

## Summary

The investment basket invests in investment targets related to the global equity market. The majority of the investments shall be in exchange traded equity funds with a sustainable investment objective. Investments in alternative investment objects may represent up to 30% of the assets of the investment basket. Before investing in funds, additional review of their reports or other sources is carried out in order to select those funds with at least 80% of their investments having a sustainability objective.

The investment basket has integrated ESG (environmental, social, governance) considerations into the entire investment decision-making process and follows them throughout the investment period. The aim is to ensure an appropriate level of environmental and social performance.

The investment basket pursues these sustainability features:

- Climate change mitigation. Priority is given to investments in funds with lower greenhouse gas (GHG) emissions than the MSCI World Equity Index (the "Classical Index");
- Respect for international standards and conventions. Priority shall be given to investments that comply with international standards and conventions, for example by avoiding investments in companies that violate principles such as those recommendations of the United Nations Global Compact or the Organization for Economic Co-operation and Development.

## No significant harm to the sustainable investment objective

The investment manager and/or analyst shall verify that the selected equity index fund ensures that the investments comprising the investment basket are not materially detrimental to the objective of sustainable investing by monitoring controversial areas of ESG, based on the mandatory indicators of principal adverse impact set out in the European Union's SFDR Regulatory Technical Standards ("RTS"). Alternative investments shall be screened for areas that may materially undermine the sustainable investment objective of the investment basket.

## Sustainable investment objective of a financial product

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The following indicators are used to measure the achievement of the Sustainable investment objective:

- Weighted GHG emission intensity;
- The share of investments in investee companies involved in violations of the UN Global Compact principles or the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The investment basket will aim to outperform the Classical Index.

## Investment strategy

The investment basket invests in investment targets related to the global equity market. The majority of the investments shall be in exchange traded equity funds with a sustainable investment objective. Investments in alternative investment objects may represent up to 30% of the assets of the investment basket. Before investing in funds, additional review of their reports or other sources is carried out in order to select those funds with at least 80% of their investments having a sustainability objective.

## Share of investments

Financial product investments with sustainability objectives are expected to represent at least 80% of the assets under management of the investment basket.

## Monitoring the sustainable investment objective

The investment basket has integrated ESG considerations into the entire investment decision-making process and follows them throughout the investment period. The aim is to ensure an appropriate level of environmental and social performance. The investment basket carries out a preliminary ESG analysis of potential investments to determine the sustainability assessment of the target investment. The investment basket regularly monitors the dynamics of the identified sustainability indicators. In the event of significant negative dynamics, the investment manager shall identify positions that do not meet the sustainability targets and shall make a proposal to the investment committee to liquidate the investment positions.

The risk management function monitors/controls the proportion of investments with sustainability objectives and assesses indicators of negative sustainability impacts.

## Methodology

The investment basket uses third-party data providers such as Bloomberg, Morningstar, MSCI, etc. for its direct and indirect investments to assess whether the investee assets meet sustainability objectives. These providers provide information such as the SFDR's negative impact sustainability indicators ("DSIs"). If the data provider is unable to provide PAI information for the direct investments of the investment basket, an engagement approach is used with the management of the company.

It assesses the ESG practices of the fund management company concerned and the integration of ESG criteria into its investment process. For ETF management companies whose products are invested in, this assessment is updated once a year. The key questions in this assessment are:

- Having a sustainability/ESG policy;
- Link to investor initiatives such as the Principles for Responsible Investment (PRI);
- Accountability in the form of oversight by professional staff and committees;
- Ways and degree of integration of ESG into the investment process;
- Participation and engagement activities/policies;
- Client reporting practices and capacity.

## Data sources and processing

The investment basket uses the following main data sources:

- Third party data providers (Bloomberg, Morningstar, MSCI, etc.);
- Reports provided by investment companies, funds, and fund managers;
- Other publicly available information.

Data quality is ensured by collecting information from trusted third-party data providers as listed above. In some cases, the data provider may not provide all the necessary sustainability information (e. g. ESG indicators) for the investee companies or funds. In such cases, the extent of the information provided is assessed to determine whether the proportion of information available is sufficient for investment decision-making and management.

The data is processed in accordance with the data processing rules of the relevant third-party data provider and in accordance with the Artea Bank Group's data governance guidelines.

## Methodology and data limitations

Limitations of the methodologies and ESG data include the lack of consistency, reliability, comparability, and quality of available data. This is due to, but not limited to, the following reasons:

- ESG assessment providers do not have a common methodology;
- Companies and issuers do not provide standardized reporting;
- Different models and analytical tools are inadequate to analyze the reported data;
- Difficulties in quantifying factors and unverified or unaudited information.

Additional actions are being taken to address these limitations:

- Use of different data sources;
- Internal research and analysis;
- A participatory approach may be used in direct investments.

## Comprehensive check

The investment basket carries out a detailed ESG risk assessment during due diligence to determine whether the proposed investment meets the required ESG thresholds. The investment basket shall not invest in funds or other asset classes that are included in the list of prohibited investments.

The aim is to identify ESG-related business practices that may affect a company's future profit growth or the risk-return profile of such investments.

The investment manager considers that the main ESG factors will have an impact on the future income and profitability of the investment and will therefore influence the risk and return of the investment.

The investment manager assesses sustainability risks in several steps:

- Due diligence is carried out prior to investment. The investment basket seeks to avoid any investment that has a high probability of potential sustainability risks affecting future returns. Efforts are made to identify risks through an analytical review process. The potential negative impact of sustainability risks on returns shall be mitigated by both pre-investment due diligence and adherence to the prohibited investment criteria and the full investment decision-making process described above;
- During the holding period of the investment. If there is a marked deterioration in the sustainability performance of a fund or its manager, wherever possible, efforts shall be made to influence the manager of the problematic fund or to find more appropriate investments for the investment portfolio.

## Engagement policy

Engagement with stakeholders involved in the investment process is an important part of the investment basket approach and is considered a useful risk mitigation tool.

Engagement is part of a sustainable investment strategy. The investment manager (or analyst) of the investment basket engages with the managers of the funds in the portfolio, making suggestions and raising issues to positively influence ESG practices.

For more information on the Engagement Policy, please see the Participation and Voting Policy at [www.artea.lt](http://www.artea.lt) [here](#).

## Meeting the sustainable investment objective

No benchmark has been set to achieve the sustainable investment objectives. Priority is given to investments in funds with lower GHG emissions than the Classical Index.

## Document version

| Version | Amendments                                                                                                                                                                                                                                                                        | Date       |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| No. 1   | Published under Regulatory Technical Standards.                                                                                                                                                                                                                                   | 2022-03-22 |
| No. 2   | Version 1 adds information required to be provided under the updated Regulatory Technical Standards.                                                                                                                                                                              | 2022-06-30 |
| No. 3   | Version 2 includes updated information on the main investments of the investment basket and adjustments made in line with the updated requirements.                                                                                                                               | 2023-01-01 |
| No. 4   | Version 3 includes changes due to the merger of INVL Life with gyvybės draudimo UAB „SB draudimas“ and the assumption of rights and obligations from 1 December 2023.                                                                                                             | 2023-12-01 |
| No. 5   | The structure of the reporting has been adjusted to take account of the requirements of the regulatory technical standards. Sustainability objectives for the investee fund have been detailed and indicators have been established to measure the achievement of the objectives. | 2024-11-11 |
| No. 6   | Amendments to the indicators set and monitored by the investee fund.                                                                                                                                                                                                              | 2024-12-20 |