Disclosure

pursuant to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR)

Transparency of sustainability risk policies (Article 3 SFDR)

Sustainability risks are events or conditions in the social, environmental, and governance fields that could have a negative impact on the company's profitability, costs, reputation, and thus its value and the price of financial instruments, either now or in future. Sustainability risks can occur along the entire value chain of a company (own operations, upstream and downstream).

- Environmental risks can be divided into two main groups:
- "Physical risks" include damage and costs resulting from acute risks (climate-related extreme weather events such as storms, floods, or heat waves) and chronic risks (long-term climate change) that threaten or damage a company's economic activities or its values and assets;
  - "transition risks" encompass regulatory risks, changes in consumer habits, and liability risks. These include legal measures such as the introduction of a carbon tax
  - to promote the transition to a lower-carbon and more resource-efficient economy. Such measures can have a negative impact on the profitability of a company or its enterprise value.
- Social risks result, for example, from violations of labour standards, inadequate health protection or occupational safety, inadequate product safety, inappropriate treatment of social issues, deficits in dealing with employees, or high employee turnover.
- Governance risks arise, for example, from unequal treatment of shareholders, inadequate risk management, a lack of control mechanisms, inappropriate remuneration systems, or breaches of rules such as corruption.

Measures for the general implementation and management of sustainability risks
Sustainability risks can have an actual or potential significant negative impact on the net assets, financial position, and results of operations or the reputation of the Neue Bank AG (hereinafter referred to as the "Bank"). Sustainability risks do not constitute an independent risk category, but rather are subsumed under the existing, traditional risk types. They are taken into account in the Bank's strategic and operational decisions.

Overall responsibility for risk management – and therefore also for the management of sustainability risks – lies in principle with the Board of Directors. It is regularly informed of all material risks by the Executive Board. Sustainability risks are regularly quantified as part of regular risk reporting.

To mitigate sustainability risks, the Bank has established internal directives such as the risk policy, a code of conduct for employees, anti-corruption and money laundering prevention rules, exclusion and positive criteria for client and proprietary business, and the consideration of ESG criteria in procurement.

Every new product or entry into a new market undergoes a process in which compliance with social and environmental criteria and sustainability risks are taken into account as part of the risk assessment.

Integration of sustainability risks in investment decision-making processes
When investing the Bank's own assets, sustainability risks are generally taken into account in accordance with the same principles that the Bank applies to its client business in investment advice and portfolio management. The management of the Bank's own assets focuses on liquidity characteristics, so as to meet expected and unexpected short-term obligations.

Lending and credit management are based on both qualitative and quantitative factors, which also include sustainability risks. When assessing a loan, the focus is placed on the client on the one hand and on the object to be financed or the collateral provided on the other. In the case of real estate financing, for example, aspects such as the energy efficiency, heating system, insulation standard, etc. of the building are included in the assessment. The bank also takes into account the SRI standard exclusion criteria. This means that companies operating in one of the sectors excluded under the SRI standard (e.g. oil, gas and coal, or gambling) are generally not granted financing, regardless of whether they are seeking mortgage, Lombard, or business loans.

Integration of sustainability risks in investment advice and portfolio management
Sustainability risks are examined and taken into account when selecting possible financial instruments and financial products, in both investment advice and portfolio management. Care is taken to keep sustainability risks as low as possible in principle. Before the Bank includes financial instruments or financial products within the meaning of the SFDR (e.g. investment funds or alternative investment funds) in the client portfolio or on the list of instruments, information on the strategy or the integration of sustainability risks is obtained from the product manufacturer.

Minimum criteria are applied in the selection process for equities and bonds (individual securities) in order to minimise sustainability risks in the portfolio context. In this regard, the Bank works together with the renowned ESG provider MSCI ESG Research LLC, on whose ratings and high-quality analyses we rely. The economic sector of the investment undertakings (issuers) is also taken into account. Other available sources of information are used to assess potential reputation risks in connection with the sustainability factors of the investment undertakings.

In addition to firmly embedding ESG criteria in the investment recommendations (collective investments and individual securities), the Bank offers a dedicated asset management mandate in which the ESG rating is maximised and the carbon emissions of the portfolio are minimised without the investor having to forego the other "classic" investment and diversification principles. The investments underlying this asset management mandate do not take into account the EU criteria for environmentally sustainable economic activities (EU taxonomy). The evaluation is also based on data from MSCI ESG Research LLC.

In passive management, the fiduciary duty is to replicate an index as closely as possible. To fulfil the contractual objectives, no systematic exclusions are applied and sustainability risks are not integrated into the decision-making processes.

The Bank stands for transparency and can analyse its client portfolios in detail with regard to ESG criteria. On request, the Bank offers a comprehensive portfolio report based on data from MSCI ESG Research LLC, which evaluates and transparently presents ESG ratings, carbon emissions, and other ESG metrics.

Specialist knowledge in dealing with sustainability risks and their possible adverse impacts is essential, particularly in investment advice and portfolio management. To ensure appropriate consideration, the Bank has implemented dedicated training courses on this topic and included them in the regular training programme.

Transparency of adverse sustainability impacts at entity level (Article 4 SFDR)

The European Union has introduced various new frameworks and provisions to regulate and promote sustainability aspects. The European Green Deal is a pioneering initiative for a sustainable and low-carbon future. The Bank welcomes the relevant initiatives, and it shares the conviction that sustainability and responsible investment are important components of the financial landscape.

From the Bank's perspective, however, a distinction must be made between the client business and the Bank as a company in terms of the impact of the measures. As a "small" financial market participant, the Bank achieves a greater impact in its client business, i.e. through the investments of its clients and its financing activities, than at entity level. Accordingly, taking the sustainability preferences of clients into account is an important pillar in the implementation and operationalisation of the Bank's sustainability strategy.

As a financial market participant with fewer than 500 employees and as a financial adviser, the Bank is not required by regulation to consider adverse sustainability impacts at entity level ("comply or explain" approach).

Based on the regulatory framework, the Bank currently and until further notice refrains from voluntarily taking adverse sustainability impacts into account. This decision is regularly reviewed by the Board of Directors and the Executive Board and will be adjusted as needed.

Transparency of remuneration policies in relation to the integration of sustainability risks (Article 5 SFDR)

The Bank's remuneration policy supports the long-term development of the company and aligns the interests of shareholders, clients, and employees. By promoting long-term, sustainable action that takes account of environmental, social, and governance aspects in particular, the remuneration policy does not lead to an inappropriate increase in employees' risk-taking and does not encourage conflicts of interest.

As part of the consistent implementation of its business policy, the Bank attaches particular importance to ensuring that neither employees nor management have a general entitlement to variable remuneration components. Variable salary components are aligned with the Bank's strategic objectives. No incentives are created that encourage the taking of inappropriately high risks (including the consideration of sustainability risks) or aggressive distribution of certain products that are not in line with the investment and risk profile of clients. Variable salary components are granted only if the Bank achieves a positive business result.

The remuneration policy was last reviewed and adjusted by the Board of Directors in December 2024. The Board of Directors approves the system of assessment and the guidelines for allocation and determines the total amount of profit-sharing on an annual basis.

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