Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant
Luminor Bank AS (including its branches in Lithuania and Latvia), LEI 213800JD2L89GGG7LF07

Summary
Luminor Bank AS (including its branches in Lithuania and Latvia), LEI 213800JD2L89GGG7LF07 (further in this document – the Bank) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Luminor Bank AS (including its branches in Lithuania and Latvia).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2024.

The Bank considers principal adverse impact on entity level by measuring and monitoring the aggregated negative impact on sustainability factors of Discretionary Portfolio Management (further in this document - DPM) investments. The Bank considers the mandatory principal adverse impact indicators and three voluntary indicators defined by the 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 (hereinafter – the SFDR) and the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 (hereinafter – the SFDR RTS), subject to data availability and quality.

Description of principal adverse sustainability impacts

TABLE 1

Indicators applicable to investments in investee companies

	Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
	CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	5220.85 tonne CO2e	8928.909 tonne CO2e	10609.921 tonne CO2e	Coverage[1] 98.84% Estimated 22.15% Reported 77.85%	The Bank's investment team has updated the portfolio allocations in late 2023 while giving preference to instruments with higher ESG metrics in the process. The principles of the ESG preference in the rebalancing process stem from the ESG Due Diligence procedure in the Bank. Both on the entity level (the Bank) and the product level (DPM), 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
		Scope 2 GHG emissions	6148.658 tonne CO2e	6531.714 tonne CO2e	1618.6249 tonne CO2e	Coverage 98.84% Estimated 22.15% Reported 77.85%	
		Scope 3 GHG emissions	53395.062 tonne CO2e	57820.836 tonne CO2e	58042.008 tonne CO2e	Coverage 97.36% Estimated 42.62% Reported 57.38%	
		Total GHG emissions	54933.547 tonne CO2e	63701.938 tonne CO2e	69958.875 tonne CO2e	Coverage 97.3% Estimated 44.39% Reported 55.61%	

2. Carbon footprint	Carbon footprint	511.32602 tonne CO2e / EUR M invested	602.7297 tonne CO2e / EUR M invested	744.8714 tonne CO2e / EUR M invested	Coverage 97.3% Estimated 44.39% Reported 55.61%	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. In the next reference period, the Bank will closely follow the ESG metrics of its portfolios and financial instruments while assessing the opportunities for further ESG integration in the investment decision making process.
3. GHG intensity of investee companies	GHG intensity of investee companies	1128.6273 tonne CO2e / EUR M revenue	1314.3746 tonne CO2e / EUR M revenue	1452.2883 tonne CO2e / EUR M revenue	Coverage 97.46% Estimated 44.34% Reported 55.66%	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	12.537572 %	16.371195 %	21.467487 %	Coverage 95.25% Estimated 0% Reported 100%	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Consumption: 60.02867 % Production: 60.10489 %	Consumption: 61.117928 % Production: 62.86644 %	Consumption: 62.87091 % Production: 64.62944 %	Coverage 89.78% Estimated 1.69% Reported 98.31% Coverage 97.6% Estimated 0% Reported 100%	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Total: 0.65134794 GWh / EUR M revenue Sector A: 0.54756355 GWh / EUR M revenue Sector B: 1.4258608 GWh / EUR M revenue Sector C: 0.2596932 GWh / EUR M revenue Sector D: 3.3824577 GWh / EUR M revenue	Total: 0.81671727 GWh / EUR M revenue Sector A: 0.36823538 GWh / EUR M revenue Sector B: 1.48624 GWh / EUR M revenue Sector C: 0.3191184 GWh / EUR M revenue Sector D: 3.353484 GWh / EUR M revenue	Total: 1.1050602 GWh / EUR M revenue Sector A: 0.29178822 GWh / EUR M revenue Sector B: 1.5700263 GWh / EUR M revenue Sector C: 0.3436144 GWh / EUR M revenue Sector D: 3.3996558 GWh / EUR M revenue	Coverage 99.55% Estimated 27.66% Reported 72.34% Coverage 99.99% Estimated 19.61% Reported 80.39% Coverage 99.34% Estimated 29.48% Reported 70.52% Coverage 99.69% Estimated 26.51% Reported 73.49% Coverage 99.65% Estimated 29.74% Reported 70.26%	

			Sector E: 0.6554215 GWh / EUR M revenue	Sector E: 0.60770106 GWh / EUR M revenue	Sector E: 0.59729797 GWh / EUR M revenue	Coverage 99.89% Estimated 30.98% Reported 69.02%
			Sector F: 0.16818058 GWh / EUR M revenue	Sector F: 0.20620012 GWh / EUR M revenue	Sector F: 0.1794411 GWh / EUR M revenue	Coverage 99.47% Estimated 38.02% Reported 61.98%
			Sector G: 0.078178674 GWh / EUR M revenue	Sector G: 0.078767225 GWh / EUR M revenue	Sector G: 0.07833537 GWh / EUR M revenue	Coverage 99.92% Estimated 32.02% Reported 67.98%
			Sector H: 0.74524766 GWh / EUR M revenue	Sector H: 0.85547477 GWh / EUR M revenue	Sector H: 0.92012787 GWh / EUR M revenue	Coverage 98.83% Estimated 22.52% Reported 77.48%
			Sector L: 0.4589663 GWh / EUR M revenue	Sector L: 0.41059667 GWh / EUR M revenue	Sector L: 0.38223964 GWh / EUR M revenue	Coverage 97.89% Estimated 26.5% Reported 73.5%
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.0633686 %	3.1952338 %	3.440596 %	Coverage 94.46%
Water	8. Emissions to water	Tonne of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.004463072 tonne / EUR M invested	0.0057170265 tonne / EUR M invested	0.006344496 tonne / EUR M invested	Coverage 26.08% Estimated 70.91% Reported 29.09%
Waste	9. Hazardous waste and radioactive waste ratio	Tonne of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	24.924335 tonne / EUR M invested	45.30996 tonne / EUR M invested	65.93888 tonne / EUR M invested	Coverage 97.09% Estimated 60.12% Reported 39.88%

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	5.840268 %	5.774027 %	5.3564672 %	Coverage 94.46%	The Bank's investment team has updated the portfolio allocations in late 2023 while giving preference to instruments with higher ESG metrics in the process. The principles of the ESG preference in the rebalancing process stem from the ESG Due Diligence procedure in the Bank. Both on the entity level (the Bank) and the product level (DPM), 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. In the next reference period, the Bank will closely follow the ESG metrics of its portfolios and financial instruments while assessing the opportunities for further ESG integration in the investment decision making process.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.37157643 %	0.5416143 %	0.5913242 %	Coverage 98.17% Estimated 0% Reported 100%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11.566875 %	11.909018 %	11.770786 %	Coverage 55.81% Estimated 0% Reported 100%	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.920757 %	33.28145 %	32.059696 %	Coverage 98.25% Estimated 0% Reported 100%	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00328707 %	0.004714062 %	0.0053101694 %	Coverage 96.59% Estimated 0% Reported 100%	

Indicators applicable to investments in sovereigns and supranationals

	Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	571.0644 tonne CO2e / EUR M GDP	674.2429 tonne CO2e / EUR M GDP	611.2545 tonne CO2e / EUR M GDP	Coverage 99.42% Estimated 100% Reported 0%	The Bank's investment team has updated the portfolio allocations in late 2023 while giving preference to instruments with higher ESG metrics in the process. The principles of the ESG preference in the rebalancing process stem from the ESG Due Diligence procedure in the Bank. Both on the entity level (the Bank) and the product level (DPM), 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. In the next reference period, the Bank will closely follow the ESG metrics of its portfolios and financial instruments while assessing the opportunities for further ESG integration in the investment decision making process.

Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Relative: 1.1080587 % Absolute: 1 -	Relative: 1.095915 % Absolute: 1 -	Relative: 1.1111112 % Absolute: 1 -	Coverage 100% Estimated 0% Reported 100% Coverage 100% Estimated 0% Reported 100%	The Bank adheres to investment restrictions applicable further to sanctions imposed by the EU, UN and US.

Indicators applicable to investments in real estate assets

	Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A	Not applicable taking into account the assets that are included into Bank's DPM service.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A	

Other indicators for principal adverse impacts on sustainability factors

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Luminor Group has approved following policies and guidelines with the purpose to help identify and prioritize principal adverse sustainability impacts in the business activities of its different divisions and subsidiaries:

Sustainability Policy (approved on 16.12.2022) – outlines the main sustainability principles and values we follow in our business activities, decision making (including investment decision making). Summary statements and key principles are provided **here**.

Sustainable Investment Guidelines (approved on 25.11.2022) – outline sustainable investment principles, including the Sustainability (ESG) risk integration in the investment decision making process in Luminor Bank and its asset management subsidiaries. The statement on the Sustainable Investment Guidelines providing a brief description of the main principles is published **here**.

The Bank has approved DPM ESG Due Diligence Procedure (approved on 30.05.2023), which describes how Sustainability (ESG) risks and Principal Adverse Impacts are integrated in the investment decision making processes and how the ESG due diligence assessment is performed for the financial instruments proposed for the DPM Active list. In addition, this procedure defines the allocation of responsibility when implementing the PAI prioritization framework in the investment decision making process to the Wealth Management department of the Bank, along with the relevant methodology applicable to it. Moreover, the procedure assigns the responsibility to the Wealth Management department of the Bank to assess the probability and impact of identified PAI groups on the annual basis, while defining the internal governance to decide on the priorities. When assessing the identified PAI groups, the Wealth Management department assesses the geographical scope, as well as the environmental and social aspects of the impact. In addition, the factor of irreversibility is considered for all the identified PAI groups, assessing, just how much of the impact can be potentially reversed in the future. All the previously listed factors contribute to the general assessment of each PAI group, with larger impact and lower potential to reverse that impact contributing to increasing assessed severity of the PAI group. In later stages, the Wealth Management department reconciles the results of this assessment with the strategic targets of the Bank to define the prioritized PAIs.

In the investment process the Bank aims to identify principal adverse sustainability impact from the investment decisions. The Bank avoids direct investments in companies that do not meet our minimum safeguards. The Bank aims to invest in investment funds managed by external asset managers who are UN PRI signatories and thus exhibit positive trend in integrating ESG factors in their businesses. This provides the Bank opportunity to identify and prioritize investments with lower principal adverse sustainability impact.

The Bank selects for the listed indicators the third-party data provider based on data quality and accessibility assessment, as well as third-party reliability based on the Bank's procurement processes and methodology.

The methodology to identify principal adverse sustainability impacts is always subject to data availability and quality, and hence to margin of error. We are reliant on the quality of data received from third-party data providers (CLARITY AI, Inc.).

Engagement policies

According to the applicable legislation[2] we inform the client before provision of the discretionary portfolio management services that the Bank does not directly invest in stocks of the companies, which are listed in the regulated markets. Accordingly, the Bank does not prepare such engagement policies.

References to international standards

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[3] [4], OECD Guidelines[5], the UN Sustainable Development Goals[6], and the UN Guiding Principles on Business and Human Rights[7].

Due to volatile data availability in the market, the Bank did not use forward-looking climate scenarios during the reporting period.

Historical comparison

For historical comparison purposes, we include the data from the previous reference period in the Tables 1, 2 and 3. The data of the previous reporting period may have been updated to reflect the changes in the calculation methodology and investment portfolios data improvements.

The bank has been measuring principal adverse sustainability impacts for the three-year period, so far. While individual metrics on specific principle adverse impacts may vary, majority of indicators measured have been generally improving during the measurement period

Other indicators for principal adverse impact

In addition to the set of mandatory indicators, we consider three additional indicators subject to data availability and quality.

The Bank considers an indicator relating to emissions – investments in companies without carbon emission reduction initiatives. In regard to this indicator, Bank monitors the share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement. This indicator is part of the set of additional indicators that relate to climate and the environment, as defined by the SFDR RTS (SFDR RTS Table 2, indicator 4).

The Bank considers an indicator that relates to human rights – lack of a human rights policy. In regard to this indicator the Bank monitors the share of investments in entities without a human rights policy defined by the SFDR RTS (SFDR RTS Table 3, indicator 9).

The Bank also considers an indicator that relates to anti-corruption and anti-bribery. In regard to this indicator the Bank monitors the number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws defined by the SFDR RTS (SFDR RTS Table 3, indicator 17).

The Bank does not use other indicators to identify and assess additional principal adverse impacts on a sustainability factor than those mandatory indicators that are set out in Table 1, and the additional indicators that we have opted to consider in Tables 2 and 3.

TABLE 2

Additional climate and other environment-related indicators

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adv. sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	53.19 %	56.67 %	60.65 %	Coverage 100% Estimated 0% Reported 100%	The Bank's investment team has updated the portfolio allocations in late 2023 while giving preference to instruments with higher ESG metrics in the process. The principles of the ESG preference in the rebalancing process stem from the ESG Due Diligence procedure in the Bank. Both on the entity level (the Bank) and the product level (DPM), 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. In the next reference period, the Bank will closely follow the ESG metrics of its portfolios and financial instruments while assessing the opportunities for further ESG integration in the investment decision making process.

TABLE 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adv. sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies							
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	6.95 %	7.62 %	9.5 %	Coverage 98.72% Estimated 0% Reported 100%	The Bank's investment team has updated the portfolio allocations in late 2023 while giving preference to instruments with higher ESG metrics in the process. The principles of the ESG preference in the rebalancing process stem from the ESG Due Diligence procedure in the Bank. Both on the entity level (the Bank) and the product level (DPM), 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. In the next reference period, the Bank will closely follow the ESG metrics of its portfolios and financial instruments while assessing the opportunities for further ESG integration in the investment decision making process.
Anti-corruption and anti-bribery	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies	1: 0 2: 83.59121 million EUR	1: 0 2: 83.59121 million EUR	1: 0 2: 83.59121 million EUR	1: Coverage 94.46% 2: Coverage 94.46%	

1. Coverage refers to a fraction of companies, where there is data available to calculate a specific Principal Adverse Impacts (PAI). To ensure a good level of accuracy and coverage the Bank prioritizes reporting of the PAIs at a company level, but uses data from parent companies when the coverage at company level is not sufficient. When data from the closest parent organization is still not sufficient the third-party data provider searches for other parents in the organization structure.
2. Clause § 211^2(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.
3. 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)**
4. 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)**
5. OECD (2018) OECD Due Diligence Guidelines for Responsible Conduct. Available at: **OECD-Due-Diligence-Guidance-for ResponsibleBusiness-Conduct.pdf**
6. Available at: **THE 17 GOALS | Sustainable Development (un.org)**
7. UN (2011) Guiding Principles on Business and Human Rights, Available at: **Guiding Principles Business HR_EN.pdf (ohchr.org).**