

Responsible Investment Policy

Introduction

This document presents the responsible investment policy of LHV Pank AS (LHV), defining the scope of application of the policy to investment decisions. LHV makes investment decisions within the framework of securities portfolio management. LHV does not currently provide investment advisory services to its customers.

We believe that well-managed companies have strong governance and social responsibility, enabling preparation for future risks and opportunities, such as environmental ones arising from the climate change.

Vision

LHV's goal is to conduct its business in line with sustainability considerations. LHV considers it its mission to act responsibly and move towards reducing the negative impact on the environment and people due to its business activities.

In early 2020, we became a member of the United Nations Environment Programme's Finance Initiative (UNEP FI) and signed the Principles for Responsible Banking. We have mapped the potential negative and positive impacts of our portfolio across lines of business using the UNEP FI sustainable banking impact assessment tools and prepared a sustainability action plan for 2021–2023. LHV's sustainability ambitions are described in more detail in the [LHV Group ESG Policy](#), and its sustainability projects are presented on the [website](#). We believe following ESG (environmental, social and governance) principles is in the best long-term interests of our customers.

Principles of responsible investment

Assessing responsible investment and ESG factors is part of the investment analysis process carried out in the course of portfolio management. In making investment decisions, consideration for ESG factors is integrated into LHV's investment process – ESG factors incl. sustainability risks are assessed and considered alongside other traditional investment analysis methods, such as fundamental analysis and valuation. When managing its securities portfolio, LHV invests directly in securities issued by companies (such as shares, bonds) or in investment funds. Expense ratios, potential and other characteristics of securities and investment funds with sustainability factors will be assessed, where relevant.

ESG assessment as a part of the analysis is divided into subgroups, which are specific to the investment or sector (taking into account the most relevant ESG risks for the issuer or sector). We aim to generate a list of material ESG issues for relevant sectors. The sources for ESG analysis are based on public information, including periodic financial reports, ESG and sustainability reports, press releases, company management meetings and other relevant material. ESG ratings and other information from external providers can also be taken into account in ESG analysis where relevant material or databases are available, for example, data compiled by Bloomberg. We expect portfolio companies to focus on long-term sustainability and ESG risk management issues and 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.

Regarding the exercise of voting rights in investments, sustainability goals are considered in line with the LHV Pank AS Engagement Policy in Securities Portfolio Management. After comprehensive analysis, the investment team considers how the investment object or the issuer manages ESG issues and what potential ESG risks may arise in the future. Investments concerning which the analysis reveals significant sustainability risks are sought to be avoided when investing portfolio assets.

Potential ESG risks 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.

Potential adverse effects on sustainability and performance of portfolios are mapped in the framework of the above analysis, including whether the issuer of the security or the management company complies with UN and ILO international standards and conventions. LHV also evaluates the engagement policy and practices of the issuer or management company.

Remuneration policy and consideration for sustainability risks

The general remuneration strategy set out in the LHV remuneration policy is based, among other things, on the Group ESG policy and LHV sustainability goals and ambitions.