

# Principal Adverse Impact Statement

Sparinvest incorporates information regarding principal adverse impacts on sustainability in the investment process. The negative impacts are considered in investment decisions as well as stewardship, where negative impacts are sought to be mitigated and where long-term value creation is secured. This is described in Nykredit Sustainable Investment Policy across the investment process, and in this document, which serves as Nykredit Bank's Principal Adverse Impact Statement.

## 1. Description of policies for identification and prioritization of principal adverse impacts

Principal adverse impacts are considered in investment decisions and stewardship from a materiality and sustainability perspective, and are considered in relation to the type of investment and asset class.

Sparinvest employs a number of sustainability indicators for exclusions and monitoring the investments. These include at least:

- Exclusion of producers of controversial weapons as defined by UN conventions, including: cluster munitions, landmines, biological weapons, chemical weapons, ammunition with enriched uranium and nuclear weapons in violation of non-proliferation agreement
- Violation of international guidelines and norms: UN Global Compact, UECD guidelines for multinational enterprises
- Climate: Total CO<sub>2</sub>e emissions, carbon intensity, carbon footprint, weighted average carbon intensity
- Exposure to fossil fuels
- Climate transition of high emitting companies
- Board gender diversity

Sparinvest expects to report on the 14 mandatory PAI indicators for all products, as far as data coverage allows, from December 31 2021. Nykredit uses external data providers for both raw sustainability data, as well as analyses of sustainability risks and opportunities.

Sparinvest has a governance structure for handling sustainability issues. If companies do not live up to our general or product-specific sustainability guidelines, they are excluded or we engage the company. Our Forum for Sustainable Investments makes decisions on exclusions, including sector exclusions. Day-to-day decisions on identification, handling and prioritization of principal adverse impacts are made in collaboration between our investment teams and sustainable investment team.

## 2. Description of PAI and planned or already executed initiatives in relation to PAI

Through sector exclusions (as described in the Sustainable Investment Policy) as well as participation in international sustainable investment initiatives, Sparinvest has taken a number of initiatives to address PAI. Sparinvest has a long-standing track record regarding integration of sustainability concerns in the investment process, and has been a signatory to the UN PRI since 2009.

Sparinvest has pledged to ensure that the investment portfolios are aligned with a 1.5 degree pathway, by being net zero in 2050. Through the investor initiative Net Zero Asset Manager Initiative, Sparinvest has pledged to a number of actions, including setting short term climate targets. Through Investment Denmark, Sparinvest has pledged to reduce the emissions from retail equity funds by 75% in 2030, with MSCI ACWI 2020 as baseline.

## 3. Description of actions taken to address principal adverse impacts

Sparinvest demands that all internal and external managers comply with the Sustainable Investment Policy. Several products have restrictions and guidelines that go beyond these minimum guidelines. All funds must at least comply with Sparinvest exclusion list.

Sparinvest stewardship work, including engagement, voting and escalation are integrated parts of our Sustainable Investment Policy.

Insofar as companies are found in breach of Sparinvest guidelines and policies, Sparinvest contacts the company, either by ourselves or with other investors through investor coalitions such as Climate Action 100+, or through third party service providers to give the company the opportunity to explain and possibly change practice.

Likewise, Sparinvest can decide to vote against the board of a company to express our displeasure with the company. If the breach is egregious or if the company expresses no will to change its practice, Sparinvest will exclude the company.

Further information regarding our approach to principal adverse impacts can be found in our Sustainable Investment Policy, our Corporate Responsibility Report and the Responsibility Report.

[Sparinvest Sustainable Investment Policy](#)

[Nykredit's Corporate Responsibility Report 2020](#)