
Statement on principal adverse impacts of investment advice on sustainability factors*

*Compliance with Article 4(5) 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 statement concerns advice on financial products offered in connection with investment advice at Sydbank.

Description of principal adverse impacts

The Disclosure Regulation describes the principal adverse impacts as investments' detrimental impacts on sustainability factors. Sustainability factors are 'environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters'.

The Disclosure Regulation requires that manufacturers of financial products disclose whether and how they consider these adverse impacts. There are 18 mandatory indicators and several voluntary indicators to be reported on by manufacturers. These indicators help to measure the negative effects of investments on sustainability factors.

Consideration of principal adverse impacts

Sydbank only considers the principal adverse impacts on sustainability factors with regard to investment advice on selected undertakings for the collective investment in transferable securities (UCITS) and alternative investment funds (AIFs). During the process of selecting the financial products we advise on, we assess the principal adverse impacts of these products on sustainability factors.

In this way Sydbank considers the principal adverse impacts on sustainability factors with regard to investment advice as financial products for which advice may be provided are assessed against this background.

This is done by requiring that certain minimum criteria are met:

Minimum criteria – manufacturers:

- The manufacturer is a signatory to the UN-backed Principles for Responsible Investment (PRI) or has a similar policy.
- The manufacturer has a monitoring setup to assess sustainability risk and documentation regarding the integration of sustainability risk in investment research and decision-making processes.
- The manufacturer is an active owner and engages with companies when deemed necessary or potentially value creating.

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- The manufacturer reports on relevant sustainability factors, including principal adverse impacts of investments

Minimum criteria – financial products:

- The product promotes environmental and/or social characteristics (Article 8 products) or has sustainable investment as its objective (Article 9 products)*
- Companies in violation of international weapon conventions*
- Companies with a turnover exceeding 5% from production of thermal coal*
- Companies with a turnover exceeding 5% from production of oil sand*
- Companies with a turnover exceeding 5% from production or distribution of tobacco*

*In the event that the financial product does not meet the minimum criteria, the manufacturer must explain why this is not the case. Based on the explanation a decision is made as to whether the financial product may exceptionally be approved.

For instance the nature of the product in index strategies may prevent principal adverse impacts on sustainability factors from being taken into account. This would be an acceptable reason for being approved by exception.

The assessment is based on information from manufacturers, especially pre-contractual and periodic information required by the Disclosure Regulation for financial products that promote environmental or social characteristics (Article 8 products) and financial products that have sustainable investment as their objective (Article 9 products).

The financial products we advise on are not selected or ranked according to principal adverse impacts. Consequently criteria regarding the principal adverse impacts in connection with product selection have not been determined.

In connection with the suitability assessment we identify customers' sustainability preferences. This enables Sydbank's advisers to guide customers towards the financial investment products that are best suited to a customer's sustainability preferences, including considerations regarding minimising the adverse impacts of the investments on sustainability factors.