Statement in Relation to the Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation («SFDR»)[1] requires financial market participants and financial advisers, such as SB1 Markets AS ("SB1M"), to publish information on their websites regarding their policies for integrating sustainability risks into investment decisions and investment advice. This includes whether and how adverse impacts of investment advice are considered, and how the remuneration policy aligns with the integration of sustainability risks in investment decisions and investment advice. SB1M acts as a financial adviser to investors but is not classified as a financial market participant[2].

This statement was updated on 06.05.2025 and replaces previous versions.

1.0 Sustainability Risks

SB1M has outlined the risks associated with financial instruments in the customer information memorandum, where characteristics and risk factors related to trading such instruments are described. Information on sustainability and potential pricing impacts is included under the section "Risks associated with financial instruments" in the memorandum, which is published on SB1M's website.

1.1 Transparency of Sustainability Risk Guideline

Financial advisers and financial market participants are required to publish information about their policies for integrating sustainability risks into investment advice and investment decisions.[3]

Sustainability risk is defined as an environmental, social, or governance-related event or circumstance which, if it occurs, could have a material adverse impact on the value of an investment.[4] SB1M is obliged to integrate sustainability risks into investment advice at the enterprise level [5]. This forms part of the assessment of the company's overall capital requirements (ICAAP).

Examples of sustainability risks that could materially and adversely affect the value of an investment if they occur include:

- Environmental sustainability risks may include climate change, carbon emissions, air pollution, rising sea levels or coastal flooding, or wildfires.
- Social sustainability risks may include violations of human rights, human trafficking, child labour, or gender discrimination.
- Governance-related sustainability risks may include lack of diversity at board or management level, infringement or reduction of shareholder rights, health and safety issues affecting the workforce, or inadequate safeguards for personal data or IT security.

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[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council, also known as the Sustainable Finance Disclosure Regulation (SFDR), establishes standardised disclosure obligations for financial market participants (providers of UCITS, AIFs, life insurance, pension products, investment firms, and credit institutions engaged in portfolio management) and financial advisers.

[2] Cf. SFDR article 2(1) (b/j)
[3] Cf. SFDR article 3
[4] Cf. SFDR article 2 (22)
[5] Cf. SFDR article 3

Sustainability risk may represent a separate risk category or amplify other risk categories such as market risk, liquidity risk, credit risk, or operational risk.

SFDR requires[6] financial advisers to publish information on whether they consider sustainability risks in investment advice at the product level. SB1M notes that currently there is limited available information and inconsistent quality in the reporting of sustainability risks by companies, and that perceptions of sustainability and company scores are considered inaccurate. It is therefore challenging to obtain satisfactory and comparable information for use in investment advice. It is expected that this will improve in 2025 as large and listed companies are required to report under CSRD for 2024.

1.2 Statement on Adverse Impacts on Sustainability

Sustainability factors include environmental, social, and employee-related matters, as well as issues concerning human rights and the fight against corruption and bribery.

SFDR requires[7] financial advisers to publish information on whether they consider the principal adverse impacts on sustainability factors at the product level in investment advice and/or investment decisions.

SB1M has assessed whether to consider the principal adverse impacts on sustainability in investment advice, as referred to in SFDR Article 4. At present, we have chosen not to do so, in accordance with the exemption in Article 4(1)(b). This is primarily due to the limited and non-comparable nature of available information, and the immaturity of measurement methodologies. We consider that including such data at this stage may lead to misleading decision-making and therefore not be in the best interest of clients. Accordingly, SB1M currently advises in the customer risk memorandum that investors should make independent assessments of non-financial information, as this is considered safest for the investor. SB1M is closely monitoring developments and will reassess our approach as data and methodologies become more reliable. We aim to strengthen our focus on collecting data related to sustainability risks and material adverse sustainability factors, with the goal of establishing a more transparent and decision-relevant foundation over time.

We are committed to updating this statement in line with any changes to our approach to principal adverse impacts on sustainability. It is expected that this will improve during 2025 as large and listed companies are required to report under CSRD for 2024.

2.0 Sustainability Preferences in Investment Advice

As part of SB1M's client onboarding process, SB1M has established a procedure for collecting information on clients' sustainability preferences in accordance with the requirements of the MiFID II Directive[8]. We are in the process of further developing our advisory process so that clients' sustainability preferences can be more effectively considered when recommending financial instruments. This includes both suitability assessments and information on risks related to environmental, social, and governance (ESG) factors.

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[6] Cf. SFDR article 6
[7] Cf. SFDR article 4 og 7
[8] Cf. MIFID II article 24 (4)

2.1 Sustainability in the Production and Distribution of Financial Products

As part of SB1M's product approval and distribution process, SB1M has established procedures for identifying information about the product's sustainability characteristics and mapping the product's target market in accordance with clients' sustainability preferences, as outlined in ESMA guidelines[9] to MiFID II.

For products where SB1M is the manufacturer, the assessment of sustainability factors and target market must be conducted at an early stage, before deciding whether SB1M will produce the product. For products where SB1M is the distributor, information must be obtained from the manufacturer regarding the product, the identified target market, and the planned distribution strategy, including sustainability-related objectives.

3.0 Sustainability in Remuneration Policies

Financial advisers are required [10] to include information on how their remuneration policy aligns with the integration of sustainability risks.

The integration of sustainability is included in SB1M's remuneration policy. Variable remuneration must not be structured in a way that incentivises unacceptable risk-taking, including ESG-related risks.

The Board of SB1M has adopted the company's remuneration model and monitors its effects. A Remuneration Committee has been established to oversee compliance with the company's remuneration policy on behalf of the Board. The company's internal auditor conducts an annual independent review of SB1M's remuneration model and its compliance, reporting directly to the company's Board.

[9] ESMA35-43-3448 Guidelines on product governance from 03.08.2023
[10] Cf. SFDR artikkel 5