Information on integration of sustainability risks in investment advice*

*Compliance with Article 3 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 (the Disclosure Regulation).

The information concerns advice on financial products offered in connection with investment advice at Sydbank A/S.

Sustainability risk

The Disclosure Regulation defines "sustainability risk" as 'an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment'. Sydbank applies this definition of sustainability risk. Examples of sustainability risks are:

Environmental risks:

- Energy consumption
- Extreme weather events (such as floods and strong winds)
- Pollution
- Damage to biodiversity or marine habitats

Social risks:

- Inclusion/inequality
- Labour strikes
- Health and safety incidents (such as injury or death)
- Product safety issues

Governance risks:

- Tax evasion
- Workplace discrimination
- Inappropriate remuneration practices
- Lack of protection of personal data

Integration of sustainability risks

Sydbank only integrates sustainability risks in investment advice on selected undertakings for the collective investment in transferable securities (UCITS) and alternative investment funds (AIFs). The Bank cooperates with a few suppliers which support the Bank with these financial products.

We require that our business partners have an available policy or information on the integration of sustainability risks. The aim is to ensure that sustainability risks are managed in the financial product by way of investment processes. If the information is not available on a business partner's website, the Bank will contact the business partner directly for clarification. The Bank follows up on the business partner every 3 years as a minimum.

Business partners who cannot comply with the Bank's requirements must state the reason(s) for not having an available policy on or information on the integration of sustainability risks. The reasons provided are considered by the Bank's product governance committee in order to decide whether the manufacturer can be approved exceptionally as a business partner.

By making this assessment of the manufacturers of the financial products that the advice covers, Sydbank integrates sustainability risks in its investment advice.

Assessment of likely impacts from sustainability risks

Sydbank's investment advice is based on a global securities portfolio which is characterised by diversification across asset types, regions, sectors and segments.

This means that a local incident in an individual underlying security – as a result of sustainability risks – has less impact on the financial return as the security alone represents a small part of the overall investment. An example of a situation that would have a minimal impact on the financial return is a production shutdown of a single company due to a heatwave.

However this does not mean that the financial return is unaffected by sustainability risks. The consequences of sustainability risks vary across the individual product's exposure to sectors, companies, markets and asset classes. Some products have a particularly high exposure to sustainability risks and thereby also a higher risk of loss. Particularly high greenhouse gas emissions can have a potential negative impact on the value of an investment. This might be the case for instance with increased taxes on greenhouse gas emissions which impact earnings power and thereby the value.

Date	Version	Change
4 Mar 2021	1.0	First version of the document
31 Dec 2021	2.0	Updated as a result of a thematic inspection by the Danish FSA
23 Jan 2023	3.0	Paragraph added containing an assessment of the likely impacts of sustainability risks
6 Jan 2025	4.0	The Disclosure Regulation's definition of sustainability risk added with examples. Deletion of the list of business partners and clarification of the assessment of the likely impacts from sustainability risks.
24 Jun 2025	4.1	Layout adapted for the EU Accessibility Act