

**ESG policy – LHV Group**  
POLICY

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**1 Definitions**

**ESG** (Environmental, Social and Governance) – environmental, social and governance sustainability issues.

**LHV** – AS LHV Group and its subsidiaries

**SDG** (Sustainable Development Goals) – a global set of universal goals and indicators that is aimed at ending poverty, combating climate change and inequality, and ensuring a good quality of life for everyone. The Sustainable Development Goals were adopted by 193 UN member states at the Sustainable Development Summit held in 2015.

**2 Objective**

In its activities, LHV strongly focuses on sustainability and takes new social demands into account. We are aware and acknowledge that climate change poses an unprecedented challenge, while human activity has an extraordinary effect on the environment.

Although LHV is engaged in environmental and social initiatives, there is still room for expanding such activities and changing our everyday business activities to bring these more into conformity with the Sustainable Development Goals.

The objective of this policy is:

- To improve the understanding of ESG issues in LHV’s everyday management and activities;
- To equip us with principles that facilitate LHV’s movement towards the ESG objectives;
- To offer a framework for our public activities and our role in society.
- To specify the governance structure and roles regarding ESG management and ESG integration

Environmental and social goals and considerations are integrated into our everyday activities and value creation strategy. We actively improve and develop our business processes in order to hedge and alleviate environmental and social risks and constantly develop environmental and social practices in all the LHV business areas.

This policy provides an overview of LHV’s commitment and specifies our sustainability-related activities, ambition and attitude.

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### 3 Assessment of functionality and compliance

The policy is reviewed and, if necessary, updated by the Head of ESG regularly, and at least once a year, by entering a respective note in the database of internal rules of procedure. The ESG Policy and the amendments thereto are approved by the Supervisory Board of AS LHV Group.

### 4 Our contribution

LHV aims to promote business activities that take sustainability into account. We consider it our mission to act responsibly and move towards our business activities while reducing our negative impact on both the environment and people.

We have decided to focus primarily on five UN Sustainable Development Goals, the achievement of which we can influence the most. The SDGs provide a targeted framework for our work and our promises in moving towards a more sustainable future.



#### SDG 1: No poverty

We believe that by taking social and environmental challenges into account in all the main business areas of LHV, we support the reduction of inequality in society. By investing into increasing financial literacy, we reduce the risk of growth in the global economy having a disproportionate effect people.

#### SDG 7: Affordable and clean energy

For us, sustainability is an integral part of creating and offering value. In developing our products, we strive towards providing our customers more sustainable financial services that support positive energy-saving developments and contribute to the fight against climate change.

#### SDG 8: Decent work and economic growth

Financing and investment products have a central role in promoting sustainable growth, job creation, entrepreneurship and innovation. LHV works towards ensuring equal opportunities for everyone and contributing to the development of a more inclusive economy.

#### SDG 12: Responsible consumption and production

LHV takes environmental factors into account in making business decisions. Promoting responsible borrowing and consumption and offering services to our customers that promote sustainability, contribute to the achievement of this goal. We also strive towards the introduction of more sustainable technologies in our everyday work and while monitoring and reducing our operational CO<sub>2</sub> footprint in order to use natural resources more efficiently.

#### SDG 13: Climate action

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As part of the sustainable development of the society, we encourage the use of environmentally friendly and sustainable business practices both in the financial sector and at national level. This helps companies combat climate change, manage their own climate-related risks, and promotes sustainable conduct that benefits both the economy and society at large.

### **5 ESG activities**

#### 5.1 Environmental matters

For a finance institution, sustainable everyday activities mean aspects that consider ESG topics and which are integrated into processes as well as customer offers and product development. We have so far started the integration sustainability aspects into our product offering and updated our corporate credit policy and created environmentally and socially relevant exclusion criteria for activities we do not finance.

LHV wishes to act sustainably and contribute to the adaptation of the economy to the achievement of the established climate goals. For that purpose, LHV:

- contributes to the fulfilment of the aims of the Paris Agreement;
- supports the aim of the Estonian state to make the economy climate-neutral by 2050;
- is open to the possibilities offered by the new and more sustainable economy;
- works together with external stakeholder groups in order to bring about greater changes;
- observes green office principles and calculates its operational CO<sub>2</sub> footprint;
- observes and measures the amount of financed emissions
- has a comprehensive approach and framework to climate risk management and mitigation;
- has joined and follows the UN Principles for Responsible Banking initiative.

Our lending principles that take into account environmental and social topics are included in LHV's Credit Policy. LHV Group's ESG Risk Policy defines our risk management framework, i.e. main principles, governance and risk appetite for the ESG risks LHV Group is facing.

#### 5.2 Social matters

As financial institutions have an important role in economic development, they are also able to influence people's lives and the overall wellbeing of society. We always act honestly, transparently and ethically with an emphasis on respect towards our stakeholders.

In understanding its role and social influence, LHV:

- supports culture, education, sports and community events;
- stands for the equal opportunities of people and companies;
- increases customers' trust in LHV as a non-discriminating financial service provider;
- promotes financial literacy and the dissemination of economic knowledge;
- constantly increases its competence in ESG matters in order to promote cohesion in society.

The wellbeing of our company depends on our own people. We understand that success in financial results and growth numbers are directly related to the wellbeing of the people who create value when they are offered a supportive work environment and feel both a personal and collective sense of mission..

As an employer, LHV:

- supports non-discriminatory attitudes and equal opportunities and offers a fair and competitive salary;
- maintains high-level working conditions, contributing to safety and the physical and mental health of our people;

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- meets all the international labour-related standards as well as national employment, social insurance, occupational health and safety standards in order to offer a secure, inclusive and healthy working environment;
- promotes sustainable and forward-looking personnel planning as well as well-functioning relationships with employees and other contractors through the personnel policy, procedures and the management system;
- facilitates increasing and developing the professional skills and competences of all employees;
- supports the balance between work and private life and offers a wide range of voluntary benefits such as sports compensation, free of charge psychological support, dental care compensation, financial services on beneficial terms, flexible working hours, joint events and more.

Matters related to personnel management have been defined and described in LHV's Personnel Policy and Remuneration Policy. Matters related to health and safety have been established in the Introductory Guideline on Occupational Safety. Our Diversity and Inclusion Policy sets our overarching standards for diversity and inclusion.

### 5.3 Matters related to corporate governance

LHV is committed to acting honestly and in good faith and ensures that our management policies and business procedures are transparent, expressing responsibility, equality and higher standards of ethics. We handle all possible conflicts of interest diligently and avoid corruption, money laundering and unlawful activities. As an employer, we base our activities on equality, fair treatment and inclusion, and we encourage and maintain non-discriminatory business and personnel practices.

In order to encourage a sustainable way of thinking at all levels of management and in the organisation on the whole, LHV:

- maintains an organizational structure with a low hierarchy, to emphasise the importance of personal responsibility;
- consistently strengthens the introduction of ESG factors in everyday work tasks, general management, risk management, and strategy development;
- sees the integration of ESG factors in our business processes as change management and understands the importance of cooperation in achieving the established objectives;
- works towards the improved analysis as well as adequate and transparent reporting of sustainability related data and ESG-related progress to regulators, partners and the public.

The matters of responsible management have been explained in greater detail in LHV's Principles of Ethics and the Good Corporate Management Practice report.

## **6 ESG Governance Structure**

LHV Group's ESG governance structure, responsibilities and deliverables are described in Appendix 1 of this Policy.

## **7 Related internal rules of procedure**

Principles of Ethics

Personnel Policy

Remuneration Policy

Introductory Guideline on Occupational Safety

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Credit Policy

Good Corporate Management Practice report

ESG Risk Policy

Diversity and Inclusion Policy

## 8 Document history

<b>Version number</b>	<b>Valid from</b>	<b>Description of amendment</b>	<b>Document prepared by</b>
1	...	Original version	Head of ESG, Ragne Maasel
2		Reference to ESG risk management added Reference to Diversity and Inclusion Policy added ESG activities section updated Our Contribution section updated ESG governance aspect added to Policy Objectives Group ESG Governance structure added to Appendix 1 to replace Personal Responsible for ESG section	Head of ESG, Ragne Maasel
3	16.10.2024	Group ESG Governance structure updated	Head of ESG, Evelin Roop