

# STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

For the period of 1 January 2022 until 31 December 2022

Prepared by:  
JSC “Rietumu Banka”

## Financial market participant

Joint stock company “Rietumu Banka”, LEI 2138007F5HA5FFJROB80

### Summary

JSC “Rietumu Banka”, LEI 2138007F5HA5FFJROB80, takes into account the principal adverse impacts of its investment decisions on sustainability factors. This is a statement on principle adverse impacts on sustainability factors of JSC "Rietumu Banka".

In the time period from 1 January 2022 until 31 December 2022, no new portfolios were created, therefore the Bank publishes only a summary in the Statement on principle adverse impacts on sustainability factors.

### Description of the principal adverse impacts on sustainability factors

When managing the client's individual portfolio of financial instruments, environmental, social and governance (hereinafter – ESG) factors are taken into account. All investments included in client portfolios are assessed and the portfolio is assigned an ESG rating. When making investments, the Bank prefers the financial instruments with a higher ESG rating.

When conducting negative screening the following **issuers are excluded** from investment:

- those who are involved in the production or trade of such types of goods, or in activities that are considered illegal according to national or international laws and regulations, incl. international conventions or are subject to international prohibitions;
- which are subject to national and international sanctions – sanctions determined by the United Nations, the European Union, the Republic of Latvia and the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury.
- which are suspected of being involved in financial crimes or other illegal activities (for example, human trafficking, smuggling, extortion, wildlife trade, illegal production, trade and distribution of weapons, ammunition and other goods for military purposes, distribution of weapons of mass destruction, drugs, corruption, tax evasion, provision of unlicensed services);
- which are related to the financing of terrorism or proliferation;
- which are related to the production of military goods (weapons, ammunition, vehicles, as well as possibly other goods for military purposes), the use of which violates basic humanitarian principles or binding laws and regulations;
- which are related to the production, sale and/or distribution of e-cigarettes and/or tobacco, or various narcotic and psychotropic substances;
- which are related to the creation, sale, distribution and advertising of materials of a pornographic nature.

### Description of policies to identify principal adverse impacts on sustainability factors

The Bank has approved a policy with the aim of identifying principal adverse impacts on sustainability factors in the provision of the individual portfolio management service:

**Policy on Integration of ESG Factors into Individual Portfolio Management** (approved on 20.10.2022) discloses information on how sustainability risks are integrated into its investment decision-making processes, information on the assessment of possible adverse impacts when evaluating the client's portfolio, and provides information on environmental and social characteristics and sustainable investments before concluding the contract.

When determining the remuneration policy for employees involved in making investment decisions, the Bank takes into account sustainability factors and the possible adverse impact of the decisions made on sustainability factors.

ESG factors are an important parameter for evaluating the probability of the occurrence of a negative event or circumstances that could cause an actual or potential principal adverse impact on the value of the investment portfolio when providing portfolio management services to clients.

Risks related to sustainability factors have an impact on the profitability of financial assets, therefore, their inclusion in the overall risk analysis process helps to achieve a better profitability result in the long term.

## **Engagement policy**

According to Article 126<sup>3</sup> of the Financial Instruments Market Law of the Republic of Latvia, the Bank does not draft an engagement policy.

## **References to international standards**

The Bank assumes responsibility for the impact of the Bank's business on society and the environment, and also expects that the Bank's cooperation partners, external service providers and suppliers act accordingly. Before commencing cooperation, the Bank conducts the verification of relevant cooperation partners, external service providers and suppliers to ensure their compliance with internal regulatory documents and external laws and regulations.

In its operations, the Bank takes into account various national and international standards and recommendations, such as the EBA guidelines, the Corporate Governance Code of the Ministry of Justice of the Republic of Latvia, the United Nations Guiding Principles on Business and Human Rights, the United Kingdom Anti-Bribery Act of 2010, etc.

## **Historical comparison**

In 2025, a comparison of the historical data of the previous two-year period will be prepared and published.

## **Actions taken, and actions planned and targets set for the next reference period**

Specific goals for the next reference period have not been set. Data is collected quarterly and will be published annually as part of this Statement.