REPORTING ON SUSTAINABILITY RISK INTEGRATION AND OTHER SUSTAINABILITY-RELATED ISSUES INFORMATION

In this notice, INVL Asset Management UAB (the **Management Company**) presents the following sustainability-related information relating to sustainability as set out in Regulation (EU) 2019-11-27 of the European Parliament and of the Council 2019/2088 on disclosure of sustainability-related information in the financial services sector (hereinafter referred to as the **Regulation**).

INTEGRATING SUSTAINABILITY RISKS

Environmental, social, and governance (ESG) factors are understood as environmental, social and labour matters, as well as respect for human rights and anti-corruption and anti-bribery issues, and sustainability risks are understood as an event or situation related to the sustainability factors that could have an actual or potential significant negative impact on the value of the investment. In making investment decisions, the Management Company seeks to assess all risks and factors that may affect the value and performance of investments. Accordingly, the Management Company assesses the ESG factors and risks relevant to the specific investment under analysis, in addition to assessing all other risks and factors that may have a real or potential material adverse effect on the value of the investment.

There are various sources of sustainability risks that may influence the investment decision. Not all risks may be relevant for every investment. Sources of sustainability risk include, but are not limited to:

- Physical and transitional risks. Failure to adequately manage physical climate risks can lead to, among other consequences, the destruction or damage of facilities, disruption or failure of supply chains and logistics, and potential changes in demand for products and services. Failure to adequately manage transition risks may lead to, among other consequences, impairment of assets or reserves that are no longer operational or obsolete, loss of customers and the need for significant capital expenditure.
- Reputational risk. If an investee investment breaches its sustainability standard or fails to manage its sustainability risk appropriately, the investment may be exposed to potential reputational risk. Reputational consequences include, but are not limited to, loss of customers, loss or deterioration of supplier relationships and withdrawal of funding.
- Regulatory risks. Regulatory consequences include, but are not limited to, financial penalties, revocation of operating licences, increased oversight or reporting burdens.

To ensure that sustainability risks are integrated into investment decisions, the management company has established a number of methods to systematically integrate sustainability risks into the investment decision-making process. The implementation of the processes may vary depending on the asset class, geography and investment strategy. Descriptive approaches to different investment strategies are set out in the Policy on Integrating Responsible Investment and Sustainability Risk, which is referenced below.
The main elements of sustainability risk integration are:

- Integration. The management company complements the traditional fundamental analysis with ESG criteria. The investment decision maker, in the course of its activities, evaluates investment decisions on the basis of the investment decision's compliance with ESG or sustainability criteria. A variety of approaches may be used, including but not limited to fundamental or quantitative sustainability analyses, investments in sustainable financial instruments, climate optimisation, optimisation for the UN Sustainable Development Goals.
- Participation. The management company shall promote opportunities for stakeholder partnerships and engagement that support the management of ESG criteria in investment management activities. We consider stakeholder engagement as a process of change, where investors seek to improve investment practices with a specific objective in mind. This can take many forms, but is usually based on a sustained and constructive dialogue. The aim of engagement activities is to influence the investments in which the Management Company invests in order to improve its management of sustainability issues, to reduce long-term risks and to improve the long-term financial performance of investment portfolios. Further information on engagement activities is provided in the Participation and Voting Policy.

- Negative selection (prohibited investments). The negative screening approach is designed to avoid activities that may pose unmanageable and unacceptable investment risks and activities that are considered harmful to society.

The management company shall describe how sustainability risk is integrated into investment decisions and outline the results of an assessment of the likely impact of sustainability risk on the return of the financial product when sending pre-contractual sustainability-related information to clients. In the event that the Management Company considers that such information is not relevant, it shall explain the reasons.
More detailed information on the integration of ESG risks into the investment decision-making process and other aspects of the assessment of ESG factors shall be published in the Management Company's approved Policy on Responsible Investment and Integration of Sustainability Risks, which shall be available on the Management Company's website at www.invl.com, or contained in the fund's constitutional documents together with the other sustainability information.

ASSESSMENT OF THE LIKELY IMPACT OF SUSTAINABILITY RISKS ON RETURNS

Sustainability risks may also manifest themselves through other risks (including but not limited to market, liquidity, credit, etc.). The impact of sustainability risks may vary depending on the investment, e.g. investments in high carbon sectors may be more exposed to climate change risks. All or a combination of these factors can have an unpredictable impact on investments and a significant impact on the value of the financial product under management. The assessment of sustainability risk depends on the class of business sector. Different sectors require different data and tools to apply due diligence and to assess the materiality and impact of sustainability risk. More detailed information on the potential impact of sustainability risk on returns is provided in the fund's constitutive documents together with other sustainability information.

TRANSPARENCY OF REMUNERATION POLICY IN RELATION TO SUSTAINABILITY RISK

The Management Company has adopted and applies a Remuneration Policy, the objective of which is to ensure that the remuneration policies of the Management Company's employees are consistent with, and promote, the sound and effective management of the Management Company's risks. This includes risks related to the application of ESG where relevant to the employees concerned.

The Management Company's assessment of the achievement of annual targets and the determination of bonuses shall take into account the extent to which employees have implemented the principles of sustainability risk management. All employees are assessed against qualitative or quantitative targets appropriate to their roles and responsibilities. All employees have performance objectives related to risk and compliance outcomes, including sustainability risk.

The Remuneration Policy is published on the Management Company's website www.invl.com.

Version	Main changes	Publishing date	Renewal date
No. 1	Published under regulation	2021-03-10	
No. 2	Additional information on products and integration of sustainability risks	2023-02-28	2023-02-28
No. 3	Updated document information by conclusion of the Bank of Lithuania. Updated information on product and sustainability risk integration 1. Separated considerations of principal adverse impacts and sustainability risks integration 2. Supplemented by a description of the sustainability risk integration process and the main sources of sustainability risk identified.	2024-12-13	2024-12-11

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