

Investment fund "CBL Eastern European Bond Fund"

Product name: CBL Eastern European Bond Fund

Legal entity identifier: 213800PO5WGNVFP6ID63



the manner in which sustainability risks are integrated into investment decisions

In June 2019, the Company signed a declaration confirming its commitment to adopt and implement the UN Principles for Responsible Investment (PRI). Consequently, the Company undertook to respect the six UN PRI principles, including the incorporation of the ESG issues into investment analysis and decision-making processes.

According to UN PRI, ESG incorporation refers to the review and use of ESG information in the investment decision-making process and includes several approaches. The Fund managers believe that so-called combined approach is best applicable to fixed-income investment process.

Overall, the investment process is based on bottom-up issuer credit analysis. In addition to traditional financial analysis, the managers systematically integrate ESG factors into the overall analysis with the aim to assign an internal rating for a particular issuer. Fund's managers and analysts are responsible for the analysis of fundamental creditworthiness of issuers and systematic integration of the ESG factors into the overall assessment.

Some of the details are disclosed below.

- Exclusion of several bond issues or sectors because the issuing organization is misaligned with principles of sustainability, for example, business activity is related to pornography and production and development of inhumane weapons.
- Each issuer initially receives its credit rating based entirely on its financials, while at the final stage we adjust the credit rating based on its relative value in overall ESG score among its peers. We use data on ESG provided by external suppliers (e.g., Sustainalytics) and convert that data into the final internal rating for the issuer with the help of our proprietary model.
- Based on our final internal rating, we arrive at our proprietary intrinsic value for a particular bond. All in all, lower ESG risks contribute to higher overall internal rating and consequently lower intrinsic credit spread, and vice versa.



the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products

The Company shares the view that by integrating the ESG factors in asset management, the return on investment grows or the impact is neutral at a lower overall risk level, as demonstrated by academic research as well.

The company is evaluating the availability of relevant data to consider if the deeper integration of the ESG risk within the CBL Eastern European Bond Fund`s management process will contribute to more achievements on the domain of sustainability, and if the transfer to the investment fund under Article 8 of the SFDR would provide added value to Company`s stakeholders.



considering principal adverse impacts on sustainability factors

The Company is closely monitoring the ongoing changes in market practices, regulation and data availability enabling systematic assessment of principal adverse impacts that investment decisions have on climate and other environment-related issues and in the field of social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

Unfortunately, there is still lack of quality, systematic data regarding these issues within the investment universe where the company is mainly operating; as well as, limited human resources to provide meaningful consideration of sustainability adverse impact of investment decisions on sustainability factors. The reasons mentioned above do not allow incorporating the principal adverse impacts in Fund`s management process. No consideration of adverse impacts of investment decisions on sustainability factors.