

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. The responsible investment principles concern actively managed LHV pension funds and investment funds, excluding passive investment funds and index funds investments.

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 the 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 principles of responsible investment is a part of the general investment analysis process. By integrating the consideration of principal adverse impact to sustainable 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.

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). We aim to generate a list of material ESG issues for relevant sectors. The sources for ESG information 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 that 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.

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.