

A low-angle photograph of a modern glass skyscraper against a blue sky with light clouds. The building's facade is composed of large, rectangular glass panels that reflect the sky. A semi-transparent white rectangular box is overlaid on the right side of the image, containing the title and subtitle.

Responsible Investment Policy

Andbank Luxembourg

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Introduction

Environmental, social and governance criteria ("ESG criteria") are embedded within Andbank's principles. The present Responsible Investment Policy (hereon "the policy") determines the scope to which Andbank Luxembourg ("the Bank") under our responsible banking conduct, is committed to ESG matters. In addition, the policy provides an action framework associated to sustainability procedures and management of those risks related to environmental and social factors.

We understand Responsible Investment as defined by the United Nations PRI initiative, Principles for Responsible Investment: "an investment approach that incorporates environmental, social and governance (ESG) factors into investment decisions to better manage risk and to generate long-term sustainable returns.

In this way, the policy summarizes the framework in which the Bank's activity will be developed in relation to the assets under management as well as its own resources.

Andbank Luxembourg's approach to sustainability within the framework of responsible investment defined in this document is oriented both to the creation of long-term value and to the management of social, environmental, and corporate governance risks, considering that these ESG criteria have an impact on the performance of the investment portfolios and are part of the entity's principles of action.

The actions, initiatives and procedures related to the ESG framework should be aligned with those carried out by other Andbank jurisdictions. A correct alignment will reinforce Andbank's procedures related to sustainable development practices.

In view of the above, Andbank has prepared and approved this Responsible Investment Policy.

Scope

The Responsible Investment Policy relates to practices at Andbank Luxembourg and is complementary to the policies published from Andbank Asset Management Luxembourg ("AAML") and those from Andbank Group.

The purpose of this policy is to align the actions of the entities belonging to Andbank Group by establishing the general principles of action to be followed by the Bank in matters of sustainable development.

The policy will apply in general to the entire entity, focusing on the most sensitive departments. Especially it will apply to members involved in the investment process and it will therefore apply to the investment process of the assets under management mandate and own portfolio in general and independently of the underlying assets and always within the limits of the management mandates.

Obviously, the policy should be aligned with the ESG related regulations applicable at any given time and may be as they come into force.

Legal framework

- Regulation 2019/2088 (EU) of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector.
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088.
- Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms.

Sustainable related risks. Principles of action

At Andbank Luxembourg, the integration of ESG criteria is considered a complementary tool to traditional financial analysis, offering a greater degree of information on current and potential risks. To this end, the Bank will progressively integrate ESG criteria into its business activity and asset selection.

The Bank, in its involvement with the rest of the financial sector in the establishment of a new sustainable banking industry positioned to drive the current emerging economy of global sustainable development, will progressively work on its business model and decision making by integrating those risks derived from climate change and environmental impact that they consider may materialize in the short, medium, and long term.

Andbank Luxembourg will focus mainly on the following actions:

- To gradually include sustainability in our business activities, identifying opportunities and providing service to clients on the matter.
- To know the preferences in terms of sustainability of the clients to whom we provide discretionary management services and to be able to adapt the mandates according to these preferences.
- To incorporate risks based on ESG factors during Bank's various risk analyses such as credit risk, counterparty risk, market risk.

- Comply with current and future legal requirements on sustainability matters.
- To disseminate the policy among employees via the Bank's internal and external channels and to establish lines of communication with "groups of interest" on environmental and social matters.
- To clarify investors and asset managers' obligations related to sustainability criteria.
- To work with our clients in a responsible manner to ensure sustainable practices and economic activity that generate shared short- and long-term prosperity.
- Support the transition of our clients to drive progress on climate action and financial health through effective management of resources while taking into consideration associated risks.
- To orient the activity to achieve the binomial of profitable and sustainable activity.

In line with Andbank Luxembourg's commitment to integrate non-financial factors related to environmental, social and governance (ESG) matters, Business, Investment and Compliance areas will be involved in sustainability and ESG matters via continuous training, internal research, communications, and certificates. Other areas and employees will also be encouraged to be involved in sustainability and ESG matters.

Integration of ESG criteria on investment decision-making process. Discretionary portfolio management service

Andbank Luxembourg is committed to transparency in managing the risks and opportunities arising from climate change and will follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) created by the Financial Stability Board (FSB) with the intention of informing our stakeholders how we will manage the risks and opportunities arising from climate change.

The integration of ESG criteria is logically carried out in conjunction with financial criteria to assess the suitability of the investment. All investment approaches (qualitative, quantitative, technical) are understood to be compatible with each other and with the ESG criteria. We have a broad, flexible, and positive understanding of these ESG criteria without opting for more specific or exclusionary factors when defining portfolios.

By integration we mean the application of ESG criteria within the investment process. For the integration of ESG criteria we start with data provided by various external information providers. The data is analysed in detail to assess its materiality. We understand the ESG ratings provided by the providers as a starting point for analysis and not as a sole requirement for the inclusion or not of an asset in portfolios.

Our discretionary management service relies on an investment method with two main pillars:

- An analysis of the suitability and appropriateness of clients to ensure portfolios meet the requirements needed. In addition, an analysis and follow up of the portfolio structure to ensure they also comply with the investment limits of each risk profile. In this regard, we collect the sustainability preferences of clients through the Suitability test. Therefore, the management mandate should be adjusted to these preferences through portfolio composition and structure.
- An analysis of each asset that is included in our recommended product lists* (equity, fixed income, funds ETFs...) from a financial and non-financial perspective. ESG criteria in asset selection have been progressively incorporated and will continue to be progressively incorporated.

Andbank Group has a model to determine if an asset is considered eligible from an ESG perspective. The model evaluates each asset based on key sustainability indicators related to Taxonomy, SFDR and PIAS. If an asset passes a threshold on all those indicators, the asset would be considered as ESG Eligible.

Each indicator is a composite calculated using data extracted from external providers. The key sustainable indicators which are defined internally by Andbank Group, are also reviewed periodically with the aim of ensuring that sustainability risks:

- are integrated within the decision-making process and
- are not significant on profitability in terms of returns.

This is crucial for the monitoring of portfolio composition to be able to meet the clients' sustainable preferences and adjust in case there are deviations.

Therefore, in the provision of the investment portfolio management service, both financial and non-financial criteria will be considered, including sustainable or ESG risks, with the aim of achieving better risk management by generating long-term sustainable benefits. The sustainability risk in the providing of the service will depend, among other factors, on the type of issuer, the sector in which it operates and its geographical location. Investments with a higher sustainability risk could lead to a decrease in the price of the underlying assets and, therefore, could negatively affect the net asset value of the financial asset in question.

Governance on ESG matters. Policy approval

The present Responsible Investment Policy relies on its approval by the Supervisory Body of Andbank Luxembourg.

Regular internal meetings are held between management and the areas with a significant impact on the development of ESG criteria at Andbank Luxembourg, mainly the risk, investment desk and compliance departments. These issues may also be discussed in other committees of the bank. The aim is to discuss Andbank Luxembourg's progress in sustainability as well as the review, at least once a year, of the Responsible Investment Policy.

Disclosure

The present policy will be communicated to all Andbank Luxembourg employees internally. Additionally it will be available for all employees in "document manager" for them too access at any time. The present policy will be published on Andbank Luxembourg's corporate webpage for all users to read.