assessment of climate-related and other ESG risks, November 2024.

²[EBA REPORT ON MANAGEMENT AND SUPERVISION OF ESG RISKS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS, EBA/REP/2021/18](#)

climate data, scenario analysis, and industry benchmarks, we help clients manage exposures, align with ESG expectations, and support informed decision-making.

Our **four-stage** approach to Climate-adjusted Due Diligence:

- 1. C&E data collection** – the 1st stage involves data gathering on key categories, such as customer data relevant for C&E assessment (e.g., client emissions data), business operations data essential for risk evaluation or for emissions estimation if reported client emissions are not disclosed and loan-specific data. The format of data collection varies depending on borrower type, industry, and loan purpose.
 - 2. Green eligibility assessment** – 2nd stage is focused on evaluation whether the loan qualifies as green under taxonomy criteria and whether is accountable for achieving green loan KPIs.
 - 3. Climate risk assessment for loan** – 3rd stage includes a detailed climate risk evaluation using climate risk heatmap and sector-specific climate scorecards for high-risk industries.
 - 4. Client engagement strategy** – 4th stage includes an in-depth client engagement strategy and advisory support for the clients with high residual risk. Effective client engagement is pivotal tool aiming to manage climate-related risks while supporting clients’ transition to sustainable practices. Our robust approach involves several key components, with more detailed explanations in Section D of this document.
- governance structure which will oversee the effectiveness of managing climate risks and opportunities at the Bank.

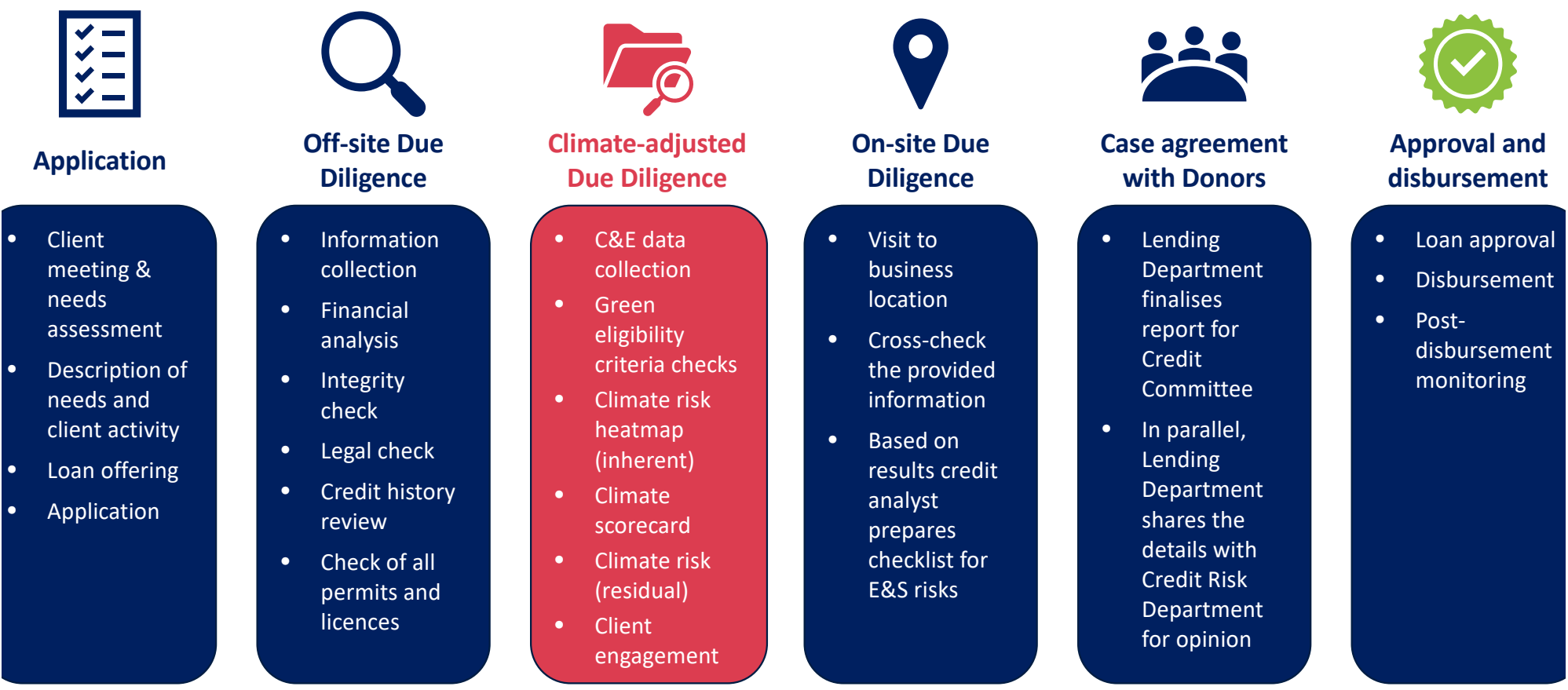


Figure: Climate-adjusted due diligence – where it fits in loan origination process?

Risk Monitoring

To support effective risk management and monitoring, we will establish **climate risk governance structure** which will oversee the effectiveness of managing climate risks and opportunities at the Bank.

Defining Climate Risk Appetite

ArmSwissBank is developing a Climate Risk Appetite Framework based on materiality thresholds and aligned with our overall business and risk management strategies. This framework will serve as a governance tool to align climate-related risks with strategic and financial goals, and to guide responsible risk-taking across the institution.

We will adopt a sector-specific approach, setting key risk indicators (KRIs) and limits tied to emission reduction targets for 2030–2050. These metrics will be regularly reviewed and updated based on climate scenario analysis,

regulatory developments, and technological progress. By embedding climate risk appetite into decision-making, we aim to strengthen risk culture, enhance transparency, and ensure our portfolio remains resilient through the transition to a low-carbon economy.

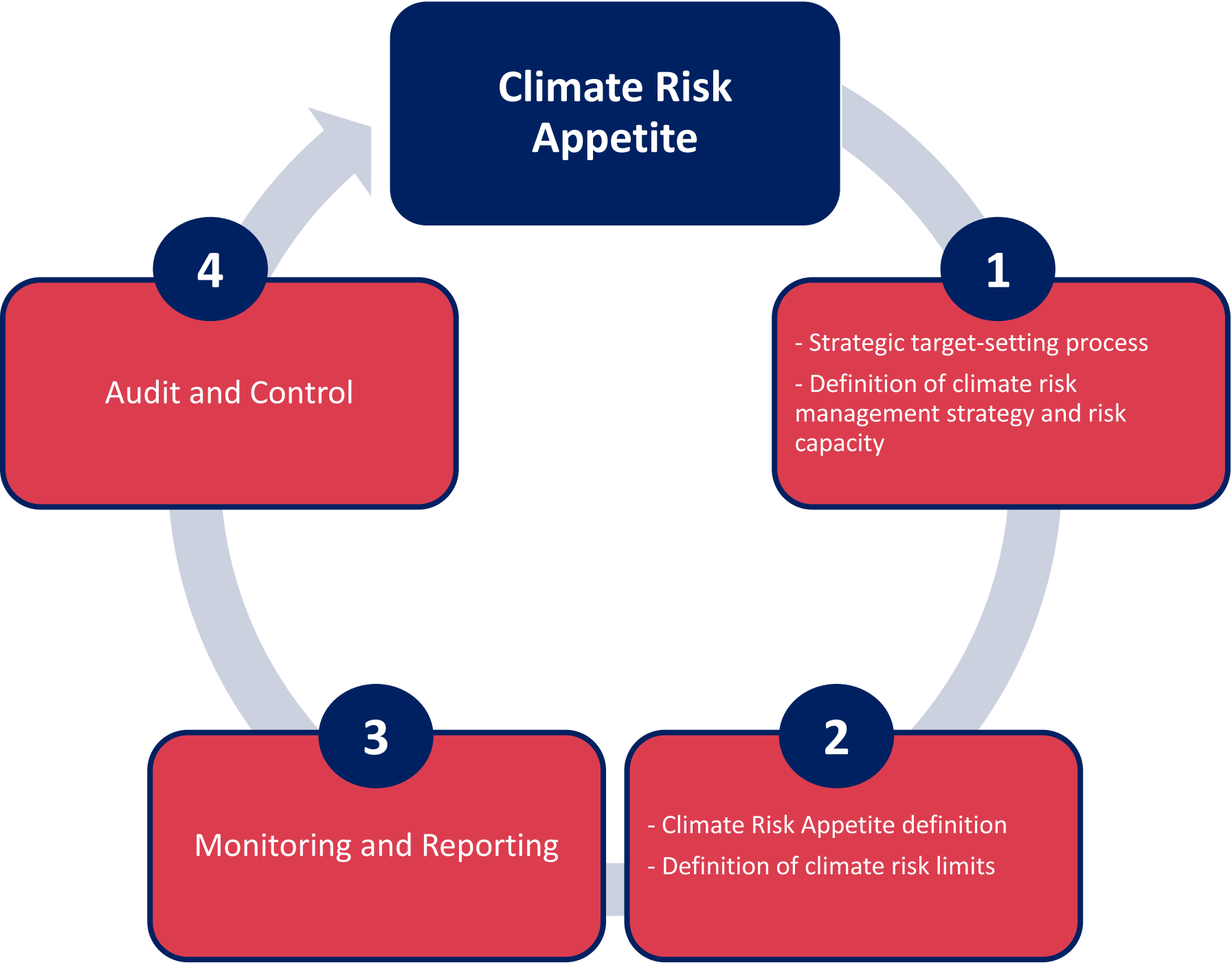


Figure: Our approach and key steps in Climate Risk Appetite definition

Enhancing Internal Reporting

ArmSwissBank is enhancing internal reporting by integrating climate risk indicators into existing risk management structures. Physical and transition risks will be assessed alongside financial risks, with regular reporting to senior management and risk committees. A strong governance setup, including dedicated climate risk teams, will ensure accountability and continuous improvement. This approach enhances transparency, regulatory alignment, and supports a more resilient and sustainable financial system.

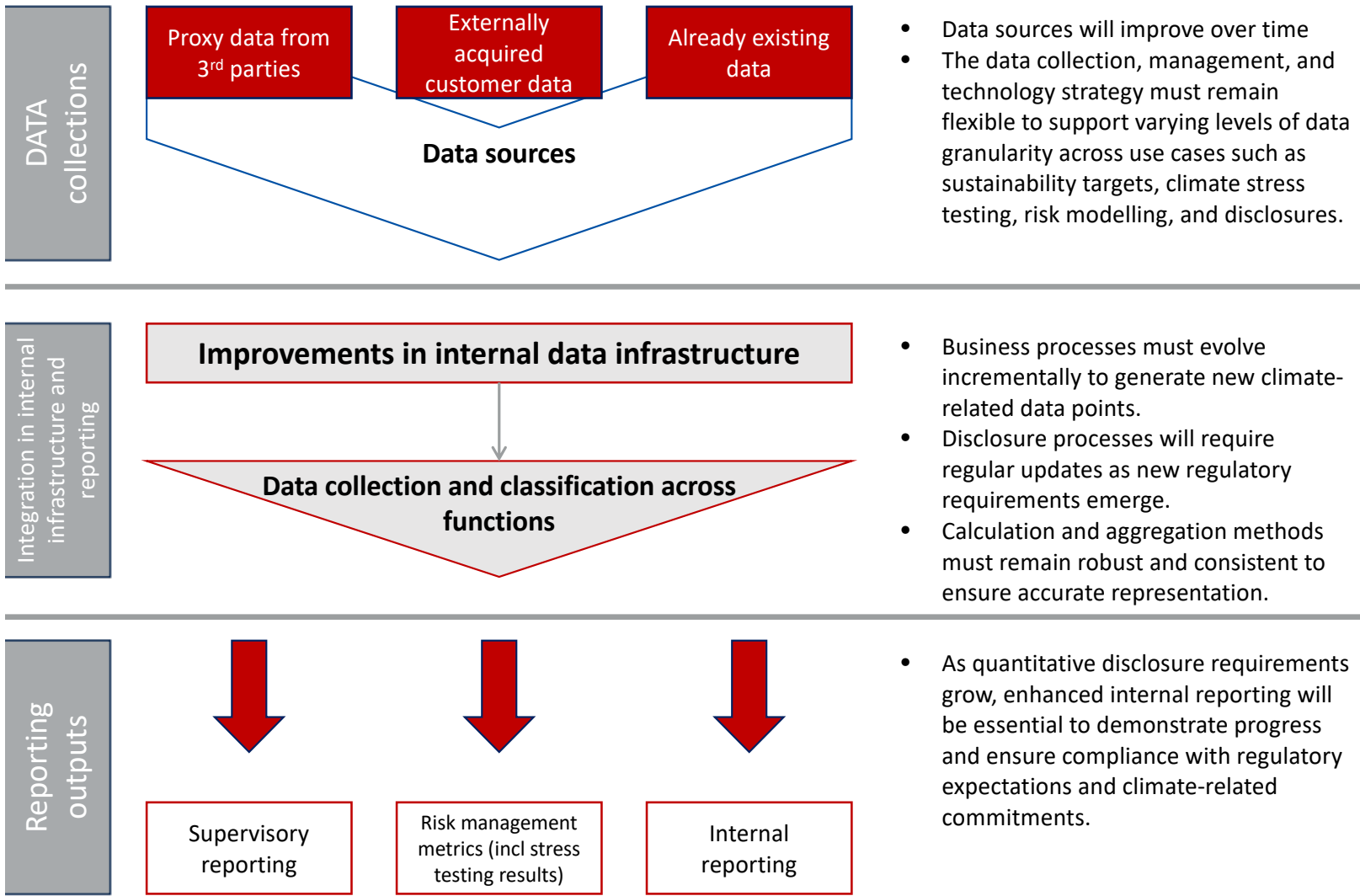


Figure: Our approach for enhancing reporting and data classification processes

C.2 External client engagement strategy

Effective stakeholder engagement is a **core pillar of ArmSwissBank’s Climate Transition Plan**. Given that over 99% of our total GHG emissions are attributed to our clients, engaging with them meaningfully is essential for meeting our climate targets and **driving real decarbonization across our portfolio**.

Our **engagement strategy is designed to support the transition by fostering dialogue with clients**, industry peers, public institutions, and regulators. This includes **promoting decarbonization**, aligning with emerging sustainability standards, and advocating for enabling policies. Engagement activities will be conducted through multiple channels—direct consultations, industry forums, collaborative initiatives, and regular reporting—ensuring transparency and alignment with our strategic objectives.

We will integrate insights from these interactions into our product development, policy updates, and business strategy, ensuring that our financing decisions reflect both global climate goals and client-specific needs. Responsibility for engagement is shared across business lines and corporate functions to ensure a coordinated and effective approach.

A major focus of our strategy is supporting SMEs, which often face capacity constraints in pursuing low-carbon transitions. We will begin by identifying priority clients in our most carbon-intensive sectors and initiating engagement through a structured questionnaire. Based on the feedback from SMEs, we will design a tailored capacity-building

and advisory program to help SMEs close identified gaps. Clients demonstrating readiness will be offered customized green financing solutions to accelerate their transition.

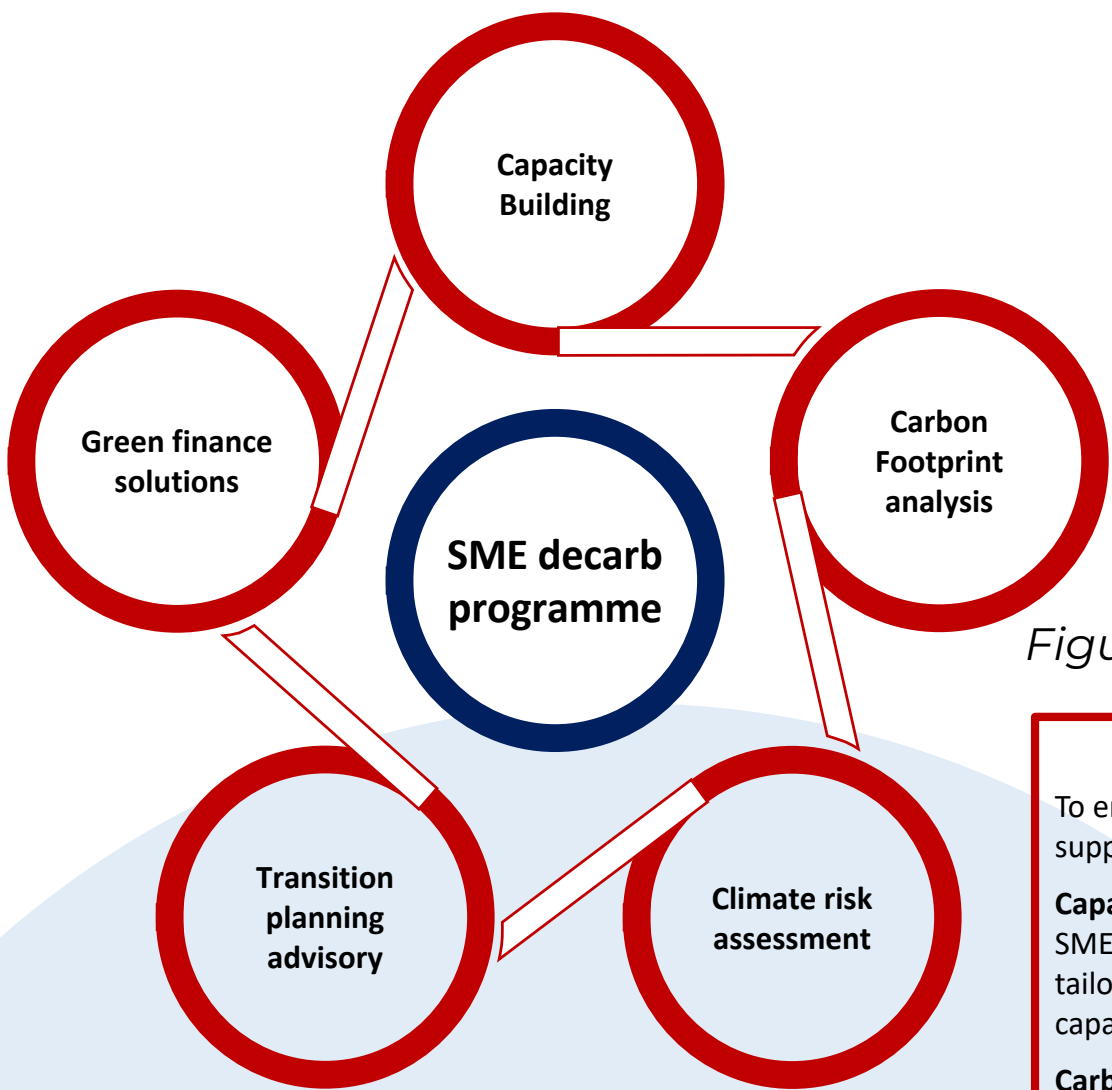


Figure: Approach to SME decarbonization programme

Supporting SME Decarbonization: Key areas of engagement

To empower SMEs in their low-carbon transition, ArmSwissBank will provide targeted support across five key areas:

Capacity Building
SMEs often lack the technical knowledge to navigate decarbonization. We will develop tailored training, sector-specific workshops, and expert-led sessions to build internal capabilities and improve understanding of sustainability regulations and best practices.

Carbon Footprint Analysis
We will help SMEs measure and track their GHG emissions, establish baselines, and identify emission hotspots. Training will align with global standards such as the GHG Protocol and SBTi to support goal setting and progress monitoring.

Climate Risk Assessment
Using our internal climate risk framework, we will support SMEs in identifying and mitigating both physical and transition risks. Advisory will focus on operational resilience, energy efficiency, and long-term risk management strategies.

Transition Planning Advisory
We will assist SMEs in developing actionable decarbonization roadmaps, integrating renewables, improving resource efficiency, and aligning with evolving regulatory requirements and circular economy principles.

Green Finance Solutions
To overcome financing barriers, we will offer tailored products such as green loans and sustainability-linked credit lines. Additionally, we will connect SMEs with climate-focused investors, technology partners, and support networks to accelerate implementation.



Figure: Approach to engagement of internal and external stakeholders

D.Accountability

To build credibility and transparency in our climate transition strategy, we recognize the importance of establishing robust metrics and targets. These allow us to effectively communicate our commitments to both internal and external stakeholders. By incorporating quantitative measures, we ensure that our low-carbon ambition is supported by clear objectives, concrete actions, and ongoing progress tracking.

D.1 Climate metrics & targets

D.1.1 Climate metrics

To comprehensively assess and manage our climate-related risks and opportunities, we have identified key climate metrics that align with international best practices. These metrics provide a structured approach to measuring emissions, financial mobilization, and engagement efforts, enabling us to track our progress over time.

Metric	Metric definition
Operational GHG emissions (Scope 1, 2 and 3 category 1-14)	Absolute gross greenhouse gas emissions tonnes of CO2 equivalent
Financed emissions (Scope 3, category 15)	Emission intensity for power, concrete and buildings
Climate-related transition risk	Amount and percentage of our loan portfolio exposure to climate-related transition risks
Climate-related physical risk	Amount and percentage of our loan portfolio exposure to climate-related physical risks
Mobilizing green finance	Measure the amount and percentage allocated to climate-related opportunities
Client engagement	Measure the number of engagements with clients in support to their low-carbon transition

Figure: Definitions of our climate metrics

D.1.2 Climate targets

To ensure transparency and accountability in our climate transition strategy, we have established a structured framework for tracking and measuring progress across our operations and financed activities. By setting clear, science-based targets, we aim to effectively manage climate-related risks, capitalize on opportunities, and contribute to a sustainable, low-carbon economy. By integrating these frameworks into our strategy, we can systematically reduce greenhouse gas emissions, assess transition and physical risks, mobilize green finance, and enhance client engagement in the low-carbon transition. The following table outlines our key metrics, targets, and reporting commitments.

Topic	Metric	Target	Objective	Baseline	Source	Progress
Operational GHG emissions	Absolute gross greenhouse gas emissions in tCO2 equivalent	Reduce Scope 1 and Scope 2 GHG emissions by 29%, 71.4% and 90% by 2030, 2040 and 2050 respectively. Reduce Scope 3 GHG emissions by 17.5%, 42.5% and 90% by 2030, 2040 and 2050 respectively.	Measuring our GHG emissions helps us understand our direct and indirect impact on the climate, and to tackle identified climate risks and opportunities	2023	GHG Protocol, SBTi, IFRS S2	Report annually against the baseline
Financed emissions	Emission intensity for power, concrete and buildings	Align power, concrete and buildings portfolio with 2030, 2040 and 2050 emission intensity targets	We aim to assess and manage the carbon intensity of our financed portfolio, ensuring alignment with sector-specific decarbonization pathways. By doing so, we seek to support the transition to a low-carbon economy, mitigate climate-related financial risks, and contribute to global net-zero commitments.	<i>To be calculated, subject to the availability of portfolio emissions data</i>	PCAF, IEA B2DS, GCCA 2050, SBTi CREEM, IEA NZE	Report annually against the baseline
Climate-related transition risk	Amount and percentage of our loan portfolio exposure to climate-related transition risks	Measure % of our lending vulnerable against transition risks, relative to total lending. Track annually the exposures against the climate risks through annual materiality assessment process	By tracking and analysing this exposure annually, we enhance our ability to mitigate financial risks, support clients in their transition efforts, and align our lending strategy with evolving climate regulations and low-carbon pathways.	2023	IFRS S2, CBA's ESG Risk Radar	Report annually against the baseline
Climate-related physical risk	Amount and percentage of our loan portfolio exposure to climate-related physical risks	Measure % of our lending vulnerable against physical risks, relative to total lending. Track annually the exposures against the climate risks through annual materiality assessment process	By tracking annual exposures through our materiality assessment process, we seek to enhance resilience, inform risk mitigation strategies, and ensure alignment with climate adaptation frameworks.	2023	IFRS S2, CMIP6	Report annually against the baseline

Mobilizing green finance	Measure the amount and percentage allocated to climate-related opportunities	Monitor amount of lending aligned with climate-related opportunities, relative to total assets	We aim to scale up the mobilization of green finance by increasing capital flows towards sustainable projects and low-carbon solutions. Through strategic partnerships, innovative financial instruments, and alignment with global climate goals, we seek to enable the transition to a more sustainable economy while mitigating climate-related financial risks	2023	IFRS S2	Report annually against the baseline
Client engagement	Measure the number of engagements with clients in support to their low-carbon transition	Monitor and document interactions with clients identified as having material long-term climate-related risks, focusing on their transition strategies, risk mitigation efforts, and opportunities to align with sustainable and resilient practices	Engaging with clients is critical to driving meaningful progress in climate action, fostering innovative solutions, and supporting their transition toward sustainable and resilient practices	2023	TPT	Report annually against the baseline

Figure: Overview of our climate metrics and targets

Operational emissions targets

We are committed to reducing our operational emissions (Scopes 1 and 2) by 29% by 2030 from a 2023 baseline, in line with the SBTi’s Well below 2 Degrees pathway. Additionally, we aim to reduce our Scope 3 value chain emissions (excluding financed emissions) by 17.5% by 2030, focusing on supply chain decarbonization, sustainable procurement, and lower-carbon business travel. By 2050, we plan to achieve net-zero emissions in our operations through a minimum 90% absolute reduction across all scopes, with only residual emissions neutralized through high-quality carbon removals.

Scope	2023 (tCO2e)	2030 (tCO2e)	2040 (tCO2e)	2050 (tCO2e)
Scope 1	65.00	45.89	18.59	6.50
Scope 2	46.00	32.48	13.16	4.60
Scope 3 Category 1-14	220.00	181.50	126.50	22.00

Figure: Operation emission targets for short, medium and long-term

Portfolio alignment targets

We are committed to aligning our lending and investment portfolio with the Paris Agreement by progressively reducing the carbon intensity of our financed emissions. Our 2030 targets focus on key high-emission sectors—power generation, concrete manufacturing, and buildings—using science-based benchmarks such as the IEA Beyond 2°C Scenario (B2DS) and PCAF methodologies. We aim to significantly lower financed emissions intensity in these sectors while actively engaging with clients to support their decarbonization. By 2050, our goal is to achieve net-zero financed emissions, ensuring our portfolio contributes to a low-carbon, climate-resilient economy.

Sector	Emission Scope	Target metric	Reference scenario	Baseline 2023 emission intensity	Targets (emission intensities)		
					2030	2040	2050
Power	Scope 1	tCO ₂ e/MWh	IEA B2DS	To be calculated, subject to the availability of portfolio emissions data disaggregated across scopes and corresponding sectoral production outputs.	0.229	0.072	-0.008
Construction – residential buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m2	SBTi CREEM, IEA NZE		0.264	0.084	0.011
Construction – office buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m2	SBTi CREEM, IEA NZE		0.410	0.130	0.014
Construction – retail buildings	Scope 1,2,3 (ie. Embodied emissions)	tCO ₂ e /m2	SBTi CREEM, IEA NZE		0.414	0.122	0.013
Concrete manufacturing	Scope 1	tCO ₂ e/m3	GCCA 2050 Roadmap		0.308*	N/A	0**

Table: Sectoral emission intensity targets for 2030 and 2050



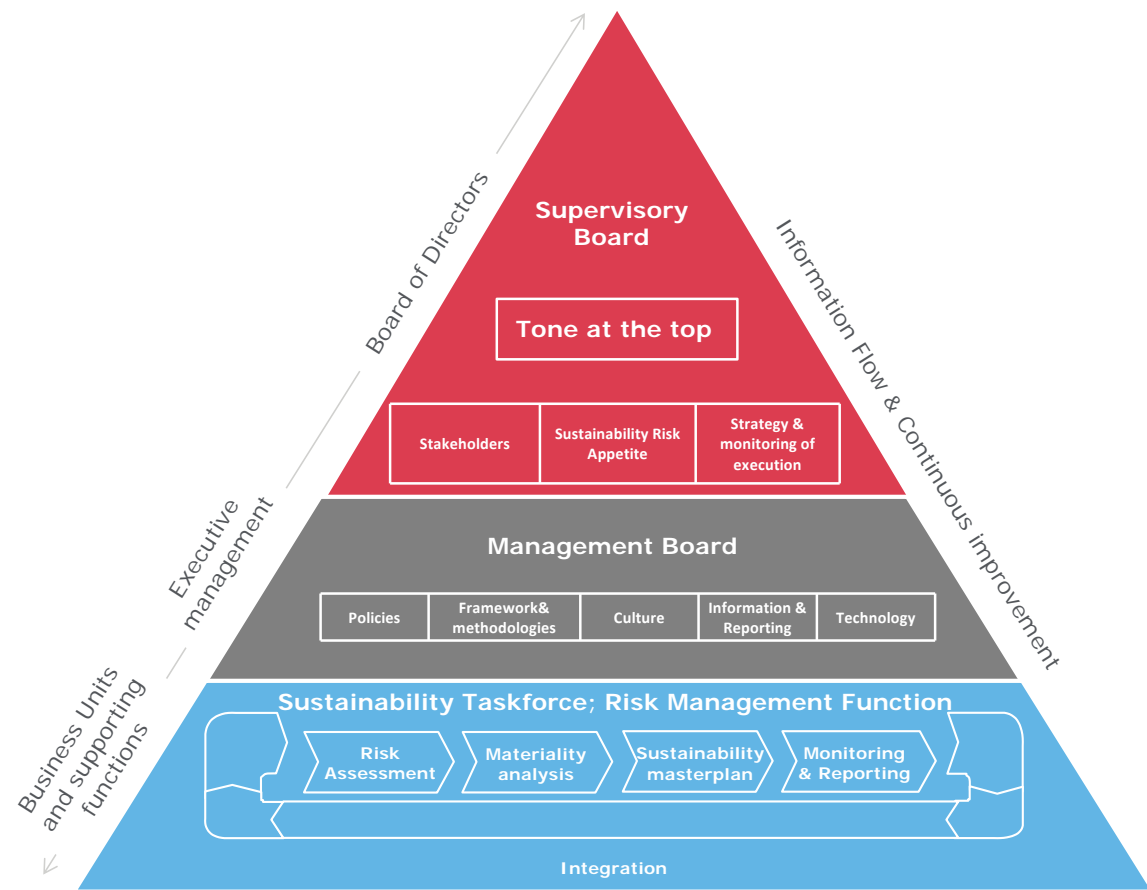
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D.2 Governance

D.2.1 Climate integration into governance structure, roles, responsibilities and compensation

Our approach to climate governance is to provide oversight and leadership for our climate strategy, including our strategic ambition, and risk management frameworks. It is important that climate transition plan flows directly from governance and leadership tone. Thus, we are considering identifying senior personnel for specific oversight and implementation roles and responsibilities, and linking remuneration, where structure allows, to achieve progress on our low-carbon journey.

Robust climate governance arrangements are crucial for effective Climate Transition Plan implementation. The appropriate governance structure for climate-related risk and opportunity management will always be dependent on the nature and complexity of the Bank’s activities and the type of climate-related risks to which it is exposed. Across ArmSwissBank, strategic business units and functional groups should be engaged in climate-related activities to monitor, evaluate and respond to risks and opportunities



posed by climate change and our role in the low-carbon transition. Our approach is to embed climate governance within our governance framework and to outline distinct roles that different committees and management-level business functions play in providing oversight and decision-making. Against this backdrop, we are considering setting up an internal **Sustainability Task Force (STF)** to lead and execute our Climate Transition Plan and develop a strategic approach to understanding the climate-related risks and opportunities to which our operations are exposed to in the short, medium, and longer term. The Directorate will supervise the process and be responsible for the implementation of this strategic approach. The Board’s remuneration will gradually be exploring how to embed climate KPIs in the current remuneration scheme.

ArmSwissBank’s proposed ESG Governance Structure

Approval & Oversight		
Board of Directors		
The Board of Directors has oversight over ArmSwissBank’s ESG Strategy, including our transition strategy, and how ArmSwissBank is measuring, evaluating and monitoring its progress against strategic climate goals.		
Specific oversight of ESG Elements		
Audit and Risk Management Committee		Internal Audit
Steering & Coordination		
Directorate		
The Directorate setting the ArmSwissBank’s sustainability ambition and is accountable for the ESG strategy, and reviews exposures to climate risk on regularly and assesses the effectiveness of climate risk management practices.		
Implementation & Execution		
Sustainability Task Force Team (STFT)		
Risk Management and Compliance Department		Business Development Department
IT	Lending Department	Accounting & Reporting
HR & Marketing	Legal	Procurement

Table: ArmSwissBank’s ESG governance structure

Board of Directors (BoD)

The BoD will be responsible for overseeing the Climate Transition Plan and its implementation over time. Further BoD will also oversee the management of climate risks and ensure that appropriate risk management systems and controls are in place. The Risk Management Committee is accountable to provide support to BoD on the Bank's current and future climate risk appetite and climate risk strategy, as well as support BoD in monitoring the Climate Transition Plan implementation. The BoD would take a principled approach to climate accountability, engagement and integration of climate-related risks and opportunities into our purpose and long-term business strategy. The BoD will remain informed on climate trends, risks and opportunities for ArmSwissBank to ensure these are understood, assessed, managed and actioned by management through regular reporting and dedicated BoD training sessions.

Directorate (D)

The Directorate (D) will set ArmSwissBank's climate ambition and be accountable for the Bank's Climate Transition Plan implementation. The E&S Risks Officer (aka Sustainability Coordinator) will report regularly to the Executive Director (CEO) or CRO. Our Executive Director would be responsible for setting the right tone company-wide and establishing our ESG and climate-related priorities. The Directorate approves the Climate Transition Plan, ensures that sufficient resources are available for all activities,

and receives progress updates on the key (strategic) climate initiatives – and escalations in case impediments arise. This includes regular review of the Bank's exposure to climate risks and the assessment of the effectiveness of the climate risk management process. In addition, the Directorate members responsible for the business lines (Corporate, SME and Retail) should champion the low-carbon transition strategy and the transition process to a more inclusive society.

Sustainability Task Force (STF)

The Sustainability Task Force (STF) will consist of (at least) D-1 representatives of the key domains, including Risk Management and Compliance Department, Business Development Department, Lending Department, Accounting & Reporting, Legal, Procurement, Human Resources and Marketing, and will be chaired by the E&S Risks Officer. The STF ensures the implementation of climate decisions across the Bank and in their own domains, and approves implementation plans for key climate topics. They also provide recommendations to the Executive Director on decision making regarding climate strategy, ambitions, and resources (e.g., FTEs). The STF is mandated to guide and align the different climate activities within ArmSwissBank. The approval of sustainability & climate policies is not in scope of the STF. The approval of sustainability & climate policies should follow regular governance, running through the Directorate and the Board ESG and Risks Committee. The business lines should be responsible for delivery and compliance with adopted sustainability & climate policies.

Integration into three lines of defense model (3LoD model)

Climate risk and opportunities management follows the well-established roles and responsibilities of the first, second and third line of defense in all impacted risk categories:

1. Business Line Management (BLM) as First Line of Defense

BLM, as 1st Line of Defense, would be responsible for climate risk and opportunities management in the day-to-day operations in responsibility within the defined climate risk appetite. Business divisions oversee business strategy, objectives, target-setting and developing initiatives and action plans. Additionally, BLM would be focused on defining green eligibility rules and ensure their integration into products as well as in climate risk management process.

2. Control Functions as Second Line of Defense

Control functions, as independent risk management functions, should be responsible for development, implementation and in certain cases to operate climate risk management framework. These risk management functions complement the BLM risk management activities through its steering and reporting function. Risk management functions ensure that climate aspects are covered and integrated in the risk management framework and risk appetite assessment and are properly considered in risk control and operative risk management tools and processes.

3. Audit function as Third Line of Defense

Verification functions, i.e. auditing functions as 3rd line of defense ensuring and independent assessment over climate risk framework as well as functionality of the implementation process.

Further work will be needed to enhance other governance elements. Notably, several activities will be directly linked to those under risk management and strategy.

Compensation linked to climate-related targets

Climate related KPIs for compensation, for example, are a direct result of target setting process, climate opportunity and risk materiality assessments, and green allocations. Key to Armswissbank's ESG governance framework is to foster enterprise-wide accountability by both quantifying and aligning our incentive compensation awards to ESG performance. Once the target-setting process is performed, the Armswissbank would strive to introduce climate-related KPIs and link compensation to climate-related targets for executives and the key personnel included in ESG governance model.

D.2.2 Building internal capacities

Transition plan requires organization-wide reorientation and culture change. As part of the change program, broader awareness and understanding of the transition plan should be built, so employees throughout the organization understand how and why ArmSwissBank is adapting the business model, what is expected of them, and how they can contribute.

Adequate training and in-depth capability building programs will be planned

to ensure staff are upskilled where needed, that the Board is apprised of the latest sustainability and climate considerations, and that the business units receive the requisite tools and tailored support to execute ArmSwissBank’s climate transition plan.

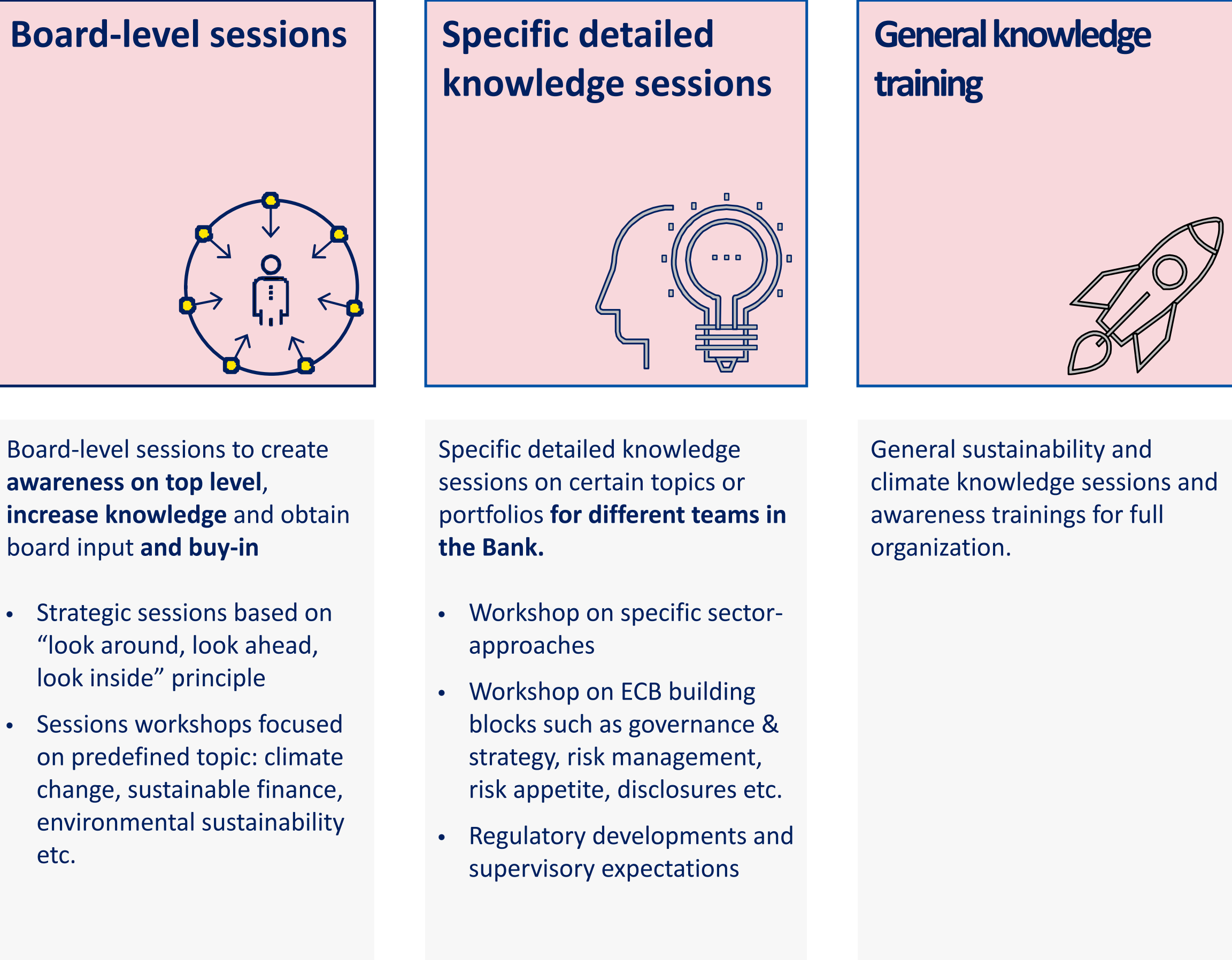
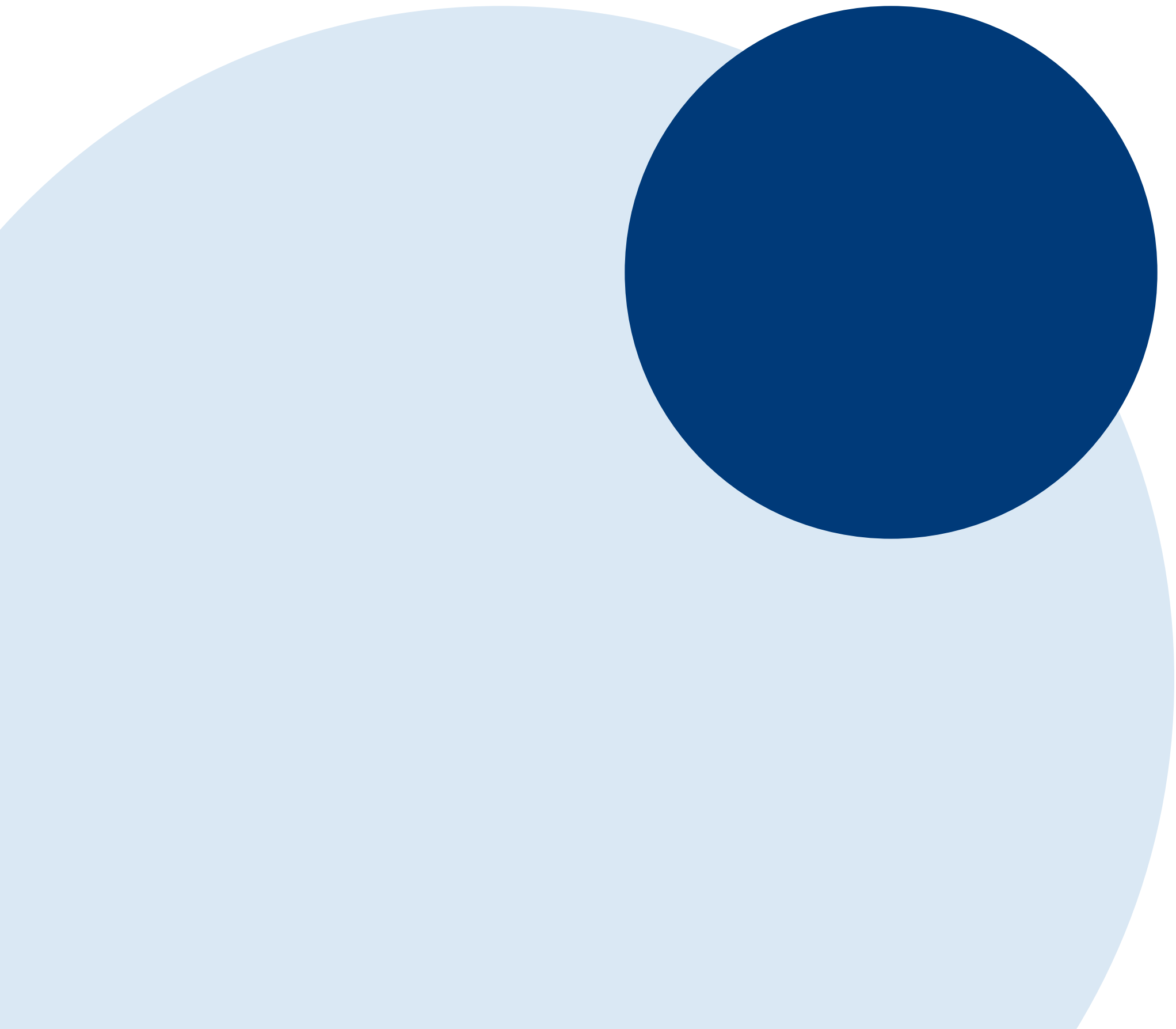


Figure: Proposed approach in capacity building, skills development and culture across functions



ARM SWISS BANK

The Bank is supervised by the CBA