PRE-CONTRACTUAL DISCLOSURE FOR THE FINANCIAL PRODUCT

TARGET GROUP PENSION ACCUMULATION *FUND ARTEA SUBALANSUOTAS 47+*

Product name:
Artea Subalansuotas 47+
(hereinafter, the "Fund")

Legal entity identifier:
S032

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

●● [ ] **Yes**

●● [X] **No**

[ ] It will make a minimum of **sustainable investments with an environmental objective: ___%**

- [ ] in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- [ ] in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

[ ] It will make a minimum of **sustainable investments with a social objective: ___%**

[ ] It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

- [ ] with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- [ ] with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- [ ] with a social objective

[X] It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.



What environmental and/or social characteristics are promoted by this financial product?

The Fund has integrated ESG (environmental, social and governance) factors into its entire investment decision-making process and monitors them throughout the investment period. This is done to ensure an appropriate level of environmental and social performance.

The Fund promotes the following environmental and/or social characteristics:

- **Climate change mitigation.** Priority is given to investments in projects and companies whose greenhouse gas (GHG) emissions are below the sector average, or which have specific strategies for reducing emissions, as well as to funds that promote environmental and/or social characteristics.
- **Compliance with international standards and conventions.** Priority is given to investments that comply with international standards and conventions; for example, by refraining from investing in, or significantly reducing investments in, companies or projects that violate principles such as those set forth in the United Nations Global Compact or the recommendations of the Organisation for Economic Co-operation and Development.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The following indicators are used to measure the attainment of the promoted environmental or social characteristics:

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

The Fund regularly monitors trends in these indicators. Upon observing a significant negative trend in performance metrics, the Fund identifies positions that do not align with its social characteristics and submits a proposal to the Investment Committee to liquidate those positions.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

This Fund promotes environmental or social characteristics, but sustainable investment is not its stated objective.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

This Fund merely promotes environmental or social characteristics but does not commit to sustainable investing.

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

  This Fund promotes environmental or social characteristics, but sustainable investment is not its stated objective.

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

  This Fund promotes environmental or social characteristics, but sustainable investment is not its stated objective.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ **Yes,** the Fund will assess at least the following indicators: (1) GHG emissions intensity, (2) the share of investments in investee companies involved in violations of the UN Global Compact principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

☐ No



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Pension Fund's investment strategy is based on the assumption that most Participants have a long-term investment horizon; therefore, up to 70% of the Pension Fund's net assets may be invested in stock markets, assuming the associated risks and aiming for higher returns over the long term. The aim is to offset the greater expected volatility in stock market returns with investments that generate more stable returns on average, such as government securities, debt securities issued by credit institutions and other companies, deposits, etc., in which the remaining portion of the Fund's net assets is invested.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

When selecting investments that align with the environmental or social characteristics promoted by the Fund, the following steps are taken:

- analysis of ESG (environmental, social and governance) factors;
- exclusion/screening of investments based on the company's list of prohibited investments;

- exclusion or removal of companies from the investment portfolio due to controversial behaviours and controversial products.

The assessment of investments depends on the specific asset class:

- In the case of ETFs, investment funds and alternative funds, we consider the following aspects:
  - the fund promotes environmental and/or social characteristics.
  - The strategy aims to allocate as large a portion of potential investments as possible to companies with higher sustainability/ESG standards.
  - Third-party ESG scores and ratings may be used to compare funds and fund management companies.
- When selecting external managers for private equity, venture capital funds and ETFs, the analysis includes qualitative and quantitative indicators, which may include:
  - having a sustainability/ESG policy
  - affiliation with investor initiatives such as the Principles for Responsible Investment (PRI)
  - accountability – in the form of oversight by professional staff or committees
  - methods and degree of ESG integration into the investment process
  - engagement and participation activities/policies
  - reporting practices and capabilities
- For sovereign bonds, we consider the following on a case-by-case basis:
  - sanctions lists
  - third-party ratings and ESG indicators (e.g., greenhouse gas emissions, World Governance Indicators (WGI), Human Freedom Index (HFI), etc.)
  - we take government regulations and policies into account
- In the case of direct investments in equities and corporate bonds, we consider the following aspects:
  - whether the investment is ESG-oriented or not. Examples of ESG-oriented investments include green bonds, stock offerings by renewable energy companies, etc.
  - third-party ESG scores, where available and applicable
  - analysis of PAI (Principal Adverse Impact) indicators and comparison with sector averages
  - adverse information. This is reviewed to identify ESG issues

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

There is no set minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

What is the policy to assess good governance practices of the investee companies?

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

An assessment of good governance practices, including the governance structure, employee relations, remuneration of staff and tax compliance, is part of the due diligence process prior to making an investment decision.

The Fund also verifies whether the investee applies governance policies that all portfolio companies should adhere to (best market practices). This means that the Fund seeks to make an impact in key areas such as the fight against corruption and the reporting of violations.

When investing in sovereign bonds rather than in portfolio companies and their bonds, the assessment of good governance practices includes an overall score that reflects environmental, social and governance indicators in the economy.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Investment decisions within the Fund are made in accordance with the key elements of the investment strategy used to achieve the environmental and social characteristics described above. The Fund does not have a sustainable investment objective and is not committed to investing sustainably as defined by the SFDR (Regulation (EU) 2019/2088 of the European Parliament and of the Council). The Fund may (but is not obligated to) hold investments that meet the taxonomy criteria for environmentally sustainable economic activities.

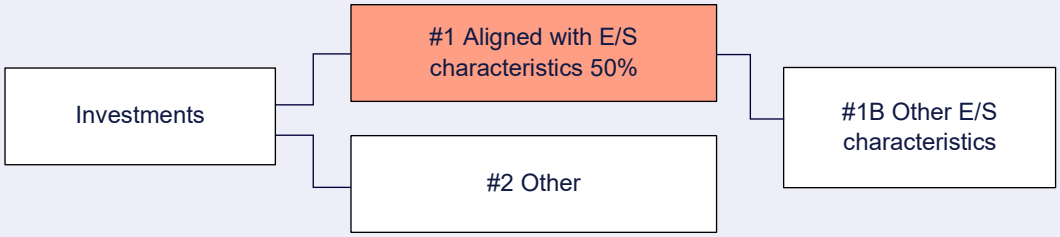
The chart below shows the planned allocation of the Fund's assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover reflecting the share of revenue from green activities of investee companies.

- capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- operational expenditure (OpEx) reflecting green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** which covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The Fund does not intend to use derivative financial instruments for investment purposes, but may use derivative financial instruments, such as futures, options, forwards and swaps (hereinafter collectively referred to as "derivative financial instruments"), to hedge against the risks specified in the Fund's rules. Derivative financial instruments will not be used as a means to promote the Fund's environmental characteristics; however, the Fund takes into account minimum ESG safeguards, including the requirement that derivative financial instruments must be traded on regulated markets or through over-the-counter (OTC) agreements concluded with top-tier financial institutions or reputable entities specialising in such transactions.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund merely promotes environmental or social characteristics, but does not aim to, nor does it commit to, investing sustainably.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ *Yes*

☐ *in fossil gas* ☐ *in nuclear energy*

☒ *No*

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

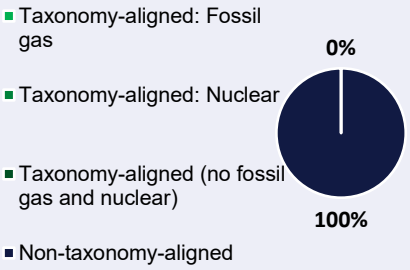
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution an environmental objective.

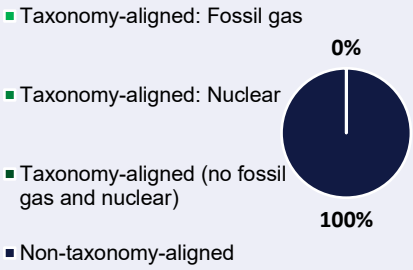
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



** For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.*

What is the minimum share of investments in transitional and enabling activities?

The Fund merely promotes environmental or social characteristics, but does not aim to, nor does it commit to, investing sustainably.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund merely promotes environmental or social characteristics, but does not aim to, nor does it commit to, investing sustainably.

What is the minimum share of socially sustainable investments?

The Fund merely promotes environmental or social characteristics, but does not aim to, nor does it commit to, investing sustainably.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Any investments made by the Fund that may be classified under "#2 Other" are primarily intended for efficient portfolio management, liquidity management or hedging. For example, the Fund may also invest in companies that may not meet all of the Fund's ESG criteria but have adequate minimum safeguards in place. The Fund will make every effort to ensure that the largest possible share of its investments promotes environmental or social characteristics.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No reference benchmark has been designated for the purpose of determining whether this financial product is aligned with the environmental and/or social characteristics that it promotes.

Where can I find more product specific information online?

For more information about the product, visit the website **here**.