ESG STRATEGY

(2025-2028)

Strategic Vision

Purpose

- Contribute to Armenia's sustainable economic growth and transition to a green economy
- Increase the Bank's competitiveness and resilience
- Gain a competitive advantage as an early adopter of ESG principles
- Improve trust and act as a trusted partner in society

Key Areas of Focus

- Climate Change Mitigation
- Water Stewardship
- Workplace Well-being and Labor Standards
- Governance and Public Trust

Strategic Goals & Targets

1. Climate Change Mitigation

Goal: *To become a climate-neutral Bank and support Armenia's transition to a low-carbon economy.*

Positive Impact

Actions that generate environmental or social value, primarily through client-facing initiatives.

2025

- Implement Green Lending process and train employees,
- Obtain Second-party opinion(SPO) for Green Bond Framework, and implementation,
- Continue external training for SMEs within ESG framework.

2026

- Calculate the size of the green loan portfolio in the overall portfolio,
- Assess targets for attracting international financing to support renewable energy and low-carbon industries.

2027

- Develop a clear data-driven vision that maps the path to achieving the highest possible net zero emissions by 2035.

Negative Impact

Actions aimed at reducing or avoiding ESG-related risks, especially environmental or social harm.

2026

- Develop and implement a climate-related physical risk management system,

2027

- Provide a report on climate-related physical risks.

Internal Management Scope

Actions related to internal operations, staff, emissions, and governance systems.

2026

- Report publicly on Scope 1 and 2 emissions
- Improve ESG framework training materials as needed.

2. Water Stewardship

Goal: *To promote responsible water use and support the agricultural sector's resilience.*

2026

- Set a target for the loan portfolio for responsible water use,
- Organize seminars for SMEs and agricultural clients on water-related challenges, raise awareness of water risks among clients,
- Provide loans within the framework of national irrigation system improvement programs and contribute to program improvement where possible.

3. Workplace Well-being and Labor Standards

Goal: *To improve the financial inclusion of vulnerable groups and ensure employee well-being.*

2025

- Assess the level of workplace well-being and psychological safety,
- Assess the compliance of human rights and labor policies with the core ILO conventions.

2026

- Set targets for diversity and sustainability training in management,
- Improve the level of workplace well-being and psychological safety, if necessary, based on the assessment,
- Align human rights and labor policies with the core ILO conventions, if necessary, based on the assessment.

4. Governance and Public Trust

Goal: To enhance transparency and build trust with stakeholders.

2025

- Develop an ESG policy for ACBA Bank Group that will include shareholder and regulatory requirements:
  - Provide an "Impact Monitoring Report" and an "Environmental and Social Monitoring Report" on an annual basis,
  - Notify in case of change of ESG managers,
  - Notify in case of ESG claims and incidents,
  - Monitor and comply with environmental and social requirements
- Become a member in PCAF (Partnership for Carbon Accounting Finance),
- Continuously monitor and assess regulatory expectations in the framework of ESG and climate risks.
- Regularly report on ESG activities to the Strategy Committee.
- Ensure compliance with the environmental, social, and governance (ESG) requirements and criteria of the Corporate Governance Code.

2026

- Issue a sustainability report,
- Identify climate risk management officers,

Roadmap

Phase 1: Short-term Actions (2025)

- Develop ESG action plan,
- ESG policy implementation, general awareness,
- Green lending procedure implementation,
- Work on obtaining SPO,
- Develop (continue) ESG principles awareness by the Bank,
- Train employees on general ESG awareness and role-specific skills,
- PCAF membership activities, appointment of cooperation officers,
- Workplace well-being and psychological safety level assessment activities,
- Human rights and labor policy: comparison of ILO core conventions and bank legal acts,
- Conduct at least 2 training courses within the framework of the NFS.
- Budget and other resources allocation.
- Identify key stakeholder groups (e.g. clients, employees, regulators, NGOs, investors), select appropriate tools: surveys, interviews, stakeholder panels, digital feedback forms, develop internal procedures and templates.
- Develope action plan to ensure compliance with the environmental, social, and governance (ESG) requirements and criteria of the Corporate Governance Code or provide reasonable justification for noncompliance.
- Identify key stakeholder groups (e.g. clients, employees, regulators, NGOs, investors), select appropriate tools: surveys, interviews, stakeholder panels, digital feedback forms, develop internal procedures and templates.
- Develope action plan to ensure compliance with the environmental, social, and governance (ESG) requirements and criteria of the Corporate Governance Code or provide reasonable justification for noncompliance.

Phase 2: Mid-term Actions (2026 - 2027)

- Monitor performance and adjust business models to reflect ESG ambitions,
- Develop reporting systems to monitor progress against ESG KPIs,
- Organize stakeholder management initiatives,
- Assess ESG developments by the regulator and integrate them into strategies,
- Improve IT infrastructure for efficient collection of ESG data and Green credit portfolios,
- Analyze market opportunities for renewable energy and low-carbon industries,
- Implement climate-related physical risk procedures, risk assessment and reporting.

Phase 3: Long-term Actions (2028 and Beyond)

- Evaluate and refine the ESG strategy based on experience and data,
- Create strategic partnerships with external partners,
- Implement the ESG strategy in customer relations and external communications.

Key Success Factors

Leadership Excellence

- Equip leaders with the knowledge to manage ESG transitions,
- Foster top-level oversight of sustainability practices.

Bank -wide Awareness

- Use internal communication channels to share updates on ESG initiatives.

Conduct specialized training for senior management and those responsible for ESG risk management.

Resource Allocation

- Ensure adequate resources for implementing ESG initiatives, including people, skills, IT infrastructure, and capital.

Implementation Plan

Governance Structure

- Establish accountability for ESG goals within the management and board structures.
- Integrate ESG considerations into decision-making processes across the Bank.

Stakeholder Engagement

- Organize awareness events and training sessions for clients, employees, and stakeholders.
- Collaborate with international organizations to align with global ESG standards.

Monitoring and Reporting

- Regularly assess progress towards set targets.
- Publicly report on ESG initiatives and outcomes to maintain transparency.

Capacity Building

- Train employees on ESG principles and integrate sustainability into core Banking services.