

Annex to Sustainability Report 2023 (Update June 2024)

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1 About this document

This Annex to the Sustainability Report 2023 (“Annex”) contains supplementary information and disclosures concerning sustainability at Cembra. This document was approved by Cembra’s Sustainability Committee in March 2024, and it should be read in conjunction with our Sustainability Report 2022 on pages 30-74 of our Annual Report 2023 and the information available at www.cembra.ch/sustainability. The chapters and the page numbers refer to our Annual Report 2023, which is available at www.cembra.ch/financialreports.

2 Supplemental information: Our approach to sustainability

2.1 Our contributions to the Sustainable Development Goals (SDG)

SDG 4	Quality Education, particularly target 4.4	See Sustainability Report chapter 5 on people and development, sections on “development and training” and “apprenticeship programme”
SDG 5	Gender Equality, particularly target 5.b	See Sustainability Report chapter 5 on people and development, sections on “diversity and equal pay”, “working conditions” and “women-only networking groups”
SDG 8	Decent Work and Economic Growth, particularly target 8.2 and 8.3	See Sustainability Report chapter 7 on business integrity, section on “longstanding active relationships”
SDG 10	Reduced Inequalities, particularly target 10.3	See Sustainability Report chapter 5 on people and development, section “diversity and equal pay” page and this Annex to Sustainability Report 2023, section 5
SDG 12	Sustainable Consumption and Production, particularly target 12.6	See Sustainability Report chapter 6 on environmental stewardship, section “ongoing shift towards financing of electromobility”
SDG 13	Climate Action, particularly 13.1	See Sustainability Report chapter 6 on environmental stewardship, section “operational environmental management”
SDG 16	Peace, Justice & Strong Institutions, particularly 16.6	See Sustainability Report chapter 7 on business integrity, section on “compliance and risk framework”

3 Supplemental information: Customer orientation

(no supplementary information)

4 Supplemental information: Quality and integrity of products and distribution

4.1 Responsible marketing campaigns

In addition to our “Policy on marketing activities and external correspondence” (see Annual Report 2023 pages 44-45 and 70) we are convinced that responsible marketing has to build trust between the company and our customers. This means that our market offering is not only profit-driven, but also reinforcing social and ethical values for the benefit of citizens. For example, we evaluate all advertising and marketing content for gender biases prior to publication and pre-test new concepts with potential audiences during development.

We integrated these elements into our outgoing marketing campaign – focusing on personal loans as financing solutions for life-cycle events, e.g. moving to a new apartment, financing a car or further education. In 2024, a new campaign will tell authentic, everyday stories, that position Cembra as a reliable and supportive partner around savings, loans and payment solutions.



For the Certo! Mastercard marketing campaigns, naturally a diverse group of persons is shown to represent the individuality and broad target group of the offering:



In the production of POS material and give aways, we carefully select suppliers and materials. Marketing materials such as e.g. brochures are now predominantly distributed in digital formats or printed on demand. CO2 emissions are compensated whenever possible.

5 Supplemental information: People and development

5.1 Employee information

Well-informed employees are important for the success of our Bank. The majority of information is shared via our intranet. There, all employees can find information such as news from Cembra and the Group or individual departments, CEO updates, human resources, internal trainings, updates on directives, supporting material or links to other helpful tools and external information. Other channels are also used such as emails, town halls or top-down communication via line managers.

5.2 Predominantly permanent employment contracts

More than 95% of our staff members are employed under Swiss law. In certain cases, employees are hired on a temporary basis, especially if they are filling in for other employees who are on leave (e.g. parental leave, sabbaticals, illness) or are working on specific projects. Temporary employees hired through recruitment agencies, generally for a few weeks or months and at short notice, are not included in this report.

5.3 Employee level structure

We have an employee level structure that fits the size of the Bank and ensures fairness and equity in attracting, retaining and engaging highly qualified talent. The levels are Employee, Senior Employee, Management and Senior Management. In addition, every role has a job code assigned.

Employee Level	Definition
Senior Management	Management Board members plus extended Management Board Members with key responsibilities.
Management	Senior people managers and specialists, key roles without leadership
Senior Employee	People manager, specialists and experienced employees
Employee	Junior specialists and professionals

5.4 Part-time work of workforce according to seniority and gender

Part-time work of workforce according to seniority and gender (headcount):

	2023	2022	2021
Men			
Senior Management	1	2	1
Management	3	3	2
Senior Employees	14	14	12
Employees	19	22	25
Total men	37	41	40
As % of all men	7.9%	8.3%	8.2%
Women			
Senior Management	2	2	2

Management	8	6	5
Senior Employees	50	42	43
Employees	117	136	145
Total women	177	186	195
As % of all women	42.5	42.2%	41.9%
Total	214	227	235
As % of all employees	24.2%	24.1%	24.6%

Definition of Senior Management as of 31.12.2023: 7 Management Board members plus 5 extended board members with key responsibilities
 Definition of Senior Management as of 31.12.2022: 7 Management Board members plus 5 extended board members with key responsibilities
 Definition of Senior Management: as of 31.12.2021: 8 Management Board members plus 4 extended board members with key responsibilities
 Cembra excluding CembraPay (former Swissbilling and Byjuno) and Cembra Technologies

5.5 Permanent and temporary contracts by gender

	2023	2022	2021
Permanent Contract			
Male	461	480	480
Female	403	440	454
Temporary contract			
Male	9	12	10
Female	13	11	11

5.6 Turnover and seniority by gender

	2023	2022	2021
Total turnover rate	16%	15%	12%
Turnover Senior Management	8%	33%	8%
Turnover Management	11%	11%	11%
Turnover Senior Employees	10%	13%	10%
Turnover Employees	20%	16%	14%
Total turnover rate	16%	15%	12%
Of which women	53%	42%	47%
Of which men	47%	58%	53%
Total average number of years of employment	10.2	7.4	9.7
Of which women	10.7	7.2	9.9

Of which men	9.7	7.5	9.4
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Cembra excluding CembraPay (former Swissbilling and Byjuno) and Cembra Technologies

5.7 Promotions and exits by gender

	2023	2022	2021
Total internal promotions	65	51	36
Of which women	45%	49%	58%
Of which men	55%	51%	42%
Total exits	144	148	129
Of which women	53%	41%	45%
Of which men	47%	59%	55%

Cembra excluding CembraPay (former Swissbilling and Byjuno) and Cembra Technologies

5.8 Mandatory and non-mandatory training

Details on mandatory and non-mandatory training are provided in the Sustainability Report, chapter 5. The total mandatory and non-mandatory training per employee was 8.0 hours in 2023 (2022: 8.1 hours)

5.9 Entries into workforce

In 2023, 50 of 103 entries (see Annual Report 2023 p 55), were recruited internally.

5.10 Gender and age of workforce according to seniority

Age and gender of workforce according to seniority (headcount):

	2023			
	Age < 30	Age 30-50	Age > 50	Total headcount
Men				
Senior Management		1	7	8
Management		39	19	58
Senior Employee	6	142	65	213
Employee	48	93	50	191
Total men	54	275	141	470
Women				
Senior Management		3	1	4
Management		13	4	17
Senior Employee	4	85	28	117
Employee	60	138	80	278

Total women	64	239	113	416
Total at 31 Dec.	118	514	254	886

For definition of Senior Management see table 5.2 Part-time work of workforce according to seniority and gender.
Cembra excluding CembraPay (former Swissbilling and Byjuno) and Cembra Technologies

	2022			
	Age < 30	Age 30-50	Age > 50	Total headcount
Men				
Senior Management		2	6	8
Management		40	17	57
Senior Employee	4	143	68	215
Employee	66	93	53	212
Total men	70	278	144	492
Women				
Senior Management		3	1	4
Management		12	5	17
Senior Employee	2	81	27	110
Employee	67	166	87	320
Total women	69	262	120	451
Total at 31 Dec.	139	540	264	943

5.11 Nationality of workforce

Nationality of workforce according to seniority (headcount):

	2023		2022		2021	
	Swiss	Non-Swiss	Swiss	Non-Swiss	Swiss	Non-Swiss
Senior Management	7	5	7	5	8	4
Management	51	24	51	23	49	22
Senior Employees	191	139	194	131	189	122
Employees	338	131	388	144	411	150
Total	587	299	640	303	657	298

For definition of Senior Management see table 5.2 Part-time work of workforce according to seniority and gender.
Cembra excluding CembraPay (former Swissbilling and Byjuno) and Cembra Technologies

5.12 Maximum working hours and paid overtime

In Switzerland, maximum working hours for employees are defined in the Swiss Federal Law on Employment in Trade and Industry (Employment Act; "Arbeitsgesetz"). Overtime is regulated in the Employment Act as well as in the Swiss Code of Obligations. Even though maximum working hours and paid overtime are topics already

covered by applicable Swiss law, Cembra has also covered these aspects in its "Working Hours Regulations" policy.

5.13 Freedom of association and facilitation of collective bargaining

Cembra respects the right of employees to form and join trade unions and employee associations. Employees who are members of a trade union or employee association are at no time disadvantaged or favoured. Cembra does not collect information on whether employees join an association or not.

All Cembra employees are employed under Swiss law, which ensures freedom of association under the Federal Constitution and the Workers' Participation Act ("Mitwirkungsgesetz"). The employee's right to form and join trade unions and employee representative bodies is additionally explicitly mentioned in Cembra's Code of Conduct. Furthermore, termination of the employment contract by the employer on the grounds that the employee belonged to an employee association or legally exercised a trade union activity is unlawful under the Swiss Code of Obligations. There are no statutory collective agreements in Switzerland, nor did Cembra voluntarily agree to one. Salaries are set during the contract negotiations and are generally based on the salaries customary in the financial industry.

5.14 Paid short-term leave for family matters, dependent care and special leave

We grant employees paid days off for various family matters, such as their own wedding, the wedding of close relatives, the death of a close family member, and moving house (see Article 38 of the Staff Regulations, which are available on request).

Our flexible work arrangements and rules governing work-time reduction generally allow employees to provide dependent care when needed. In addition, employees are entitled to get paid leave for dependent care three days off each time their children or other family members are sick (the statutory minimum in Switzerland, see Article 38 of our Staff regulations). In addition, as part of the flexible organisation of work, employees can compensate overtime and/or take leave at short notice.

Cembra offers fully paid maternity leave of 16 to 24 weeks (depending on seniority). This exceeds the legal requirement of 14 weeks. Fully paid paternity leave is 10 workdays which is also the statutory minimum in Switzerland. A statutory 14-week parental leave is granted for caring for a child with a serious health condition.

Unpaid leave (e.g. long-term elderly care) can be taken after consultation with superiors. There are no special requirements to be met in this respect.

The company provides access to onsite lactation rooms.

As a direct financial support to families, Cembra pays CHF 3,000 per year to employees if at least one child under 18 years lives in the same household (e.g. to cover a part of the costs for childcare facilities).

5.15 Healthy work environment: emergency response system

Cembra has an emergency response system. Emergency first-aiders have been appointed throughout the Group. They receive training every two years to hone their skills and stay up to date.

In this context, a Total Recordable Injury Rate (TRIR) is not applicable because Cembra is a financial services provider operating in Switzerland only.

5.16 Champions networks

There are group-wide internal networks of "Champions" in charge, including compliance and BCM topics:

- Business Continuity Champions
- CCRP (Customer complaint resolution process) Champions

- Communications Champions
- Governance Managers
- Operational Risk Champions

5.17 Additional gender-related labour practice indicators

In addition to Annual Report 2022 p 50-51 and to section 5.7 above, we provide gender-related indicators according to the Bloomberg disclosure standard.

Indicator	2023	2022	2021
Share of women in total workforce (as % of total workforce)	47.0%	47.8%	48.7%
Share of women in executive positions	14.3%	14.3%	0.0%
Share of women in all management positions, including junior, middle and top management (as % of total management positions)	32.9	32.1%	32.7%
Share of women in junior management positions, i.e. first level of management (as % of total junior management positions)	35.4%	34.0%	34.9%
Share of women in middle management positions	34.1%	32.9%	37.0%
Share of women in top management positions (as % of total top management positions)	26.8%	24.4%	25.3%
Share of women in management positions in revenue-generating functions as % of all such managers (i.e. excluding support functions such as HR, IT, Legal, etc.)	24.0%	28.9%	32.0%
Share of women (manager and non-manager) in revenue-generating functions as % of all (i.e. excluding support functions such as HR, IT, Legal, etc.)	50.3%	54.7%	55.5%
Share of women in STEM ¹ -related positions (as % of total STEM positions)	15.2	13.2%	19.3%

6 Supplemental information: Environmental stewardship

6.1 Improvements regarding used materials relating to “Operational environmental management”

Improvements relating to operational environmental management (AR pages 59-60) made in 2023:

- **LED Lamps.** In 2023, Cembra HQ replaced a significant number of conventional light bulbs with old technology

Improvements made in earlier reporting periods:

- **Eco-friendly credit card.** In July 2022 we issued the Certo! Mastercard, made from 80% recycled plastic materials to replace the old Cumulus-Mastercard credit cards which make up the lion share in the number of credit cards we issue. At the same time, the new Certo! One Mastercard was introduced, which is made from 100% recycled plastic materials. In 2021 we had issued the first

¹ STEM stands for science, technology, engineering and mathematics

recyclable credit card in Switzerland as part of the partnership with IKEA. The credit card is made from 99% recycled plastic materials and it is recyclable.

- **Server Room temperature increase:** Since November 2022, Cembra runs its Server Room temperature between 26°-29° instead of 22° - 25°. This increase is still acceptable and supports electricity saving targets.
- **Campaign to save electricity:** in November 2022, Cembra started within their employees to increase awareness about energy saving.
- **Energy-efficient IT equipment and infrastructure.** We aim to improve energy efficiency in our own operations but also strive for high standards in our value chain. By law, IT equipment has to comply with stringent standards. We dispose of old equipment through standard Swiss channels and this is included in the purchasing price. We make use of infrastructure services, and the majority of our IT infrastructure is managed and operated by Swisscom, which runs a strict environmental monitoring programme.
- **Low paper consumption:** The paper consumption declined significantly during the Covid-19 pandemic and was kept low also after the pandemic, in addition to guidelines on zero internal colour printing. We use electronic devices (e.g. laptops and video screens in meeting rooms) to a large extent, instead of printing paper for internal work. Employees are encouraged to refrain from printing documents whenever possible.
- **Free water dispensers.** At the headquarters, plastic water bottles and plastic cups were replaced with tap water dispensers in the first quarter of 2021. All employees got a sustainable water bottle from the Drink & Donate Foundation, supporting a good cause.
- **Plastic-free catering.** More sustainable catering for employees at our headquarters was implemented in 2020.

6.2 Waste disposal - no industrial or hazardous waste generation

Cembra discloses its waste disposal since FY 2019. See Sustainability Report 2023 chapter 6 for figures.

Since 2019, Cembra receives a PET recycling annual certificate from PET-Recycling Schweiz. The scope is PET bottles collected and recycled in our headquarters. In 2021, a further decrease on the kilograms recycled was caused by the lockdowns and home-office practice.

For the head quarters (covering about 75% of employees) the waste disposed is incinerated with energy recovery (see [Kehrichtverwertung - Stadt Zürich \(stadt-zuerich.ch\)](https://www.stadt-zuerich.ch/kehrichtverwertung))

The disposal of hazardous waste is regulated in Switzerland. No industrial or hazardous waste is generated by Cembra except for empty printer toner cartridges, which are sent back to the producer. We therefore do not have a hazardous waste disposal programme.

Recycled waste: In 2023, the estimated recycled waste was about 520 kg (2022: about 1,240 kg).

6.3 Fossil fuel exposures and low-carbon products

Except for our vehicle financing products, the company car fleet and our gas consumption, all of which are described in Annual Report 2022 p54-56, Cembra considers that it has no other significant exposure to fossil fuels.

Cembra classifies electric vehicles financing as low carbon products (see Annual Report 2022 page 56).

6.4 Engagement with value chain on climate-related issues is not applicable

As Cembra does not directly invest in companies, engagement with investee companies is neither relevant nor possible. The engagement with our business partners is described in the Business Partners' Principles of Conduct and in the Annual Report 2022 on Supplier standards, principles and processes section (AR 2022 pages 60-61) by our supply management principles, where also environmental and social issues are addressed.

6.5 Material environmental topics

The environmental topics climate change and energy use are considered material for Cembra. The topics water, oceans, forests/biodiversity/land use, air pollution and waste are not considered material.

6.6 Certificate "Energie-Agentur der Wirtschaft"

Cembra is participant at "Energie-Agentur der Wirtschaft" since 2009, and has committed to climate-related goals (for details see Sustainability Report 2023, chapter 2 on "Commitments, performance measures and assessment" and chapter 6 "Environmental stewardship: Aim and approach").

2024

ZERTIFIKAT

Energie-Agentur der Wirtschaft

Cembra Money Bank AG ist dabei!

Die Cembra Money Bank AG ist seit 2009 Teilnehmerin bei der Energie-Agentur der Wirtschaft und setzt sich damit für einen wirtschaftlichen Klimaschutz ein.

Cembra Money Bank AG setzt auf folgendes ENAW-Angebot

Zielvereinbarung: Das Unternehmen hat sich zu Zielen zur Steigerung der Energieeffizienz und Reduktion der Treibhausgase verpflichtet. Die Ziele werden massnahmenorientiert über zehn Jahre umgesetzt, die Zielerreichung wird jährlich überprüft.

12.02.2024



Frank Ruepp
Energie-Agentur der Wirtschaft



Rochus Burtscher
Energie-Agentur der Wirtschaft



7 Supplemental information: Business integrity

7.1 Tax policy statement

In September 2022 the Sustainability Committee approved a tax policy statement for Cembra Money Bank AG including its subsidiaries. It is published at www.cembra.ch/sustainability.

7.2 Tax policy: no tax-shifting

Cembra operates predominantly in Switzerland. Under Swiss law, a resident company is subject to income tax at the federal, cantonal and communal levels. The federal statutory tax rate is 8.5%. The cantonal and communal corporation tax rates vary.

7.3 No financial assistance received from governments

Since the IPO in 2013, including during the 2021 financial year, Cembra has not received any financial assistance from the governments of individual countries (e.g. grants, tax relief, and other types of financial benefits).

7.4 Micro finance and other international financing or sustainability approaches

Cembra is only active in consumer finance in Switzerland. Thus, micro finance or the involvement herein is not applicable. Microfinance does not exist in developed countries like Switzerland, and Cembra is operating predominantly in Switzerland. For the same reason, **other principles** or practices, including e.g. Equator Principles the risk management framework, biodiversity and ecosystems preservation practices, or exposure to areas of high water stress (WRI), industrial waste, operations affect species or national conservation list species (IUCN), deforestation policies are not applicable to the Bank.

7.5 Privacy policy – designated person

The data protection officer is part of Cembra’s compliance department and is responsible for systems and procedures relating to privacy topics.

8 Supplemental information: Community engagement

In 2023, we continued our community engagement activities with our longstanding partnerships.

Partner	Since	Activities	# employees 2023	Hours spent 2023	Impact 2023
Theodora Foundation	2015	Children in hospitals “Giggle Doctors” bring magical moments to children in hospitals, and employees co-organise a Kid’s Day.	17 (2022: 19)	140 (2022: 143)	ca. 69 dream doctors 115,900 visited children (2022:74, 115,000)
YES	2004	Business in schools Practice-oriented YES training programmes, where employees teach business-related topics at schools	5 (2022: 3)	64 (2022: 34)	123 students (2022:52)
Childhood Cancer Switzerland	2006	Childhood cancer Our employees work with affected families at two children’s holiday camps	19 (2022: 16)	270 (2022: 232)	29 families, 63 children (2022:21, 47)
Swiss Red Cross	2005	Blood drives We organise blood drives at our headquarters twice a year	118 (2022: 0)	93 (2022: 0)	47 liters blood
Pink Ribbon Charity Walk	2010	Charity Walk sponsored by Cembra for employees with their families and friends, outside working hours. Proceeds go to the Zurich Cancer League.	100 (2022: 100)	10 (2022: 15)	400 km (2022:400)

For 2023, the total cost of these activities amounted to CHF 102,000 (2022: CHF 135,000). This amount includes cash contributions, events costs and volunteers' time costs.

9 Supplemental information: Risk management

9.1 Risk culture: financial incentives incorporate risk management metrics

Financial incentives incorporate risk management metrics for management and employees. The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas (see also Annual Report 2023 page 20: "The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas."). The established risk management process comprises four core elements:

- Identification of risks across all business activities
- Assessment and measurement of risks, including stress testing
- Limitation, mitigation and transfer of risks
- Effective controls, monitoring and reporting.

Financial incentives incorporate risk management metrics for management and employees.

The Bank's corporate culture and the daily work of its employees are guided by values and qualities which are part of the regular performance discussion with all employees. With regards to control functions, the Bank ensures that the remuneration structure and goals for control functions are predominantly linked to the core duties of the functions.

- For executive management see section on "Malus and clawback of variable compensation for STI and LTI" (Annual Report 2023, page 120)
- For line managers, the Risk & Control Framework is represented as part of the goals and objectives driving the variable compensation on operational excellence.

9.2 Long-term risks

Description of long-term risks, potential impact and mitigating actions taken in light of these risks, as disclosed in the Annual Report 2023.

Long-term risk	Potential business impact of the risk in the future	Mitigating actions, as described in the public domain:
Cybersecurity risk	AR 2023 page 27: "The Group acknowledges the evolving cyber risk landscape and has therefore developed a comprehensive information security framework to effectively manage and control this type of risk"	See AR 2023 page 27: (...) This framework addresses regulatory requirements, is based on international standards and is supported by a cyber-security strategy that ensures continuous improvements. Relevant cyber threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained and continuously improved. The Group has implemented this framework with the overall goal to ensure the Group's critical data and information technology are protected. These defined technical and organisational measures include specifically training relevant staff, protection of data confidentiality, integrity and availability, and making use of vulnerability scans and penetration tests."
Reputational risk	AR 2023 page 29: "Reputational risk is the risk	AR 2023 page 29: "Reputational risk is the risk of losses resulting from damages to the Group's reputation.

	of losses resulting from damages to the Group's reputation."	The Management Board directly manages (...) reputational risk. The Management Board directly manages and supervises strategic risk, business risk and reputational risk. Recognising the fact that reputational risk can be difficult to quantify and arises as a consequence of another materialised risk, the Group manages reputational risk jointly with other risks by assessing the inherent reputational impact of those risks.
Sustainability risk	AR 2023 pages 28: "Sustainability risk is defined as the risk that the Group negatively impacts or is impacted by ESG matters including climate-related changes."	<p>See AR 2023 page 28: "Sustainability risk is defined as the risk that the Group negatively impacts or is impacted by ESG matters including climate-related changes. The management of sustainability risks is integrated into the Group's risk strategy. Related risk tolerances require the adherence to relevant standards and key stakeholder's expectations (e.g. business partners, shareholders, ESG rating agencies).</p> <p>Particularly, climate-related risks can typically be mapped into other categories of risk such as credit risk, market risk, operational risk or other risk. Consequently, climate-related risks do not necessarily represent a new risk category, but rather an underlying risk driver for a risk category or individual risk.</p> <p>The Group is committed to ensure compliance with relevant climate-related regulations and guidelines and adapts risk management practices accordingly. This includes the consideration of climate-related impacts or the assessment of climate-related risks in strategic planning and decision-making processes as well as in the assessment of all categories of risk. In particular, the assessment of existing and new risks is based, among others, also on climate-related changes impact criteria. Therefore, climate-related risk as a driver for other categories of risk is actively identified, assessed, monitored and managed.</p> <p>The Group's sustainability approach follows a multi-year roadmap considering the Group's most relevant sustainability topics. It is designed to integrate sustainability and climate-related risk considerations into its risk management framework, related policies and processes. The Group's roadmap is configured to address current and emerging regulations and builds capacity through expertise and collaboration including engagement with internal and external stakeholders and experts.</p>

Description of long-term emerging risks, potential impact and mitigating actions taken in light of these risks are the following:

Long-term emerging risk	Potential business impact of the risk in the future	Mitigating actions, as described in internal documents:
Risks related to use of Artificial Intelligence (AI) tools	"Risks related to the increasing use of AI systems or tools might lead to additional data security risks, lack of transparency or bias in decision making, might jeopardize compliance in a changing regulatory environment and	<p>The Group actively, comprehensively and systematically manages risk and promotes a strong risk and control culture across all business areas. The established risk management process comprises four core elements:</p> <ul style="list-style-type: none"> – Identification of risks across all business activities – Assessment and measurement of risks, including stress testing – Limitation, mitigation and transfer of risks – Effective controls, monitoring and reporting. <p>The Group acknowledges the evolving cyber-risk landscape and has therefore developed a far-reaching information security framework to effectively manage and control this type of risk. Relevant cyber-threats are regularly identified and assessed, and corresponding measures are considered. Specific response plans are maintained and continuously improved. The Group has implemented this framework with the</p>

	<p>can lead to fraudulent or other unwanted behaviours.”</p>	<p>overall goal to ensure the Group’s critical data and information and communication technology are protected. These defined technical and organisational measures include specifically training of relevant staff, protection of data confidentiality, integrity and availability, and making use of vulnerability scans and penetration tests.</p> <p>The Group utilizes End-User-Computing review process to regularly monitor and back-test its statistical models (e.g. scorecards) to ensure their performance remains within expected levels and, if required, changes are made to these models. In its lending activities the Group is exposed to fraud risk which is managed through comprehensive fraud detection, prevention and investigation processes and tools.</p> <p>The Group acknowledges the increasing importance of behavioural compliance related to conduct risk in the banking sector and addresses this within the provisions of the Group’s Code of Conduct. The Group has no tolerance for integrity breaches, internal fraud and other types of misconduct and will continue to apply strict consequence management measures.</p>
<p>Geopolitical risks related to conflicts</p>	<p>“Increasing or changing geopolitical risks might have direct or indirect impact on business operations, reputation or the financial position of the bank. Indirect impact might be caused by the macroeconomic consequences of geopolitical conflicts while direct impact can be related to physical locations such as Cembra Latvia SIA or location of critical third parties.”</p>	<p>The general risk management process is also applied for strategic and business risks that are caused by extraordinary events such as outbreak of pandemics, geopolitical conflicts, power supply shortages or economic downturns. The Group’s BCM framework and its crisis management procedures support the effective continuation of business operations.</p> <p>The Group has implemented a BCM programme, which involves identifying critical processes and their dependency on critical information technology and service providers. The Group’s BCM framework encompasses planning, testing and other related activities. The framework aims to ensure that business-critical functions will either continue to operate in spite of a serious incident or will be recovered to an operational state within a reasonably short period of time after such an incident occurs. In addition to its BCM framework and in the context of operational risk management the Group targets effective operational resilience in its critical functions in order to ensure robustness under consideration of severe but plausible scenarios.</p> <p>Comprehensive crisis management plans are in place and define the processes to be followed in case of a business emergency while crisis is defined as a situation that requires critical decisions and cannot be handled with ordinary measures and decision-making powers. The aim is to safeguard the continuity of the Group’s business-critical activities and to limit potential damage in the event of a significant business interruption. The status of the BCM programme and the status of the operational risk, cyber and information security framework are regularly reviewed by the RCC and a summary report is provided to the Audit and Risk Committee and the Board of Directors.</p> <p>The Group has defined a geopolitical risk response plan as mitigation measure including a Business Continuity Plan for Cembra Latvia which was updated as part of Group’s BCM and operational resilience framework.</p> <p>The Group has chosen to use service providers to support its business activities. With the implementation of policies governing this area and an ongoing monitoring process, the Group ensures compliance with relevant regulatory requirements. Before entering any material engagement with a service provider a due diligence exercise is conducted.</p>

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