

# POLICY FOR INTEGRATION OF RESPONSIBLE INVESTMENT AND SUSTAINABILITY RISKS

Approved by / When	Board members of company /
Owner (/ Editor)	Investment Management Unit
Regulation Level & Type	Policy
Valid from (/until)	From 01-07-2022
Confidentiality level	Public

## Implementation

Scope of training	
Importance for newcomers	
Need for translation	Yes

## 1 Objective

The purpose of this Policy for Integration of Responsible Investment and Sustainability Risks (hereinafter referred to as the “Policy”) is to set out UADB “INVL Life” (hereinafter referred to as the “Company” or “we”) approach to sustainability risks and the associated value creation opportunities when making investment decisions. The objective of the Policy is to set out the framework for own funds and assets under management, in order to take into account the objectives of responsible investment, relevant laws and governance standards.

We aim to embrace a responsible investment approach and contribute to societal well-being and sustainable development through the integration of ESG (Environmental, Social and Governance) criteria, active engagement, negative screening and a commitment to the Principles for Responsible Investment (hereinafter referred to as “PRI”).

## 2 Scope of Application

The Company invests in various asset classes (e.g. equities, bonds, cash and cash equivalents, alternative investments) through different investment life insurance baskets and client-managed portfolios. The integration of sustainability risk into the decision-making process depends on the assets, strategy and maturity of the individual investment baskets or client portfolio. The recommendations of this Policy are applicable to all existing business segments and all major asset classes. For certain investment baskets or client portfolios, additional processes may be implemented to identify, manage and mitigate ESG risks.

## 3 Definitions

- (1) **Sustainability risk** means an environmental, social or governance event or situation that could have a material adverse impact on the value of an investment, as referred to in sectoral legislation, European Union Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or in the delegated acts and the regulatory technical standards adopted pursuant to those acts;
- (2) **ESG** means environmental, social and governance factors against which investors can analyse and assess an investment's sustainability performance.
- (3) **Environmental factors** means factors related to the natural world. This includes the use of and interaction with renewable and non-renewable resources (e.g. water, minerals, ecosystems, biodiversity).
- (4) **Social factor** means the factors that affect people's lives. This includes the management of human capital, animals, local communities and customers.
- (5) **Governance factor** means factors that involve country/jurisdictional issues or are common practice in the sector, as well as the interests of a wider stakeholder group.

## 4 Organisation and management

The Policy must be approved by the Board members of Company. Every investment manager in the Company is responsible for implementation of the Policy in every activity of the Company. The members of the Investment Committee and portfolio managers who are responsible for investment baskets or client portfolios management with the help of other employees in the Company are responsible for Policy implementation during investment decision-making and engagement processes.

## 5 Principles of responsible investment and approaches to sustainability risk

### 5.1 Principles of responsible investment

AB Invalda INVL is a signatory of the PRI initiatives aimed at incorporating ESG themes into investment decision-making and engagement practices, the Company, as AB Invalda INVL, is committed to the following six principles:

- 5.1.1 aimed at incorporating ESG issues into investment analysis and decision-making processes;
- 5.1.2 to be active owners and incorporate ESG issues into our ownership policies and practices;
- 5.1.3 to seek appropriate disclosure on ESG issues by the entities in which we invest;
- 5.1.4 to promote acceptance and implementation of the PRI within the investment industry;
- 5.1.5 to work together to enhance our effectiveness in implementing the PRI;
- 5.1.6 to report on activities and progress in implementing the PRI.

### 5.2 Methods of implementation

The integration of the Company sustainability encompasses a number of perspectives and approaches that together create value not only for our investors but also for society at large. The Company uses three approaches to manage sustainability risks and integrate these risks into investment decisions. The application of these methods may vary depending on the asset class, fund strategy, maturity, etc.

#### 5.2.1 Integration

The Company complements traditional fundamental analysis with ESG criteria. In the course of its business, an investment decision maker evaluates investment decisions on the basis of the investment decision's compliance with ESG or sustainability criteria. A variety of approaches can be used, including but not limited to fundamental or quantitative sustainability analyses, investment in sustainable financial instruments, climate optimisation, optimisation for the UN Sustainable Development Goals.

#### 5.2.2 Involvement

The Company promotes opportunities for stakeholder partnership and engagement that support the management of ESG criteria in investment management activities. We see stakeholder engagement as a process of change, where investors seek to improve investment practices with a specific objective in mind. This can be done in a variety of ways, but is usually based on sustained and constructive dialogue. The purpose of engagement activities is to influence the investments in which the Company invests in order to improve its management of sustainability issues, reduce long-term risks and improve the long-term financial performance of investment portfolios.

#### 5.2.3 Negative screening (prohibited investments)

The negative screening approach is designed to avoid activities that may pose unmanageable and unacceptable investment risks and activities that are considered harmful to society. To reflect the nature of the Company, we have applied a three-stage approach to prohibited investments:

- 5.2.3.1 prohibited investments set by the group apply to all assets managed by the Company. These restrictions apply to investments that do not comply with our Responsible Investment Commitments because of their material impact on ESG criteria. The group's initial prohibited investments have been approved at Board level and are currently as follows:
  - 5.2.3.1.1 illegal economic activities (drug trafficking, stolen goods, smuggling, illegal gambling, swindling, etc.);
  - 5.2.3.1.2 violations of international sustainability norms (investments that seriously undermine human rights, labour, environment and anti-corruption);

- 5.2.3.2 Additional prohibited investments for individual investment baskets. The Company manages separate investment baskets, each of which offers its investors a different investment strategy. Individual investment baskets may have stricter ESG standards for their investments compared to those set at Company level;
- 5.2.3.3 prohibited investments identified by clients - our clients have different views and, in addition to the prohibited investments identified by the group and the investment baskets, clients to whom the portfolio management service is provided may wish to exclude additional sectors from their portfolios based on their personal beliefs and values.

## 6 Conflict of interests

The integration of the Company sustainability encompasses a number of perspectives and approaches that together create value not only for our investors but also for society at large. The Company uses three approaches to manage sustainability risks and integrate these risks into investment decisions. The application of these methods may vary depending on the asset class, fund strategy, maturity, etc.

## 7 Monitoring and reporting

Different methods and periodicity are used to monitor and control sustainability risks. The Company may implement monitoring mechanisms based on the level of integration of this policy. It is important to report to own clients and other stakeholders. The Company commits to publish the Policy for Integration of Responsible Investment and Sustainability Risks and report (as part of AB Invalda INVL) as required by the PRI.

## 8 Monitoring and reporting

It is important to note that ESG factors are part of our investment process and not the goal. Our objective remains to make financial decisions about the risks and returns of investments.