
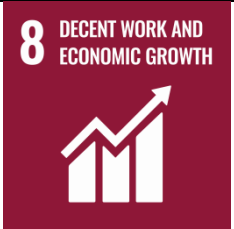



## Integration of sustainability risks in CBL Global EM Bond Fund – philosophy and methodology



CBL Asset Management IPAS (the Company) recognizes the co-responsibility of asset managers in mitigating and preventing global risks such as climate change, social and environmental risks, and other principal adverse impacts. The direct impact of the company is analyzed, measured and managed in accordance with the Citadele Group's policy, while the indirect impact that occurs in the investment decision-making process is analyzed, measured and managed in accordance with the UN Sustainable Development Goals (UN SDGs).

For the CBL Global Emerging Markets Bond Fund, the Company has selected several UN SDGs, which ensure the greatest synergy between the Fund's investment goals and the UN SDGs, thus ensuring the greatest added value and potential impact in achieving global sustainable development. The choice of goals results from internal discussions, reflecting the personal values of shareholders, the Company's management and employees, and is also related to the availability of data to ensure measurable performance results.

 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<p><b>Goal 7:</b> Ensure access to affordable, reliable, sustainable and modern energy for all.</p> <p>CBL Asset Management supports this shift through investments in renewable energy resources, in companies implementing the usage of clean energy technologies and infrastructures, etc.</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>Goal 8:</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p> <p>The achievement of the goal is highly dependent on social and employee issues. CBL Asset Management is supporting investee company's and society's efforts towards decent work conditions and economic growth.</p>
 <p><b>13</b> CLIMATE ACTION</p>	<p><b>Goal 13:</b> Take urgent action to combat climate change and its impacts.</p> <p>Climate change is one of the toughest problems to be solved. CBL Asset Management is contributing to the process by considering in the asset allocation process the investee company's efforts to combat climate change by reducing the use of fossil fuels, etc.</p> <p><i>The Company supports the Paris Agreement - UN Framework Convention on Climate Change, as it recognizes a critical need to rush the transition towards global net zero emissions. As an asset manager we are considering playing our part to help deliver the goals of the Paris Agreement.</i></p> <p><i>The Company supports the Task Force on Climate-Related Financial Disclosures. We are evaluating the opportunities to include the forward-looking information on the material financial impacts of climate-related risks and opportunities in our decision-making process.</i></p>

The investment process of the fund is based on the analysis of fundamental creditworthiness of issuers. After excluding economic sectors and issuers, in addition to traditional financial analysis, the Company systematically integrates ESG factors into the overall assessment, the result of which is the internal rating assigned to a specific issuer. The Company uses data on ESG factors provided by external suppliers and using a model developed within the Company converts these data into the internal rating of an issuer. This

is the basis for making the final investment decision. Full implementation of the process is possible only if a certain amount of ESG data is available about an issuer. Following the development processes, it can be found that the amount of data is constantly increasing and the quality of data is improving.

## Global Emerging Markets Bond Market

### Exclusion and engagement

Exclusion of economic sectors or bond issuers where it is clear that the issuer does not follow the principles of sustainability. For example, business is related to pornography, production of inhumane weapons, etc.

An issuer shall also be excluded if it is included in one of the lists below:

- companies that do not have the policy for prevention of accidents at work
- insufficient protection of whistleblowers
- absence of the human rights policy
- absence of the anti-corruption and anti-bribery policy

**N.B.!** In case of exclusion, the Company takes involvement measures to facilitate elimination of deficiencies.

### Rating Assignment and Assessment

- each issuer is assigned a credit rating based on business analysis and financial data
- a credit rating is adjusted on the grounds of ESG factors

Based on the internal rating assigned by the Company, which also includes ESG factors, we assign what we believe is a fair evaluation of each particular bond. In general, lower ESG risks lead to a higher internal rating and a correspondingly lower fair risk premium, and vice versa.

### Creation of a portfolio

For comparable investment alternatives, we use the "best in class" approach and choose the bond issue whose issuer shows better results or dynamics in the following indicators:

- the specific weight of energy consumption using non-renewable energy resources in an investee company compared to renewable energy resources
- the intensity of greenhouse gas (GHG) emissions of an investee company
- the average indicator of respect for human rights
- the average corruption rate

## CBL Global Emerging Markets Bond Fund