

## Statement on principal adverse impacts of sustainability factors

Published March 2021. Updated August 2023.

Approved by Nordea Bank Investment Center Product Committee.

### Information on principal adverse impacts of investment and insurance advice on sustainability factors in Nordea Bank Abp

#### 1. Introduction

This statement has been prepared by Nordea Bank Abp ("Nordea Bank") for the purpose of meeting the disclosure requirements in Article 4 of 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") and as further described in Article 11 of the Commission Delegated Regulation (EU) 2022/1288 ("SFDR Delegated Regulation").

SFDR focuses on double materiality on entity and product level. The concept of double materiality covers how companies are affected by sustainability issues and, conversely, how their activities impact society and the environment. We measure the exposure to sustainability risks of the investments, and the principal adverse impacts ("PAI") on the environment and society. [Find the statement about integration of sustainability risks here.](#)

This statement fulfils the SFDR Article 4 requirement by providing the information on how Nordea Bank considers PAI on sustainability factors in the investment advice or insurance advice.

Nordea Bank acts as a Financial Market Participant for discretionary portfolio management. The majority of this has been outsourced to Nordea Investment Management AB ("NIM") or other appointed managers who also consider PAI on sustainability factors. This is further described in our [statement on principal adverse impacts of investment decisions on sustainability factors \(Annex I\)](#).

Nordea views climate change as the largest threat to our planet, ecosystems and communities, as well as being a critical issue for long-term investors. We support the objectives of the Paris Agreement to limit the increase in the global average temperature to well below 2°C, preferably to 1.5°C, above pre-industrial levels.

Together with our customers, we at Nordea Bank along with our affiliated companies in the Nordea Group (collectively "Nordea") act as a driving force in the transition towards a sustainable economy. Nordea's strategy is to drive climate transition to a sustainable future with customers and portfolio companies, which is also captured in our sustainable finance and emission reduction targets. Our long-term objective is to become a net-zero emissions bank by 2050 at the latest. We have also set a mid-term target to reduce carbon emissions from our lending and investment portfolios by 40-50 % by 2030. Therefore, Nordea considers the adverse impact on climate in our investment decisions. By enabling our customers to make more sustainable choices with their investments, we together work to reach these goals. [Read more about Nordea's sustainability targets.](#)

We recognise that nearly all types of economic activity have the potential to impact various sustainability factors, both positively and adversely. One example is investments' negative impact on climate. This includes, for example, carbon footprint. Other examples of sustainability factors are how and to what degree a company respects human rights or how it addresses other social or employee matters.

## 2. Consideration of PAI

Nordea Bank considers principal adverse impacts in investment and insurance advice. PAI means impacts of investment decisions and advice that can result in negative effects on sustainability factors.

Nordea Bank provides investment and insurance advice to customers. When doing so, we consider negative impacts on selected sustainability factors for financial products available for advice to our customers. Since August 2022 we have asked our customers whether a customer finds it important to reduce negative impact on environment and society with their investments (i.e. investments considering PAI).

Providers of financial products within our investment and insurance advice product range are required to meet certain sustainability criteria. The criteria are incorporated in our selection and monitoring processes with the purpose to mitigate negative impacts on sustainability factors in advice. We aim to continuously improve our approach on how to consider PAI.

## 3. Policies to identify and prioritise sustainability factors

In Nordea, we have established a robust governance structure for managing ESG matters such as environmental and social impacts. As part of the governance, Nordea has set out statements and guidelines. The statements and guidelines provide information on what we consider best practice for managing ESG business opportunities and risks in different areas, also outside the scope of SFDR. This includes the requirements and thresholds we apply to different sectors, for example fossil fuel, in addition to the adherence of national laws and regulations. Our public position statements, sector guidelines and internal instructions are applicable to all business areas in Nordea. [Read more about our position statements and sector guidelines.](#)

### Nordea Responsible Investment Product Distribution Policy

Products in our advisory universe must adhere to the [Nordea Responsible Investment Product Distribution Policy \("RIPD"\)](#). The RIPD sets clear thresholds in regards to what type of businesses we do not accept due to their negative impacts on social or environmental sustainability factors. The criteria cover, among others, involvement in controversial weapons, coal mining, oil sand extraction and Arctic drilling of oil and gas.

The RIPD assessment is conducted in the selection phase and based on the fund's policies and exposures. Screening of holdings in liquid funds is also conducted in the selection phase and on a regular basis. Engagements with fund providers are performed when breaches with our policy are identified. Funds that do not meet our requirements are excluded from the advisory universe.

## 4. Ranking and selecting financial products based on PAI

We at Nordea, and our appointed investment managers, consider several PAI indicators. Our selected investment managers, must have a baseline integration of ESG safeguards. Requirements include applying norm-based screening, exclusion lists and consideration of principle adverse impacts. By doing so we ensure a minimum standard and reduce the principal adverse impacts.

We rank and select financial products based on the PAI indicators listed in the SFDR Delegated Regulation that relate to climate and environment, social and employee matters, respect for human rights, anti-corruption, and anti-bribery in our investment decisions. The selected PAI indicators cover corporate and sovereign issuers as well as direct investments in real estate.

There are a number of minimum requirements in relation to PAI for providers and products in Nordea's advisory universe.

#### Minimum criteria for providers:

- All providers included in Nordea's product universe, advisory and execution only, are required to be signatories to the UN Principles for Responsible Investments (PRI).
- Providers in the advisory universe should have a process on how to identify and act towards companies involved in controversies, such as breach of international laws, norms on environmental protection, human rights, labour standards and anti-corruption laws.
- We require our strategic partners in the advisory product universe to commit to having net zero investment portfolios by 2050 (at the latest). Our strategic partners should join a global initiative such as the Net Zero Asset Managers Initiative or similar no later than at the end of 2024.

#### Minimum criteria for products:

Products cannot invest in

- Companies with substantial and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal).
- Companies with substantial and sustained exposure to oil sand, with a 10% revenue threshold.
- Companies with exposure to oil and gas extraction through arctic drilling ('winter ice' definition), with a 5% revenue threshold.

Products are not allowed to invest in companies that are involved in the production or development of:

- cluster munitions
- anti-personnel mines
- biological weapons
- chemical weapons
- weapons with non-detectable fragments, incendiary and blinding weapons depleted uranium munitions

Our assessments of PAI consideration are based on information provided by the provider (e.g., in Statement on principal adverse impacts of investment decisions on sustainability factors) and our own screening of product holdings. The performance on PAI indicators is monitored on an ongoing basis. Products identified as outliers on specific indicators or that exhibit high adverse impact across several indicators are analysed further. The range of possible actions consist of the following:

**No action:** The PAI indicator level of the product is deemed acceptable or judged not to reflect the actual ongoing performance of the product, and no further action is deemed needed at this point. The product will continue to be assessed on an ongoing basis.

**Engagement:** Products that have been flagged as having a high adverse impact on one or across several indicators may be identified as candidate for an engagement case.

**Exclusion:** After further analysis and engagement with the investment manager, it is concluded that the product's performance on PAI indicators does not meet our expectations. The product is removed from our advisory universe. Exclusion is the last possible option as we believe that engagement is more efficient to positively influence the investment manager to move in the right direction.