Piraeus Bank TCFD Report

(Task Force on Climate Related Financial Disclosures)

PILLAR 1 – GOVERNANCE

A) Describe the board's oversight of climate-related risks and opportunities

Piraeus Bank Group's
- Chief Executive Officer (CEO)
- Chairman of the Board of Directors (BoD)
- Board of Directors
- Board Ethics and Governance Committee
- Board Risk Committee

B) Describe management's role in assessing and managing climate-related risks and opportunities

- Corporate Responsibility Committee
- Chief Risk Officer (CRO)
- Corporate Responsibility and Internal Communication (CR & IC)
- Sustainability Unit (SUn)
- Development & Sustainable Banking and Bank Relations
- Environmental & Social Management System Officer (ESMS Officer)

Refer to Piraeus Bank's 2019 Sustainability and Business Report, chapters "Sustainability Governance Structure" and "Risk Management".
www.piraeusbankgroup.com > Investor Relations > Financial Data > Annual Reports > Sustainability & Business Report 2019

PILLAR 2 – STRATEGY

A) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term[1]

Risks deriving from climate change

Transition Risks of the Bank

Reputation risk: adverse impact (direct or indirect) resulting from financing business activities that may have a negative impact on the environment or society, including non-compliance, as well as risks arising from incorrect or incomplete climate-related reporting

Regulatory risk: changes in the european and national regulatory framework result in future requirements for the maintenance & licensing of electromechanical equipment, waste management, etc., given the large building stock of the Bank

Physical Risks of the Bank

Physical risk: change in climate parameters affects energy needs of infrastructures, i.e. change in heating and cooling needs of buildings determines the energy demands

Transition Risks of the Bank's clients

Transition risks of clients (additional costs for the environmental footprint reduction): additional capital requirements of borrowers from the rise of their operational costs, resulting from their transition in low-carbon operation

Transition risks of clients (indirect emissions): cost shift of the higher electricity prices to the consumers (companies and households)

Transition risks of clients (direct emissions including the ones falling under the EU Emissions Trading System – EU-ETS): changes in the average price of rights in the EU-ETS

[1] Piraeus Bank considers a short-term period to be two years, medium-term two to five years and long-term more than five years.

Physical Risks of the Bank's clients

Physical risks of clients (direct): changes in climate parameters directly affect economic sectors such as tourism, energy and agriculture

Physical risks of clients (indirect): changes in climate parameters indirectly affect various economic activities and sectors (e.g. altering the demand of certain products / services etc.)

Opportunities arising from climate change

Expanding existing and developing new low-carbon banking products, such as:

- Financing the transition to a low-carbon economy (e.g. RES projects)
- Financing the Sustainable Development Goals
- Programs for energy saving at home "Exoikonomisi Kat' Oikon"
- Sustainable financing for the agricultural sector
- Net metering

Responsible Investments, such as:

- Participation in sustainable projects
- Green Bonds
- ESG mutual funds

Development and expansion of electronic banking "Winbank"

Taxonomy: financing possibilities created by the EU classification system for sustainable activities, for the six environmental objectives[2]

New European and international context: implementation of the Principles for Responsible Banking and the new European Green Deal

Lower energy consumption during winter from the temperature rise due to climate change

Offsetting emissions associated with electricity generation (see warranties of origin for electricity consumed)

Saving resources from the adaptation of a business to climate change

Possibility of shifting the financial burdens of the effects of climate change from the company to the consumer

B) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning

Climate Change Strategy

Recognizing the impacts that climate change has on the economy, the society and the environment, Piraeus Bank has developed and incorporated a climate change strategy based on four axes:

1. Gradual reduction of Piraeus Bank Group's carbon footprint:
   - Environmental Management System (EMS) (see 3a)
   - Subject-specific Database on Environmental Legislation and Case Law (DEL&CL) (see 3a)
2. Support of investments in renewable energy and energy saving projects:
   - Piraeus Bank develops products and services with a positive impact on the environment and society and supports green entrepreneurship and the financing of RES projects.
3. Climate risk assessment of corporate borrowers:
   - Environmental and Social Management System in business financing (ESMS) (see 3a)
   - "Climate Risk Management Model": Piraeus Bank has developed a proprietary tool for the annual calculation of the climate risk of its business portfolio (see 2c, 3a).
4. Provision of solutions to businesses in order to adapt to the new climatic conditions:

Piraeus Bank offers specialized products and services to its business clients for their adaptation to climate change:

- The Bank supports funding and investment aimed at environmentally and socially responsible activities, in a range of green banking products and services.
- The Bank supports the agricultural economy of the country and implements initiatives aimed at strengthening rural development in a systematic and sustainable way.
- The Climate Risk Management Model offers climate adaptation solutions to Greek companies.
- Business units within the Bank follow the EU Action Plan on Sustainable Finance, the EU Taxonomy, and the Green Deal, and investigate opportunities arising from climate change.

[2] 1. Climate change mitigation, 2. Climate change adaptation, 3. Sustainable use and protection of water and marine resources, 4. Transition to a circular economy, 5. Pollution prevention and control, 6. Protection and restoration of biodiversity and ecosystems

C) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Climate Risk Management Model of Piraeus Bank

- Piraeus Bank has developed a proprietary tool, the "Climate Risk Management Model", for the annual calculation of the climate risk of its business portfolio.
- The Model is being upgraded in order to be aligned with the TCFD recommendations and with the UNEP FI (United Nations Environment Programme Finance Initiative) scenario approach for assessing the effects of climate change on financial institutions. Therefore, there has been an update on the methodology for assessing the physical risk according to the new generation of the IPCC climate scenarios (5th Evaluation Report of the Intergovernmental Panel on Climate Change).
- The four new RCPs (Representative Concentration Pathways) scenarios include time series of emissions and concentrations of the full suite of greenhouse gases (GHGs) in the atmosphere, incorporating 21st century estimates of global social and economic developments.

Refer to Climate Risk Management Model (CRMM)
www.piraeusbankgroup.com > Corporate Responsibility > Environment > Environmental Fields of Action > Climate Risk Assessment

PILLAR 3 – RISK MANAGEMENT

A) Describe the organization's processes for identifying and assessing climate-related risks

Risk identification process in Piraeus Bank Group

Annual Risk Identification Process

- The four stages of the Group's risk identification process: Identification, Evaluation, Management and Monitoring. The process is carried out by the Group Risk Management unit in collaboration with all units and systematizes all possible risks and their degree of importance for the organization (Group Risk Inventory).
- The risk deriving from climate change is embedded in the environmental and social risk, which is included in the operational risk of the Bank. The Bank has recognized the interactions of climate risk with other risk categories (of the 'Group Risk Inventory') and has proceeded to its evaluation, management and monitoring.

Environmental and Social Management System of business financing (ESMS)

- The Bank applies economic, environmental and social criteria in the process of evaluating its business financing. Since 2017, the Credit Policy of the Group takes into account environmental and social risks, in order to minimize the Bank's exposure.
- The Bank performs a technical and financial assessment of the sustainability of green business projects and evaluates new business loans or projects in order to prevent any operational failures or risks.

Environmental Management System (EMS) for the Bank's infrastructure and its operation

- The Bank implements, since 2011, the EMS for measuring, managing and reducing the environmental impacts from its operation. The EMS is certified under the EMAS Regulation and the ISO 14001:2015.
- The Bank operates the subject-specific Database on Environmental Legislation and Case Law (DEL&CL) to monitor environmental and sustainable development legislation.

Climate Risk Management Model

- The Model allows for the monetary assessment of the risks and opportunities arising from climate change, of business borrowers deriving from important economic sectors for the Bank, operating in Greece. The Bank is in a position to manage these risks and opportunities, to focus on specific areas, to take necessary measures or to reshape its financial policy.

- The Model identifies and analyzes for each economic sector:
  - Physical risk: the financial impact that a business may have due to changing climatic conditions, such as increase / decrease of the average temperature, extreme weather conditions, etc.
  - Transition risk: the additional costs of a business for adapting and transitioning to a low-carbon economy deriving from the reform of the regulatory framework, fast technology developments, changes in market conditions etc.
- The Model allows for the calculation of:
  - The cost of the physical and transition risks at economic sector, sub-sector and business level, based on their turnover.
  - The costs and benefits of the measures that can be implemented by a business borrower in order to reduce its climate risk.
  - The environmental footprint at a sector, sub-sector and business level.

B) Describe the organization's processes for managing climate-related risks

Refer to 3a

C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Environmental risks (including climate change risks) and social risks, as well as their interactions with other risk categories of the Bank, are referenced in the Risk & Capital Strategy and the Bank's Capital Adequacy and Risk Management Regulatory Disclosures on a Consolidated Basis (Piraeus Bank Group Pillar III Disclosures).

Impacts of the environmental and social risks on the Bank

- Risks arising from adverse environmental developments (extreme weather events and gradual changes of the climate), legal liability risks (cases of managing legal entanglements and compensation claims) and reputation risks (certain options may damage the Bank's reputation).

Impacts of the environmental and social risks to the Bank's clients and consequently to its credit exposure

- Transition risk (increased operating costs and compliance costs, increased energy prices, changes in market conditions and consumer preferences), physical risk (economic losses, increased production costs, termination of production due to supply chain issues, etc.) and credit risk (inability of customers to pay their loan obligations due to their exposure to environmental or social risks).

PILLAR 4 – METRICS & TARGETS

A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

- Piraeus Bank annually calculates the climate risk of its business borrowers and discloses the relevant results.
- 2019: total climate risk of the Bank's business borrowers was estimated at € 1.05 billion or 1.8% of their total turnover. The physical risk constitutes 32.7% and the transition risk 67.3% of the estimated total climate risk.
- It is noted that 91.6% of the loan portfolio (based on the turnover of the financed economic sectors) corresponds to sectors with negative to low climate risk and only 8.4% of the loan portfolio corresponds to sectors with medium and high climate risk.
- The Climate Risk Management Model (CRMM) is used to calculate climate risk; refer to Piraeus Bank's 2019 Sustainability and Business Report "Addressing Climate Change" chapter.

B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

- Piraeus Bank annually calculates its environmental footprint. For 2019:

Gas Emissions[3]	2019	2018	2018-2019 Trend
$CO_{2,eq}$ emissions (tonnes)[4] - Scope 1	6,632.25	2,424.23	173.58%
$CO_{2,eq}$ emissions (tonnes)[4] - Scope 2 (location-based)	30,657.67	30,954.27	-0.96%
$CO_{2,eq}$ emissions (tonnes)[4] - Scope 3 (excluding mortgages loans)	44,889.24	49,043.25	-8.47%
$CO_{2,eq}$ emissions (tonnes)[4] - Scope 3 (including mortgages loans)	777,107.50	-	-
Total $CO_{2,eq}$ emissions (tonnes) - Scope 1, 2, 3 (excluding mortgages loans)	82,179.15	82,421.75	-0.29%
Total $CO_{2,eq}$ emissions (tonnes) - Scope 1, 2, 3 (including mortgages loans)	814,397.42	-	-
$CO_{2,eq}$ emissions (kg/m ^{2}) - Scope 2 (location-based)	67.88	66.43	2.18%
Total $CO_{2,eq}$ emissions (tonnes/employee) - Scope 1, 2, 3 (excluding mortgages loans)	7.15	6.68	6.98%
Total $CO_{2,eq}$ emissions (tonnes/employee) - Scope 1, 2, 3 (including mortgages loans)	70.82	-	-
$CO_{2,eq}$ emissions (tonnes) - Scope 2 (market-based)	4,933.56	0.00	-

Refer to Piraeus Bank's 2019 Sustainability and Business Report, chapter "Improving Environmental Performance"

C) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

- Monitoring the developments and decisions of the European Supervisory Authorities and the International Climate Change Bodies.
- Implementation of the Principles for Responsible Banking, signed by the Bank, and target setting for the reduction of the negative impacts on the environment and climate from the Bank's financing activities.
- Participation in international working groups and the Collective Commitment to Climate Action of the UNEP FI.
- Full alignment of the Climate Risk Management Model with the TCFD recommendations and the new methodology approaches globally developed (e.g. UNEP FI).
- Gradual integration of the business clients' climate risks to the procedures of the Bank's Credit Policy.

[3] *The emissions refer to 100% of Piraeus Bank's operations in Greece.*
[4] *The following Global Warming Potential (GWP) coefficients have been used for the conversion of emissions estimates into the common unit of CO_2 equivalent: 1 for CO_2, 25 for CH_4 and 298 for N_2O. For details see: IPCC, Fourth Assessment Report (AR4), Working Group 1, Chapter 2, Changes in Atmospheric Constituents and in Radiative Forcing, Table 2.14, p. 212.*