

The statement on principal adverse sustainability impacts and indicators of Luminor April 2023

The statement on principal adverse sustainability impacts and indicators was designed by Luminor Bank AS including its branches in Lithuania and Latvia (hereinafter – Luminor) based on requirements stemming from the 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.

Information about policies governing the identification and prioritization of principal adverse sustainability impacts and indicators

Luminor's principles in the area are described in Luminor Sustainability Policy (summary statements and key principles are provided [here](#)).

Furthermore, Luminor's risk management framework (Risk Appetite Framework-Policy and Risk Policy and Strategy) governs the processes for sustainability risk identification, assessment, and remediation thereof to ensure that Luminor does not offer products or services or perform other activities which may entail material risk of contributing to unethical conduct, infringement of human or labor rights, corruption or serious environmental harm as defined in Sustainability Policy.

Luminor has also established Sustainable Investment Guidelines, which define the main principles for investment decision making, integration of the sustainability-related risks and consideration of the principal adverse impacts thereof on environmental, social and governance (hereinafter – ESG) factors. The statement on the Sustainable Investment Guidelines providing a brief description of the main principles is published [here](#).

As for prioritization of principal adverse sustainability impacts Luminor follows ESG Due Diligence Guidelines where we describe the main principles for the identification, prioritization and management of principal adverse sustainability impacts and indicators, the measures we aim to implement when conducting the ESG due diligence, assessment of our business activities, decision making and relationships with our employees, customers, vendors, and suppliers. The statement on the ESG Due Diligence Guidelines providing a brief description of the established processes is published [here](#).

Description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned

In Luminor we understand principal adverse sustainability impact as an adverse or potential adverse impact that is specifically significant because it has a negative outcome, sometimes irreversible or particularly difficult to remedy by measures that are necessary to restore the situation prevailing the impact. The impact may result in negative outcome for communities and companies relating to a relevant ecological, social or economic system (e.g. decrease well-being of people and communities, decrease in ecosystem quality like water and air quality decrease, reduction of client demand, technology obsolescence, collapse of supply chains, deterioration of the existing and future creditworthiness of the customers, implementation of financing restrictions, fines for non-compliance with regulation, reputational loss, etc.). The relevant principal adverse impacts for Luminor have been outlined in the ESG Due Diligence Guidelines.

Both on the entity level (Luminor Group) and the product level (Discretionary Portfolio Management), we ensure the principal adverse sustainability impact consideration in the investment process by leveraging on the following practices:

- 1) In our investment activities we support and consider the guidance provided by the United Nations Principles for Responsible Investment (UN PRI). With regards to collective investment undertakings, we invest only in financial instruments issued by the UN PRI signatory investment managers.

- 2) To prevent direct investments in financial instruments that might cause principal adverse impacts on sustainability factors, we follow our exclusion list that has been defined in Luminor Sustainability Policy.

The exclusion list for our direct investments contains the following entities and / or activities:

- involved in the production of or trade of any product or activity deemed illegal under applicable national laws or regulations, or international conventions and agreements, or are subject to international bans;
- sanctioned by authorities of the countries where we operate, the United Nations and the European Union. As we are resolutely committed to the protection of human rights, in addition to all statutory obligations, we voluntarily abide by the other countries' imposed sanctions (e.g. the USA);
- where it is suspected that financial crime and other illicit activities are happening (such as human trafficking, smuggling, extortion, wildlife trafficking, illegal distribution of arms and munitions, proliferation of weapons of mass destruction, narcotics, corruption, tax evasion), or acting without the required license in the jurisdiction in which they or Luminor operate in;
- related to the financing of terrorism (e.g. foreign fighters, activities in war zones, fundraising through crowd-financing platforms for purposes which could be suspected as related to the financing of terrorism activities, etc.);
- related to the production of weapons¹ which through normal use violate basic humanitarian principles;
- related to vaping and / or tobacco or related to the production of pornography.

We also exclude entities from our future direct investments and financing universe if they are engaged in the following environmentally relevant activities:

- establishing new capacity for the coal-fired power generation and / or thermal coal mining, and / or extraction of oil and oil shale;
- production of or trade in ozone depleting substances;²
- production or use of or trade in persistent organic pollutants;³
- trade in wildlife or production of or trade in wildlife products regulated under CITES;⁴
- transboundary movements of waste prohibited under the public international law.⁵

¹ Luminor does not invest in or extend loans to the clients involved in anti-personnel mines and cluster weapons, as described in the Anti-Personnel Mine Ban Convention and in the Convention on Cluster Munitions, or in companies which develop and produce central components for use in weapons of mass destruction. Weapons of mass destruction are defined as NBC weapons (nuclear or atomic, biological and chemical weapons).

² Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes'. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme (<https://ozone.unep.org/treaties/montreal-protocol>).

³ Reference document: Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009.

⁴ CITES: The Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the CITES secretariat

⁵ Reference documents: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council

In addition, the information on principal adverse impacts on sustainability factors is available in the information to be disclosed in periodic Discretionary Portfolio Management reports.

Brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC

According to the applicable legislation¹ we inform the client before provision of the discretionary portfolio management services that Luminor does not directly invest in stocks of the companies, which are listed in the regulated markets. Accordingly, Luminor does not prepare such engagement policies.

Reference to the adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of our alignment with the objectives of the Paris Agreement

We take responsibility for the impact on the society and the environment caused by our business activities, and we expect our vendors and suppliers to do the same. Our Code of Conduct outlines Luminor principles on responsible business conduct and needs to be consented by our vendors and suppliers before starting any business relationship. In our activities we support and consider the guidance provided by the following international standard setters, including without limitation:

- United Nations: Global Compact; Principles of Responsible Investments (UN PRI); Guiding Principles on Business and Human Rights;
- OECD: Guidelines on Multinational Enterprises; Anti-Bribery and Corruption Guidance;
- International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy;
- United States Foreign Corrupt Practices Act and United Kingdom Anti-Bribery Act 2010;
- The local Baltic Banking Associations' Codes of Conduct

In our Sustainability Policy, we commit to support the transformation to low carbon economy. We lean, where applicable, on internal regulations 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^{2,3}, OECD Guidelines⁴, the UN Sustainable Development Goals⁵, and the UN Guiding Principles on Business and Human Rights⁶.

¹ Clause § 2112(6) of the Securities Market Act in Estonia, Financial Instruments Market Law Section 126 in Latvia, Article 41(1) of the Law on Markets in Financial Instruments of the Republic of Lithuania

² 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. Available at: [EUR-Lex - 32019R2088 - EN - EUR-Lex \(europa.eu\)](#)

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 (Text with EEA relevance). Available at: [EUR-Lex - 32020R0852 - EN - EUR-Lex \(europa.eu\)](#)

⁴ OECD (2018) OECD Due Diligence Guidelines for Responsible Conduct. Available at: [OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf](#)

⁵ Available at: [THE 17 GOALS | Sustainable Development \(un.org\)](#)

⁶ UN (2011) Guiding Principles on Business and Human Rights, Available at: [GuidingPrinciplesBusinessHR_EN.pdf \(ohchr.org\)](#)