Ardshinbank

SUSTAINABILITY REPORT 2025

Ardshinbank

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Overview

1. Overview

Ardshinbank OJSC is a leading universal commercial bank operating across all key segments of the Armenian financial system, including retail, SME and corporate banking. As one of the country's largest financial institutions, the Bank plays a key role in ensuring economic stability, promoting sustainable development, and strengthening the national financial system.

With its activity, the Bank assists in the development of the pivotal sectors of the economy, including the infrastructures, energy and the private sector, as well as collaborates with international financial institutions, contributing to the implementation of the best international practice and the financial resources towards development.

Considering the growing influence of the climate change, transition risks and internationally regulating requirements, the Bank is continuously reinforcing the integration of sustainability principles into its strategy, governance and risk management. In this context, sustainability is viewed not only as a responsible component in banking but also as an opportunity of ensuring a long-term endurance, effective distribution of capital and a sustainable economic growth.

The Bank's sustainability strategy is based on Environmental, Social, and Governance (ESG) principles and is aimed at creating long-term value for stakeholders, as well as contributing to the development of a more sustainable and responsible economy in Armenia.

The Bank's environmental objectives are:

- Reducing the negative environmental impact of its operations and financed portfolio;
- Strengthening the climate risk management;
- Promoting sustainable financing;
- Developing quantitative climate targets and a transition plan;
- Applying automated systems for operational and financed C02 emissions calculation and monitoring;
- Integrating climate risk components into credit risk assessment processes;
- Continuously improving the classification of environmental and social (E&S) risks in the corporate loan portfolio;
- Implementing PCAF commitments regarding the measurement and disclosure of financed emissions.

The social pillar priorities include:

- Ensuring inclusive and safe working conditions;
- Applying the equal opportunities and diversity principles;
- Enhancing accessibility for customers with disabilities;
- Strengthening employee engagement and ESG awareness;
- Improving grievance mechanisms for environmental and social matters;
- Continuously improving employee benefit policies and work-life balance arrangements.

The Governance pillar emphasizes:

- Implementation of a transparent and accountable corporate governance system;
- Integration of ESG principles into the decision-making processes
- Implementation of an internal system for a sustainable lending;
- Cooperation with international organizations for an ongoing development of the sustainable financing capacities;
- Integration of sustainability-related KPIs in the remuneration system for all employees;
- Improvement of the whistleblowing system.

The 2025 reporting year marks a phase of strengthening Ardshinbank's sustainability institutionalization.

In 2025, the Bank:

- Continued calculating the operational and financed greenhouse gas emissions;
- Continued operating Climcycle as a software solution calculating the financed greenhouse gas emissions and the physical climate risks;
- Conducted a sensitivity analysis for climate risks via Climcycle
- Developed the environmnetal and social risks management system in business lending;
- Replenished the number of specialists responsible for sustainability in the Compliance Team;
- Continued the development of the internal systems for improving the quality of emissions data, and monitoring;
- Released its first Sustainability report for 2024, link below:

  https://ardshinbank.am/api/files/documents/sustainability-report-arm-2024.pdf

Code of Conduct and Business Ethics

The Bank's Code of Conduct sets out the ethical principles and standards of professional behavior expected from all employees. It promotes integrity, transparency, and responsible decision-making in all kinds of business activity and interactions with clients, partners, and colleagues:

- The Code reinforces the Bank's commitment to equal treatment, respect for human rights, and a zero-tolerance approach to discrimination and unethical conduct. It also establishes guidelines for professional behavior, confidentiality, and responsible communication, supporting a culture of trust, accountability, and client-focused service.
- Through the Code of Conduct, the Bank reinforces its internal governance framework and promotes the integration of ethical principles into its daily operations.

Sustainability Initiatives

The Bank is committed to integrating sustainability into its core operations and shaping a culture of environmental responsibility. As part of the ESG strategy, the Bank actively implements initiatives to reduce operational carbon emissions, promote resource efficiency and support climate change mitigation.

The following initiatives highlight Ardshinbank's ongoing commitment to ensuring a measurable environmental impact while embedding sustainable across its operations and the wider community.

Renewable energy

The solar panels on the rooftops of 20 of the Bank's buildings continued generating clean, renewable energy, resulting in a 20% annual reduction in the consumption of conventional energy sources and significantly increasing the energy efficiency of bank facilities and reducing the Bank's own C02 emissions. The project contributes to the Bank's broader climate strategy by lowering the operational carbon footprint.

Waste Management and Recycling Initiative

Waste pollution remains a major environmental challenge for Armenia, with the poor waste management being a key source for the pollution.

Recognizing the negative environmental and climate impacts of waste accumulation, the Bank continues, as part of its activity, stepping up the policy of responsible waste management practices.

In 2025, the first waste sorting bins were installed at the Bank's head office to support waste segregation and recycling. The process was subsequently expanded to several of the Bank's offices. The waste sorting initiative is planned to be gradually implemented across all branches of the Bank.

Waste recycling results in the production of new materials. For example, sorted paper is recycled into paper bags and cardboard packaging materials, while plastic waste is processed into raw materials for the production of polyethylene pipes, films, and fittings.

In 2025, Ardshinbank collected 339kg of plastic and 1,300 kg of paper. This is equivalent to saving 883 liters of oil and 22 mature trees, or approximately 1.7 tonnes of CO_2e reduction.

The initiative to sort out waste is designed to be gradually implemened in all the branches of the Bank.

Clean-up activities in the coastal areas of Lake Sevan

In July 2025, around 100 employees of the Bank participated in an environmentally focused volunteer initiative, within the framework of which clean-up activities were carried out along the coastal areas of Lake Sevan. Over the course of approximately three hours, the team worked on cleaning the area, contributing to the preservation and improvement of the natural environment.

The initiative provided an opportunity to combine team engagement and collaboration with practical environmental action, while also increasing employees' awareness and involvement in environmental protection issues.

The Bank places great importance on environmental and social responsibility principles, viewing them as an integral part of its sustainable development strategy. Such initiatives contribute not only to employee engagement and the development of team culture, but also to creating a positive impact on environmental preservation.

Reforestation Initiative with My Forest Armenia

In 2025, Ardshinbank continued its cooperation with the NGO “My Forest Armenia” to support reforestation and ecosystem restoration initiatives in Armenia.

During 2025, the Bank participated in two tree-planting events:

- The first took place in spring 2025 in Tsaghkunq community, Gegharkunik region, on the occasion of Earth Day. Around 40 employees planted approximately 300 trees.
- The second took place in autumn 2025 in the same community, with 50 employees planting around 200 trees.

These initiatives brought together employees and partners, creating a collaborative and engaging environment.

Each planted tree is considered a concrete step toward reducing environmental degradation and mitigating climate change.

In total, during 2025, the Bank financed the planting of approximately 15,000 trees, which is expected to absorb around 3,000–5,000 tons of CO_2 over the next 20–30 years.

Given the importance of biodiversity in Armenia, such initiatives contribute to climate change mitigation, reforestation, and reduction of land degradation. They also support local communities by creating jobs and promoting long-term socio-economic stability.

Through these initiatives, the Bank reaffirms its commitment to sustainable development and biodiversity conservation.

Governance

2.Governance

Board Oversight of Environmental, Social and Climate-related Risks and Opportunities

The Board holds ultimate responsibility for the oversight of environmental, social and climate-related risks and opportunities. Climate-related risks are managed as a component of the Bank's broader Environmental and Social (E&S) risk framework and are integrated into the Bank's corporate governance and enterprise risk management architecture.

The Board:

- Oversees the environmental, social and climate-related risks;
- Defines and approves the framework of the Bank's Risk Appetite, within which ESG considerations are embedded;
- Oversees the incorporation of environmental and social risk levels into cost-of-risk assessments, ensuring that the environmental and social performance is reflected in the credit risk evaluation;
- Monitors alignment between sustainability objectives, risk exposure and long-term value creation;
- Approves the Bank's Environmental and Social Risk Management Policy, which establishes the overarching framework, principles and governance standards for managing environmental, social and climate-related risks;
- Approves the Compliance Division's annual plan. The annual plan comprises a mandatory section covering the management of environmental and social risks, including the management activity, monitoring priorities and oversight review.

Audit and Risk Committee (under the Board)

The Audit and Risk Committee supports the Supervisory Board in overseeing enterprise-wide risk management, including environmental, social and climate-related risks.

The Committee:

- Oversees measurement and monitoring of E&S risks;
- Reviews quarterly reports from the Compliance Division and the Risk Management Directorate;
- Monitors the Bank's risk profile relative to the Board-approved Risk Appetite Statement,
- Oversees internal audit activities relevant to E&S risk management.

The Board and The Audit and Risk Committee collaboratively ensure independent and structured oversight of environmental, social and climate-related risks.

The Management Board's Role in the Evaluation and Management of Environmental, Social and Climate-Related Risks and Opportunities

The Management Board is responsible for implementing the strategic direction set by the Board and ensuring the operational integration of environmental, social and climate-related risks.

The Management Board:

- Oversees implementation and ongoing improvement of the Environmental and Social Management System (ESMS);
- Approves the main internal procedures related to E&S risk management, ensuring the operational implementation of the Board-approved E&S Management Policy;
- Ensures integration of E&S considerations into lending, portfolio management and operational processes;
- Reviews quarterly reports from the Compliance Division and the Risk

Management Directorate;

- Ensures that sustainability objectives are aligned with the business strategy.

Environmental and Social Management Committee (under the Management Board)

The Environmental and Social Management Committee, operating under the Management Board, serves as an advisory body responsible for coordinating the implementation and continuous improvement of the Environmental and Social Management System.

The Committee

- Organizes the activities related to the management of environmental and social risks;
- Ensures alignment with the legislative requirements, international best practices and contractual obligations with the partner institutions;
- Reviews E&S risk matters within its mandate and provides recommendations.

In 2025, the Environmental and Social Management Committee held two official sittings, reflecting the Bank's ongoing commitment to ensuring the environmental and social management and oversight system.

Risk Management Directorate and Compliance Division (under the Management Board)

In Ardshinbank, the operational responsibility for the management of environmental, social and climate risk rests with the Risk Management Directorate which includes the Compliance Division.

The Environmental and Social Risks Management Section, operating within the Compliance Division, is responsible for:

- Ensuring environmental and social risk assessment, classification and monitoring;
- Providing climate risk identification, including physical and transition risks;
- Conducting ESG and climate risks integration into processes of the management of internal risks and credit evaluation;
- Monitoring compliance with the Bank's Environmental and Social Risks Management Framework, internal policies and regulatory requirements;
- Supporting the implementation and continuous improvement of the Environmental and Social Management System (ESMS);
- Combining the information and the reporting on environmental, social and climate risks (to the Audit and Risk Committee, as well as the Board of the Bank)

In 2025, the Bank continued strengthening its climate and social risks monitoring system by enhancing the practice of internal performance processes, committee oversight mechanisms and ESG reporting,. In particular, the Bank reviewed the regulations of the Audit and Risk Committee to align them with the developing governance and risk management requirements.

Also in 2025, the Bank continued enhancing the frameworks of its corporate, environmental and social governance and transparency. The annual report on corporate governance provides detailed disclosures on the Bank's management structure, the composition of the Board and the committees, the internal oversight environment, the shareholders' rights and the decision-making processes, promoting compliance with the internal management standards and the best practice.

In the meantime time, the Bank's 2024 sustainability report was released in 2025 with a focus on the initiatives, progress and long-term commitments covering the Bank's environmental, social and governance (ESG) trends.

Strategy

3. Strategy

The Bank's 2026–2028 strategy, approved in 2025, develops a comprehensive approach towards the systemic integration of environmental, social and climate (ESG) risks and opportunities into the governance processes, ensuring a long-term and sustainable development.

Environmental:

- Establishing climate-related quantitative targets and development of the Bank's transitional plan (2026–2028) as part of the technical support programs;
- Implementing Bank's operational and financed CO_2 emissions calculation system (Climcycle) and monitoring of the emissions dynamics along with the loan portfolio;
- Improving on an ongoing basis the data quality of operational and financed CO_2 emissions;
- Expanding the waste sorting system launched in the head office across the entire system of the Bank for reducing the negative environmental impact;
- Organizing environmental awareness events for the Bank's employees and external stakeholders on an ongoing basis;
- Improving on an ongoing basis the climate risk management function and the clarification of reporting;
- Integrating on an ongoing basis the climate risk component into the risk evaluation process (2026–2028);
- Improving the process of classifying the Bank's business loans and social (E&S) risks;
- Releasing annual reporting on sustainability and climate;
- Implementing the commitments as part of the PCAF membership, i.e. – measurement of loan-portfolio-related greenhouse gases (GHG) and release of reporting thereon (2026–2028).

Social:

- Creating an inclusive workplace by promoting equal opportunities, mutual respect and pluralism regardless of ethnicity, gender, religion, age or abilities;
- Improving services for customers with disabilities and development of inclusive services and practices;
- Promoting a positive work culture by strengthening employee engagement, feedback and open communication, as well as encouraging participation in ESG initiatives via gamification;
- Trainings for employees of the Bank for raising awareness of sustainability programs;
- Enhancing the Work-Life Balance via broadening working conditions, free hours and extra days-off;
- Improving Bank's existing whistleblowing system via alignment with the international best practice;
- Improving on an ongoing basis the environmental and social grievance management system, as well as raising awareness of the implementation thereof among the beneficiaries;
- Ongoing improvement of insurance packages and workplace conditions for raising employees' well-being standards and social protection,

Governance

- Ensuring transparency of annual reporting (starting from the release of a comprehensive report for the 2025 reporting year);
- Continuously improving the Bank's corporate governance system, including the approval of the Managing Board's succession plan, as well as the publication of the Corporate Governance Report and the Annual Declaration on the Bank's official website;
- Enhancing the Bank's whistleblowing system and raising awareness thereof among internal and external beneficiaries (2026);
- Establishing sustainable lending mechanisms (quarter 1,. 2024) and conducting the review thereof (quarter 4. 2024);
- Cooperating with international organization for the implementation and development of internal systems of a sustainable lending (2026);
- Cooperating with international partners for the development of sustainable financing tools, engaging tools for sustainable development and integration of the best international practice;
- Broadening the framework of environmental, social and compliance requirements, engaging all partner organizations in the procurement process;
- Expanding on an ongoing basis the sustainability KPIs embedded into the Bank's remuneration system.

Risk Management

4. Management of Environmental and Social Risks

Integration of the Environmental and Social (E&S) component in lending processes

In 2025, the Bank. pursuing its strategic goals and commitments towards a sustainable development, integrated the Environmental and Social (E&S) component in the lending processes. The said approach assists it a more comprehensive evaluation of the risks, a responsible financing and the Bank's long-term sustainability. In 2025, the Bank reviewed and improved its Environmental and Social management System (ESMS), ensuring a coordinated identification, evaluation and effective management of the environmental and social risks.

All the corporate clients (apart from retail lending) undergo a screening and evaluation of environmental and social risks in accordance with the IFC standards and national regulatory requirements.

Upon the identification of environmental and social risks, mitigation mechanism and, upon necessity, Environmental and Social Action Plans (ESAPs) are developed.

The Bank also conducts an ongoing monitoring of the implementation of such measures to ensure the management of effective risks and compliance with the sustainability criteria.

Identification of Climate Risks and a Scenario Framework

In 2025, Ardshinbank conducted a coordinated evaluation of physical climate risks using the Climcycle software in an effort to gradually integrate the climate factor into the framework for the management of entrepreneurial risks. The evaluation covered the Bank's Corporate and SME Loan Portfolio and was used as a vertical screening tool with an aim to assess the portfolio vulnerability and susceptibility to physical climate risk factors. The table features a recap of the portfolio–related evaluation of climate risks. The analysis covers the complete framework of the corresponding RCP[1] scenarios. The table below presents the outcomes of the quantitative evaluation of the portfolio's physical climate risks, assesses their impact level and ensures a more complete portfolio picture of the climate impact, assisting in the risk management and strategic decision-making processes.

1 [1] RCP 2.6 -The implementation of early and severe climate policies results in a drastic decline of greenhouse gas emissions and a rapid decarbonization of the energy system. In this scenario, emissions reach their culmination at an early stage and then start declining at rapid paces due to a large-scale use of renewable energy, increased energy efficiency and the rapid introduction of low carbon technologies. Before 2010, the increase in global temperature was limited to.5°C–2°C, ensuring a significant decline of the climate risks in the long run.

RCP 4.5 – The climate policies are implemented partially and gradually, stabilizing the emission around the average level without a drastic decline. The energy sector sees a gradual transition to purer technologies, however, the use of fossil fuels is maintained to a great extent. This scenario predicts an estimated increases in the global temperature by 2.4°C–3°C, causing moderate yet continuing climate risk throughout the century.

RCP 6.0 – The implementation of the climate policies is partial and not proportionate, resulting in a continuing growth in emissions or a slow decline in the long run. The energy transition occurs at low paces, and dependence on the fossil fuels is maintained at a significant level. Such developments threaten an estimated increase in the average global temperature by 3°C–4°C, potentially leading to a significant intensification of the physical climate risk in different regions.

RCP 8.5 – A restricted or zero implementation of climate policies leads to a continuous and rapid increase in the greenhouse gases. The energy sector continues to remain largely dependent on fossil fuels, whereas the introduction of low carbon technologies remains restricted. As a result, the average global temperature can reach an estimated 4.3°C–5°C or more by 2100, posing severe and large-scale physical climate risk worldwide.

Maximum Possible Impact of the Climate Risks on the Portfolio

Risk Type	Scenario RCP 2.6 Medium Risk Impact	Scenario RCP 4.5 Medium Risk impact	Scenario RCP 6.0 Medium Risk impact	Scenario RCP 8.5 Medium Risk Impact	Medium Scenario RCP Impact of all scenario risks[2]
Heavy precipitation	0.000	0.2871	0.000	0.2820	0.2855
Annual precipitation	0.1592	0.0000	0.1613	0.1638	0.1614
Changing Precipitation Patterns	0.0000	0.0953	0.0000	0.1067	0.0991
Snowfall	0.4276	0.0000	0.4472	0.3908	0.4282
Hail	0.7417	0.000	0.6648	0.7509	0.7055
Wind	0.1755	0.1755	0.1755	0.1755	0.1755
Wildfire	0.0681	0.0000	0.0408	0.0000	0.0503
Temperature Variability	0.0000	0.7383	0.0000	0.7936	0.7567
Heatstress	0.3268	0.3266	0.3273	0.3267	0.3267
Frost days	0.4628	0.4770	0.0000	0.5420	0.4897
Water stress	0.0000	0.9134	0.0000	0.9280	0.9181
Soil erosion	0.1890	0.1820	0.0000	0.1840	0.1842

The outcomes are presented in the form of mean indicators, reflecting the mean impact level of climate risks based on relevant scenario evaluations.

[2] It should be noted that different RCP scenarios contribute to the calculation of the final averaged result with different weights. The RCP 2.6 and RCP 8.5 scenarios are included in the calculation with a weight of 1, while the RCP 4.5 and RCP 6.0 scenarios are assigned a weight of 2. This approach is intended to ensure a more balanced outcome by giving greater weight to intermediate scenarios, which are generally considered more likely development pathways than the extreme scenarios.

Metrics and Targets

Metrics and Targets[3]

In 2025, the Bank continued developing its practice of calculating the greenhouse gas emissions using a Climcycle software solution allowing it to conduct the calculation of the financed emissions pertaining to the entrepreneurial loan portfolio.

Since the data item pertaining to the emissions factor specific to Armenia is not sufficiently studied at present, the Bank relied on intermediary countries' factors received from the PCAF database. When selecting intermediary countries, Ardshinbank applied a range of comparability criteria, including the energy structure, similarly of GDP structure and certain features of the population with Armenia's economic and environmental context to ensure a maximum close representation to Armenia. In the table below, we present the outcomes of the 2025 financed emissions calculations:

Financed Emissions by Sectors

Financed Sector	Volume (%)		Financed Emissions (tCO_2e)		Total Emissions Share (%)	
	2024	2025	2024	2025	2024	2025
Agriculture	5.49%	4.01%	57,307	232,254	8.19%	51.15%
Mining	9.19%	5.06%	15,022	52,937	2.15%	4.09%
Manufacturing	6.77%	7.38%	55,329	88,765	7.90%	6.86%
Electricity and natural gas	5.86%	11.37%	47,264	149,627	6.75%	11.56%
Water supply & waste	0.00%	0.00%	36	1,177	0.01%	0.09%
Construction	21.97%	21.06%	33,228	21,293	4.75%	1.64%
Wholesale & Retail	9.72%	12.32%	220,902	47,353	31.55%	3.66%
Transportation	3.10%	2.50%	153,368	13,208	21.91%	1.02%
Accommodation & Food	11.43%	7.27%	8,854	34,218	1.26%	2.64%
Publishing & Media	0.00%	0.82%	4	13,777	0.00%	1.06%
Telecommunication & IT	6.06%	3.01%	14,492	3,415	2.07%	0.26%
Real estate	3.57%	3.31%	3,848	2,442	0.55%	0.19%
Professional Activities	0.38%	0.44%	2,247	1,928	0.32%	0.15%
Administrative Services	0.31%	0.20%	1,417	1,864	0.20%	0.14%
Public Administration	15.13%	19,92%	84,677	196,249	12.09%	15.16%
Education	0.03%	0.09%	31.20	124	0.00%	0.01%
Health & Social work	0.45%	0.89%	1,604	1,663	0.23%	0.13%
Arts & Recreation	0.16%	0.10%	59	1,220	0.01%	0.09%
Other Services	0.36%	0.24%	421	1,090	0.06%	0.08%
Total	100%	100%	700,120	846,612	100%	100%

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[3] Since 2025 is the second year for the Bank for the measurement and identification of financed emissions aligning with the PCAF methodology, the outcomes should be considered an improvement compared to the previous year, while in the meantime also a continuously developing evaluation based on the existing data, assumptions and sectoral emission factors.

Although the Bank continued reinforcing the methodological compliance, expanding the application of international frameworks, certain restrictions are still in place with respect to the accessibility of data, restricted debtor-level emission disclosures and the ongoing development of climate-related calculation methodologies.

In particular, the calculations are still in part anchored in model evaluations and sectoral substitute indicators whenever no real borrower-level emission data are available. Therefore, the outcomes obtained should be considerred continuously adjusted estimates rather than fully factual measurements of the Bank's total financed emissions.

The Bank considers this process an ongoing development trend and aims to gradually increase the accuracy, compatibility and thoroughness of financed emissions along with the quality enhancement, coverage expansion and internal methodology improvement in the upcoming reporting period.

In 2025, the Bank's entrepreneurial loan portfolio increased by around 67.8% compared with the previous year. Along with the portfolio expansion, the financed emissions saw an absolute growth from 700,120 tCO_2e to 846,612 tCO_2e, increasing by around 20.93%, while in the meantime, the emission intensity (ratio of financed emissions to the loan portfolio volume) decreased by around 28.16%. While in 2024, the emissions target was 1.29 tCO_2e per loan portfolio worth AMD 1 million, in 2025 it was about 0.93 tCO_2e.

The decrease in the intensity of emissions is due to structural changes in the portfolio. In 2025, such growth was mainly generated at the expense of expanding the financing with low carbon intensity. At the same time, the improvement of data quality also contributed to a more accurate reflection of emissions estimate and a decrease in emissions intensity.

Note that the CO_2 emissions estimates for 2025 were made by using Climcycle, a software accredited by PCAF[4]. The latter guarantees an international compliance of estimates, high confidence and compatibility of outcomes with the best practice of banking and ESG reports.

4 https://carbonaccountingfinancials.com/en/partners

Scope Breakdown of Financed Emissions

Total Financed Emissions by Scope[5]	Emissions (tCO_2e)		Share (%)	
	2024	**2025**	**2024**	**2025**
Scope 1	296,505	119,827	42.35%	13.86%
Scope 2	11,471	40,108	1.64%	4.64%
Scope 3	392,142	704,676	56.01%	81.50%
Total	700,120	846,612	100%	100%

5 Scope 1: (direct emissions)
Emission arise from sources owned or controlled by financed entities (individuals), such as fuel combustion on the premises of the plant, industrial processes or vehicles owned by the company.
Scope 2: Indirect emissions caused by energy consumption.
Emissions are linked to the purchased electric power being consumed by financed organizations, and the generation of heating or cooling processes. Although the said emissions occur on the working premises of the energy manufacturer, they are attributed to organizations using energy.
Scope 3 (Other indirect emissions)
All the other indirect emissions take place across the scale of financed organizations' value chain. That may include the emissions dealing with the goods and services, transportations, business trips and the use of sold products.

Distribution of Data Quality Applied for Calculation of Financed Emissions (2025)

To ensure transparency and raise the credibility of the calculations pertaining to financed emissions, the Bank evaluates the data used in the analysis, considering their thoroughness and accuracy level.

PCAF Score Category[6]	Share of Financed Emissions (%)	
	2024	**2025**
Score 4/3a (Model-based, higher granularity)	18.40%	26.32%
Score 5/3c (Industry proxy / sector averages)	81.60%	73.68%
Total	100%	100%

In 2025, the Bank enhanced the data quality, increasing the share of high accuracy sources. The Score 4 indicator increased from 18.40% in 2024 to 26.32% in 2025 (7.92% growth). We plan to continue the future improvement of data quality with an aim to further increase the share of high accuracy sources.

Operational (Own) Emissions (2025)

As part of the climate risk management and transparency commitments, the Ardshinbank calculated the greenhouse gas emissions targets for the reporting year.

The emissions were assessed as per selected categories within Framework 1, Framework 2 and Framework 3.

Consolidated Operational Emissions Table (2025)

Emission Category	Description	Emissions (tCO_2e)		Share of operational emissions (%)	
		2024	**2025**	**2024**	**2025**
Scope 1	Direct emissions caused by fuel combusions (mobile combustion in motor vehicles)	86	86	0.55%	0.67%
Scope 2	Indirect emissions from purchased electric power and heating/cooling systems	1,448	1,528	9.4%	11.91%
Scope 3	Purchased goods and services, capital goods, waste and water, employee commuting	13,867	11,210	90%	87.4%
	Including reduced CO2 quantity as a result of the reforestation project implement in collaboration with My Forest Armenia	- 70	- 200		
Total operational emissions		15,401	12,825	100%	100%

6 Higher level thoroughness based on Unit 4/ 3a Model: Emissions are calculated using client- or asset-level data combined with higher granularity models, which provide accurate and thorough measurements.
Unit 5/3 c: Industrial indicator/mean sectoral indicators: Sectoral or industrial mean indicators under conditions of the absence of specific data (these data are consistent but not very thorough).

The Bank's 2025 total operational emissions amounted to 12,825 tons CO_2 against the 15,401 tons in 2024, decreasing by around 16.7%.

The decrease in the total operational emissions is mainly due to the Capital Goods covered in Scope 3.

An analysis of the emissions structure reveals that the major share fall to Framework 3, with the direct and energy consumption-related emissions being relatively restricted.

Several key observations arise:

Scope 1 emissions reached 86 tons or 0.67% of the total operational emissions and are directly linked to direct fuel consumption, maintaining a limited impact on the total carbon trace.

Scope 2 emissions reached 1,528 or 11.91% of the total, reflecting the consumption of purchased electricity and heating/cooling systems, which also maintains a limited impact on the total carbon trace.

Scope 3 remains a prevalent category, representing 11,210 tons of CO_2e or 87.4% of the total operational emissions. Employee commuting (Category 7) accounts for a major part of Scope 3 emissions, amounting to **8,739** tons of CO_2e/ For a comparison note that the relevant indicator was 7,429 tons of CO_2e in 2024 when the Bank had around 1,800 against the around 2,200 in 2025. The higher emissions were due to both an increase in employees' number and an expansion of the data collections and calculation scope and an increased calculations accuracy.

At the same time, the reforestation programs implemented as part of the *My Forest Armenia* initiative resulted in 200 tons of emission reduction target, contributing to a decrease of the Bank's net operation carbon trace. Notably, the reduced emissions surpassed, more than twofold, the Bank's direct, Scope 1 emissions.

Sustainability Criteria in the 2025 Business Loan Portfolio

In 2025, the Bank initiated a classification of the corporate and SME loan portfolio based on sustainability criteria in an effort to shape a more comprehensive understanding of the portfolio stability and its impact.

The classification frameworks helped sort out the loans and financing trends having an environmental, social and inclusive impact while also contributing to the implementation of the sustainable development objectives. In particular, the portfolio considered:

- financing with green or environmental impact;
- social loans (for women, youth and the regions), as well as
- financing generated through a combination of the above-mentioned trends.

The classification relied on the Bank's internal stability classification system approved by the Bank's Environmental and Social Management Committee.

This approach enable the Bank to provide a more coordinated evaluation and manage the stability-related risks and opportunities, raise the portfolio transparency and develop the sustainable and responsible financial instruments.

Sustainable Loan Criteria	Balance (AMD thousand)	Share in the business loan portfolio depending on the amount %	Share in the business loan portfolio depending on the quantity %
Green loans	199,675,077	22%	7.5%
Social loans, *including*	157,265,683	17.5%	34.5%
Loans to women	47,553,214	5%	10%
Loans to youth	33,316,140	4%	5%
Loans to rural communities	76,396,329	8.5%	20%

Notably, 44.4% of the loans contain also a social component.

The classification for future portfolio-related reporting periods will contribute to the future measurement of sustainable volumes, definition of internal target indicators, as well as a strategic development in line with the best international practice and regulatory requirements.

Information on the Bank's sustainability strategy, governance, policies, findings and mechanisms for engaging interested parties is available in the Sustainable Development section on the Bank's official website):

https://ardshinbank.am/Information/esg-homepage?lang=hy

The Bank operates a special grievance mechanism allowing partners, affected communities and other interested parties to raise their environmental or social concerns stemming from the Bank's activity or financial projects.

All the signals are processed in line with approved internal procedures, ensuring transparency, accountability and proper response mechanisms.

https://ardshinbank.am/Information/esg-contact-us?lang=hy

The initiatives assist in the Bank's long-term goal to make sustainability part of its main business activity and to contribute to a sustainable and responsible economic development.

As a major financial institution of Armenia, the Bank remains committed to the the integration of sustainability into its governance strategy and risk management framework, contributing to a long-term resilience and a sustainable economic growth.