



Sustainable finance disclosure regulation

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Definitions and abbreviations

ESG	Environmental, Social and Governance
Client	A natural person or legal entity, including a business partner, with whom Nectaro is involved in at least one financial service
IBF	Investment brokerage firm
Nectaro	SIA Nectaro (registration number 40203016025)
Regulatory authority	Bank of Latvia
Regulation (ES) 2019/2088	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
SFDR	Regulation (ES) 2019/2088

CEO Statement

At Nectaro, we believe that responsible investing and innovation go hand in hand. Today, the world is shaped by the technological era, which simultaneously both facilitates and challenges sustainable operations overall. Nectaro is a fintech company whose operations are conducted through a digital platform, allowing investors to access it from a wide range of locations using their smart devices or computers with an internet connection. This approach does not require additional physical resources and represents a sustainable mechanism for using existing resources. All customer service is provided online, without the need for additional resources. Our employees are based either at our office in Riga or work remotely from locations that are most convenient for them. Nectaro follows a transparent remuneration policy with no elements of discrimination. We apply a hybrid working model to reduce environmental pollution risks and time consumption, and we maintain a gender-neutral approach in all areas. The services offered by Nectaro are related to loans issued to borrowers, where the end consumers are private individuals and companies related to Nectaro. As a result, investment opportunities in “green



investments” are currently not possible within this business model; however, this does not exclude the possibility of offering such services in the future. Investment risks are available to and clearly communicated to clients.

1. General background

Regulation (EU) 2019/2088 is part of the EU Action Plan on Sustainable Finance, the objective of which is to redirect investments towards a more sustainable economy by introducing new sustainability-related disclosure and reporting requirements for financial market participants. IBS has a legal obligation to assess sustainability risks when providing certain services and products.

The Regulation applies to the following financial products:

- investment advice;
- portfolio management;
- alternative investment funds;
- insurance-based investment products (IBIPs);
- pension products;
- pension plans;
- UCITS (undertakings for collective investment in transferable securities);
- PEPP (the pan-European personal pension product)

a. What is understood by sustainability and ESG?

Sustainability in relation to companies means improving environmental protection and human rights both within the EU and beyond its borders. An integral part of sustainability consists of environmental considerations, social responsibility, and governance practices, which together define what ESG is. With regard to IBS, requirements are established for the assessment and implementation of sustainable practices in investments.

In sustainable business practices, the following aspects are taken into account:

- **Environmental considerations:** These include practices that reduce negative impacts on nature, such as reducing carbon emissions, conserving water, and ensuring the sustainable use of resources.
- **Social responsibility:** This refers to the treatment of people within the organization and beyond it. It includes employees' rights and well-being, the prevention of discrimination, community engagement, and the impact of business activities on society.
- **Governance practices:** Governance relates to how a company is managed, including executive and management remuneration, audits, internal controls, and shareholders' rights. Good governance practices ensure accountability and transparency, thereby promoting sustainable business operations.

When making investments, every investor should take these considerations into account, as any investment may be exposed to sustainability risks. Such risks may arise from environmental, social, or governance events or conditions which, if they occur, could have an actual or potentially material impact on the value of the investment.

As a result of these risks, losses may arise from investments made. Therefore, before making any investment, it is necessary to consider at least the following aspects:

- Minimizing sustainability risks in order to preserve the value of the investment.

- Promoting more sustainable investments¹, which overall contribute to a more sustainable world and indirectly help to reduce risks.

b. Implementing sustainability into investments

Nectaro currently does not offer any products that would be classified as sustainable under the applicable regulatory framework. Clients are informed about the origin of the product, thereby reducing the risk of greenwashing to a minimum. ESG and sustainability matters are developing rapidly; therefore, Nectaro is open to exploring the possibility of integrating a product that would qualify as a sustainable investment in the future. However, under the current business model, the company is not able to provide such a product at this time. With regard to employees and society, Nectaro promotes knowledge about investments and supports the concept of an educated society by regularly publishing articles on its website. This allows any investor to become familiar with Nectaro's overall approach to social responsibility. In addition, Nectaro does not tolerate any form of discrimination within the organization and ensures employee well-being and the protection of employee rights by implementing relevant policies and procedures and by complying with applicable regulatory requirements.

c. Categorizing investments for sustainability purposes

SFDR classifies investments according to their level of sustainability, providing a framework for evaluating investments:

- **Article 6 funds:** these are funds that do not explicitly integrate sustainability considerations into investment decision-making. However, even if they are not classified as sustainable investments, they are still

¹ According to EU regulations, a 'sustainable investment' is defined as an investment in an economic activity that substantially contributes to an environmental objective. This contribution can be measured through indicators such as efficiency in using energy, renewable energy, raw materials, water, and land, the production of waste, greenhouse gas emissions, impacts on biodiversity, and promoting the circular economy. Alternatively, it can be an investment that contributes to a social objective, particularly those that aim to address inequality, enhance social cohesion and integration, improve labor relations, or invest in human capital or communities that are economically or socially disadvantaged. Crucially, such investments must not significantly harm any of these objectives and should ensure that the companies being invested in adhere to good governance practices. This includes robust management structures, healthy employee relations, fair staff remuneration, and compliance with tax regulations.

required to disclose how sustainability-related risks are addressed and what the expected impact of these risks on returns may be.

- **Article 8 funds:** these are referred to as “light green funds” because they promote environmental and/or social characteristics but are not primarily focused on sustainable investments. These funds partially integrate ESG (environmental, social, and governance) factors and must disclose how they meet these promoted characteristics.
- **Article 9 funds:** these are referred to as “dark green funds” because their main objective is sustainable investment and generating a positive impact on the environment and/or society. These funds are subject to more stringent disclosure requirements regarding their sustainability objectives and the methods used to achieve them.

2. SFDR disclosures

a. SFDR Article 3 Disclosure

At present, Nectaro has not developed a separate policy on the transparency and integration of sustainability risk considerations in the investment decision-making process.

b. SFDR Article 4 Disclosure

At present, Nectaro has not developed a separate policy on the transparency of adverse sustainability impacts at the entity level.

However, in accordance with the requirements of Directive 2014/65/EU and the related supplementary regulatory acts, Nectaro has integrated the assessment of clients’ sustainability preferences as part of the suitability and appropriateness determination process carried out when managing client portfolios (Auto-Invest). As part of the client appropriateness assessment process, the Company determines whether the client wishes to consider ESG factors in their investments, as, given the Company’s current range of products and services, if a client has such sustainability preferences, Nectaro is unable to offer the client a portfolio management service.

c. SFDR Article 5 Disclosure

Nectaro's Remuneration Policy ensures that remuneration is designed and applied in a manner that does not encourage excessive risk-taking, including with regard to sustainability risks, and that it is aligned with the Company's ethical standards and sustainable development principles. At present, the Company's remuneration system is not directly linked to ESG indicators or targets; however, it is structured in a way that avoids conflicts of interest and does not incentivize decisions that could be detrimental to clients' interests or to sustainable development.

The fixed component of remuneration at Nectaro is set at a sufficient level to ensure employees' financial stability and to reduce incentives to make short-term, potentially risky decisions. Emphasis is placed on raising employee awareness and understanding of the importance of ESG factors, for example by promoting responsible use of resources, paperless work processes, flexible working arrangements, and other sustainable solutions.

Nectaro's approach is gradual – currently, no specific ESG indicators or quantitative targets are defined within the remuneration policy; however, awareness and a corporate culture are being developed that support the integration of sustainability principles into daily operations.

d. SFDR Article 6 Disclosure

Nectaro does not mislead any party regarding the transparency of the integration of sustainability risks at the company level, clearly stating in its policies, processes, and products that the integration of sustainability considerations is currently ongoing.

Nectaro acknowledges that sustainability risks may have a material impact on the value and returns of client investments. Therefore, the identification, assessment, and management of such risks constitute an essential part of the Company's future operational strategy. The integration of sustainability risks is implemented gradually and systematically, in accordance with best practice and applicable regulatory requirements.

The integration of sustainability risks is overseen within the Company's internal control and risk management framework. Responsibility for the implementation and review of this process is assigned at the management level, ensuring that ESG considerations are systematically integrated into all stages of investment-related decision-making.

e. SFDR Article 8 Disclosure

On Nectaro's website, an Information Disclosure Report has been available since the year of the company's establishment – 2023. The report includes information on certain social characteristics of the company, such as the Remuneration Policy, operational risks, and risk management. In addition, the 2024 report already includes integrated disclosures on ESG matters and the integration of sustainability risks.

f. SFDR Article 9 Disclosure

At present, Nectaro is unable to offer clients a portfolio transfer service that is classified as sustainable; however, the company provides clients with truthful and transparent information regarding this fact.

