SEIT 1849
HOERNER BANK
AKTIENGESELLSCHAFT

Information on handling sustainability risks for financial products in accordance with the Disclosure Regulation

As of: February 8, 2024 – Version 3

I. Our sustainability strategy

The goal of sustainability is the long-term preservation of natural, social and economic resources in the interest of current and future generations. Our aim is to improve our company's impact on the environment and on society.
We do not differentiate between individual business areas of our company with regard to sustainability. Rather, we want all our employees to develop a healthy sustainability culture by taking responsibility for the environment. This requires open communication as well as the targeted involvement of employees in sustainability management.

Protection of the environment, economic efficiency and social responsibility need to be brought together in a way that enables decisions made within the company to be viable in the long term from all three aspects.

As a bank, we too want to take responsibility and help shape the change to a sustainable economy by strengthening our contribution to achieving climate protection and the UN Sustainable Development Goals. We are therefore committed to the Sustainable Development Goals (SDGs) of the United Nations and the Paris Agreement.

We also want to fulfil our responsibility in the investment business and have therefore defined strategies for taking sustainability risks into account, on the one hand for our clients, but also in relation to the principal adverse impacts that our clients' investment decisions have on sustainability factors.

We disclose these strategies below in order to comply with the requirements of the Regulation on sustainability-related disclosures in the financial services sector (Regulation (EU) 2019/2088 – "Disclosure Regulation" for short).

The following statements refer exclusively to investment advice in financial products as defined in the Disclosure Regulation. This, in particular, includes investment funds.

II. Our strategy for handling sustainability risks

Sustainability risks describe environmental, social or governance events or conditions (often referred to as ESG risks), the occurrence of which could have an actual or potential adverse impact on the value of a financial investment.

We incorporate sustainability risks in various ways as part of our strategy.

1. Range of products

A central aspect in taking sustainability risks into account is the range of products underlying the respective advice. The product selection process (in-house opinion) consists of us deciding which financial products to include in our advisory universe, taking specific product characteristics into account.

The focus here is (precisely) on the integration of sustainability factors such as environment, social and employee issues, respect for human rights and the fight against corruption and bribery, although not all financial products have the same requirements.

Thus, the product selection process plays a key role in ensuring that, as a rule, only those financial products that do not have unduly high sustainability risks are included in our advisory universe.

2. Concept for training and further education

In addition, incorporation of sustainability risks into our investment advice is supported by training and further education for advisors. Our extensive concept for training and further education enables advisors to understand and comprehensively evaluate the individual financial products.

3. Cooperation with selected product suppliers

A selection of product suppliers occurs as part of the product selection process preceding investment advice. For their part, the established product suppliers from whom we source our financial products take sustainability risks into account as part of their investment decision-making processes. Relevant sustainability risks are considered in product risk classification (potential increase in market or contracting party risk).

Adherence to these organizational precautions is monitored and reviewed by independent bodies within our organization (Compliance and Internal Audit) as well as by our external auditors on a regular basis or as required.

This ensures that the sustainability risks can be taken in consideration for the financial products we offer within the scope of our investment advice.

4. Use of exclusion criteria

When we include sustainability risks in our investment advice, the use of so-called minimum exclusions based on an agreed industry standard is also essential for financial products as defined in the Disclosure Regulation. This means that individual financial products are not allowed to contain certain insufficiently sustainable securities or may only contain them up to a defined limit. This ensures that there is a limit on the extent to which these financial products (co-)finance insufficiently sustainable activities. The list with the minimum exclusions according to the agreed industry standard is appended to this document.

5. Evaluation of the expected effects on returns of sustainability risks

The existence of a sustainability risk can have a significant negative impact on the value of a financial investment, and therefore also on returns on the financial products for which we provide investment advice.

For their part, the (product) suppliers from whom we source our financial products assess the expected impact of sustainability risks on returns on the financial products as part of their investment decision-making processes.

III. Consideration in remuneration policy

We are currently in the process of arranging to have sustainability factors taken into account within our remuneration policy.

IV. Further details

Please refer to our website for our explanation of the consideration of the principal adverse impacts of sustainability factors in investment advice: www.hoernerbank.de/en

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Appendix

Minimum exclusions[1]

Companies:

- Military equipment >10%[2] (prohibited weapons >0%)[3]
- Tobacco production >5%
- Coal >30%[2]
- Serious violations of UN Global Compact (without any prospect of improvement):
    - Protection of international human rights
    - No complicity in the abuse of human rights
    - Upholding freedom of association and the right to collective bargaining
    - Elimination of forced labor
    - Abolition of child labor
    - Elimination of discrimination in hiring and employment
    - Precautionary approach for dealing with environmental issues
    - Promotion of greater environmental awareness
    - Development and diffusion of environmentally friendly technologies
    - Combating all forms of corruption

Government issues:

- Serious violations of democratic and human rights[4]

[1] Relevant for both individual values and values in a portfolio/basket (shares/bonds).
[2] Turnover from production and/or distribution.
[3] Weapons prohibited under the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty) or the Convention on Cluster Munitions (Oslo Treaty), or biological or chemical weapons as defined under the respective UN conventions (UN BWC and UN CWC).
[4] Based on the rating “not free” in the Freedom House Index (https://freedomhouse.org/countries/freedom-world/scores) or equivalent ESG ratings (third party or in-house).

Changelog:

Date	Sections affected	Details
February 8, 2024	III. Consideration in remuneration policy	Modification in line with formal requirements
December 11, 2023	II.2. Concept for training and further education	Included due to formal requirements
June 1, 2023	Initial publication	