# SUMMARY OF INVESTMENT BASKETS MANAGEMENT POLICY

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| Approved by / When | Board members of company / |
| Owner (/ Editor) | Investment Management Unit |
| Regulation Level & Type | Policy |
| Valid from (/until) | From 01-07-2022 |
| Confidentiality level | Public |

Implementation

| | |
|---|---|
| Scope of training | |
| Importance for newcomers | |
| Need for translation | Yes |

## Document's purpose

1. The Policy on Investment Baskets Management (hereinafter referred to as the "Policy") of UADB INVL Life (hereinafter referred to as the "Company") regulates the procedure for the detailed assessment, investment decision-making and execution of investments in which the assets of the investment baskets managed by the Company are invested.
2. The objective of the Policy is to ensure the informed, efficient and sustainable decision making and execution in relation to the management of investment baskets, and to ensure that decisions are consistent with the investment baskets objectives, investment strategy and risk limits. The Company shall act in the best terms and interests of the Clients when making and executing (or delegating the execution of) investment decisions.
3. The Summary of Policy – a public document informing Company's Clients about key internal policies and guidelines that govern the management of investment baskets, principles of financial instruments selection, results monitoring and decision making.

## Scope of Application

4. The provisions of the Policy must be complied with by all employees of the Company involved in the valuation of the investments in which the assets of the investment strategies are invested and employees who make and implement (delegate for execution) investment decisions in respect of the investment baskets managed by the Company.

## Definitions

5. **Investment basket** means a portfolio of financial instruments selected by the policyholder on the proposal of the insurer concluding a life insurance contract related to investment funds.
6. For the purposes of this Policy, an **investment decision** includes:
6.1. making strategic investment decisions, selecting the financial instruments in which to invest;
6.2. determining the quantity of financial instruments to be bought/sold (forming an investment portfolio) and determining the acceptable price and other terms for buying/selling financial instruments (including currency buy/sell transactions, the use of derivatives to hedge currency risk).
7. **Investment Committee (hereinafter referred to as the "Committee")** means a collegiate investment decision-making body formed by the Company and acting in accordance with its own regulations.
8. **Clients** means clients of the Company with whom a life insurance contract relating to investment funds has been concluded.
9. **KID** means Key Information Document, which provides the Company's Clients with the most important information about the investment basket.
10. **Portfolio Manager** means an employee of the Company's Investment Management Unit holding a brokerage licence issued by the Bank of Lithuania, relevant qualifications, work experience and the Company's authorisation to provide management services.

## Principles of the detailed assessment procedure

11. The Company acts in the best interests of its Clients and seeks to ensure a high standard of valuation procedures in the selection and ongoing monitoring of investments.
12. Investment decisions take into account:
12.1. The objectives, investment strategy and risk mitigation measures set out in the KID for the relevant investment baskets;
12.2. Diversification, investment and other restrictions imposed by the laws of the Republic of Lithuania;
12.3. The ratio of potential return to risk;
12.4. The impact of the investment on the overall level of risk of the assets in the relevant portfolio;
12.5. Environmental, Social and Governance (ESG) factors and sustainability risks;
12.6. The impact of the investment on the liquidity of the relevant investment baskets and future compliance with the limits set by the Company;
12.7. The cost of implementing the planned investment decision;
12.8. The characteristics of the financial instruments on which an investment decision may be made;

12.9. Characteristics of the places of execution of the intended investment decision;
12.10. The speed with which the planned investment decision can be implemented;
12.11. The likelihood of the anticipated investment decision being implemented and settled;
12.12. Other circumstances relevant to the implementation of the intended investment decision.
13. When evaluating the submitted draft investment decisions regarding equity securities, the members of the Committee pay attention to the arguments of the analysis of fundamental, technical and ESG factors
14. In assessing the draft investment decisions on collective investment undertakings (CIU) that have been submitted, the Committee's members shall take into account:
14.1. The analysis of passively managed CIUs takes into account the assets held by the CIU, management and other fees, tracking error indicator, TER indicator, currency, dividend payment, physical or synthetic replication and other indicators. Where there is a choice between similar funds in terms of region, strategy and cost, priority is given to the alternative that focuses on companies with high ESG standards.
14.2. The analysis of actively managed CIUs takes into account the reliability, stability, performance of the CIU management company and team (compared to competing funds or absolute results) in different periods, assets held by the CIU, management and other fees, TER indicator, currency, dividend payment and other indicators. It also assesses the ESG practices of the relevant management company and the integration of ESG criteria into its investment process.
15. The specific investment decision to be made is assessed using different methodologies, taking into account the prevailing market situation, the asset class of the investment, the industry in which the investment is being made, the specific situation of the company/issuer, the structure of the assets in the portfolio, and any other relevant circumstances that may affect the quality of the investment decision.
16. An integral part of the investment decision-making process is the analysis of ESG factors and adherence to the principles set out in the Policy for Integration of Responsible Investment and Sustainability Risks (hereinafter referred to as the “ESG Policy”), the application of which, in the long term, reduces the risk of investments.
17. The assessment of investment decisions is based on the experience and insights of portfolio managers and Committee members. The data needed for the analysis are collected from various sources: Bloomberg data, data from relevant stock exchanges and trading statistics, financial reports published by issuers, recommendations published by analysts, information from inquiries and meetings with issuers, etc.

## Investment decision-making

18. Responsibility for making and/or implementing investment decisions includes:
18.1. the Committee;
18.2. Portfolio manager.
19. The Committee shall be responsible for the investment decisions referred to in point 6.1 of the Policy and the Portfolio Manager shall be responsible for the investment decisions referred to in point 6.2 of the Policy.
20. Investment decisions regarding actions with financial instruments forming the portfolios of investment baskets shall be made in accordance with the Committee's decisions, the management strategy (hereinafter referred to as the “Strategy”) set out in the KID for the specific investment basket, the best interests of the Clients, and the requirements for the assets set by the Bank of Lithuania.
21. In accordance with the requirements for the implementation of the Prevention of Money Laundering and Terrorist Financing, the Portfolio Manager, prior to making an investment decision or submitting a draft investment decision to the Committee, must verify the application of financial, economic or other international sanctions imposed
22. The Portfolio Manager is responsible for the implementation of all approved Investment Decisions. Unless otherwise provided for in the Investment Decisions, the Portfolio Manager shall make decisions to enter into specific transactions in the investment objects identified by the Committee (hereinafter referred to as the “Transactions”) in accordance with the investment decisions made by the Committee, including decisions on the most appropriate timing and/or amount of Transactions.

## Monitoring investment decisions taken

23. The Portfolio Manager shall monitor the execution of the Investment Decisions taken by taking the following actions:
23.1. Portfolio composition analysis to consider the purchase/sale of financial instruments;
23.2. Review of Investment Decisions implemented/not implemented by the Portfolio Manager in accordance with the Policy;
23.3. Reviewing compliance with the limits set out in the Strategy.
23.4. Monitoring changes in portfolio value.
24. Analysis of the composition of portfolios must be carried out on an as-needed basis, but at least once a month.
25. The Portfolio Manager's review of implemented/non-implemented Investment Decisions is conducted on a weekly basis.
26. A review of compliance with the limits set out in the Strategy shall be carried out on an as-needed basis, but at least on a quarterly basis. The review provided for in this point shall verify compliance with the investment strategy set out in the KID.
27. The Portfolio Manager must also ensure and carry out a regular review of whether the composition of the portfolio complies with the provisions of the requirements set by the Bank of Lithuania.

## Risk management and control

28. Investment risk management is an integral part of investment management. It is not just a post-transaction process, but part of the decision-making and monitoring processes. In order to properly manage and control the risks arising from the investment of funds, the following investment risk management principles are applied:
28.1. investment risk is managed in a balanced way, without taking on extremely high and uncontrollable risks;
28.2. The risk management process involves identifying, monitoring, assessing and controlling risks;
28.3. Risks are managed proactively to ensure timely investment decisions, with controls in place both before and after transactions are placed;
29. Risk management is divided into three parts, known as the three-level defence line:
29.1. The first line of defence is the portfolio managers and the Head of Investment Management Unit. It is their responsibility to ensure that investments comply with the Strategy and investment restrictions and ESG policies.
29.2. The second line of defence is the risk management operations carried out by the Portfolio Operations Accounting Unit, whose main tasks are:
29.2.1. To ensure that each portfolio is managed in accordance with established rules and limits.
29.2.2. To control market prices and valuations used to calculate the net asset value of the portfolio.
29.2.3. To reconciliate transactions, positions and cash balances between the Company and external data.
29.2.4. To report to the Investment Management Unit any breaches of investment restrictions relating to the management of investment baskets and clients' accumulated capital.
29.3. The third line of defence is the Company's internal audit function, which monitors and ensures that risk management operations comply with laws and regulations and are carried out as described in the Company's internal policies and other documents.
30. The Company has a Compliance Officer who monitors that operations are carried out in accordance with laws and other regulations and that internal documents are updated to take account of any changes in internal operations and/or external circumstances such as changes in laws and regulations.
31. To manage third-party risk, custodians, brokers and counterparties, collective investment undertakings and issuers of transferable securities are assessed.

## Managing conflicts of interest

32. The Company's governance process emphasises the prevention and management of conflicts of interest. The interests of Clients must always come first. The Company's Conflicts of Interest Avoidance Policy helps to identify and prevent potential conflicts of interest or to manage situations by treating

Clients equally and with due regard for their interests. The Company has put in place effective organisational and administrative measures to prevent and manage identified conflicts of interest.

33. The Committee and the Portfolio Manager must avoid situations of conflict of interest between their personal interests and the interests of their Clients, as well as conflicts of interest that may arise between the portfolios of individual investment baskets under management. A member of the Committee must disclose to the other members any potential conflicts of interest that may arise in relation to a particular investment decision and must abstain from voting if such a vote by the member would create a conflict of interest situation.

## Final provisions

34. The Summary of Policy and any changes to it are made public.
35. The Company continuously monitors whether the provisions of the Policy are properly implemented.
36. Where deficiencies and breaches of the implementation of the Policy are identified, they shall be promptly addressed.
37. The provisions of the Policy shall be reviewed at least once in two years and more frequently in cases where there is a material change that may affect the Company's ability to achieve best value.
38. The Company shall act in such a way as to be able to demonstrate at all times that investment decisions are made in accordance with the measures and procedures set out in the Policy and in the best interests of Clients.

# Annex 1. Policy for the Execution of investment decisions

## Document's purpose

1. The Policy on Execution of Investment Decisions (hereinafter referred to as the "Policy") of UADB "INVL Life" (hereinafter referred to as the "Company") regulates the execution of investment decisions in the management of investment baskets.
2. The provisions of the Policy shall apply to the extent legally and/or technically possible in the context of investment decisions taken in the management of investment baskets portfolios, in accordance with the terms of the contracts concluded between the Company and the custodian holding the financial instruments or funds and the provisions of the legislation.

## Objective

3. The objective of the Policy is to set out general principles for the conduct of investment decisions. In accordance with the provisions of the Policy, the Company must take all reasonable steps to ensure the best execution of investment decisions in the prevailing circumstances.

## Execution of orders to achieve the best result

4. Investment decisions taken shall be executed or delegated to another entity, acting in the best interests of the relevant investment basket and in pursuit of the best result, in accordance with the laws and regulations of the Republic of Lithuania and the relevant provisions of this Policy.
5. To ensure fast and efficient execution of transactions in the investment basket account:
   5.1. Investment decisions executed on investment basket account are immediately and accurately accounted for;
   5.2. similar investment decisions are executed sequentially and without delay, unless the characteristics of the investment decision or prevailing market conditions make this impossible;
   5.3. financial instruments and funds received are promptly and correctly accounted for in the relevant accounts when the investment decision is made.
6. Investment decisions are executed by taking all necessary measures to avoid the misuse of information relating to pending investment decisions.
7. In order to achieve the best possible result when making investment decisions or delegating investment decisions to another entity, the Company shall take all necessary steps to achieve the best possible result for the relevant investment basket, taking into account:
   7.1. price of investment objects;
   7.2. cost of implementing the investment decision;
   7.3. speed;
   7.4. likelihood of an investment decision being implemented and settled;
   7.5. size of the investment decision;
   7.6. content and other circumstances relevant to the implementation of the investment decision.
8. The factors listed above are not listed in order of importance, as the importance of each parameter may vary depending on the characteristics of the financial instruments. The relative importance of the factors listed is always assessed against the following criteria:
   8.1. objectives, investment policy and inherent risks of the investment basket, as set out in the KID;
   8.2. features of an investment decision;
   8.3. characteristics of the financial instruments on which the investment decision is taken;
   8.4. characteristics of the execution places where the investment decision may be executed.

## Places of execution of investment decisions

9. The Company's investment decisions to buy/sell any financial instruments traded on regulated markets, multilateral trading facilities or through systematically traded financial intermediaries and brokerage firms shall be transmitted for execution to the relevant exchanges/multilateral trading facilities directly by the Company.
10. The Company shall continuously evaluate the transparency of the selected entity(ies), the quality of the recommendations provided, its ability to execute the order, the efficiency of the execution of

the order, the cost of the execution of the order, the factors set out in this Policy regarding the execution of the decisions on the best terms and conditions for the Clients, and any other relevant factors, and may select other intermediaries as necessary.

11. The Company, when delegating the execution of investment decisions, shall ensure sufficient control over the execution of investment decisions to ensure compliance with the provisions set out in this Policy.
12. The Company may decide to delegate the execution of investment decisions to other entities depending on the circumstances (e.g. collapse of markets, trading halts, etc.). In such a case, the Company shall take measures to achieve a better result for the Clients.

## Merger of investment decisions and allocation of transactions

13. The execution of individual investment decisions cannot be merged unless the following conditions are met:
    - 13.1. There is no reason to believe that the merger of investment decisions will adversely affect the interests of any of the investment baskets or other clients of the Company for whose account the merger of investment decisions is intended;
    - 13.2. Subject to compliance with the requirements set out in this Policy for the allocation of merged investment decisions, including the impact of the size of investment decisions and impact of price of investment decisions on the allocation of investment decisions.
14. If the Company, acting as investment baskets manager, submits orders from separate investment baskets in respect of the same transaction and financial instrument, the order of the investment basket which is submitted earlier shall take precedence, taking into account the timing of the order.
15. If the Company simultaneously submits a single combined buy/sell order for the same financial instruments from several investment baskets, and where the total quantity of financial instruments specified in the buy/sell order is not bought/sold, the orders shall be allocated pro rata to all the investment baskets for the account of which the combined orders are submitted.
16. If the full amount of the financial instruments specified in the buy/sell order is not bought/sold, and the allocation of the investment transaction volume in proportion to all the investment baskets whose investment decisions have been merged would result in unreasonably high transaction costs for the investment baskets to whose account the small order has been submitted, the merged order may be executed in one of the following ways:
    - 16.1. The quantity of an investment transaction is only allocated to the investment baskets for whose account the small order was placed;
    - 16.2. The quantity of an investment transaction is only allocated to the investment baskets for whose account the large order was placed.
17. The Portfolio Manager, in consultation with the executing financial intermediary and taking into account the best interests of the investment baskets, and with a view to minimising costs to the investment baskets, shall determine which order may be considered as a small/large order and which of the above methods will be applied.
18. If the Company merges transactions on its own account with one or more investment decisions made at the expense of the investment baskets, the Company shall only reallocate the transactions in the manner most favourable to the investment baskets.
19. If a transaction for the account of the Company is merged with an investment decision made for the account of an investment basket and the merged transaction is partially executed, the transactions shall be allocated with priority to the interests of the investment basket.
20. If the Companies can demonstrate that without the merger they would not have been able to execute the investment decision on the same terms and conditions, or would not have been able to execute the investment decision at all, the Companies may allocate such merged order on a pro rata basis, subject to the provisions set out in this section.