

NORDICA INVESTMENT BANK

EU Sustainable Finance Disclosure Regulation (SFDR) Compliance Documentation Package

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Approved By: Group Compliance Committee

Jurisdictions: Germany (Primary), Netherlands, Belgium

Assets Under Management: €45 billion

Regulated Entity Status: MiFID Investment Firm

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1. Executive Overview

Nordica Investment Bank ('NIB' or 'the Bank') is committed to integrating sustainability considerations into its investment decision-making processes and providing transparent disclosures to clients and stakeholders in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR).

This documentation package consolidates the Bank's current SFDR compliance framework, including entity-level and product-level disclosures, sustainability risk policies, and Principal Adverse Impact (PAI) reporting methodology.

1.1 Scope of Application

This framework applies to all investment products and services offered by NIB across its EU operations, encompassing:

- 18 actively managed investment funds (Article 6, 8, and 9 classifications)
- Discretionary portfolio management services
- Investment advisory services
- Structured products with sustainability features

1.2 Current Compliance Status Summary

Requirement Area	Status	Last Updated
Entity-level website disclosures	Compliant	Oct 2024
Article 8 product classifications	Partial	Jul 2024
Article 9 product classifications	Compliant	Sep 2024
PAI Statement (entity-level)	Partial	Jun 2024
Pre-contractual disclosures	Partial	Aug 2024
Periodic reporting	In Progress	N/A

2. Sustainability Risk Policy

In accordance with SFDR Article 3, Nordica Investment Bank has established policies for the integration of sustainability risks in its investment decision-making process.

2.1 Definition of Sustainability Risk

'Sustainability risk' means an environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. The Bank categorises sustainability risks into three pillars:

Environmental Risks: Climate transition risks, physical climate risks, biodiversity loss, resource depletion, pollution events.

Social Risks: Labour rights violations, community impact, health and safety incidents, supply chain controversies.

Governance Risks: Board composition issues, executive remuneration concerns, anti-corruption failures, tax avoidance.

2.2 Integration Approach

The Bank integrates sustainability risks through the following mechanisms:

- **ESG Screening:** All potential investments undergo initial ESG screening using third-party data providers (MSCI ESG, Sustainalytics).
- **Exclusion Lists:** Maintained exclusion lists for controversial weapons, thermal coal (>30% revenue threshold), and severe human rights violators.
- **ESG Integration Scores:** Proprietary ESG scoring model applied to equity and fixed income holdings.
- **Active Ownership:** Engagement programme targeting portfolio companies with material ESG risks.

2.3 Limitations and Gaps

Note: The following limitations have been identified in the current sustainability risk framework:

- ESG data coverage is incomplete for small-cap equities (<70% coverage)
- Sovereign ESG assessment methodology is under development
- Real-time monitoring of sustainability events not yet operational
- Climate scenario analysis limited to equity portfolios only

3. SFDR Entity-Level Disclosures

The following disclosures are published on the Bank's website (www.nordica-investment.eu/sustainability) in accordance with SFDR Articles 3, 4, and 5.

3.1 Sustainability Risk Integration (Article 3)

Published disclosure summarising how sustainability risks are integrated into investment decisions. Last updated: 15 October 2024. Available in: English, German, Dutch.

3.2 Principal Adverse Impacts Consideration (Article 4)

The Bank considers principal adverse impacts of investment decisions on sustainability factors. The entity-level PAI statement was published on 30 June 2024, covering the reference period 1 January 2023 to 31 December 2023.

Status: 11 of 14 mandatory PAI indicators fully reported. See Section 5 for details.

3.3 Remuneration Policy Integration (Article 5)

The Bank's remuneration policy has been updated to incorporate sustainability risk considerations. Key features include:

- Variable compensation for portfolio managers includes ESG performance metrics (15% weighting)
- Malus provisions for significant ESG controversies
- Sustainability targets incorporated into Senior Management objectives

Gap identified: Remuneration policy disclosure on website requires update to reflect 2024 changes.

4. Product Classification Framework

Nordica Investment Bank classifies its financial products in accordance with SFDR Articles 6, 8, and 9. The following framework governs product classification decisions.

4.1 Classification Overview

Classification	Description	NIB Funds	AUM (€bn)
Article 6	Products that integrate sustainability risks but do not promote E/S characteristics	4	0.2
Article 8	Products promoting environmental or social characteristics	12	28.4
Article 9	Products with sustainable investment as objective	2	8.4
Total		18	45.0

4.2 Article 8 Product Requirements

For products classified as Article 8, the Bank applies the following criteria:

- **Binding E/S Criteria:** Minimum 60% of portfolio invested in companies meeting defined ESG thresholds
- **Exclusion Framework:** Application of Bank-wide exclusion policy plus fund-specific exclusions
- **ESG Integration:** Mandatory ESG analysis for all investment decisions
- **Engagement:** Active ownership activities documented and reported

Documentation Gap: 5 of 12 Article 8 funds have incomplete binding criteria documentation. The classification methodology document requires standardisation across the fund range.

4.3 Article 9 Product Requirements

Article 9 products must demonstrate that sustainable investment is the primary objective. Current Article 9 funds:

Fund Name	Objective	Taxonomy Alignment	DNSH Assessment
NIB Climate Solutions Fund	Climate change mitigation	72%	Complete
NIB Social Impact Bond Fund	Social objectives (SDG 1, 3, 4)	18%	Complete

5. Principal Adverse Impact (PAI) Statement

In accordance with SFDR Article 4, Nordica Investment Bank considers principal adverse impacts of its investment decisions on sustainability factors. This section summarises the Bank's PAI methodology and reporting status.

5.1 PAI Indicator Reporting Status

Reference Period: 1 January 2023 - 31 December 2023

Publication Date: 30 June 2024

#	PAI Indicator	Metric	Status	Coverage
1	GHG Emissions	Scope 1, 2, 3 tCO ₂ e	Reported	89%
2	Carbon Footprint	tCO ₂ e/€M invested	Reported	89%
3	GHG Intensity	tCO ₂ e/€M revenue	Reported	85%
4	Fossil Fuel Exposure	% portfolio	Reported	100%
5	Non-renewable Energy	% production/consumption	Reported	78%
6	Energy Intensity	GWh/€M revenue	Reported	76%
7	Biodiversity Impact	Operations in sensitive areas	Partial	42%
8	Water Emissions	Tonnes discharged	Partial	38%
9	Hazardous Waste	Tonnes generated	Partial	35%
10	UNGC/OECD Violations	Yes/No per company	Reported	95%
11	UNGC/OECD Monitoring	Monitoring processes	Reported	100%
12	Gender Pay Gap	Unadjusted % gap	Reported	71%
13	Board Gender Diversity	% female directors	Reported	92%
14	Controversial Weapons	Exposure Yes/No	Reported	100%

5.2 Data Collection Methodology

PAI indicator data is sourced through a combination of:

- Third-party ESG data providers (MSCI ESG, Sustainalytics, ISS)
- Direct company disclosures (annual reports, sustainability reports)
- CDP climate and water disclosures
- Estimation models for missing data points (using sector averages)

Gap identified: Data coverage for biodiversity (PAI 7), water emissions (PAI 8), and hazardous waste (PAI 9) indicators falls significantly below target threshold of 80%. Enhanced data partnerships required for 2024 reporting cycle.

5.3 Actions to Address PAIs

The Bank has implemented the following actions to address principal adverse impacts:

- **Engagement Programme:** Targeted engagement with 45 portfolio companies on climate transition (2023)
- **Voting Policy:** Support for climate-related shareholder resolutions (92% support rate)
- **Portfolio Tilting:** Systematic underweighting of high-carbon sectors
- **Green Bond Allocation:** Minimum 15% allocation to green bonds in eligible portfolios

6. Governance & Oversight

Nordica Investment Bank has established a governance framework for SFDR compliance and sustainability integration.

6.1 Sustainability Governance Structure

- **Board-level:** Sustainability Committee (quarterly meetings) - Chaired by Independent Non-Executive Director
- **Executive:** Chief Sustainability Officer (reports to CEO) - Position filled March 2024
- **Operational:** ESG Integration Team (6 FTE) within Investment Division
- **Compliance:** SFDR Compliance Working Group (meets monthly)

6.2 Approval Authorities

Decision Type	Authority	Escalation
Product SFDR classification	Product Committee	Board Sustainability Committee
PAI Statement approval	Group Compliance	CEO
Exclusion list changes	ESG Integration Team	CIO
Sustainability policy updates	CSO	Board Sustainability Committee

6.3 Training & Competency

SFDR and ESG training requirements:

- All investment professionals: Annual ESG integration training (4 hours)
- Product specialists: SFDR classification training (2 hours annually)
- Sales teams: SFDR disclosure requirements (2 hours annually)
- Board members: Sustainability governance briefing (annual)

Gap identified: Training records show 68% completion rate for 2024. Compliance target is 95%.

7. Previous Audit Findings

Summary of findings from Internal Audit review (September 2024) and External Regulatory Examination (June 2024).

7.1 Internal Audit: SFDR Compliance Review

Audit Date: September 2024 | **Rating:** Satisfactory with Improvements Required

Finding	Severity	Status	Due Date
Incomplete Article 8 binding criteria documentation	High	Open	31 Jan 2025
PAI data gaps for environmental indicators	High	Open	30 Jun 2025
Pre-contractual disclosures require update	Medium	In Progress	28 Feb 2025
Website disclosures not in all required languages	Medium	Closed	Completed
SFDR training completion below target	Low	Open	31 Mar 2025

7.2 Regulatory Examination Notes

The German Federal Financial Supervisory Authority (BaFin) conducted a thematic review of SFDR implementation in June 2024. Key observations:

- Generally satisfactory approach to entity-level disclosures
- Recommendation to enhance product-level Taxonomy alignment disclosures
- Observation that PAI data collection processes require strengthening
- No formal enforcement actions or findings issued

Appendix A: Fund Classification Summary

Fund Name	SFDR Class	AUM (€M)	Binding Criteria Doc	Pre-Contractual
NIB European Equity Growth	Art. 8	3,240	Complete	Complete
NIB Global Balanced	Art. 8	2,890	Complete	Complete
NIB Sustainable Leaders	Art. 8	2,450	Incomplete	Incomplete
NIB ESG Corporate Bonds	Art. 8	3,120	Complete	Complete
NIB Climate Solutions	Art. 9	5,600	Complete	Complete
NIB Social Impact Bonds	Art. 9	2,800	Complete	Complete
NIB European Value	Art. 8	1,980	Incomplete	In Progress
NIB Global High Yield	Art. 8	2,340	Complete	Complete
NIB Emerging Markets	Art. 6	3,450	N/A	Complete
NIB Multi-Asset Income	Art. 8	2,670	Incomplete	Incomplete
NIB Technology Growth	Art. 8	1,890	Complete	Complete
NIB Infrastructure Debt	Art. 8	2,100	Incomplete	In Progress
NIB Money Market	Art. 6	2,450	N/A	Complete
NIB Short Duration	Art. 6	1,200	N/A	Complete
NIB Absolute Return	Art. 6	1,100	N/A	Complete
NIB Real Estate Securities	Art. 8	1,780	Complete	Complete
NIB Nordic Opportunities	Art. 8	1,940	Incomplete	In Progress

Appendix B: PAI Indicator Data (2023)

Indicator	Metric	2023 Value	2022 Value	YoY Change
Scope 1+2 GHG Emissions	tCO2e	1,245,780	1,389,450	-10.3%
Carbon Footprint	tCO2e/€M	32.4	38.1	-15.0%
GHG Intensity	tCO2e/€M revenue	189.3	201.7	-6.1%
Fossil Fuel Exposure	% portfolio	8.2%	11.4%	-3.2pp
Board Gender Diversity	% female	34.2%	31.8%	+2.4pp
UNGC Violations	Companies	2	3	-1

Document End

This compliance documentation package is provided for regulatory gap analysis purposes. All data and information contained herein is illustrative and does not represent actual financial institution documentation.