



LORDS LB  
Asset Management

**JSC 'LORDS LB ASSET MANAGEMENT'**

**2021**

**United Nations Global Compact COP**



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



### Statement by the CEO

I am delighted to introduce our Communication on Progress for 2021 and pleased to confirm the support for the Ten Principles of the United Nations Global Compact. These principles are always at the core of what we do. Every day we place notable attention on significant issues including climate change, employee relations, good governance, environmental degradation, and, most importantly, transparency. We assess and evaluate possible risks and search for the greatest ways to overcome them together by looking into possible opportunities for us and our stakeholders.

As a premier real estate and renewable infrastructure investment manager in the region, we have responsibilities and duties to consider the environmental, social and governance (ESG) factors in the built environment that we create and the capital that we allocate. We aim to achieve the highest sustainability standards that benefit our investors, customers, partners, employees as well as communities in which we operate, making sure that our sustainability ambition makes a positive effect on all our related parties.

In the last year, we have increased the number of assets that promote sustainability factors and initiated projects which lead to a cleaner, safer and greener future. With unfolding 2022 we strive to take further steps to increase our contribution. We, therefore, believe that through our activities and assets, we can make a positive impact on the communities in which we live and work, to assure that tomorrow is safer, cleaner and more sustainable.

Sincerely yours,

**Vilma Tvaronavičienė**

**CEO**

**Lords LB Asset Management**



## The Ten Principles of the UN Global Compact

### Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

### Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

### Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



## Lords LB Asset Management

Lords LB Asset Management (hereinafter ‘Management Company’) is a premier provider of investment management services to institutional clients and high net worth individuals. Established more than a decade ago, Lords LB Asset Management has been allocating capital to exceptional real estate assets in the Baltic region ranging from the development of BREEAM ‘Outstanding’ office buildings to the refurbishment of historical assets, which all benefit their surroundings, residents as well as investors. In the end of 2020 we launched a dedicated vehicle with the purpose to allocate capital to renewable energy infrastructure assets. A future investment programme is set for the creation of follow-up renewable energy funds.

On the back of this strong sustainability commitment and fiduciary prudence, Euromoney has ranked Lords LB Asset Management as the best investment manager in Lithuania 4 years in a row since 2017.

The company currently manages 16 collective investment undertakings (hereinafter ‘Funds’): 12 real estate investment funds, 1 real estate investment company, 1 private capital investment fund, 1 renewable energy investment company and 1 infrastructure investment fund. The whole list of Lords LB Managed funds could be found on the following link.

The total value of assets managed by the collective investment undertakings reached EUR 730 million at the end of December 2021.

We direct Management Company and Funds that it manages to aim towards environmental protection and social well-being by not contributing to certain industries or investing in assets, entities and sectors that may prove to be controversial.



## Human rights

Human rights are at the core of our values. The Management Company notes and ensures that all persons working in the Management Company or the companies belonging to the Funds managed by it are legally employed by the laws of the Republic of Lithuania or the respective country.

To enhance compliance with human and labour rights, strengthen transparency and equal treatment, Lords LB Asset Management recently implemented a formal grievance mechanism for employees and contractors to have a channel to raise their concerns or any deviations from the Management Company's values or applicable regulations. The mechanism helps the Management Company to be able to clearly and timely provide feedback on raised matters and monitor the process if any concerns will be raised.

The Management Company follows compliance with national labour rights and follows health & safety instructions in the office premises and the projects it develops. What is more, we are encouraging our contractors and subcontractors to follow good business practices and provide decent working conditions together with avoidance of any kind of forced labour.

In addition, there are violation forms established on the Management Company's website to report a breach of personal data protection requirements, as well as client complaints and whistle-blower forms. No manifestations of harassment or discrimination related to employment practices have been reported in the Management Company yet, however, if any concerns would be raised, these would be included in the upcoming report.

The Management Company follows a zero-tolerance position toward any kind of discrimination and harassment. Hence, the employment relationships in the Management Company are based on the following principles:

- Trust, respect and honesty;
- High work quality standards;
- Dynamics and operational efficiency;
- Operational transparency; and
- Independence from political parties.



## Labour

The activities of the Management Company are aimed at ensuring high quality of working conditions and labour rights, promoting a healthy working environment and cooperation among employees. We aim to create such working culture which allows our employees to release and use their potential and competencies and create the best value for the Management Company and its stakeholders.

It is ensured that employees have the right and tools to share their concerns or ideas and speak up about any wrongdoings. The Management Company ensures that all employees have direct access to the Board of the Management Company – they can submit their ideas to the Board for consideration at the Board meeting, which takes place at least once a week.

Lords LB Asset Management ensures a work environment with equal opportunities. With this, we contribute to SDG 8 “*Decent work and economic growth*” and such indicators as guaranteed equal pay without any kind of discrimination (age, sex, race, etc.). The overview of employee data in the Management Company is provided below, in Table 1.

What is more, the Management Company has a partnership with a private health insurance company to provide the employees with any kind of additional health care products or services. To contribute to the well-being of employees daily fresh fruits are delivered to the office.

On the last Thursday of each month, a Lords LB Asset Management lunch is organised, during which employees have lunch together, share their work practice and experience, relevant information and talk about news in their fields of work. Several times a year, to strengthen the friendly working atmosphere, company events are organised, such as workshops, dinners, trips, and other activities.

## Labour council

The Management Company has an active labour council, which has the following rights:

- To participate in information, consultation and other participation procedures in which employees and their representatives are involved in the employers' decision-making;
- To submit proposals to the employer regarding economic, social and labour issues, decisions of the employer relevant to the employees, and implementation of labour law standards;
- To initiate a collective labour dispute regarding the law, if the employer does not comply with the requirements of labour law standards or agreements between the labour council and the employer;
- If necessary, to discuss important economic, social and labour issues of the employer's employees, to convene a general meeting of the employer's or workplace employees.

## Professional development

To meet forward-looking goals and reach the targets, employees must maintain a solid knowledge, competence and develop their skills in their professional areas. The Management Company encourages employees and provides all opportunities to participate in local and international trainings and conferences, to stay up to date with all applicable changes and updates and apply it to their daily work.

It is ensured that only duly qualified and experienced persons of impeccable reputation are hired by Lords LB Asset Management. The staff with a proven track record and willingness for continuous improvement in their professional fields are hired to assure high-quality performance of the Management Company and the Funds it manages.

## Remuneration policy

The company has a Remuneration policy, which is approved by the Board of the Management Company. This policy outlines a clear, consistent and transparent remuneration structure of how the Management Company compensates its employees as fixed and variable remuneration components and how the assessment of performance results is conducted. The Remuneration Policy is reviewed at least annually and updated if needed.

**Table 1. Employee data in the Management company for 2021**

Employee data	
Full-time employees	26
Gender diversity in the workforce (w/m %)	38% / 62%



## Environment

### **Procedures in the Management Company and daily operations**

The Management Company draws its employees to the necessity to protect the environment, act in line with environmental quality standards and save natural resources. The Management Company seeks to develop and manage sustainable and environmentally friendly facilities and contributes to various environmental projects.

The Management Company sorts the secondary raw materials:

- Paper is disposed into a paper container and glass into a glass waste container. This contributes to the protection of the environment and conservation of natural resources;
- The Management Company uses LED lamps instead of ordinary light bulbs;
- The paper costs are reduced, i.e., care is taken not to print low-value material, e-mails, etc., and paper sheets with unnecessary information are used for notes. A document shredder is provided in the Management Company, which is used by all employees; the Board meetings are held in an electronic format without printing the information on paper;
- All empty printer cartridges are collected and returned to the service provider for refilling;
- Used batteries are collected for recycling and delivered to collection points;
- Transfer of all data of the Management Company to cloud servers is in the process of development;
- The Management Company owns a number of electric scooters and encourages the employees to use them instead of the car;
- All obsolete used equipment in the activities of the Management Company is replaced with new equipment, which requires fewer resources to ensure the operation (mobile phones, updated computers, etc.);

- Computers and tablets are used during the meetings of the Management Company – as few paper documents as possible are used;
- Coffee capsules supplier is B-Corp certified and is recycling the used capsules in our office premises.

### **Procedures in the assets we manage**

The Management Company follows the Environmental, Social and Governance (ESG) Policy which is created by following the United Nations Principles for Responsible Investment. By this policy, the Funds managed by the Management Company seek to follow the factors and evaluate applicable risks of environmental, social and governance indicators when investing and managing their investments. This policy also defines a list of exceptions – controversial sectors in which the Funds managed by the Management Company cannot invest. The policy is going to be updated in 2022, to expand the application of the policy and detail the process of sustainability risks assessment in the investment decision making process.

In 2021 the Investment and ESG analyst position was introduced in the Management Company to enhance the inclusion of sustainability and environmental impact of our investments and assets we operate. At the beginning of 2022, the ESG manager position was filled to ensure sustainability-related development as well as to enable and steer the Management Company’s sustainability strategy & KPIs, reporting & disclosure and increase the share of sustainable investments in our collective investment undertakings.

Through the managed assets and investments, we contribute to three Social Development Goals:

- 7 “*Affordable and clean energy*” - contributing to increasing the share of renewable energy in the global energy mix with a focus on solar and wind power generation capacity development in Eastern Europe;
- 11 “*Sustainable cities and communities*” - investing in sustainable real estate or enhancing property’s energy efficiency and sustainability level in the Baltics and Poland;
- 13 “*Climate change*” - contributing to greenhouse gas emissions reduction and an increase of renewable energy share in the region.

### ***Real estate***

With a number of certified sustainable buildings in our portfolio and more than a decade of real estate development experience, we know what sustainable buildings are and what it takes to make them happen. Real estate objects developed by the Funds managed by the Management Company seek the highest ratings and certificates in the field of sustainability and put a strong emphasis on the contribution to the cities and communities they operate at.

The real estate we own and operate considers current tendencies in the cities with the forward-looking measures and contributes to sustainable development by taking into account and implementing electric vehicle charging stations, looking into alternative transportation ways

to the buildings such as car sharing programs, bikes and its parking places, and public transport accessibility. In addition, climate change risks are assessed and managed by enhancing the energy efficiency of the buildings and monitoring the waste and water processes, to move towards the reduction of greenhouse gas emissions by the buildings. A few ongoing processes are mentioned below, which are going to be implemented in real estate.

In the EU House office complex in Tallinn, the Heating, Ventilation and Air Conditioning (HVAC) system update was designed and going to be implemented by the end of Q3 2022, to make the system more efficient and use less electricity for the operations of the building.

Preses Nams in Riga will strongly contribute to the community engagement in the city by establishing multifunctional sports fields on the rooftop – the first in the Baltic States. A running field will allow employees and visitors to engage in sports activities and a football school will operate in the stadium.

### *Renewable energy infrastructure*

The Management Company seeks to expand investments in renewable energy projects and contribute to a better quality of life, the reduction of greenhouse gas emissions and the fight against climate change. JSC 'Atsinaujinančios energetikos investicijos' (hereinafter 'AEI') is a closed-end investment company which is strongly dedicated to financing the development and operational improvements of renewable energy assets and creating long-term value.

In 2020 AEI completed the construction of 66MW of solar energy projects in Poland. During its first full year of operation, it generated 66GWh of green energy in 2021 which is enough electricity for 17,000 people a year and saves around 50 tons of CO<sub>2</sub>.

What is more, the largest acquisition in the renewable energy sector in the Baltics in 2021 was held by AEI together with Taaleri Energia, which is a Nordic renewable energy developer and fund manager. The acquisition included 3 onshore wind farms in Lithuania, with a total capacity of 185,5 MW.

As of the end of 2021, the wind farms portfolio consists of almost 300MW of underdevelopment & construction in Lithuania, aiming to increase the share of renewable energy generation and consumption in the Baltics. Together, these farms contribute to the achievement of SDGs in the region.

Table 2 below provides an overview of renewable energy data in the Management Company for 2021.

**Table 2. Renewable energy data in the Management company for 2021**

<b>Renewable energy data</b>	
GHG emissions avoided in 2021 (tCO <sub>2</sub> e/year) <sup>1</sup>	51 366
Renewable energy produced in 2021 (GWh)	68,9

<sup>1</sup> – CO<sub>2</sub>e offsets are calculated using the European Investment Bank's methodology (EIB v11.1).

## *Green bonds*

In 2021 the green bonds were issued by JSC 'Atsinaujinančios energetikos investicijos' (hereinafter 'AEI'). The eligible projects to be financed by the green bond proceeds are renewable energy category only, with the aim to reduce GHG emissions and contribute to SDG #7 "Affordable and clean energy". The green bond framework is available here. It defines and provides the selection and evaluation process of the investments which ensures that investments contribute to long-term value creation and complies with Green Bond Principles, defined by the International Capital Markets Association.

To guarantee and process that all the projects financed by the green bonds are compliant with the green bond framework, the ESG Committee was established in the Management Company. The central function of the Committee is to investigate the environmental and social hazards associated with each potential investment. Each project which is going to be considered by the ESG Committee will have an evaluation report prepared by an ESG analyst and confirmed by the rest of the committee members. The primary purpose of the ESG evaluation report is to identify ESG risks for the investment and prepare an action plan to mitigate the identified risks.





## Anti-corruption

The Management Company values accountability and integrity and adheres to the highest ethical standards in its operations. It has established an autonomous breach reporting channel through which employees, clients or other persons can report possible cases of unethical or illegal conduct. The Management Company ensures that such notifications are examined by the responsible persons of the Management Company confidentially.

When providing management services to collective investment undertakings, the Management Company pays great attention to ensuring fair and professional activities. The Management Company and the Funds managed by it operate by the policies and procedures for the conflicts of interest management, inducements, risk management, prevention of money laundering and terrorist financing, investment decision-making and other policies applicable by the laws and regulations and approved by the Board.

## Compliance & Risk management

The Management Company has independent compliance and risk management functions that report directly to the CEO of the Management Company. In 2021 Chief Risk Officer (CRO), who is certified in ICA Regulatory Compliance, was hired to strengthen the risk management framework within the Management Company. Key CRO priorities are to mature the Management Company's risk management and internal control processes and procedures, by standardizing practices across the Management Company and its managed Funds, enhancing current policies and instructions where applicable, contributing to the mitigation of investment, operational, regulatory and other risks.

In addition, CRO together with the Compliance Officer are responsible for the enhancement of knowledge within the risk management and compliance areas internally by organizing and holding training sessions which are followed by creating a strong compliance culture and background with adherence to applicable regulations, rules and laws in all taken steps and procedures within the Management Company.

### **Internal Audit**

In 2021, the Management Company has established an independent internal audit function that assures the Management Company's senior management and the Board as to the quality of the internal control system. The internal auditor conducts an audit risk assessment and proposes the annual audit plan which is approved by the Board. The current internal audit partner of the Management Company is a local branch of Transcendent Group, experts in Governance, Risk and Compliance (GRC) with headquarters in Stockholm.

### **Anti-money laundering**

The Management Company's procedure for anti-money laundering and terrorist financing is periodically reviewed and updated. The Compliance Officer, who is certified in ACAMS-Audit qualification, is responsible for the implementation and monitoring of AML/TF prevention, and periodically submits reports on the AML/TF prevention to the Board of the Management Company. A member of the Management Company's Board has also been responsible for the prevention of money laundering.

Training on the topic of prevention of money laundering and terrorist financing is organised for the staff of the Management Company at least once a year by specialists from the Financial Crime Investigation Service or Compliance Officer.

### **Know your customer (KYC) procedures**

In providing services, the Management Company operates on the principle of "know your client" and works with investors whose funds and assets have been legally acquired and lawfulness of which is beyond doubt. Moreover, before concluding transactions with clients and periodically after the conclusion thereof, the Management Company verifies the data of investors against the international lists of sanctions, terrorism and politically exposes persons. The risk that a person involved in money laundering or terrorist financing will become a client of the Management Company is lower than in other financial institutions, as the only activity of the Management Company is the management of collective investment undertakings, and the managed collective investment undertakings are closed-ended.

Clients' monetary transactions are rare, no cash is used for transactions, clients' money invested in the Funds is managed by the Management Company, money in Funds managed by the Management Company is deposited or credited to clients to/from the accounts of the

credit institutions and/or payment service providers (usually operating in Lithuania or the other Member States of the European Union), all operations are also controlled by the well-established banks providing depository services to the respective Fund – SEB Bankas AB or Swedbank AB.

