

# Explanation of sustainability terms

**Sustainability** – a social goal that allows humans to coexist on Earth for the long term. This term has different definitions. In everyday use, sustainability often focuses on solutions major environmental problems, including climate change, loss of biodiversity, loss of ecosystem services, land degradation and air and water pollution. According to Oxford English Dictionary, sustainability is defined as “the quality of being environmentally sustainable; the degree to which to which a process or business is able to continue without long-term depletion natural resources.”

**Sustainable investment** – investment in economic activity that contributes to environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow sound practices governance practices.

**Sustainability risks** – an environmental or social event or situation or governance situation that, if it were to occur, could have an actual or potential significant adverse impact on the value of the investment.

**Sustainability preferences** – customer priorities for sustainability when investing in specific financial instruments. These priorities are expressed by the customer primarily through their answers to the investment questionnaire.

**Sustainability (ESG) factors** – ESG sustainability factors are criteria used to evaluate environmental, social and governance aspects of a company.

Environmental (E) factors refer to the impact that a company has on the environment. This may include issues such as climate change, biodiversity conservation, waste and water management, nature conservation and pollution.

Social (S) factors relate to the way companies manage their relationships with employees, suppliers, customers and the communities in which they operate. This may include issues such as human rights, working conditions, workplace health and safety and community involvement.

Governance (G) factors relate to the way a company is managed. This includes issues such as structure management structure, executive compensation, transparency and accountability.

These factors can affect the financial performance of the company and its long-term sustainability.

**Principal adverse impacts on sustainability (PAI)** – most significant negative impacts of investment decisions on sustainability factors related to environmental, social and labour issues, human rights, anti-corruption and anti-bribery issues.

**EU Taxonomy** – is a classification system that provides a list of environmentally sustainable economic activities. However, it does not list socially sustainable economic activities. Sustainable investments with an environmental objective may or may not be in line with the taxonomy.

**Light green investment / investment with at least complementary focus on sustainability factors** – a type of investment (fund) under Article 8 of the SFDR that promotes environmental or social characteristics but does not have sustainable investment as its objective. Thus, light green investments are those that promote certain environmental or social characteristics but have as their main objective is not to achieve a sustainable investment. This means that these investments may contribute to certain environmental or social objectives but are not primarily aimed at achieving sustainability.

**Dark green investments / Investments making sustainable investments as their main objective** – a type of investment (fund) under Article 9 of the SFDR that has sustainable investment as its objective. Thus, dark green investments are those that have as their main objective to achieve sustainable investment. This means that these investments are primarily aimed at achieving sustainability

## Important legislation:

**SFDR Regulation** – Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector

**Taxonomy Regulation** – Regulation (EU) 2020/852 of the European Parliament and of the Council establishing framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088