



# Statement on Principal Adverse Impacts of investment decisions on sustainability factors

## Background and scope

This disclosure applies to all investment teams, funds, discretionary mandates, and direct investments in Coeli<sup>1</sup>.

The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as employee matters, respect for human rights, anti-corruption and anti-bribery matters. defines sustainability factors as environmental, social and corruption and antibribery matters.

Principal adverse impact is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. This statement describes how we seek to consider principal adverse impacts (PAI) of our investment decisions on sustainability factors, as per Article 4 of the SFDR.

This statement applies as of 10 March 2022. It will be reviewed at least annually. In case of any inconsistency in translations of this statement, the English version will prevail.

## Description of principal adverse sustainability impacts

Several types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. PAI indicators are a way of measuring how issuers negatively impact sustainability factors.

We seek to manage the risk connected to potential adverse sustainability impact from our investments in several ways, including via screening criteria and surveillance of alleged violations of international standards. We monitor and evaluate a range of PAI indicators for investee companies.

The PAI indicators currently monitored and evaluated for investee companies include:

Adverse sustainability indicator		Metric
<b>Climate and other environment-related indicators</b>		
Greenhouse Gas Emissions	GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector

<sup>1</sup> The Sustainable Investing Policy is approved by Coeli Asset Management AB; Coeli European AB; Coeli Frontier Markets AB; Coeli Global AB; Coeli Investment AB; Coeli Wealth Management AB. Coeli Investment AB shall comply with this policy in applicable parts.



	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 of total energy sources
	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
Biodiversity	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
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
<b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>		
Social and employee matters	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
	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
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	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



For investments in sovereign bonds, we monitor, evaluate and report the GHG Intensity.

## Description of policies to identify and prioritise principal adverse sustainability impacts

Subject to data availability, Coeli monitors the selected PAI indicators for all managed assets, with the exception of assets where data on PAIs is not available, on an ongoing basis using expert-data provider services. Issuers identified as outliers on specific indicators, or which exhibit high adverse impact across several indicators, are identified based on data acquired from expert-data providers and/or internal analysis. These issuers are subject to further analysis by expert-data providers, and relevant cases will be escalated to our investment teams.

PAI data is also used by some of our investment teams as input into their investment process.

## Description of actions to address principal adverse sustainability impacts

Subject to data availability, Coeli monitors the selected PAI indicators for all managed assets, with the exception of assets where data on PAIs is not available, on an ongoing basis using expert-data provider services. Issuers identified as outliers on specific indicators, or which exhibit high adverse impact across several indicators, are identified based on data acquired from expert-data providers and/or internal analysis. These issuers are subject to further analysis by expert-data providers, and relevant cases will be escalated to our investment teams.

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## Methodologies and data used to assess each principal adverse impact

### *ESG Safeguards*

Our sustainable investing framework comprises a baseline integration of ESG safeguards. The ESG safeguards consist of screening and exclusions, implemented across our product range to ensure the portfolio meets a minimum standard irrespective of the individual portfolio's ESG profile. Further, our product range include additional ESG features specified for each product. Depending on the investment strategy, the portfolio could for example exclude certain sectors, select securities with particular ESG standards, or invest thematically.

### *Principle Adverse Impacts monitoring*

PAI monitoring is carried out using a expert-data service provider. The issuer's PAI indicator performance is assessed and ranked on their PAI indicator performance, both for individual indicators and overall.

The output of the total assessment and ranking results in a flag indicating the performance of each issuer. The issuers flagged for poor performance, either overall or on individual indicators, are then analysed by our investment teams. For a given indicator, multiple data sources may be used. The indicator importance is prioritised according to parameters reviewed and maintained by our investment teams. These parameters take into account various aspects, including data quality, data freshness and history, data coverage, aspects of the methodology of the data providers, the materiality of the indicator's subject matter, and divergence of indicator values.



The worst performing issuers, or “negative outliers” will be analysed by our investment teams and where relevant escalated to Coeli’s Sustainable Investing Council (SIC), who will agree and decide on the appropriate action. Cases may also be triggered by internal analysis, based on information/data from other sources. The range of possible actions consist of the following:

**Engagement:** The issuer is identified as a candidate for an engagement case. This can be due to various reasons such as the issuer’s PAI performance, either overall or on certain indicators, or low data coverage for the issuer compared to benchmark.

The investment team engages with the issuer and tracks performance after the engagement based on relevant PAI-related KPIs.

**Exclusion:** The issuer is deemed not eligible for investments across our managed portfolios and is excluded.

**No action:** The PAI indicator level of the issuer is deemed acceptable or judged not to reflect the actual ongoing performance of the company, and no further action is needed at this point. The issuer will continue to be assessed on an ongoing basis. In deciding the appropriate action, the investment teams consider, among other things, the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irremediable characteristics.

## Actions taken or planned in relation to PAI

We have an established framework for sustainable investing including ESG integration, stewardship and engagement, investment restrictions and exclusions, and reporting. For further information, please refer to our Sustainable Investing Policy available on our website: [www.coeli.com/sustainability](http://www.coeli.com/sustainability).

## Engagement policy summary

As active investors and asset managers, our teams are engaged in their investments covering a range of ESG and sustainability aspects that are identified in the due diligence and investment processes. Based on the investment teams’ thorough knowledge and understanding, constructive dialogues are initiated with company management, regulators, interest groups, government representatives, or peers, seeking to:

- Promote environmental and/or social factors
- Address and mitigate sustainability risks and principal adverse impacts, and/or
- Contribute to positive development and change.

Each investment team is responsible for establishing their engagement activities, which may come in the form of meetings, formal correspondence, participation at conferences, and exchange of information. Investment teams that invest in publicly listed companies are also able to exercise their ownership power by voting at general meetings. For more information, please see **Principles for shareholder engagement**.

## References to international standards

The application of PAI builds on the United Nations Sustainable Development Goals (SDG’s) and relevant international conventions and norms, including, but not limited to: United Nations Global Compact; OECD Principles of Corporate Governance; OECD Guidelines for Multinational Enterprises Universal Declaration of Human Rights; UN Guiding Principles on Business and Human Rights; Children’s Rights and Business Principles; ILO conventions on labour standards; Rio Declaration on Environment and Development; UN Convention on Corruption; Convention on Cluster Munitions; Paris Agreement under the United Nations Framework Convention on Climate Change.



In relation to the alignment with the Paris Agreement, the application of PAI includes a requirement for investee companies that are active in the most climate-critical sectors to demonstrate a credible transition strategy that is compatible with the Paris Agreement's climate objectives. This includes assessments of their decarbonization pathways as well as their positive contributions to climate mitigation. As the methodologies for assessing this progressively reach greater maturity for a greater number of sectors, the number of companies subject to this requirement will grow.

### **Additional information**

The current expert data provider is ISS ESG.

More information on Coeli and our Sustainable Investing framework can be found on [www.coeli.com/sustainability](http://www.coeli.com/sustainability).