

Responsible Investment Policy

Introduction

This document defines the principles of responsible investment for LHV Asset Management. The principles of responsible investment, *inter alia*, analysis of principal adverse impact to sustainable factors (environmental, social and governance) and sustainability risks, are a part of the general investment analysis process.

When making investment decisions, LHV Asset management takes into account the principal adverse impact insofar as it is specified in the relevant funds' documents. LHV Asset Management monitors and reports the principal adverse impact (PAI) indicators for all the funds under its management in accordance with the legislation.

We believe that well managed companies have strong governance and social responsibility which enables preparation for future risks and opportunities, such as environmental ones arising from climate change. The principles are accepted by the management board and reviewed regularly. This document specifies responsible investment principles applicable to funds managed by LHV Asset Management.

Vision

LHV Group is a signatory of the UNEP FI Principles for Responsible Banking and LHV Asset Management also actively engages in several initiatives such as the UNEP FI impact analysis working groups. On the company level, LHV Group seeks to be climate neutral by 2022 in its own operations and show leadership in this field with the wish to help the Estonian economy in general to transition to a greener method of operation. To demonstrate leadership LHV Asset Management created Estonia's first green pension fund in 2020. We believe following ESG principles is in the best long-term interests of our clients.

Principles of responsible investment

The assessment of sustainability risks and the mapping of the main negative impact are part of the general investment analysis process (except for index funds, which invest pursuant to the model portfolio and the principles established for the selection of funds by the fund rules and prospectus).

By integrating the assessment of principal adverse impact to sustainability factors and sustainability risks into the process, the analysis is comprehensive and takes into account ESG factors as well as traditional investment analysis factors such as fundamentals and valuation. The extent and manner in which the ESG risks identified when conducting the analysis are taken into account when making investment decisions (acquisition of new instruments and disposal of existing ones) depends on the investment strategy of a specific fund.

The availability and quality of the sustainability information used in the analysis can be inconsistent and can often be based on prognosis, especially for investments outside of the European Union. With the gradual implementation of the European Union's sustainability reporting directive 2022/2464 over the course of the following years, the availability of data is expected to improve.

ESG assessment as one part of the analysis is divided into subgroups, based on the sectors and needs of each existing or new potential investment (taking into account most relevant ESG risks of the particular company). ESG analysis is based on public information, including periodic financial reports, sustainability reports, press releases, company management meetings and other relevant material. In case of issuers who do not report sustainability indicators, we use the prognosis of third-party service providers (e.g. Sustainalytics) and ESG ratings.

We assess whether portfolio companies focus on long-term sustainability and ESG risk management issues and whether they follow the international UN and ILO standards and conventions. We focus on ESG issues through management quality and engage, where possible and reasonable, with invested companies through company management meetings and active monitoring of the investment quality. The exercise of voting rights in respect of the fund's assets will also take into account sustainability objectives as set out in the "Policy regarding the exercise of voting rights arising from the assets of the fund".

After comprehensive analysis process investment team takes into account how the investment object is managing ESG issues and what could be potential sustainability risks that could arise in the future, if needed then dedicated ESG investment team members will be involved.

Possible sustainability risks or indicators of adverse impact to sustainable factors related to the investments are monitored regularly just like other company financial and non-financial metrics. Based on the analysis and the opinion on ESG issues, the investment team decides whether after all considered issues the investment continues to be attractive or not. An additional measure is the exclusion method. It means that it is possible to exclude individual investments in certain sectors or companies with the fund's investment policy or according to LHV Asset Management's internal rules of procedure.

LHV Asset Management does not take into account the EU criteria for environmentally sustainable economic activity for any of the funds under its management.

More specific information on the principal adverse impact to sustainability factors can be found in the annual reports of the investment funds and as of year 2024, in the PAI report of LHV Asset Management (for the year 2023).

The achievement of sustainability objectives will be taken into account in the assessment of the performance of the management company's managers and fund managers.