

ESG policy – LHV Group Policy

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1 Definitions

ESG (Environmental, Social and Governance) – environmental, social and governance sustainability issues.

LHV – AS LHV Group and its subsidiaries

SDG (Sustainable Development Goals) – a global set of universal goals and indicators that is aimed at ending poverty, combating climate change and inequality, and ensuring a good quality of life for everyone. The Sustainable Development Goals were adopted by 193 UN member states at the Sustainable Development Summit held in 2015.

2 Objective

In its activities, LHV strongly focuses on sustainability and takes new social demands into account. We are aware and acknowledge that climate change poses an unprecedented challenge, while human activity has an extraordinary effect on the environment.

Although LHV is engaged in environmental and social initiatives, there is still room for expanding such activities and changing our everyday business activities to bring these more into conformity with the Sustainable Development Goals.

The objective of this policy is:

- To improve the understanding of ESG issues in LHV's everyday management and activities;
- To equip us with principles that facilitate LHV's movement towards the ESG objectives;
- To offer a framework for our public activities and our role in society.

Environmental and social goals and considerations are integrated into our everyday activities and value creation strategy. We actively improve and develop our business processes in order to hedge and alleviate environmental and social risks and to strive towards the constant development of environmental and social practices in all the LHV business areas.

This policy provides an overview of LHV's commitment to environmental sustainability and responsibility in society. The policy also specifies our ESG activities, ambition and attitude.

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3 Assessment of functionality and compliance

The policy is reviewed and, if necessary, updated by the Head of ESG regularly, and at least once a year, by entering a respective note in the database of internal rules of procedure. The ESG Policy and the amendments thereto are approved by the Supervisory Board of AS LHV Group.

4 Our contribution

LHV aims to promote business activities that take sustainability into account. We consider it our mission to act responsibly and move towards our business activities while reducing our negative impact on both the environment and people.

We have decided to focus primarily on five UN Sustainable Development Goals, the achievement of which we can influence the most. The SDGs provide a targeted framework for our work and our promises in moving towards a more sustainable future.



SDG 1: No poverty

We believe that by taking social and environmental challenges into account in all the main business areas of LHV, we support the reduction of inequality and the risk of poverty in society. By investing into increasing financial literacy among our customers and throughout Estonia in general, we reduce the risk of growth in the global economy having a disproportionate effect on everyone in society.

SDG 7: Affordable and clean energy

For us, sustainability is an integral part of creating and offering value. In developing our products, we strive towards providing our customers with an additional selection of green financial services that support positive energy-saving developments and contribute to the fight against climate change.

SDG 8: Decent work and economic growth

Financing and investment products have a central role in promoting sustainable growth, job creation, entrepreneurship and innovation. LHV works towards ensuring equal opportunities for everyone and contributing to the development of a more inclusive economy.

SDG 12: Responsible consumption and production

LHV takes environmental factors into account in making business decisions. Promoting responsible borrowing and consumption and offering services to our customers that promote sustainability contribute to the achievement of this goal. We also strive towards the introduction of more sustainable technologies in our everyday work and the improvement of waste management, and we monitor and reduce our CO₂ footprint in order to use natural resources more efficiently.

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SDG 13: Climate action

As part of the sustainable development of the society, we encourage the use of environmentally friendly and sustainable business practices both in the financial sector and at national level. This helps companies combat climate change and promotes sustainable conduct that benefits both the economy and society at large.

5 ESG activities

5.1 Environmental matters

For a finance institution, sustainable everyday activities mean aspects that take into account ESG topics are consistently implemented in customer offers and product development. To date, LHV has developed a green pension fund and green loan offers for its customers to motivate them to make environmentally friendlier consumption decisions. We have also updated our corporate credit policy and created environmentally and socially relevant exclusion criteria for activities we do not finance.

As an Estonian company, LHV wishes to act sustainably and contribute to the adaptation of the Estonian economy to the achievement of the established climate goals. For that purpose, LHV:

- contributes to the fulfilment of the aims of the Paris Agreement;
- supports the aim of the Estonian state to make the economy climate-neutral by 2050;
- is open to the possibilities offered by the new and more sustainable economy;
- works together with external stakeholder groups in order to bring about greater changes;
- observes green office principles and measures its own CO₂ footprint in order to make its office activities climate neutral by 2022;
- has joined the UN Principles for Responsible Banking and established the aim to fulfil all the related requirements (in the future, the Principles will also include pension funds and insurance activities).

As a part of joining the UN Principles for Responsible Banking, we have conducted an extensive portfolio impact analysis in order to identify the areas in which LHV's business activities have the greatest positive or negative effect. We have then defined clear indicators in order to increase the efficiency of our environmental and social projects even more and to improve risk management processes.

Sustainability requires a collective effort and the transfer to a more vigorous economy requires cooperation between the private sector and the public sector. We therefore support and contribute to the aspiration of Estonia becoming the first country to develop a uniform system of measuring sustainability for companies, which could be used in making corporate financing decisions and would therefore allow for linking the interests of various parties to the climate goal.

Our lending principles that take into account environmental and social topics are included in LHV's Credit Policy.

5.2 Social matters

As banks and finance institutions have an important role in economic development, they are also able to influence people's lives and the overall wellbeing of society. We always act honestly, transparently and ethically with an emphasis on integral administration and respect towards our partners, customers and employees.

In understanding its role and social influence, LHV:

- supports culture, education, sports and community events;
- can express its support for social movements and partners in order to develop local culture and economy;
- stands for the equal opportunities of people and companies;
- increases customers' trust in LHV as a non-discriminating financial service provider;

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- promotes financial literacy and the dissemination of economic knowledge;
- constantly increases its competence in ESG matters in order to promote cohesion in society.

The wellbeing of our company depends on our own people. We understand that success in financial results and growth numbers are directly related to the wellbeing of the people who create value when they are offered a supportive work environment and feel both a personal and collective sense of mission and a sense of being valued.

As an employer, LHV:

- supports non-discriminatory attitudes and equal opportunities and offers a fair and competitive salary;
- maintains high-level working conditions, contributing to safety and the physical and mental health of our people;
- meets all the international labour-related standards as well as national employment, social insurance, occupational health and safety standards in order to offer a secure, inclusive and healthy working environment;
- promotes sustainable and forward-looking personnel planning as well as well-functioning relationships with employees and other contractors through the personnel policy, procedures and the management system;
- facilitates increasing and developing the professional skills and competences of all employees;
- supports the balance between work and private life and offers a wide range of voluntary benefits such as sports compensation, free of charge psychological support, dental care compensation, financial services on beneficial terms, flexible working hours, joint events and more.

Matters related to personnel management have been defined and described in LHV's Personnel Policy and Remuneration Policy. Matters related to health and safety have been established in the Introductory Guideline on Occupational Safety.

5.3 Matters related to corporate management

LHV is committed to acting honestly and in good faith and ensures that our management policies and business procedures and structures are transparent, expressing responsibility, equality and higher standards of ethics. We handle all possible conflicts of interest diligently and avoid corruption, money laundering and unlawful activities. As an employer, we base our activities on equality, fair treatment and inclusion, and we encourage and maintain non-discriminatory business and personnel practices.

In order to encourage a sustainable way of thinking at all levels of management and in the organisation on the whole, LHV:

- maintains a uniform organisation structure with a low hierarchy, in order to emphasise the importance of personal responsibility and initiative for everyone;
- consistently strengthens the introduction of ESG factors in everyday work tasks, management, recruitment and strategy development;
- sees the integration of ESG factors in our business processes as change management and understands the importance of cooperation in achieving the established objectives;
- works towards the improved analysis and reporting of ESG activities and ESG-related progress, disclosing indicators and results to regulators, partners and the public.

The matters of responsible management have been explained in greater detail in LHV's Principles of Ethics and the Good Corporate Management Practice report.

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6 Personal responsible for ESG

Employee responsible for everyday ESG matters	LHV's Head of ESG
Governing body member ultimately responsible for ESG supervision	LHV's CEO
Governing body member responsible for supervision over everyday ESG activities	Heads of LHV Group's subsidiaries
Employee responsible for everyday external communication related to environmental and social matters and contact person for public enquiries	LHV's Communication Manager

7 Related internal rules of procedure

Principles of Ethics

Personnel Policy

Remuneration Policy

Introductory Guideline on Occupational Safety

Credit Policy

Good Corporate Management Practice report

8 Document history

Version number	Valid from	Description of amendment	Document prepared by
1	...	Original version	Head of ESG, Ragne Maasel