# Pillar III Disclosures

**December 2024**

**Trading 212 EU GmbH**

## Content

# 1. Executive Summary

The executive summary provides an overview of the Trading 212 EU GmbH ("the firm") risk profile and key metrics, showcasing the implementation of a robust risk management framework. This framework ensures diligent oversight over the risks inherent in the firm's operations, aligning them strategically with regulatory mandates. By delineating the risks the firm is prepared to accept within its strategic vision, this report underscores the commitment to prudent risk management practices while fostering regulatory compliance.

**The Company's Total Capital (Own Funds) as at year end 2024 is €2.1m and Total Capital Adequacy Ratio ("CAR") 179.26%, which is above the regulatory minimum requirement of 100%.**

### Capital Reconciliation (Equity) & Key Figures

| €EUR | Dec 24 | Dec 23 |
|---|---|---|
| | **€'000** | **€'000** |
| **Equity as on Balance Sheet** | | |
| Share Capital | 111 | 111 |
| Retained Earnings | 1,255 | 2,189 |
| Additional paid-in capital | 585 | 585 |
| **Total** | **1,951** | **2,885** |
| **Tier 1 Capital (Own Funds)** | | |
| Investor Comp. Fund | 164 | 164 |
| Intangible Assets | 0 | -6.2 |
| AVA | 0 | 0 |
| **Total** | **164** | 157,8 |
| **K-Factor Requirement** | | |
| Total K-Factor Requirement | 145 | 120 |
| Total Capital Adequacy Ratio | **179,2%** | **112,9%** |

**The K-Factor requirement of €0,145m consisted of Risk-to-Client (€0,108m), Risk-to-Market (€0) and Risk-to-Firm (€0,037m).**

**K-Factor Requirements**

| €'000 | | Dec 24 | Dec 23 |
|---|---|---|---|
| **K-Factor Requirement** | | **€'000** | **€'000** |
| Risk to Client (RtC) | k-AUM | €0 | €0 |
| | k-CMH | €108 | €74 |
| | k-ASA | €0 | €0 |
| | k-COH | €0 | €0 |
| Risk to Market (RtM) | k-NPR | €0 | €0 |
| | k-CMG | €0 | €0 |
| Risk to Firm (RtF) | k-TCD | €0 | €0 |
| | k-DTF | €37 | €46 |
| | k-CON | €0 | €0 |
| **Total K-Factor Requirement** | | **€145** | **€120** |

**The K-Factors risk position was mainly driven by the Risk to Client(74.5 %) and then by Risk to Firm (25.5 %)**

### 1.1. Corporate Information

Trading 212 EU GmbH, is a German Investment Firm incorporated under the laws of the Federal Republic of Germany, which has its principal place of business at Bahnstrasse 47, 40878 Ratingen (Germany), and registered with the Registrar of Companies as a private limited liability company with registration number: HRB 101710 (the "Company"). The Company is regulated as a German Institute for Financial Services by the Federal Financial Supervisory Authority (BaFin) and registered under the number 10109603. The Company under its licence as a registered Institute for Financial Services in 1998 and is authorised to provide the investment services of:

- Brokerage (Section 2 (2) No. 5 WpIG)
- Investment advice (Section 2 (2) No. 4 WpIG)
- Investment brokerage (Section 2 (2) No. 3 WpIG)
- Proprietary trading (Section 15 (3) WpIG)
- Proprietary trading (Section 2 (2) No. 10 WpIG)

- Financial commission business (Section 2 (2) No. 1 WpIG)
- Financial portfolio management (Section 2 (2) No. 9 WpIG)

On the following financial Instruments:

- Transferable securities
- Units in collective investment undertakings
- Financial contracts for differences

The assets covered are stocks, exchange traded funds ("ETF") as well as contracts for difference ("CFD") on foreign exchange, commodities, indices, futures, stocks, and exchange traded funds. The Company deals with its clients as principal counterparty.

For further details on the licence information of the Company refer to

https://portal.mvp.bafin.de/database/InstInfo/institutDetails.do?cmd=loadInstitutAction&institutId=109603

### 1.2. Board of Directors Declaration

Trading 212 EU acknowledges the critical importance of robust risk management practices in ensuring the stability and resilience of our operations.

As such, we are committed to transparently disclosing our risk management framework in accordance with Pillar 3 requirements to enhance transparency, showcase accountability and foster trust and confidence among our stakeholders

The final responsibility for managing the Company's risk and determining the acceptable levels and types of risk in line with business goals lies with the Board of Directors of the firm. The Board reviews how well the Company's risk management strategies and policies are working to make sure the Company's risks are properly monitored, managed, and minimised.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

Trading 212 EU remains committed to continuously improving its risk management framework to adapt to emerging risks, and pledges to uphold the principles of sound risk management.

# 2. Introduction

### 2.1. Scope of the Report

This report, in short, and in accordance with the Investment Firms regulation 2019/2033 on prudential requirements for investment firms seeks to provide transparency to both the general public and pertinent stakeholders regarding the firm's risk management strategy, objectives and policies.

It encompasses the organisation's governance structure, the levels of regulatory capital and associate obligations, the firm's compensation policies, its investment strategy, and any pertinent environmental, social and governance (ESG) risks that could impact the firm.

### 2.2. Frequency and Verification of Disclosures

The Firm's Pillar 3 disclosures are published on an annual basis on the Company's website following completion of its annual financial statements disclosure.

The Company makes the Disclosures on a solo basis. Information in the Pillar III Risk Management Disclosures is presented in thousands of Euro ("€'000"), unless otherwise indicated.

The Disclosures were approved by the Board of Directors, verifying the adequacy of the risk management arrangements of the Company and providing assurance that the risk management systems in place are adequate and proportional to the firm's size, complexity, profile and strategy.

### 2.3. Regulatory Environment & Supervision

The Disclosures have been prepared in accordance with the following

- Part Six of Investment Firms Regulation (EU) 2019/2033 ('IFR') known as the new prudential requirements regulation for Investment Firms;
- Regulation 1423/2013 with regard to disclosure of own funds requirements;
- Investment Firms Directive (IFD): Directive (EU) 2019/2034 ('IFD') known as the new prudential requirements directive;
- Implementing Technical Standards ("ITS") on reporting requirements for investment firms regarding disclosure requirements of IFR.
- Part Three, Title IV of the Capital Requirements Regulation (EU) No 575/2013 ('CRR').

Trading 212 EU GmbH with this report intends to publicly disclose the information specified in the Article 46 of the IFR.

With regards to Capital Requirements, all CIFs under BaFin´s authority must meet the requirements with respect to capital adequacy and market discipline, as per the below legal framework:

- German Securities Trading Act (hereafter "the Law")

- The German Securities Institutions Act (hereinafter 'WpIG')
- Investment Firm Act Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation - CRR)
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV – CRD IV)
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (Investment Firms Regulation - IFR)
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (Investment Firms Directive - IFD)

# 3. Risk Management Objectives & Policies

### 3.1. Risk Management Framework and Governance

Managing risk effectively in a multifaceted organisation, operating in a continuously changing risk environment, requires a strong risk management function. To this end, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits and complies with the relevant legislation. In this respect, the Board and Senior Management of the Company are satisfied that the Risk Management framework is appropriate given the risk profile of the Company and its strategy.

The management and BoD recognize that risk is embedded in all activities of the Company. Hence the Company supports the implementation of a risk management framework, as described in the following section. In this respect, the Company has established relevant Risk Appetite and Risk procedures. The BoD and the Management accept a required level of risk to achieve the required level of return, considering the risk identification assessment procedures performed.

The following diagram outlines Trading 212 EU´s governance framework and the role of Risk within the overall structure.

**Governance Framework**


- Trading 212 EU has waived the establishment of committees in accordance with applicable law. Risk management is carried out through ongoing or ad hoc reports from the individual departments directly to the management.

### 3.2. Own Funds Requirements

The Company makes sure that at all times has its own funds equal to at least 100% of the Total Capital Requirements. Further analysis of the Own funds composition can be seen at the Own Funds section of the Disclosures.

The Total Capital Requirements are defined as the highest of the following:

- The fixed overhead requirement (25% of the Fixed Overheads);
- The permanent minimum capital requirement (€750k); and
- The K-factor requirement.

*Table 1: Capital Adequacy / Own Funds Requirements*

| | 31/12/2024 | 31/12/2023 |
|---|---|---|
| | Amount in Euro | Amount in Euro |
| | €'000 | €'000 |
| **CET1 Capital** | 2,109 | 1.790 |
| **Tier 1 Capital** | 2,109 | 1.790 |
| **Total Capital** | 2,109 | 1.790 |
| Permanent Minimum Capital (PMC) | 750 | 750 |
| **Fixed Overhead Requirement (FOR)** | 1,176 | 1,731 |
| Total K-Factor Requirement (KFR) | 145 | 120 |
| Requirement Used | FOR | FOR |
| Total Own Fund Requirement | 1,176 | 1,731 |
| Total Ratio | 179.3% | 112.9% |
| CET1 Ratio | 179.3% | 112.9% |

The K-factor requirement shall amount to the sum of the own fund requirements emanating from the following K-factors:

- Risk to Client (RtC);
- Risk to Market (RtM); and
- Risk to Firm (RtF).

*Table 2: Minimum Capital Requirements*

| **Minimum Capital Requirements** | | **As at 31/12/2024** | **As at 31/12/2023** |
|---|---|---|---|
| **K-Factor Requirement** | | **€'000** | **€'000** |
| Risk to Client (RtC) | k-AUM | €0 | €0 |
| | k-CMH | €108 | €74 |
| | k-ASA | €0 | €0 |
| | k-COH | €0 | €0 |
| Risk to Market (RtM) | k-NPR | €0 | €0 |
| | k-CMG | €0 | €0 |
| Risk to Firm (RtF) | k-TCD | €0 | €0 |
| | k-DTF | €37 | €46 |
| | k-CON | €0 | €0 |
| **Total K-Factor Requirement** | | €145 | €112 |
| **Fixed Overhead Requirement** | | €1,176 | €1,731 |
| **Permanent Minimum Capital Requirement (PMCR)** | | €750 | €750 |
| **Total Own Funds Requirement** | | €1,176 | €1,731 |

### 3.3. Fixed Overhead Requirement

As per Article 13 of the IFR, the Fixed Overhead Requirement (FOR) is the amount that the Firm is required to hold as eligible capital and is equal to at least one quarter of the investment firm's fixed overheads for the preceding year. Under IFR it is required to report the Fixed Overhead Requirement on a quarterly basis.

### 3.4. Liquidity Risk and Requirement

Liquidity requirement in the scope set out by the IFR and IFD corresponds to the risk that the Company may not be able to meet its cash needs and/or other obligations. In addition to that BaFin has the power to impose additional or specific liquidity requirements if it deems that elements of liquidity risk are not sufficiently covered.

Liquidity risk may emerge in the form of insufficient liquid assets to meet liabilities as they fall due. Another source of liquidity risk is liquidity providers increasing their margin requirements, during periods of high market volatility, requiring additional funds. Inability of matching the margin requirements, will result in closure of open positions and inability to hedge effectively.

As per Article 43 of the IFR, Liquidity Requirement is the amount that the Firm is required to hold as liquid assets and is equal to at least one third of the investment firm's fixed overhead requirement, the calculation of the fixed overhead requirement is explained at the related section of the Disclosures.

- The Company hold liquid assets in the form of Unencumbered short-term deposits at credit institutions. The Company has put in place a Liquidity Risk Management Framework and is monitoring on a daily basis a suite of liquidity thresholds to manage its liquidity adequacy based on the appetite set.

Based on the relevant calculations in the Company's capital requirements, the Liquidity requirement as at 31 December 2024 was €392,142.42

### 3.5. Stress Testing

Trading 212 EU utilises stress testing as part of the core capital management and risk governance approach linking the results with the firm's appetite and risk profile. Stress testing is carried out from both a capital and a liquidity perspective, enabling oversight over the firm's exposures and guiding effective decision making.

# 4. Principal Business Risks

### 4.1. Risk to Client

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

**Client Money Held - Segregated**

Client Money Held ('CMH') means the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm.

Risk Mitigating Measures

The Company holds clients' funds as part of its day-to-day operations. As such, it maintains policies and processes in place to ensure that client funds are not commingled with the Company's own funds in accordance with § 84 Germany Trading Securities Act.

Furthermore, the Company follows the guidelines set in the Article 15 and Article 18 of the IFR for the calculation of the K-CMH requirement.

Under the IFR guidelines the own funds requirements for K-CMH segregated is equal to the 0.4% of the rolling average of the value of the total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months and is the arithmetic mean of the daily values from the remaining six months.

Based on the relevant calculations in the Company's capital requirements, the figure calculated shows that the Company's K-CMH - Segregated, as a part of the Risk to Client as at 31 December 2024 is €107,944.26.

### 4.2. Risk to Firm

Daily Trading Flow

Daily Trading Flow ('DTF') means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled.

The Company follows the guidelines set in the Chapter 4 Section 2 of the IFR for the calculation of the K-DTF requirement.

Under the IFR guidelines the own funds requirements for K-DTF is equal to the rolling average of the value of the total daily trading flow, measured throughout each business day over the previous nine months, excluding the three most recent months and is the arithmetic mean of the daily values from the remaining six months.

DTF shall be measured as the sum of the absolute value of buys and the absolute value of sells for both cash trades and derivatives in accordance with the following:

(a) for cash trades, the value is the amount paid or received on each trade and the coefficient for the calculation of the K-DTF is 0.1%
(b) for derivatives, the value of the trade is the notional amount of the contract and the coefficient for the calculation of the K-DTF is 0.01%

Based on the relevant calculations in the Company's capital requirements, the K-DTF as part of the Risk to Firm as at 31 December 2024 was Cash Trades €13,428.69 and Derivative Trades €23,868.14.

<u>K-Concentration Risk</u>

Concentration Risk means the exposures in the trading book of the investment firm to a client or a group of connected clients the value of which exceeds the following limits

(a) An investment firm's limit with regard to the concentration risk of an exposure value with regard to an individual client or group of connected clients shall be 25 % of its own funds.
(b) Where that individual client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit with regard to concentration risk shall be the higher of 25% of the investment firm's own funds or EUR 150 million.

Where the limits referred above are exceeded, the Company is obliged to notify BaFin and German Federal Bank.

Under the IFR Part four the own funds requirements for K-CON is equal to the aggregate amount of the own funds requirement calculated for each client or group of connected clients of the total individual excess multiplied with the appropriate factor as per Article 39.

As at December 31 2024, no trading book exposures to individual clients or groups of connected clients was exceeding the limit set at 25% of the Company's own funds.

Furthermore the Company monitors the exposure value of the K-CON on a daily basis as well as monitoring for any trends that could leave it with a materially different own funds requirement than the minimum level set by the IFR.

### 4.3. Residual and Other Risks and Mitigating Controls

Implementing an efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates. The Company's risk management is supervised at the highest level to be compliant with the regulations enforced by BaFin and the European regulatory framework.

Apart from the aforementioned risks that were introduced in the K-Factor framework by the new prudential requirements regulation, the said IFR/IFD Regulation and Directive, as part of the Disclosures we will also refer to the following risks. Although the risks mentioned below are interconnected with the K-Factors, for the purpose of the Disclosures we will separate them in order to be able to capture any residual components not included in the regulatory perspective of risks.

The Company operates in the financial services industry and considers the below risks as the most important, hence they are continuously monitored in order to be mitigated if required:

- Credit risk;
- Market risk;
- Operational risk;
- Compliance risk;
- Money Laundering and Terrorist Financing Risk;
- Information Communication and Technology Risk;
- Reputational risk;
- Strategic/Business risk;
- Reputational Risk; and
- Group Risk.

<u>Credit risk</u>

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. It mainly arises by the Company's deposits in credit and financial institutions and by assets held from debtors or prepayments made.

Although the capital requirement of Credit Risk has been essentially removed from the own funds requirement reporting under IFR, the company continues to consider Credit Risk as a key risk category under its broader risk management approach and it follows various credit risk mitigation strategies in order to minimise the possibility of occurrence of this risk, such as:

- All Client funds are held in segregated accounts, separated from the Company's funds.
- The Company maintains a process of regular credit review of counterparties, identifying the key risks faced and reporting them to the Board of Directors, ensures that an appropriate amount of capital is maintained.
- Further to the above, the Company strives to diversify credit risk and to limit the amount of credit exposure (concentration risk) to any counterparty, at all times.

Market Risk

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. The market risk calculation has remained essentially the same with CRR and the IFR refers to the CRR regulation for its measurement, reporting and monitoring.

The Company monitors its market risk exposures regularly and additionally reports them on a quarterly basis to BaFin, as per the Net Position Risk (NPR) method of the K-Factor Requirement of IFR (see Risk to Market section for more information).

Operational Risk

Operational risk corresponds to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss.

The Company has in place processes, management tools and a control infrastructure to enhance the Company-wide control of its operational risk. These include, among others, specific procedures, permanent supervision, business continuity plans, and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

The following list is the level 1 risk categories included in the operational risk management framework

- Internal Fraud: risk of misappropriation of property, breach of regulation, breach of company policies, bribery
- External Fraud: risk of misappropriation of property, acts of defraud by a third party
- Employment Practices and Workplace Safety: risk of discrimination, employee health and safety, employee compensation
- Consumer Protection, Market Integrity and Effective Completion: risk of negative impact to clients, counterparties and the market
- Clients Assets: risk of breach of regulatory requirements for safeguarding client funds and financial instruments in the course of business

- Damage to Physical Assets: risk arising from loss or damage to physical assets from natural disaster or other events.
- Business Disruption and System Failures: risk arising from disruption of business or system failures.
- Execution, Delivery and Process Management: risk arising from failed transaction processing.

Compliance risk

Compliance risk corresponds to the risk of legal, administrative or disciplinary sanctions or material financial losses, arising from failure to comply with the provisions governing the Company's activities. Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all its counterparties, employees, and shareholders.

The Compliance Officer verifies that all laws, regulations and principles applicable to the Company's services are observed, and that all staff respect the codes of good conduct and individual compliance.

The Company has in place a Compliance monitoring Program ("CMP") which embeds various monitoring techniques. Following the application of the CMP, the Compliance Officer assesses the risk level of the findings and provides recommendations on the areas that need improvement to the Board of Directors.

Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or be involved in financing terrorism. The Company has in place policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

A risk-based approach that involves specific measures and procedures in assessing, identifying and managing the Money Laundering and Terrorist Financing risks faced by the Company.

Adequate Client due diligence and identification procedures.

Minimum standards of quality of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information).

Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth.

Monitoring and reviewing the business relationship with clients and potential clients of high-risk countries.

Ensuring that the Company's personnel receive the appropriate training and assistance.

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure top level compliance with the applicable legislation.

Information Communication and Technology Risk

Information Technology (IT) risk is the risk that a threat or potential threat will be able to exploit Trading 212 EU´s's information technology and related infrastructure, causing harm to the organisation.

The Company implemented technical and organisational controls to reduce Cyber and Data Security Risks. These include dedicated internal team led application security testing, vulnerability management, a company wide training and phishing threat simulation programme, logical access controls, advanced endpoint threat protection, a dedicated cyber threat intelligence team, monitoring and alerting across our key infrastructure and systems, security due diligence and monitoring of third parties as well as regular external penetration testing and audits.

Strategic/Business Risk

Business risk arises because capital is risk sensitive and may vary as business cycles and conditions fluctuate over time.

Strategic risk is the risk that internal and external events may make it difficult, or even impossible, for the Company to achieve its objectives and strategic goals. Moreover, failed business decisions may strategically place the Company in an adverse position against the business at risk.

Business risk includes the current or prospective risk to Company's performance and capital, arising from changes in the business environment such as the deterioration in economic conditions.

The Company takes into consideration economic and market forecasts and monitors on a regular basis the business initiatives of potential competitors in order to maintain proper competitive edge, thus minimising the Company's exposure to business risk to a certain degree. The Company operates in a highly competitive environment, nevertheless is well positioned in the international Equity brokerage services industry by offering high quality in its client service, coupled with a large and diverse product offering and speed of execution to provide value to every single client it serves.

Reputation Risk

Reputation risk is the risk that adverse media create a negative perception of the image of the Client by its clients, counterparties, shareholders, or regulators and may impact the profitability and the capital. Reputation risk could be triggered by poor client service, fraud or theft, regulatory fines, litigation action, negative publicity relating to the Company's operations and loss of one or more of Company's key directors.

The Company has policies and procedures in place when managing with client complaints to provide the best possible assistance and accommodate clients' complaints in the best way. Moreover, the Company monitors reputational metrics on a regular basis to ensure appropriate action should be taken in case of adverse impact.

<u>Group Risk</u>

Group risk may arise as an adverse impact from the relationships of the Company with other entities in the group. The Company relies on certain services from other entities of the Group. Moreover, the reputation of the Company is highly correlated with other entities in the group. The Company manages group risk by aligning its strategy on reputational objective ensuring compliance and setting customers interest as a top priority.

# 5. Governance Arrangements

In line with regulatory requirements, the company has decided not to set up committees. Instead, it is the task of the Executive Board to respond to the identified risks in order to ensure effective, efficient and timely management of these risks. The ultimate responsibility for risk management lies with the Executive Board.

## 5.1. The Board of Directors

Risk management is embedded in the Company's strategy and decision-making process. The Board comprehends and abides by the multidimensional nature of risk. The BoD's responsibility against risk management is to set the risk appetite and ensure that the risk management framework is appropriate and effective.

The BoD ensures, on an ongoing basis, that the risk management framework in place adequately monitors the process of identifying, evaluating, managing and reporting the risks faced. The BoD reviews and challenges the systems and controls in place. Policies and procedures relating to risk management are presented and approved by the BoD as the ultimate risk responsibility is borne by the BoD. The Company and its shareholders rely on a strong Board of Directors, hence they carefully evaluate the recruitment of all Directors and ensure appropriate succession planning. The persons proposed for the appointment need to have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and most importantly emphasis is given on their commitment in terms of time and effort. Internal Capital Adequacy Risk Assessment Process

The Internal Capital Adequacy and Risk Assessment Process requires institutions to identify and assess risks, maintain enough capital to face these risks and apply appropriate risk-management techniques to maintain adequate capital and liquidity on an ongoing and forward-looking basis, i.e., internal capital and liquidity supply to exceed internal capital and liquidity demand.

### 5.2. Diversity Policy

Article 48 of the IFR mandates Investment Firms to have a diversity policy for the selection of management body members. The Company recognizes the value of a diverse and skilled workforce and management body, linking to better economic performance and positive social impact, and has established a diversity policy in relation to the management body and all employees.

The policy aims to engage a broad set of qualities and competences, achieve a variety of views and experiences and facilitate independent opinions and sound decision making within the management body in order to achieve an inclusive and collaborative workplace culture that will provide sustainability for the organisation into the future.

The following factors for the management body members selection are considered:

- Integrity, honesty and the ability to generate public confidence;
- Knowledge, skills and experience with financial institutions ("fit-and-proper");
- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subjects;
- Time commitment expected by the members; and
- Diversity principles considered.

### 5.3. Directorships

According to Article 48 of the IFR, investment firms shall disclose, at least on an annual basis, the number of directorships held by the members of the management body. All the Company's Directors have been approved by BaFin.

### 5.4. Risk Appetite

Risk appetite expresses the level of risk that the Company is willing to assume within its risk capacity in order to achieve the business objectives, as defined by a set of minimum quantitative metrics and qualitative standards.

Risk capacity is defined as the maximum level of risk the Company can assume in both normal and distressed situations before breaching regulatory constraints and its obligations to stakeholders.

Risk appetite sets out the overall attitude to risk, the ranges and limits of acceptable risk taking. It is an integral element in business planning, to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.

Throughout the year, the Company's risk profile has remained within normal/acceptable levels despite being a challenging year due to geopolitical events and macroeconomic factors, such as Russian-Ukraine war, inflationary pressures and interest rates rising.

### 5.5. Risk Governance & Three Lines of Defense

The Company's business model requires the identification, assessment, measurement, aggregation and management of the risks, and the allocation of capital among the business. Risk and capital are managed via a framework of principles and measurement and monitoring processes that are closely aligned with the activities of the Company.

<u>Lines of Defences</u>

The Company operates a Three Lines of Defense ("3LoD") risk management model.

- **The 1st Line of Defense ("1st LoD")** are all the business divisions and services who have responsibility for managing risk on a day to day basis. They are responsible for maintaining effective internal controls and for carrying out risk and control procedures on a day-to-day basis. They also ensure that the business operates within the risk appetite set by the board. Upon emergence of new threats, it is the responsibility of the senior management to inform the other lines of defence as well as the BoD;
- **The 2nd Line of Defense ("2nd LoD")** are all the independent risk and control functions, who oversee, support, monitor and report risks. These are the Risk management Function, the Compliance Function and the Anti-Money Laundering Function. The 2nd line is responsible for providing oversight and challenge of the first line's day-to-day management, monitoring and reporting of risks to both senior management and governing bodies. The Risk Management Function sets the Risk Appetite framework and is responsible for

devising the suite of policies as necessary, for independently monitoring the risk profile and for providing additional assurance where required; and

- **The 3rd Line of Defense ("3rd LoD")** is the Internal Audit function, which is mandated to provide independent challenges to the first and second lines of defence. Internal Audit assures the effectiveness of the risk governance framework by undertaking on-site inspections to ensure that the responsibilities of each function are discharged properly (i.e soundly, honestly and professionally) as well as review the Company's relevant policies and procedures. Internal Audit must work closely with both the First and Second lines of defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

All 3 LoD are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.

# 6. Regulatory Capital (Own Funds)

Capital Adequacy Risk is the risk that the Company will not comply with capital adequacy requirements or may not be able to continue as a going concern. The primary objective of the Company with respect to capital management is to ensure that the Company complies with the imposed capital requirements of Part two of the IFR. In this regard, the Company must have eligible own funds which are always more than its minimum capital requirements. BaFin and the IFR require every CIF to maintain a minimum ratio of capital to own fund requirement of 100%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total own fund requirements.

During 2024 the Company has been operating under the new prudential framework set out by the IFR and IFD. The Senior Management as well as the Risk Manager monitor such reporting and have policies and procedures in place to assist in meeting the specific regulatory requirements. This is achieved through the preparation (on at least monthly basis) of management accounts to monitor the financial and capital position of the Company. The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

The Company has met its capital requirement as of 31 December 2024 taking into account the above legislation. The principal form of Tier 1 capital include:

- Share capital comprised of fully paid ordinary shares, of nominal value of €1 each; and
- Retained earnings and other reserves.

There was no Tier 2 capital as at 31 December 2024

The following tables have been prepared using the format set out in the implementing technical standards for the application of the IFR with regard to supervisory reporting and disclosures of investment firms.

*Table 4: EU IF CC1.01 Composition of regulatory own funds*

| **Own Funds Disclosure Template** | **As at December 2024** | |
|---|---|---|
| **Common Equity Tier 1 (CET1) capital: instruments and reserves** | **Amount €'000** | **Source of the balance sheet in the audited financial statements** |
| **OWN FUNDS** | 2,109 | Liabilities item 7) + 6) less assets item 7d) & 4a) |
| **TIER 1 CAPITAL** | 2,109 | Liabilities item 7) + 6) less assets item 7d) & 4a) |
| **COMMON EQUITY TIER 1 CAPITAL** | 2,109 | Liabilities item 7) + 6) less assets item 7d) & 4a) |
| Fully paid up capital instruments | 111 | Liabilities item 7a) |
| Share premium | 385 | Liabilities item 7b) |
| Retained earnings | 1,255 | Liabilities item 7ca) |
| Accumulated other comprehensive income | | |
| Other reserves | 200 | Liabilities item 7b) |
| Minority interest given recognition in CET1 capital | | |
| Adjustments to CET1 due to prudential filters | | |
| Other funds | | |
| (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | -6 | Assets item 4a) |
| (-) Own CET1 instruments | | |
| (-) Direct holdings of CET1 instruments | | |
| (-) Indirect holdings of CET1 instruments | | |
| (-) Synthetic holdings of CET1 instruments | | |
| (-) Losses for the current financial year | | |
| (-) Goodwill | | |
| (-) Other intangible assets | -6 | Assets item 4a) |
| (-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities | | |
| (-) Qualifying holding outside the financial sector which exceeds 15% of own funds | | |
| (-) Total amount of qualifying holdings in companies other than financial sector entities that exceeds 60% of own funds | | |
| (-) CET1 instruments of financial sector entites where the institution does not | | |

| | | |
|---|---|---|
| have a significant investment | | |
| (-) CET1 instruments of financial sector entities where the institution has a significant investment | | |
| (-)Defined benefit pension fund assets | | |
| (-) Other deductions | | |
| CET1: Other capital elements, deductions and adjustments | 164 | Liabilities item 6) |
| **ADDITIONAL TIER 1** | | |
| Fully paid up, directly issued capital instruments | | |
| Share premium | | |
| (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | | |
| (-) Own AT1 instruments | | |
| (-) Direct holdings of AT1 instruments | | |
| (-) Indirect holdings of AT1 instruments | | |
| (-) Synthetic holdings of AT1 instruments | | |
| (-) AT1 instruments of financial sector entities where the institution does not have a significant investment | | |
| (-) AT1 instruments of financial sector entities where the institution has a significant investment | | |
| (-) Other deductions | | |
| Additional Tier 1: Other capital elements, deductions and adjustments | | |
| **TIER 2 CAPITAL** | | |
| Fully paid up, directly issued capital instruments | - | |
| Share premium | | |
| (-) TOTAL DEDUCTIONS FROM TIER 2 | | |
| (-) Own T2 instruments | | |
| (-) Direct holdings of T2 instruments | | |
| (-) Indirect holdings of T2 instruments | | |
| (-) Synthetic holdings of T2 instruments | | |
| (-) T2 instruments of financial sector entities where the institution does not have a significant investment | | |
| (-) T2 instruments of financial sector entities where the institution has a significant investment | | |
| Tier 2: Other capital elements, deductions and adjustments | | |

**Multiplied by 0.1% as per Additional Valuation adjustment methodology in line with IFR Article 9 and CRR Article 34*

*Table 5: EU IF CC2: Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements*

| **Reconciliation of regulatory own funds to balance sheet in the financial statements** | **Balance sheet as in published/ audited financial statements** | **Cross reference to EU IF CC1** |
|---|---|---|
| | **As at 31 Dec 2024** | |

| | | | €'000 | |
|---|---|---|---|---|
| **Assets - Breakdown by asset classes** | | | | |
| | **Current Assets** | | | |
| 1 | loans and advances to banks | 929,943 | 930 | |
| 2 | receivables from customers | 1,751,313 | 1,751 | |
| 3 | fiduciary assets | 19,205,470 | 19,205 | |
| | **Total Current Assets** | | 21,886 | |
| | **Non-Current Assets** | | | |
| 4 | intangible assets | 8 | 0,008 | 12, 19 |
| 5 | property, plant and equipment | 36,122 | 36 | |
| 6 | other assets | 93,171 | 93 | |
| 7 | prepaid expenses and deferred charges | 27,518 | 28 | |
| | **Total Non-Current Assets** | | 157 | |
| | **Total Assets** | | 22,043 | |
| **Liabilities - Breakdown by liability classes** | | | | |
| | **Current Liabilities** | | | |
| 1 | liabilities to banks | 2,180 | 2 | |
| 2 | amounts due to customers | 143,159 | 143 | |
| 3 | fiduciary liabilities | 19,205,470 | 19,205 | |
| 4 | other liabilities | 206,761 | 207 | |
| | **Total Current Liabilities** | | 19,557 | |
| | **Non-Current Liabilities** | | | |
| 5 | provisions | 235,057 | 235 | |
| 6 | fund for general banking risks | 164,000 | 164 | 27 |
| 7 | Shareholders' equity | | | |
| 7a | Share capital | 110,988 | 111 | 4 |
| 7b | Capital reserves | 585,012 | 585 | 6 |
| 7c | Retained earnings | 1,255,179 | 1,255 | |
| 7d | Accumulated profits | 135,737 | 136 | |
| | Total shareholders' equity | 2,086,917 | 2,087 | |
| | **Total Non-Current Liabilities** | | 2,486 | |
| | **Total Liabilities** | | 22,043 | |

*Table 6: EU IF CCA: Own funds: main features of own instruments issued by the firm*

| | |
|---|---|
| Issuer | Trading 212 EU GmbH |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| Public or private placement | N/A |
| Governing law(s) of the instrument | DE |
| Instrument type (types to be specified by each jurisdiction) | Share capital |
| Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | 0 |

| | |
|---|---|
| Nominal amount of instrument | €1.00 |
| Issue price | €0 |
| Redemption price | N/A |
| Accounting classification | Share capital |
| Original date of issuance | N/A |
| Perpetual or dated | Perpetual |
| Original maturity date | N/A |
| Issuer call subject to prior supervisory approval | N/A |
| Optional call date, contingent call dates and redemption amount | N/A |
| Subsequent call dates, if applicable | N/A |
| *Coupons / dividends* | N/A |
| Fixed or floating dividend/coupon | N/A |
| Coupon rate and any related index | N/A |
| Existence of a dividend stopper | N/A |
| Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| Existence of step up or other incentive to redeem | N/A |
| Non Cumulative or cumulative | N/A |
| Convertible or nonconvertible | N/A |
| If convertible, conversion trigger(s) | N/A |
| If convertible, fully or partially | N/A |
| If convertible, conversion rate | N/A |
| If convertible, mandatory or optional conversion | N/A |
| If convertible, specify instrument type convertible into | N/A |
| If convertible, specify issuer of instrument it converts into | N/A |
| Write-down features | N/A |
| If write-down, write-down trigger(s) | N/A |
| If write-down, full or partial | N/A |
| If write-down, permanent or temporary | N/A |
| If temporary write-down, description of write-up mechanism | N/A |
| Non-compliant transitioned features | N/A |
| If yes, specify non-compliant features | N/A |
| Link to the full term and conditions of the instrument (signposting) | N/A |

# 7. Remuneration Policy

### 7.1. Remuneration Policy

Remuneration refers to payments or compensations received for services or employment. In order to comply with the relevant provisions of the new regulatory framework IFR/IFD, the Commission Delegated Regulation (EU) 2021/2154 with regard to regulatory technical standards specifying appropriate criteria to identify categories of staff whose professional activities have a material impact on the risk profile of an investment firm or of the assets that it manages, the revised EBA Guidelines on sound remuneration under IFD issued on November 22, 2021 (EBA/GL/2021/13) and the Commission Delegated Regulation 2021/2155 supplementing IFD regarding variable remuneration issued on August 13, 2021, the Company is currently updating its Remuneration Policy.

The Company's remuneration system includes the base salary and bonuses or other economic benefits that an employee or executive may receive during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF's size, internal organisation and the nature, scope and complexity of its activities and in adherence with applicable regulatory requirements.

The Company's remuneration policy is designed to regulate the benefits of all employees with particular focus on those categories of staff whose professional activities have a material impact on its risk profile, such as the Senior Management, Heads of the Departments and the members of the Board of Directors. In the case of the latter, the remuneration policy is designed in such a way as to provide the right incentives to achieve the key business aims of the Company.

### 7.2. Fixed and Variable Remuneration

Remuneration of Trading 212 EU employees is constituted of both a fixed component and a variable component. Remuneration is determined on the basis of an employee's role, responsibilities, educational level, experience and performance and best market practices. The fixed component of the remuneration is reviewed at least on an annual basis. The determination for the variable component takes into account both qualitative and quantitative criteria, the performance of the individual, the performance of the business unit and the overall results of the firm.

Fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

The Company complies with the general requirements for the ratio between fixed and variable remuneration set out in section 46 Securities Institutions Act and the

Remuneration Ordinance for Securities Institutions setting appropriate ratios between the variable and the fixed component of the total remuneration while considering the business activities of the Company and its associated risks, as well as the impact that different categories of staff have on the risk profile of the investment firm. In this regard, the variable component does not exceed the 100% of the fixed component of the total remuneration of each individual at any point, while the fixed component consists of a high proportion to the total remuneration.

Moreover, IFD derogation as per Article 32(4) states the following: Points (j) and (l) of paragraph 1 and the third subparagraph of paragraph 3 shall not apply to: a) an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year; b) an individual whose annual variable remuneration does not exceed EUR 50 000 and does not represent more than one fourth of that individual's total annual remuneration.

In this context, it is noted that the Company does not benefit from the firm-wide derogation under point (a), as its average asset size exceeds EUR 100 million over the indicated four-year period. However, the Company does benefit from the staff-level derogation under point (b), as all identified staff meet the criteria in respect of their annual variable remuneration. Accordingly, the deferral and pay-out in instruments requirements under Article 32(1)(j) and (i) are not applied for identified staff.

### 7.3. Gender Neutrality

In accordance with applicable regulatory requirements, Trading 212 EU has developed a remuneration policy promoting gender neutrality, ensuring that all aspects of the remuneration policy are gender neutral, including the award and pay-out conditions for remuneration. Specifically, as per EBA GL 2021/13 Art 27, remuneration is dependent on objective and gender neutral criteria such as:

- Educational and professional background;
- Place of employment and living costs;
- Hierarchical level of the staff and managerial responsibilities;
- Scarcity of staff available for specialised positions; and
- Appropriate benefits, including the payment of additional household and child allowances to staff with spouses and dependent family members.

# 8. Investment Policy

According to paragraph 1 of Article 52 (EU) 2019/2033 "IFR", investment firms which do not meet the criteria referred to in point (a) of Article 32(4) of Directive (EU) 2019/2034 disclose the following in accordance with Article 46 of this Regulation:

- The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
- A complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
- An explanation of the use of proxy advisory firms;
- The voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2.

Article 52 paragraph 2 of the IFR states that the investment firm referred to in paragraph 1 shall comply with that paragraph only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5 % of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.

As at 31st December 2024 the Company did not hold any voting rights that would meet the criteria stated in article 52 (2) of IFR and therefore no disclosures regarding investment policy were made.

# 9. Environmental, Social and Governance Risks

## 9.1. Regulatory Requirements

In accordance with Article 53 of the IFR, investment firms, which do not meet the criteria referred to in Article 32 (4) of the IFD, shall disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in Article 35 of the IFD. The following should be disclosed:

- Definition of ESG risks, including physical risks and transition risks related to the transition to a more sustainable economy, and, with regard to transition risks, including risks related to the depreciation of assets due to regulatory change, qualitative and quantitative criteria and metrics relevant for assessing such risks, as well as a methodology for assessing the possibility of such risks arising in the short, medium, or long term and the possibility of such risks having a material financial impact on an investment firm;
- An assessment of the possibility of significant concentrations of specific assets increasing ESG risks, including physical risks and transition risks for an investment firm;

- A description of the processes by means of which an investment firm can identify, assess, and manage ESG risks, including physical risks and transition risks; and
- The criteria, parameters and metrics by means of which supervisors and investment firms can assess the impact of short-, medium- and long-term ESG risks for the purposes of the supervisory review and evaluation process.

### 9.2. ESG Risks

ESG risks refer to an environmental, social, or governance event or condition that could cause an actual or potential material negative impact on the investment firm's operations, counterparties, or clients. ESG risks usually materialise through the traditional categories of financial risks (i.e., capital and liquidity risk, credit risk, market risk, operational risk, and reputational risk).

Environmental Risk

Environmental factors can be categorised as (1) physical risks, which emanate from the physical effects of climate change, natural resource depletion, and pollution, which can have an adverse financial impact on the Company, on its invested assets, or on its counterparties, or (2) transition risks, which relate to the risks posed by transitioning to a more sustainable economy such increasing regulatory requirements imposed by regulators, which may expose Trading 212 EU to regulatory risk if non-compliant, increasing pressure for ESG trading and investing options and related research and data to meet client demand, relevant technological innovation, legal implications and reputational impacts.

Social Risk

The risk of a social factor, including but not limited to client protection, employee relationships, human rights, labour standards, and community relations issues, which may have an adverse financial impact on the company, on its invested assets, or on its counterparties.

Trading 212 EU may also be adversely impacted as a result of its own operations by failing to comply with regulatory requirements and/or industry standards such as safety and health in the workplace, inclusivity, and gender equality, which may manifest through reputational risk and conduct risk.

Governance Risk

The risk of a governance factor such as risk management and strategy, transparency, management of conflicts of interest, board composition, ethical considerations and internal communication of critical issues, executive compensation, and corruption resulting in an adverse financial impact on the company, on its invested assets, or on its counterparties

Governance risk may also manifest through Trading 212 EU's own operations as reputational and conduct risk.

### 9.3. ESG Risk Management Framework

At Trading 212 EU we recognise the importance of Environmental, Social, and Governance (ESG) factors in safeguarding our client's interests, ensuring business success, maintaining responsible operations, and contributing towards a sustainable financial ecosystem.

Trading 212 EU has recently initiated the development and implementation of an ESG Framework, highlighting our commitment to aligning our core values with sustainable business practices. The framework outlines our approach to identifying, assessing, and mitigating ESG risks, ensuring that ESG factors are appropriately incorporated into our strategies and operations. Specifically, the ESG framework shall provide a pictured approach for:

(a) An appropriate **governance structure** with regards to the management of ESG risks and objectives;

(b) Relevant ESG **risk identification processes** and **risk assessment criteria;**

(c) Effective **risk mitigation strategies** for addressing any ESG related risks posed to the firm; and

(d) Appropriate mechanisms for the **monitoring and reporting** of ESG risk exposures.

Risk Identification & Assessment

ESG Risk Identification refers to the identification and assessment of how Environmental, Social and Governance risks materialise and manifest through the traditional categories of financial risks (i.e capital risk, liquidity risk, market risk, credit risk, operational risk etc.)

In order to appropriately identify and assess potential ESG risks, Trading 212 EU has initiated the development and implementation of ESG risk assessment criteria throughout the Risk Management Framework in order to systematically evaluate ESG risk factors. ESG Risk Assessment Criteria have already been implemented in:

- The KRIs monitoring and reporting exercise; and
- The assessments of risks for third parties (TPRM).

Risk Mitigation

To address the unique ESG risks arising from Trading 212 EU's operations, the firm is currently developing and implementing the following key risk mitigation strategies, among others:

- **Governance and Ethical Practices** including clear codes of conduct, anti-corruption policies and whistleblower mechanisms;
- **ESG reviews & Due Diligence** as part of the selection process for products and liquidity providers. By screening and excluding/minimising exposure to companies with inadequate ESG practices, ESG related exposures are mitigated;

Risk monitoring & Reporting

Internal monitoring and reporting of ESG risks is carried out via the monitoring of relevant ESG KRIs, where ESG related risk assessment criteria are embedded.

### 9.4. ESG Policies

As part of the firm's commitment towards ESG initiatives and towards having a positive social impact in general, we have established the policies aiming to contribute to Trading 212 EU´s's efforts to effectively manage, monitor and mitigate ESG related risks:

ESG Policy

In this regard, the policies provides a structured framework for managing ESG risks within our organisation. It outlines the (1) governance structure, (2) risk assessment criteria, (3) risk identification processes, (4) risk mitigation strategies, and (5) mechanisms for monitoring and reporting on ESG risk exposures.

Policies aims to safeguard clients' interests, maintain stability in the financial system, and enhance transparency by integrating ESG considerations into decision-making processes. It underscores the necessity of ESG integration in operations for responsible service delivery. aligns with regulatory requirements and best practices, demonstrating the institution's commitment to continuous improvement and sustainability, while maintaining integrity and a long-term view.

### Continuous Improvement

The firm is committed to establishing, regularly reviewing and updating ESG related policies and practices to align with evolving regulations and best practices, fostering long term sustainability.

In this regard, the firm is currently in the process of developing and further enhancing its policies, procedures and frameworks in order to embed ESG processes organisation-wide and further cultivate ESG awareness. The initiative includes the following action points:

- Further defining ESG risks such as physical risks and transition risks, related to the transition of the Company to a more sustainable economy,

- Further developing the processes for the identification, assessment, and management of ESG risks and of a methodology in relation to the assessment of the possibility of such risks arising in the short, medium, or long term as well as the possibility of such risks having a material financial impact on the firm.
- Assessing the possibility of significant concentrations of specific assets increasing ESG risks, including physical risks and transition risks.

# 10. Appendix I - IFR Reference Table

| IFR Article # | Summary | Section # |
|---|---|---|
| ***Scope*** | | |
| 46 (1) | On the same date as the publication of the annual financial statements, the information referred to in Part 6 shall be made publicly available. | Section 2.2 |
| 46 (2) | The information referred to in Articles 47, 49 and 50 shall be made public by investment firms meeting the conditions for admission as small and non-interconnected investment firms which issue additional Tier 1 instruments on the day of publication of their Annual Financial Statements. | N/A |
| 46 (3) | The information set out in Part 6 of IFR shall be made publicly available by investment firms which have not fulfilled all the conditions for being a Small and Not Interconnected Investment Firm as from the financial year after their cessation of meeting those requirements. | N/A |
| 46 (4) | To ensure that the disclosure requirements laid down in Articles 46 1 and 46 2 are effectively fulfilled, it is necessary to determine the suitable medium and place of publication. Where possible, all disclosure shall be made on one medium or place. | Section 2.2 |
| ***Risk management objectives and policies*** | | |
| 47 | Disclosure of information on strategies and procedures for managing each specific category of risk set out in Part Three Five of the IFR, as well as a succinct risk statement describing an investment firm's overall risk profile with regard to its business strategy. | Sections 3 & 4 |
| ***Governance*** | | |
| 48(a) | The number of directorships carried out by members of the management body. | Sections 5.4 |
| 48(b) | Diversity policy in relation to the selection of members of the | Section 5.3 |

| | | |
|---|---|---|
| | management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets are met. | |
| 48(c) | The number of meetings and the establishment of a separate risk committee for that year shall be disclosed. | Section 5.5 |
| ***Own Funds*** | | |
| 49 | Information on the firm's own funds. | Sections 3.2 & 7 |
| ***Own Funds Requirements*** | | |
| 50(a) | A summary of the institution's approach to assessing their capital adequacy. | Sections 6.2 & 6 |
| 50(b) | The result of the ICAAP on request from the Competent Authority. | N/A |
| 50(c) | The K-factor requirements in aggregate form RtM, RtF and RtC, based on the sum of the applicable K-factors. | Section 1,3,4 |
| 50(d) | The fixed overhead requirement. | Section 3.3 |
| ***Remuneration policy and practices*** | | |
| 51 | Remuneration Policy. | Section 7.1 |
| ***Investment Policy*** | | |
| 52 | Investment Policy | Section 8 |
| ***Environmental, social and governance risks*** | | |
| 53 | Information on environmental, social and governance risks, including physical risks and transition risks. | Section 9 |