

Pre-contractual information on sustainability risks in “CBL Life” life insurance with capital accumulation in funds with a DYNAMIC strategy



Integration of sustainability risks into investment decisions

AAS “CBL Life” considers sustainability risks in the overall process of identifying, assessing and managing risks. As a Citadele Group company, we are bound by the risk policies, procedures and rules developed by the group, including environmental, social and governance (ESG) risks. In turn, in investment decision-making, the assessment of sustainability risks is carried out by the investment manager IPAS “CBL Asset Management”.

AAS “CBL Life” accepts IPAS “CBL Asset Management” approach to integrating sustainability risks into investment decisions and believes that thus sustainability risks are reduced by offering clients a sufficiently diversified investment portfolio and does not carry out additional sustainability risk assessment in the financial products offered. IPAS “CBL Asset Management” is a signatory to the United Nations (UN) Principles for Responsible Investment (PRI), thus the company commits to six principles:

1. incorporate ESG issues into investment analysis and decision-making processes;
2. be active owners and incorporate ESG issues into ownership policies and practices;
3. to seek appropriate disclosure on ESG issues by the entities in which we invest;
4. to promote acceptance and implementation of the PRI within the investment industry;
5. cooperate with signatories of the PRI principles to increase the effectiveness of their implementation;
6. report on activities and progress towards implementing the PRI.

IPAS “CBL Asset Management” has developed different methods to integrate sustainability risks into the various financial products it offers.

Information on sustainability risks in Dynamic strategy investment funds

When choosing a life insurance product with the **Dynamic** investment strategy, 70 per cent of accumulated funds are invested in the “CBL Optimal Opportunities Fund”. The objective of the fund is long term capital appreciation of investments in share certificates (units) of investment funds registered in Latvia or other European Union member states and in securities equivalent to them. 30 per cent of accumulated funds are invested in the “CBL US Leaders Equity Fund”. The objective of the fund is long-term capital appreciation of investments in a diversified equity portfolio. The Fund has an active investment strategy that focuses on the selection of financial instruments, complying with the principles of diversification and risk reduction, including ESG risk management.

Fund title	ISIN	Share	Fund category according SFDR ¹	Does the fund promote environmental/ social (E/S) characteristics?	Does the fund have a sustainable investment objective?	Does the fund commit to investing a minimum share in sustainable investments?	Does the fund consider the principal adverse impacts on sustainability factors?
CBL Optimal Opportunities Fund	LV0000400398	70%	Article 6 ²	No	No	No	No
CBL US Leaders Equity Fund	LV0000400992	30%	Article 6 ²	No	No	No	No

¹ SFDR - Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

² SFDR Article 6 – financial products without sustainable investment objectives or promotion of environmental/social characteristics

The Asset manager manages sustainability-related factors indirectly, as Opportunities funds usually hold a small amount of voting rights in final financial instruments. This is mainly done by channelling investments to third-party investment managers that are signatories to the UN PRI and/or have published sustainability-related information on their websites. Historical simulations of the “CBL US Leaders Equity Fund” model conducted by “CBL Asset Management”, as well as the fund’s actual performance history, indicate that although ESG criteria are not deliberately used in the portfolio selection process, many other indicators employed in the model result in a final portfolio composition whose overall ESG risk level, according to data provided by Sustainalytics, is significantly lower than the market average.

Although the funds currently do not directly promote any environmental and/or social characteristics, this approach may change in the future, with sustainability risks being more broadly integrated into the portfolio selection process. At present, “CBL Asset Management” excludes investments in economic sectors and companies that clearly do not align with sustainability principles—for example, it excludes from its portfolio companies involved in pornography, controversial weapons manufacturing, and similar activities.

The investment decision-making process is governed by the Sustainability and Engagement Policy of IPAS “CBL Asset Management”, which is available on the website <https://www.cblam.lv/en/sustainability/>.



Results of the assessment of the potential impact of sustainability risks on the profitability of financial products

IPAS “CBL Asset Management” has conducted an internal risk materiality assessment and concluded that, for the “CBL Prudent Opportunities Fund” and the “CBL US Leaders Equity Fund”, the materiality of ESG risk is below average, and other risks may have a greater impact on the performance of these financial products. However, IPAS “CBL Asset Management” believes that sustainability factors can influence the value of investments in the long term and shares the view that by integrating ESG aspects into asset management, the return on investment increases or remains neutral at a lower overall risk level in the long term. Therefore, sustainability risks are considered indirectly.



The investment manager does not consider the principal adverse impact of investment decisions on sustainability factors

Being aware of the limited availability of data on the principal adverse impact of investment decisions on sustainability factors and the negligible possibility of mitigating the impact of the final issuer due to the small share of investments, the investment manager IPAS “CBL Asset Management” currently does not consider the principal adverse impact of investment decisions on sustainability factors when managing the “CBL Optimal Opportunities Fund” and “CBL US Leaders Equity Fund”. However, the investment manager follows changes in market practices, regulation and data availability to assess when it will be possible to systematically and reliably assess the principal adverse impact of investment decisions on sustainability factors.