radicant's Guiding Principles on impact-aligned investing

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1. Principles

radicant bank ag's (radicant) understanding of sustainability in investments is based on the concept of double materiality of the EU-Sustainable Finance and Sustainability Regulation (SFDR), which encompasses both “financial materiality” and “impact materiality”. While our assessment approach is deliberately focused on the issuer’s impact on society and the environment, we simultaneously cover the financial materiality and sustainability risk typically considered in an environmental, social, and governance (ESG) analysis.

We believe it is our fiduciary duty to our clients to include both sustainability investment opportunities and risks in our sustainability assessments and investment decisions.

Furthermore, we are convinced that only full transparency on our SDG Impact Rating approach and results provides the necessary insights for clients to make an informed and independent decision to bank and invest with us.

2. Focus on Sustainability Impact

The EU’s concept of double materiality encompasses “financial materiality” and “impact materiality”.

“Financial materiality” addresses sustainability risks and opportunities that are relevant to the financial bottom line of a company. The “impact materiality” focuses on the impact of a company on society and the environment.

At radicant, we focus our assessment on the "impact materiality" as we strive to have a positive impact and we are convinced that this optimizes the financial risk and opportunities, too (see 3.).

At radicant, we use the 17 Sustainable Development Goals (SDGs) of the UN Agenda 2030 as a guiding framework for measuring impact. As explained in our SDG Impact Rating Methodology, we aim to assess the impact as holistically as possible and focus on the most relevant impact dimension of an issuer, its products and services. This dimension is often neglected in traditional ESG analysis, which tends to focus on the operational dimension of a company and respective ESG risks and opportunities.

3. Financial Materiality & Sustainability Risks

We are convinced that our focus on an issuer’s impact on society and the environment by assessing its alignment with the 17 SDGs also covers the financial materiality and sustainability risk due to two reasons:

a) If a company undermines the 17 SDGs with its activities and has a significant negative effect on society and the environment, the company will come under pressure from regulators or consumers sooner or later. If its activities support the achievement of the SDGs and hence have a positive impact on society and/or the environment, the company is "future-proof" and more likely to be economically successful.
b) While the "impact materiality" and the "financial materiality" of the "double materiality" framework appear to exist in parallel, most of the financial risk from sustainability is essentially based on the impact of a company on society and the environment. Following the terminology of climate risk, the financial risks from sustainability issues can be divided into transition risk and physical risk. Only physical risks are independent of a company's impact on society and the environment, while all transition risks are based on it.

We thus include not just the "impact materiality," but also the majority of the "financial materiality," i.e., all transition risks, when evaluating an issuer's Impact on society and the environment. While we currently do not assess physical risks, we aim to take them into consideration in the future.

4. Fiduciary Duty

It is our belief that following the UN Agenda 2030 and identifying the corresponding investment opportunities and risks is part of our fiduciary duty to the clients. By combining financial analysis with SDG insights, radicant strives to offer clients sustainable solutions and add value throughout the investment process.

5. Transparency

radicant is committed to full transparency in its SDG Impact Rating approach and its results. We believe that only full transparency provides the necessary insights for clients to make an informed and independent decision to bank and invest with us.

6. Limitations of the SDG Impact Rating and Exclusions

The goal of the SDG Impact Rating and the exclusions is to reflect reality as accurately as possible. Yet, certain limitations apply which we address with various measures.

<u>Potential limitations</u> (list not conclusive)

- Data availability and estimated data: Not all companies disclose comprehensive sustainability/impact data. We hence also depend on estimations from our data provider.
- Quality, accuracy, and timeliness of the data: Inconsistent reporting standards and metrics and regional regulatory differences make it difficult to compare companies accurately. Some companies might provide detailed,

and even audited sustainability reports, while others offer only vague or superficial information.

- Abstraction: Reality is highly complex. Every rating has to simplify reality, to which point it becomes an abstraction and hence, a simplification of reality.

Measures (list not conclusive)

- Careful evaluation and selection process of the data providers
- Sampling of data points and ratings
- Manual “health check” of a company’s SDG Impact Rating before investing
- Inclusion of additional data to improve rating quality
- Regular data update
- Data alerts
- Feedback from experts and clients