Statement on principal adverse impacts of investment decisions on sustainability factors

Valid from: 18.06.2025

Financial market participant

LHV Bank AS (hereinafter also LHV), LEI 529900GJOSVHI055QR67

Summary

LHV Bank AS (529900GJOSVHI055QR67) considers principal adverse impacts of its investment decisions on sustainability factors.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2025 to 31 December 2025.

LHV considers all required climate and other environment-related indicators, indicators for social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. Additionally, LHV selects two indicators from Tables 2 and 3 of Annex 1 of EU Regulation 2022/1288 as additional indicators in the aforementioned areas of impact.

LHV has identified the occurrence of an impact on more than half of the indicators of principal adverse impact. However, given the absence of uniform mandatory disclosure standards for issuers and the possibility of issuers being located outside the European Union, LHV cannot guarantee the availability of impact indicator data for all investees. For each disclosed impact indicator LHV highlights the share of investments for which LHV was able to obtain data. The share of investments covered by data is presented based on the number of issuers/investees.

The data was collected through a third-party service provider used by LHV in which case the data made available is either reported by the issuer or estimated according to the service provider's internal methodologies.

Description of the principal adverse impacts on sustainability factors

The mandatory principal adverse impact indicators are described in the following subsections below: "Indicators applicable to investments in investee companies", "Indicators applicable to investments in sovereigns and supranationals", and "Indicators applicable to investments in real estate assets". These indicators are the ones LHV is required to consider according to Article 4(3) of EU Regulation No 2019/2088.

In the subsection "Other indicators for principal adverse impacts on sustainability factors", the statement provides information about additional indicators of principal adverse impacts that must be selected from Tables 2 and 3 of Annex 1 of EU Regulation No 2022/1288.

The "Statement on principal adverse impacts of investment decisions on sustainability factors" is published annually, no later than 30 June, for the preceding calendar year.

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact 2025	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1.GHG emissions	Scope 1 GHG emissions	10 737 tCO2eq	14 532 tCO2eq	Data coverage: 68.48%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]
		Scope 2 GHG emissions	3 732 tCO2eq	5 406 tCO2eq	Data coverage: 68.48%	
		Scope 3 GHG emissions	133 534 tCO2eq	186 157 tCO2eq	Data coverage: 68.48%	
		Total GHG emissions	148 003 tCO2eq	206 096 tCO2eq	Data coverage: 68.48%	
	2. Carbon footprint	Carbon footprint	0.00 tCO2eq/ EURm	0.00 tCO2eq/ EURm	Data coverage: 68.48%	
	3. GHG intensity of investee companies	GHG intensity of investee companies	5 540 tCO2eq/ EURm	798 tCO2eq/ EURm	Data coverage: 76.09%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	5.14%	10.28%	Data coverage: 81.52%	

[1] The absence of underlying data regarding the principal adverse impacts, particularly the issuer's own disclosures, will also influence the assessment of impacts and any potential future actions. Consequently, LHV does not currently provide a description of "Actions taken, and actions planned and targets set for the next reference period". Data availability is expected to improve in the coming years with the implementation of the reporting requirements under the EU Directive No 2022/2464, also known as the Corporate Sustainability Reporting Directive, allowing decisions to be made regarding potential measures and objectives.

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non- renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Non- renewable energy consumption: 38.69% Non- renewable energy production: 6.49%	Non- renewable energy consumption: 32.00% Non- renewable energy production: 6.80%	Data coverage: A) 64.13% B) 35.87%	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	(GWh/EU Rm)		Data coverage: 13.04%	
		A: Agriculture, forestry and fishing	0.00	0.00		
		B: Mining industry	0.12	0.23		
		C: Manufacturing industry	0.26	0.18		
		D: Supply of electricity, gas, steam and conditioned air	0.17	0.00		
		E: Water supply; sewage, waste and pollution management	0.00	0.00		
		F: Construction	0.00	0.00		
		G: Wholesale and retail trade and repair of motor vehicles and motorcycles	0.00	0.00		

		H: Transportation and storage	0.00	0.00		
		L: Real estate activity	0.00	0.01		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity- sensitive areas where activities of those investee companies negatively affect those areas	7.13%	10.55%	Data coverage: 83.70%	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00%	0.00%	Data coverage: 1.09%	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.00 t/EURm	0.00 t/EURm	Data coverage: 67.39%	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	0.00%	Data coverage: 83.70%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	42.72%	27.46%	Data coverage: 73.91%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	1.17%	0.01%	Data coverage: 10.87%	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	47.05%	40.46%	Data coverage: 76.09%	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	0.00%	Data coverage: 82.61%	

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact 2025	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	0.00	0.01	Data coverage: 100%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00%	0.00%	Data coverage: 100%	

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2025	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	0.00%	Data coverage: 100%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	100%	100%	Data coverage: 100%	

Other indicators for principal adverse impacts on sustainability factors

Additional climate and other environment-related indicators

Indicators applicable to investments in investee companies

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2025	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in in- vestee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	26.47%	25.56%	Data coverage: 75.00%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitive or quantitative)	Metric	Impact 2025	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	Lack of a human rights policy	Share of investments in entities without a human rights policy	4.83%	0.71%	Data coverage: 79.35%	LHV has not set specific numerical goals for this and subsequent indicators for the next reporting period. [1]

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The policies for identifying and prioritising principal adverse impacts on sustainability factors are outlined in LHV's "Responsible Investment Policy", which is valid from 24.08.2021. The policy was updated on 30.12.2022, and the current approved version is valid from 27.06.2023.

The responsibility for considering principal adverse impacts is allocated internally as follows: The Supervisory Board of LHV Group AS approves the overall ESG policy of the Group. The Management Board of LHV Bank AS approves the "Responsible Investment Policy". The Head of Private Banking at LHV approves the "LHV Bank AS Engagement Policy in Securities Portfolio Management", and the LHV Portfolio Manager exercises voting rights. LHV portfolio managers are responsible for selecting the additional indicators of principal adverse impacts and ensuring that impacts are identified. These documents undergo annual review and assessment for potential amendments.

LHV makes investment decisions within the framework of securities portfolio management. Considering the principal adverse impacts on sustainability factors in line with regulations is part of the investment analysis process carried out in the course of portfolio management. The impacts are assessed and considered in the framework of other traditional investment analysis methods, such as fundamental analysis and valuation. When managing its securities portfolio, LHV invests directly in securities issued by companies (such as shares, bonds) or in investment funds.

LHV takes into account all mandatory impact indicators mentioned above, plus two additional indicators ("Other indicators for principal adverse impacts on sustainability factors"): investments in companies that have not implemented CO_2 emission reduction initiatives and lack of human rights policies. The selection of additional indicators is guided by the sustainability objectives outlined in the Group's ESG policy, mainly reducing the impact of climate change. Considering the general lack of reported sustainability data the selection has been made also considering data availability and quality. LHV reserves the right to modify the selection of these indicators.

To identify principal adverse impacts, LHV collects data based on reports published by the issuer, including periodic financial reports and sustainability reports. In cases where the issuer does not disclose the data, LHV obtains information from Morningstar Sustainalytics, an external service provider, in which case the data is either reported by the issuer or assessed using Morningstar Sustainalytics' internal methodologies. If the data is not available from public reports or through an external service provider, LHV contacts the issuer directly to request the data if possible.

However, given the absence of uniform mandatory disclosure standards for issuers and the possibility of issuers being located outside the European Union, LHV cannot guarantee the availability of impact indicator data for all investees. Even when impact data are available, the methodologies used to calculate certain indicators or generate their underlying data may vary among issuers or third-party data providers, making the data incomparable. Data availability is expected to improve in the coming years with the phased implementation of the EU Directive No 2022/2464, also known as the Corporate Sustainability Reporting Directive.

The disclosed impact indicators are rounded to the nearest hundredth. Consequently, some impact indicators may be reported as zero, despite a higher degree of precision indicating an impact.

Engagement policies

We focus on sustainability issues through management quality and engage with, where possible and reasonable, the companies we invest in through company management meetings and by actively monitoring the investment quality. LHV exercises voting rights on the basis of the authorisations granted in the terms and conditions of the portfolio management agreement and based on the best interests of customers.

Regarding the exercise of voting rights in investments, sustainability issues are considered in line with the LHV Bank AS Engagement Policy in Securities Portfolio Management. By exercising voting rights, LHV promotes better corporate governance and corporate responsibility and influences companies to increase transparency and disclosure of information. Using voting rights is one of the ways to promote the principles of sustainability outlined in the engagement policy (ESG principles in exercising voting rights in typical situations).

Possibility for the exercise of voting rights depends on the type of investee and the size of the holding. LHV does not guarantee the achievement of any actual mitigation of the principal adverse impacts by means of engagement.

References to international standards

LHV does not adhere to the principles of responsible business conduct and international standards specifically in relation to the due diligence and reporting of principal adverse impacts. Also, LHV does not assess the alignment of its investments with the objectives of the Paris Climate Agreement.

The underlying data needed to calculate the key negative impact indicators comes from Sustainalytics, a Morningstar-owned company and a globally recognized provider of ESG research, ratings and data. Legal Disclaimer: https://www.sustainalytics.com/legal-disclaimers.