finora bank

DESCRIPTION OF CLIMATE RISK MANAGEMENT

"Climate-related risks" means the financial risks posed by the exposure of the Bank to counterparties that may contribute to or be affected by climate change.

The Bank identifies the main Environmental risks:

- **Physical risks**, such as:
  - ✓ Extreme weather events may disrupt construction activities. They may increase costs and reduce revenues.
  - ✓ In the real estate sector, failure to assess climate risks may worsen climate impacts. This may reduce asset value and liquidity.
  - ✓ In agriculture, extreme weather events may damage crop yields. They may also reduce revenues.
  - ✓ In other sectors, lack of climate risk assessment may disrupt operations. It may damage infrastructure, increase costs, and reduce revenues.
  - ✓ In agriculture, soil degradation increases the need for fertilisers and investment. It may lead to lower yields and greater vulnerability to environmental changes.

- **Transition risks**, such as:
  - ✓ Carbon-intensive activities and misalignment with climate targets may harm reputation and competitiveness. They may reduce revenues and require major emission-reduction investments.
  - ✓ Stricter EU regulation may require SMEs to introduce ESG disclosures and GHG reduction measures. This may increase compliance and monitoring costs.
  - ✓ Climate-intensive activities may damage reputation and relationships with clients, communities, and employees.
  - ✓ In the real estate sector, low energy efficiency may reduce asset value and liquidity.
  - ✓ In the transport sector, pressure to reduce air pollution may require investment in fleet electrification or cleaner fuels.
  - ✓ In manufacturing, transport, retail, and construction, stricter waste regulation may require investment in waste management and reduction measures.
  - ✓ In the construction sector, biodiversity restoration requirements may increase investment in green spaces.
  - ✓ EU green transition policies may require significant investment or changes in supply chains to reduce deforestation risks.
  - ✓ In the construction sector, natural resource depletion may increase material costs. It may also require investment to reduce material use and environmental impact.

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