finora bank

ESG RISK MANAGEMENT POLICY

- The Policy describes the overall requirements for identification, valuation, monitoring, management and reporting of environmental, social and governance (ESG) risks and incidents within the Bank.
- Management of ESG risks is considered as part of the overall risk management system of the Bank.

General requirements and Principles

- To integrate ESG risks in the risk management framework, the Bank will consider the role of ESG risks as potential drivers of all traditional categories of financial risks, including credit, market, operational, reputational, liquidity, business model, and concentration risks.
- The Bank acknowledges that ESG factors can lead to negative financial impacts through various ESG risk drivers.
- When integrating and managing ESG risks, the Bank takes into account that it is a small and non-complex institution and that its primary focus is on SMEs, i.e., counterparties that are not subject to mandatory sustainability reporting.
- The Bank's ESG risk management aims to ensure a consistent understanding of ESG risk, accurately identify and assess ESG risk drivers and impacts, clearly incorporate all material ESG risks into the Bank's risk appetite (including limits across business lines, geographies, sectors, and products), systematically apply preventive measures to avoid ESG-related events and losses, and continuously improve internal control methods and procedures.
- The Bank manages ESG risks by applying four key principles: avoiding certain risks by not engaging in high-risk activities, accepting risks when aligned with business objectives, reducing risks through measures such as diversifying the lending portfolio using ESG-relevant criteria (e.g., by sector), and transferring risks to third parties where appropriate.
- The Bank considers that ESG risk does not differ throughout the regions in which the Bank operates.

Risk identification and monitoring

- The Bank shall identify all ESG risks on an ongoing basis. This identification shall be an integral part of the business's activities and business planning.
- The Bank categorizes ESG risk and its management into three main areas: **Environmental risks (including climate-related risks), Social risks, and Governance risks.**
- With a view to properly managing ESG risk, all ESG risk events shall be registered and analysed using the procedure for monitoring operational risk events as established in the Operational Risk Management Policy.

Note: This is a public summary. The full ESG risk management policy prevails in all cases.