

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:

- incorporate ESG issues into investment analysis and decision-making processes;
- be active owners and incorporate ESG issues into ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the PRI within the investment industry;
- cooperate with signatories of the PRI principles to increase the effectiveness of their implementation;
- 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 US Leaders Equity Fund” and 30 per cent in the “CBL European Leaders Equity Fund”. The objective of both funds is long-term capital appreciation through investments in a diversified portfolio of company equities. The funds follow an active investment strategy focused on the selection of individual financial instruments, while adhering to principles of diversification and risk reduction. Additionally, the “CBL European Leaders Equity Fund” promotes environmental and/or social characteristics as referred to in Article 8 of SFDR.

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 US Leaders Equity Fund	LV0000400992	70%	Article 6 ²	No	No	No	No
CBL European Leaders Equity Fund	LV0000400794	30%	Article 8 ³ (light green)	Yes	No	No	Yes

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.

Whereas "The CBL European Leaders Equity Fund" is a fund that, in accordance with the SFDR, promotes environmental and/or social characteristics:

- Adherence to minimum sustainability standards. For example, the fund does not invest in companies involved in pornography, controversial weapons manufacturing, etc.
- Promotion of minimum social standards by excluding investments in companies with confirmed violations of international guidelines or discrimination incidents that have led to sanctions.
- Promotion of minimum governance standards by ensuring that companies have measures in place to combat corruption and bribery, and to protect human rights and whistleblowers.
- Climate impact mitigation by selecting companies with lower Scope 1, 2, and 3 emission intensity within their sector.
- More sustainable use of natural resources by selecting companies with lower water consumption intensity within their sector.

Although the fund does not have a defined minimum share of sustainable investments in its portfolio, companies demonstrating best practices within their sector receive higher ratings in the investment process. The fund does not have a designated ESG benchmark.

A more detailed approach to sustainability risks of the fund is available in the communication "Integration of sustainability risks in CBL European Leaders Equity Fund – philosophy and methodology", which is published on the website <https://www.cblam.lv/en/funds/european-equity/docs/>.

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/>.

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

³ SFDR Article 8 – financial products that promotes environmental and/or social characteristics, and where the managers take into account the principal adverse impact indicators in their investment decisions.



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 the materiality of ESG risk for the “CBL US Leaders Equity Fund” is below average, and other underlying risks may have a greater impact on the performance of this financial product.

While managing the “CBL European Leaders Equity Fund”, IPAS CBL Asset Management considers that sustainability factors may affect the value of investments in the long term and therefore integrates ESG aspects into asset management in accordance with the methodology developed by the company.



Consideration of 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 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.

However, in managing the “CBL European Leaders Equity Fund”, which promotes environmental and/or social characteristics, the principal adverse impacts of investment decisions on sustainability factors are considered, and a principal adverse impact statement is prepared in accordance with Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.