

Luminor

SUSTAINABLE INVESTMENT GUIDELINES

November 2022



OBJECTIVE

The Sustainable Investment Guidelines (hereinafter – the Guidelines) are developed in accordance with the SFDR¹, United Nation Principles for Responsible Investment (UN PRI), EU Action Plan for Financing Sustainable Growth and other applicable legal acts and is aligned with the [Luminor Sustainability Policy](#) and the [Luminor ESG Due Diligence Guidelines](#). The Guidelines outline sustainable investment principles, including the Sustainability (ESG) Risk integration in the investment decision making process in Luminor Bank AS and its Asset Management Subsidiaries. The Guidelines are applicable to the processes of investment decision making and implementation thereof (including direct and indirect investments) within Luminor:

- in relation to the provision of the discretionary portfolio management services,
- management of pension funds / pension plans / pension schemes,
- investing on own account activities (Luminor liquidity bond portfolio management, bond trading).

The terms used in these Guidelines are defined in [Luminor Sustainability Policy](#).

MAIN PRINCIPLES FOR INVESTMENT DECISION MAKING

(1) We follow established frameworks.

The provision of the discretionary portfolio management service, management of pension funds / plans / schemes and other activities subject to these Guidelines are governed by European legislation (such as MiFID II²), local legal framework implementing the EU legislation and other laws and regulations governing respective areas. In our Sustainability Policy, we committed to ensure the implementation of all regulatory requirements stemming from the EU Taxonomy³ and SFDR among others.

We lean on internal regulations and guidance for conducting the ESG due diligence related activities and are committed to integrate into our processes the international requirements, voluntary commitments, and recognized frameworks by EU regulations, OECD guidelines, the UN Sustainable Development Goals⁴, and the UN Guiding Principles on Business and Human Rights⁵.

(2) We are committed to integrate consideration of material Sustainability (ESG) risks into our investment decision making processes and pertaining activities and strategies.

We aim to assess which ESG Risk Drivers might cause occurrence of Sustainability (ESG) Risk resulting in a negative impact on the value and/or performance of an investment and apply our internal non-financial risk grid. This will ensure a systematic approach to the most material issues for a given investment. If available and relevant, for financial instruments we may consider external ESG risk ratings in our risk assessment.

(3) We are committed to prevent or minimize negative impacts on environment and society caused by our investment decisions:

- We aim to ensure that Adverse or Potential Adverse Impacts on Sustainability Factors are duly considered in the analysis and investment decision making process and other activities subject to these Guidelines. To assess Adverse or Potential Adverse Impact on Sustainability Factors within the investment decision making process and activities subject to these Guidelines we carry out the relevant ESG due diligence assessment disregarding if the financial instrument is promoting environmental and social characteristics or financial product has sustainable investment as its objective, as defined in SFDR, or not.

¹ [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.](#)

² [Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU](#) and supporting regulations (e.g. [Commission Delegated Regulation \(EU\) 2017/565 of 25 April 2016](#)).

³ [Regulation \(EU\) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation \(EU\) 2019/2088.](#)

⁴ United Nations Sustainable Development Goals, source: <https://sdgs.un.org/goals>.

⁵ United Nations Guiding Principles on Business and Human Rights, source: <https://www.undp.org/laopdr/publications/guiding-principles-business-and-human-rights>.

- To prevent the investment into shares or bonds that might cause critical Adverse or Potential Adverse Impacts on environment and society we follow our Exclusion List. However, as Luminor encourages and finances transition to a green economy, we may invest in sustainable activities or projects of companies included in our Exclusion List in case:
 - such companies have committed to aligning themselves to the Paris Agreement⁶ objectives and by that to achieving net zero greenhouse gas emissions by 2050; or
 - the projects or activities of such companies that Luminor invests in are dedicated to transformation to the green economy,
 and if such company is in the Exclusion List due to environmental issues only.
- In case of indirect investments where we do not have direct impact on investment decisions (such as exchange traded funds and mutual funds managed by third party fund managers), we carry out the ESG due diligence assessment to evaluate the conformity of such investment with our strategy and the materiality of such investment in the fund portfolio and (or) investment portfolio, and we may require the third party fund manager to be a signatory to the United Nation Principles of Responsible Investment (PRI)⁷.

(4) We seek to provide clients with the discretionary portfolio management services that meet their sustainability preferences⁸.

We are committed to offer our clients products and services that meet their sustainability preferences, and be transparent in our communication to clients in case such products are not available in our offering.

(5) We are committed to be transparent in our investment processes and services provided:

- We are committed to include the information on our investment decisions and other investment activities in the relevant [annual reports](#) (either Luminor's financial annual report or the sustainability report), on our website and in the respective precontractual and periodic disclosures to our clients.
- Disclosures relating to Adverse or Potential Adverse Impacts of our investment decisions shall be done concisely in qualitative or quantitative terms in accordance with the regulatory requirements.

⁶ Paris Agreement, source: <https://www.un.org/en/climatechange/paris-agreement>.

⁷ United Nation Principles of Responsible Investment (PRI), source: [About the PRI | PRI Web Page | PRI \(unpri.org\)](#).

⁸ Sustainability preferences of each client are identified and assessed during the suitability assessment process carried out before provision of discretionary portfolio management services.

DEFINITIONS

The below capitalized terms have the following meaning:

Direct Investment	An investment made by Luminor or on behalf of the Client directly into Financial Instruments issued by Investee companies (e.g. bonds or shares of a company).
EU Taxonomy	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 establishes the basis for the EU taxonomy by setting out 4 overarching conditions that an economic activity must meet to qualify as environmentally sustainable.
Exclusion List	The list approved as APPENDIX 1 - EXCLUSION LIST to the Sustainability Policy .
Financial Instruments	Financial instruments as referred to in Annex I Section C of MiFID II .
Guidelines	These Sustainable Investment Guidelines
Indirect Investment	An investment in Financial Instrument by Luminor or on behalf of the Client, where Luminor does not directly participate in the management of the underlying investments of such Financial Instrument (e.g. exchange traded fund (ETF), undertaking for collective investment in transferable securities (UCITS), alternative investment funds (AIF), etc.).
Investee	A company issuing a Financial Instrument into which Luminor made investments on own account or on behalf of the Client.
Investment with No Sustainability Objective	An investment (or the proceeds from an investment are directed) in an economic activity that has no sustainability objective or preferences, provided that the Investee companies follow good governance practices and are not included in the Exclusion List.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and supporting regulations (e.g. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016) is a legislative framework regulating financial markets and facilitating requirements for investor protection.
Product Units	The Investment Products & Growth Unit and the Pensions Unit within the Wealth Management Department, the Treasury Department, the Markets Department.
SFDR	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 aimed to improve transparency in the market for sustainable investment products (as defined in the SFDR), to prevent greenwashing and to increase oversight around sustainability claims made by financial market participants.
Sustainability Linked Investment	An investment (or the proceeds from an investment are directed) in an economic activity that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the Investee companies follow good governance practices.
Sustainability Factors	Environmental, social and governance matters (also referred to as ESG in the Sustainability Policy), respect for human rights, anti-corruption, and anti-bribery matters.
Sustainability Preferences	Client preferences for (i) a minimum proportion of the EU Taxonomy aligned investments; (ii) a minimum proportion of sustainable investments as defined in the SFDR; or (iii) consideration of principal adverse impacts on the Sustainability Factors set out in the SFDR Regulatory Technical Standards ("PAIs") on either a qualitative or quantitative basis.

Sustainable Investment

- An investment (or the proceeds from an investment are directed) 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 (or the proceeds from an investment are directed) 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.

United Nations Principles of Responsible Investment (PRI)

The principles developed by an international group of investors to reflect environmental, social, and corporate governance issues in investment practices and later undertaken by the United Nations Secretary-General. The signatories to the PRI commit to the following:

- (1) to incorporate ESG issues into investment analysis and decision making processes;
- (2) to be active owners and incorporate ESG issues into the ownership policies and practices;
- (3) to seek appropriate disclosure on ESG issues by the entities in which they invest;
- (4) to promote acceptance and implementation of the principles within the investment industry;
- (5) to work together to enhance their effectiveness in implementing the principles;
- (6) to report on their activities and progress towards implementing the principles.

ABOUT US

Luminor is the leading independent bank in the Baltics and the third-largest provider of financial services in our region based on the latest annual statements. We serve the financial needs of individuals, families, and companies. Just like our home markets of Estonia, Latvia, and Lithuania we are young, dynamic, and forward looking. Further information about us can be found at our local websites under www.luminor.ee, www.luminor.lt and www.luminor.lv.

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