Compensa Life Vienna Insurance Group SE Lithuania Branch

# Statement on the material adverse sustainability impact of investment decisions (Article 4(2) of Regulation (EU) 2019/2088)

**Description of the material adverse sustainability impact**

A material adverse sustainability impact refers to the adverse impact of investment decisions on sustainability factors. Sustainability factors include issues relating to environmental protection, social responsibility and employees, the protection of human rights, and the fight against corruption and bribery. In 2019, Compensa Life developed its own ESG investment strategy, which is subject to annual reviews.

The latest revision of the Compensa ESG as of 16 June 2023 tightened and expanded the exclusion criteria with effect from July 2023. Additional exclusion criteria were tied to unconventional fossil fuels, non-compliance with the principles of the UN Global Compact, and serious human rights violations. The tightening of the existing exclusion criteria also related to business models that rely on the use of coal. The ESG strategy was updated in December 2025, with the update coming into effect on 1 January 2026. In addition to the exclusion criteria, the updated ESG strategy also refines the principles governing inclusion, the accounting of greenhouse gas emissions from projects financed, the management of limit violations, and the coordination of investment decisions taken at group level.

VIG’s sustainability strategy stipulates that emissions associated with the investment portfolio must be reduced to zero by 2050. Consequently, financed greenhouse gas emissions are taken into account when making investment and reinvestment decisions. The relevant asset classes are defined in the local sustainability programme, and SimCorp software is used as the database for carbon accounting and greenhouse gas emissions baselines. The transition path and the 2030 interim target are monitored and reviewed at investment meetings at least once a year. By the end of 2025, existing investments that do not meet the established requirements were sold out significantly (by more than 50 per cent) and will be completely phased out of the portfolio by the end of 2035 at the latest. New investments are made in accordance with the established ESG criteria.

From 2022 onwards, data on statutory environmental and social responsibility indicators will be collected in accordance with the EU Disclosure Regulation, with a view to measuring and assessing adverse sustainability impacts. Of the 20 indicators, 18 are mandatory and two are optional. The indicators have been selected from a number of those set out in the SFDR, which apply to investments in companies, countries and supranational organisations, as well as real estate.

**This statement features, for the first time, data for all 20 indicators covering the period from 1 January 2025 to 31 December 2025.**

| Indicators applicable to investments in investee companies | | | | | | |
|---|---|---|---|---|---|---|
| **Adverse sustainability impact** | | **Measure** | **Impact [2024]** | **Impact [2025]** | **Explanation** | **Actions taken, actions planned for the next reporting period and targets set** |
| **CLIMATE AND OTHER ENVIRONMENTAL INDICATORS** | | | | | | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions | 11,463.49 | 12,667.34 | 77% coverage | Strengthening the existing exclusion criteria, complete elimination of unacceptable fossil fuels at a strategic level |
| | | Scope 2 GHG emissions | 2,742.21 | 3,487.90 | 75% coverage | |
| | | Scope 3 GHG emissions | 75,897.71 | 95,393.02 | 77% coverage | |
| | | Total GHG emissions | 90,103.41 | 111,548.31 | 77% coverage | |
| | 2. Carbon emissions indicator | Carbon emissions Emissions indicator | 339.09 | 333.55 | 77% coverage | |
| | 3. GHG intensity of investee companies | Intensity of GHG emissions from investee companies | 696.31 | 699.64 | 77% coverage | |

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| | 4. Exposure to companies operating in the fossil fuel sector | Share of investments in companies involved in the fossil fuel sector | 7.3% | 7.0% | 59% coverage | |
| | 5. Share of consumption and production of energy from non-renewable sources | Share of consumption and production of non-renewable energy from non-renewable energy sources in investee companies, compared with renewable energy sources, expressed as a percentage of all their energy resources percentage | 59.0% | 57.0% | 69% coverage | Continuous monitoring of the portfolio’s ESG ratings |
| | 6. Energy consumption intensity within a specific sector of high environmental impact | Energy consumption in GWh within a specific sector with a high environmental impact sector per million euros of investee company revenue | 0.31 | 0.38 | 20% coverage | Continuous monitoring of the portfolio’s ESG ratings |
| Biodiversity | 7. Activities that have an adverse impact on areas of vulnerable biodiversity | Share of investments in investee companies that have operational sites and (or) conduct their business in or near areas with vulnerable biodiversity, | 4.7% | 4.4% | 77% coverage | Continuous monitoring of the portfolio’s ESG ratings |

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| | | where the operations of those investee companies have an adverse impact on those areas | | | | |
| Water | 8. Pollutants discharged into water | The amount of pollutants discharged into water by investee companies in tonnes, per million euros invested, expressed as a weighted average | 0.23 | 0.86 | 7% coverage | Continuous monitoring of the portfolio's ESG ratings |
| Waste | 9. Percentage of hazardous and radioactive waste | Percentage of hazardous and radioactive waste produced by portfolio companies, per million euros invested expressed as a weighted average | 0.94 | 1.97 | 46% coverage | Continuous monitoring of the portfolio's ESG ratings |
| **INDICATORS RELATING TO SOCIAL AND LABOUR ISSUES, AS WELL AS RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY** | | | | | | |
| Social and labour issues | 10. Principles of the UN Global Compact and the Guidelines for Multinational Enterprises of the | Share of investment in investee companies involved in violations of the principles of the UN Global Compact or the | 0.0% | 0.1% | 77% coverage | Companies that grossly violate human rights or the principles of the United Nations Global Compact are excluded from the investment universe. |

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| | | Organisation for Economic Co-operation and Development (OECD) | OECD Guidelines for Multinational Enterprises | | | | Existing fixed-term exposures may be held until the expiry of their individual terms, but open-ended exposures have already been fully liquidated under the ESG strategy. Potential breaches are investigated in collaboration with local management, the asset manager, the risk manager and VIG AMRE. |
| | | 11. There are no processes or compliance mechanisms in place to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises | Share of investments in investee companies that do not implement policies designed to monitor compliance Compliance with the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises, or do not have a whistleblowing and (or) complaint-handling mechanisms designed to address violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises | 0.6% | 0.4% | 77% coverage | No strategic objectives have been set as of now |

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| | 12. Unadjusted gender pay gap | The average unadjusted gender pay gap in the investee companies | 9.5% | 10.0% | 40% coverage | No strategic objectives have been set as of now |
| | 13. Gender balance on the board | The average ratio of female to male board members in investee companies, expressed as a percentage of the total number of board members | 36.9% | 36.9% | 76% coverage | Continuous monitoring of the portfolio's ESG ratings |
| | 14. Exposure to controversial weapons (landmines, cluster munitions, chemical weapons and biological weapons) | Investments in investee companies involved in the manufacture or sale of controversial weapons | 0.0% | 0.0% | 77% coverage | Exclusion of investments |
| **Indicators applicable to investments in sovereigns and supranational entities** | | | | | | |
| **Adverse sustainability impact** | | **Measure** | **Impact in 2023** | **Impact in 2024** | **Explanation** | **Actions taken and actions planned as well as targets set for the next reporting period** |
| Environmental issues | 15. GHG intensity | Pollution caused by the GHG intensity of investee companies | 282.46 | 268.89 | 58% coverage | Portfolio monitoring based on the group's country-level ESG ratings |

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| Social issues | 16. Portfolio countries involved in social violations | The number of portfolio countries involved in social violations as defined under international treaties and conventions, the principles of the United Nations and, where applicable, national legislation, (their absolute number and relative share obtained by dividing it by all host countries) | 0 | 0 | 88% coverage | Portfolio monitoring based on the group's country-level ESG ratings; exceptions may apply. |
| **Indicators applied to real estate investments**** | | | | | | |
| **Adverse sustainability impact** | | **Measure** | **Impact in 2024** | **Impact in 2025** | **Explanation** | **Actions* taken and actions planned as well as targets set for the next reporting period** |
| Fossil fuels | 17. Fossil fuel exposure through real estate | Share of investments in real estate linked with the extraction storage, transportation or production of fossil fuels | 0.00% | 0.00% | 99% coverage | Exclusion of investments in related properties |

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| Energy efficiency | 18. Exposure to energy-inefficient property | Share of investments in energy-inefficient real estate* | 51% | 48% | 99% coverage | Optimisation of the energy efficiency of the property portfolio and consideration of energy efficiency when planning new investments |

* Measures taken and measures planned.

The comparability of the above targets with actual figures may be affected by changes in the coverage percentage over the next 12 months.

These actions are in line with Compensa Life’s ESG strategy as described in the summary. Existing investments that do not meet the set requirements will be reduced by 50 per cent by the end of 2025, and will be phased out entirely by the end of 2035. Compensa Life’s investments, which cover its obligations to policyholders, are selected taking into account the maturity of the obligations and qualitative criteria. Due to the long-term nature of these liabilities, the investments are also long-term; therefore, in order to replace existing assets that could have an adverse sustainability impact (taking ESG criteria into consideration), it is necessary to carefully analyse the adverse sustainability indicators. With regard to new investments, Compensa Life’s Investment Committee will be guided by ESG criteria in order to minimise the adverse impact on the investment portfolio.

**Table 2**

**Additional climate and other environment-related indicators**

| **Adverse sustainability impact** | **Adverse sustainability impact (qualitative or quantitative data)** | **Measure** |
|---|---|---|
| **Indicators applicable to investments in investee companies** | | |
| **CLIMATE AND OTHER ENVIRONMENTAL INDICATORS** | | |
| Emissions | 4. Investments in companies that do not implement CO2 emission reduction initiatives<br>**1.7% (2024: 3.9%)** | Share of investments in investee companies that do not initiatives aimed at reduction of CO2 emissions for the purposes of alignment with the Paris Agreement |

**Table 3**

**Additional indicators relating to social and labour issues, as well as respect for human rights and the fight against corruption and bribery**

| **INDICATORS IN THE AREAS OF SOCIAL AND LABOUR ISSUES, AS WELL AS RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY** | | |
|---|---|---|
| **Adverse impact on sustainability** | **Adverse sustainability impact (qualitative or quantitative data)** | **Measure** |

| Indicators applicable to investments in investee companies | | |
|---|---|---|
| Human rights | 9. Failure to implement human rights policy: 0.4% (2024: 1.5%) | Proportion of investments in entities that do not implement human rights policy |

**Description of policy guidelines designed to identify and prioritise material adverse sustainability impacts**

Compensa Life's Investment and Risk Strategy, approved by the Board of Directors and the Supervisory Board, is reviewed and updated annually. The ESG strategy forms part of this strategy. In accordance with the ESG strategy, Compensa Life applies the following restrictions to take into account and prioritise material adverse sustainability impacts:

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| 2019 | Exclude investments in thermal coal |
| 2019 | Exclude investments in controversial and banned weapons |
| 2022 | ESG assessment criteria applicable to new investment assets |
| July 2023 | Exclude investments in unconventional oil and gas |
| | Exclude investments in companies that commit serious human rights violations or breach the UN Global Compact |

**Portfolio of eligible countries**

Compensa Life assesses and classifies its portfolio of countries eligible for investment not only on the basis of macroeconomic data or by avoiding investment in coal-based business models and prohibited weapons.
Recognising that the burning of thermal coal is one of the main sources of greenhouse gases, no new investments will be made in companies operating in the coal sector. This is a broad concept covering not only the extraction and trade of thermal coal and the generation of electricity from thermal coal, but also the production of fuel from coal. The exclusion criteria are based on precisely defined limits on sales and quantities. If a company is found to be noncompliant with one of the following thresholds, the company in question is excluded from the investment portfolio:

- The extraction of thermal coal used accounts for more than 30 per cent of sales volumes;
- Annual production of thermal coal amounts to more than 20 million tonnes annually;
- More than 30 per cent of total electricity is generated from thermal coal;
- More than 10 GWh of energy is generated from thermal coal annually.

Existing exposures in this sector will be completely divested by the end of 2035 at the latest.
Furthermore, Compensa Life SE avoids investing in companies involved with the manufacture of prohibited weapons. The specific assessment is based on various international agreements, and in order to avoid financing such weapons to the maximum extent possible, the analysis is not limited to the wording of the contracts alone.

**Responsibility outlined in organisational strategies and procedures**

The sustainability policy (the ESG strategy) is an integral part of the investment and risk strategy and is approved annually by the Board of Directors and the Supervisory Board. The Financial and Investment Services Department is responsible for implementing the sustainability policy across individual asset classes. VIG's Asset Risk Management Department uses data from an independent data provider or the issuer itself to calculate the necessary indicators and carry out the relevant analysis.

**Methods for selecting indicators and an explanation of how these methods take into account the likelihood and magnitude of material adverse impacts (including impacts of a potentially irreversible nature)**

As additional indicators, Compensa Life has selected investments in companies that do not implement initiatives to reduce carbon dioxide emissions and companies that do not implement human rights policies.
When selecting PNP, it is particularly important to have access to relevant data. As climate change is the greatest challenge of our time, our ESG strategy focuses primarily on reducing greenhouse gas emissions. Furthermore, the issue of climate change is also enshrined in the company's sustainability policy. In addition, particular attention is paid to the issue of human rights, given that this issue is not given enough attention in mandatory indicators. Apart from these points, no investment-related methodology has been established to assess the magnitude and likelihood of material adverse impacts (including impacts of a potentially irreversible nature).

**Methods for identifying and assessing material adverse impacts**
Key indicators are obtained on a quarterly basis from an independent data provider, supplemented by the results of investment research carried out by the company itself or enquiries sent to investment partners, and are automatically calculated, aggregated and stored in the asset management system of the entire group. Where possible, investment funds are treated in accordance with the principles of transparency.

- Business indicators: these are calculated considering all investments other than real estate and real estate funds, derivatives, short-term bank deposits and debt instruments issued by supranational institutions, central, regional, and local government bodies.
- National indicators: these are calculated taking into account all debt instruments issued by supranational institutions, central, regional, and local government bodies.
- Real estate indicators: these are calculated taking into account direct real estate holdings, related real estate, mortgages, and loans secured by supplementary deeds of pledge.

As the legal requirements are unclear, the following assumptions are made.
In the case of companies for which key ESG indicators cannot be obtained directly from the companies as such, the key indicators of the relevant parent company are used where possible. When calculating relative key indicators, in the absence of key ESG indicators for direct investments (shares, bonds, loans), it is assumed that their values mirror those of the insured portfolio. The same assumption is made with regard to units in uninsured investment funds. Thus, the key indicators (numerators) are determined in proportion to the amount of the relevant investments (denominators). The chosen method means that the key indicators are presented conservatively. Overall, we expect that, amongst other things, as ESG regulation tightens, the coverage level will increase significantly in the coming years.

**Explanation of the margin of error in this methodology**

The margin of error is due to several factors, of which the main ones are as follows:

- data gaps;
- inaccurate data;
- outdated data;
- inaccurate data calculation methodology;
- incorrect assumptions used to adjust the data.

Overall, the availability and quality of the necessary data represent one of the greatest challenges facing the entire financial industry.

**Data sources**
Compensa Life uses data and software from independent data providers, supplied by VIG, to assess and process individual indicators. In addition, some data is obtained directly from the managers of investment assets for which no data is provided by an independent data provider. By continuously analysing and interpreting key indicators, measures can be implemented in a timely manner to mitigate the adverse sustainability impact.

**Engagement Policy Guidelines**
As the volume of equity investments is very small (as of the end of 2024, such investments accounted for 1.8 per cent of Compensa Life's assets), Compensa Life has decided not to draft any participation policy (Section 211[2] of the Securities Market Act). As long as the value of investments in the equity of investee companies does not exceed 3 per cent of underlying assets, Compensa Life will not draft its participation policy or publish it on its website; instead, it will provide a clear and reasoned explanation as to why such a policy is not being published.

**References to international standards**

Compensa Life has a Code of Business Ethics in place, its purpose being to ensure that employees comply with the requirements of the law and the company's internal regulations. These principles of business ethics are primarily related to the standards set out in the areas listed below.

- Compliance with the requirements of laws, regulations and internal rules;
- Protection of human rights;
- Diversity and inclusion;
- Environmental protection;
- Employee health and safety in the workplace;
- Protection of the company's assets;
- Prevention of conflicts of interest;
- Prevention of corruption and bribery;
- Data protection;

- Handling of confidential information;
- Fair competition;
- Prevention of the abuse of market position;
- Prevention of money laundering, terrorist financing and non-compliance with international sanctions;
- Fair and professional conduct towards customers;
- Reliable communication.

Compensa Life is part of the VIG Group, which signed the UN Global Compact in March 2021.

**Comparison of historical indicators**

Historical data is presented in the tables.