The Sustainable Finance Disclosure Regulation
MeDirect Group

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1 MeDirect's approach to sustainability

Sustainability is one of the core corporate principles of MDB Group Limited and its affiliated companies ('the "Group' or "MeDirect"). The Group has taken a number of actions to integrate environmental, social and governance ("ESG") principles into its daily business and to increase ESG awareness across the Group. The Group recruited a Group Head of Sustainability and established an ESG Committee to lead ESG initiatives and to provide advice to the Board on ESG matters.

MeDirect prepared its first ESG strategy, which was approved in 2022. The ESG strategy is based on four strategic pillars with sustainability objectives translated into commitments that support its business goals.

Four strategy pillars

Governance

- Sound corporate values
- Responsible and sustainable business
- Institutional approach to ESG

Environment

- Low carbon business
- Eco-friendly products
- Climate risk resilience

Employees

- Attractive workplace
- Diversity, equality and inclusion
- Professional development

Society

- Community engagement
- Social inclusion
- Society development and support

The Group will continue to implement its ESG strategy to strengthen further its sustainability position while building a responsible and sustainable organisation based on sound values and ESG principles.

2 Sustainable Finance Framework

Sustainable finance refers to the process of taking ESG considerations into account when making investment decisions with the intention of ensuring longer-term investment in sustainable economic activities and projects since ESG factors could affect the risk and return of the clients' investments. Environmental considerations might include climate change mitigation and adaptation, as well as the preservation of biodiversity and the prevention of pollution. Social considerations include, for example, inequality, inclusiveness, labour relations, investment in human capital and communities, as well as human rights issues. The governance of public and private institutions include management structures, employee relations and executive remuneration.

Institutional investors such as mutual funds, pension funds, banks and insurance companies amongst others, play an important role in this process, as a growing number of such institutions incorporate ESG factors into their investment processes. Fund managers may adopt various sustainable investment strategies using screening of companies by type or sector or by engaging in direct communication with companies.

The Group has observed the following main strategies adopted in the market:

- Negative/exclusionary screening - This strategy excludes specific sectors, companies, or practices from a fund or portfolio based on ESG criteria that are associated with increased ESG risk or which violate the values of the asset owner.
- Positive/best-in-class screening - This strategy encompasses investments in sectors, companies, or projects selected from a defined universe for positive ESG performance when compared to industry peers.
- Activist/Engagement investing - Having active ownership through, for example, voting rights or through engagement with companies on ESG matters whilst having an impact on its direction and its operations.
- Impact investing - This strategy is aimed at contributing to measurable positive environmental, social or United Nations Sustainable Development Goals ("SDGs") outcomes, alongside financial returns.

3 SFDR general overview

The EU Sustainable Finance Disclosure Regulation (SFDR - Regulation (EU) 2019/2088) ("SFDR") is a set of legislative European Union ("EU") rules which aims to establish a pan-European legislative framework to facilitate consistent and adequate disclosures on sustainable investments made by financial market participants and financial advisors in the EU and to make the sustainability profile of financial instruments more consistent and better understood by end-investors. The SFDR came into force on the 10th of March, 2021.

The SFDR requires financial market participants and financial advisors to disclose information to the investors regarding sustainability including:

- Entity level information - to be disclosed on the market participant's or advisor's website, including:
  - integration of sustainability risks into investment decision-making processes;
  - consideration of principal adverse impacts of investment decisions on sustainability factors; and
  - alignment of remuneration policies with the avoidance of sustainability risks.
- Product level information – to be disclosed in information provided to the client (e.g., client information or brochures), product website disclosures and periodic product reports amongst others:
  - the information provided to the client for each financial product offered, should include any sustainability characteristics.

Sustainability risk is defined as an "environmental, social or governance event or condition that, if it had to occur, could cause an actual or a potential material negative impact on the value of the investment".

Sustainability factors are defined as ''environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters''.

As of 2nd of August 2022, financial market participants and financial advisors are required to integrate clients' sustainability preferences into the suitability assessment carried out prior to the provision of advisory and portfolio management services in accordance to Directive 2014/65/EU on Markets in Financial Instruments (''MiFID II'') and Commission Delegated Regulation (EU) 2017/565 (''MiFID II Delegated Regulation'') in relation to EU Regulation 2019/2088 (''SFDR'') and EU Regulation 2020/852 (''Taxonomy Regulation'').

Sustainability preferences are defined in MiFID II Delegated Regulation as the clients' or potential clients' choices as to whether and, if so, to what extent, one or more of the following preferences shall be integrated into client's investment:

I. a minimum proportion of EU Taxonomy aligned, environmentally sustainable investments;
II. a minimum proportion of SFDR sustainable investments, meaning an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance; or

III. an investment that considers principal adverse impacts (PAIs) on sustainability factors, including quantitative or qualitative criteria demonstrating that consideration; PAIs meaning those impacts of investment decisions and advice that result in negative effects on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti-bribery matters.

4 MeDirect's approach to SFDR

The Group comprises of two banking entities, MeDirect Bank (Malta) plc ("MeDirect Malta") and MeDirect Bank NV/SA ("MeDirect Belgium"). Both entities fall within scope of SFDR Regulation.

Both entities offer portfolio management services to their clients. MeDirect Malta also offers advisory services.

The advisory and portfolio management services offered by the Group are in relation to mutual funds which are manufactured and managed by third party fund houses/asset managers. The Group acts as a distributor of such mutual funds.

The SFDR requires manufacturers to classify funds sold by them within three categories (article 6, 8 or 9 funds), as described in the table below:

Article 6	Financial products that do not have specific ESG characteristics, meaning they are classified as non-sustainable. Such funds do not meet the criteria defined in Article 8 or Article 9 of the SFDR and which are managed in accordance with Article 6 of the SFDR.
Article 8 (Light green)	Financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. Light green funds may invest in sustainable investments but do not have sustainable investment as their core objective and which are managed in accordance with Article 8 of the SFDR.
Article 9 (Dark green)	Financial products that have sustainable investment as their core objective and an index has been designated as a reference benchmark. These are managed in accordance with Article 9 of the SFDR.

Fund manufacturers and investment managers are required to disclose information related to sustainability on their websites and pre-contractual and periodic disclosures. The level of disclosure depends on the SFDR classification of the financial product.

The mutual funds used for advisory services in Malta, are selected and approved by the Investment Services and Commercial Committee ("ISCC") based on pre-established criteria and are reviewed periodically. The ISCC aims to select mutual funds that are in the best interest of client and of the highest standards which hit certain criteria. As part of the selection criteria for funds, the actual classification of each fund in terms of SFDR.

Both MeDirect Malta and MeDirect Belgium have integrated client sustainability preferences into suitability assessments which are carried out prior to the provision of advisory and portfolio management services, as described in the Group Sustainability Investment Policy.

Incorporating sustainability preferences (including ESG objectives), within the advisory and portfolio management services, will assist in building ESG awareness and in the longer-term should lead to redirecting capital into more sustainable investments. However, presently, the Group is not yet able to match certain specific clients' sustainability preferences while providing advisory or portfolio management services, due to lack of data availability.

Due to lack of readily available data, transparent methodologies and good market practices in terms of principal adverse impacts ("PAI") reporting requirements, MeDirect is presently not taking into account the PAIs on environment, social and governance factors when taking investment decisions in respect of its Portfolio Management service / Investment Advice propositions. Currently, most product manufacturers and market data providers are not yet ready to make all necessary data readily available.

MeDirect may review its processes to incorporate specific sustainability factors and principal adverse impacts in its investment decisions / personal investment recommendations if/when the data related to sustainability and PAIs will be easily available and accessible on the market with validated methodology. MeDirect Group may revisit its decision on a yearly basis about the PAI regime on entity level and reserves the right to change its position in the future.

5 Remuneration

The Group's remuneration policy establishes an effective framework for determining role descriptions, performance measurement, risk adjustment of compensation and the linkages to rewards.

The policy includes fixed and variable components of employees' remuneration framework. Fixed remuneration consists of non-discretionary payments tied to the specific role and organisational responsibilities or benefits which do not depend on performance. Fixed remuneration may depend on professional qualifications, expertise and experience required in the job position, type of job, complexity of responsibilities in the job position, responsibility for team management, impact of the job position on the results of the company and other elements taken under consideration during requirement process.

Variable remuneration motivates and rewards employees and shall depend on both individual and collective performance of assigned qualitative and quantitative objectives. Variable remuneration has two elements including risk-adjusted annual bonus determined on the performance and other form of remuneration such as retention bonuses, guaranteed bonuses and severance payments subject to oversight by the Nominations and Remuneration Committee.

This has been done through the addition of a personal objective, established in line with the Group's strategy, which may have an impact on the variable renumeration. Starting from 2021, the Group has assigned individual sustainability performance objectives for all senior managers including MeDirect Executive Management members. The sustainability objectives are employee specific linked to the performance and are designated to discourage excessive risk taking in relation to sustainability risks. More information regarding remuneration can be found in the 2021 annual report (followed in the coming annual reports), section remuneration report.

More information regarding the regulation on sustainability-related disclosure in the financial services sector can be obtained from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en