This document is intended for life insurance clients of UAB Artea Life Insurance in order to provide a concise explanation of the notional grouping of financial instruments according to the degree of integration of sustainability factors and other sustainability-related characteristics of financial instruments.

The relationship between financial instruments, environmental and social factors

The impact of climate change on the environment is a major challenge of our time. Countries around the world are struggling to limit climate change, halt biodiversity loss and environmental degradation. Sustainable investing refers to specific investment approaches that aim to earn long-term financial returns while promoting sustainable choices and outcomes.

Sustainable investment leads to sustainable economic activity. It can support economic growth while reducing negative impacts environmental impacts while taking into account social and governance aspects. In this way, sustainable investment contributes to climate and environmental protection and social well-being.

Environmental, social and good governance factors

Sustainability factors are understood as *environmental, social, and good governance (ESG)* issues.

Environmental factors can include climate change mitigation and adaptation, biodiversity conservation and pollution prevention, circular economy, etc.

Social factors may include inequalities, issues promoting social cohesion, social inclusion and labour relations, or investment in human capital or in economically or socially disadvantaged communities etc.

Good governance can include topics such as diversity in corporate governance structures, the fight against corruption and bribery, tax transparency, relations with employees, compliance with employee remuneration and tax obligations, etc.

Variety of sustainable financial instruments

You can choose to invest your money taking into account the ESG aspects of financial instruments. It is important to note that you will find several types of financial products with varying degrees of sustainability integration.

Certain financial instruments only take ESG aspects into account, for example by calculating and disclosing the negative impacts of environmental or societal impacts, but other financial instruments aim to make a real contribution to environmental or social aspects.

In addition, financial instruments may simultaneously address environmental, social and governance aspects, while others address only one or two of these aspects.

Possible sustainability priorities

Under the current regulation, a client's sustainability preferences are understood as the client's preference for one of three categories or a combination thereof:

Category A	A financial instrument that invests in environmentally sustainable economic activities. Environmentally sustainable economic activities contribute significantly to one or more environmental objectives: • mitigating climate change. • adaptation to climate change. • sustainable use and protection of water and marine resources. • transition to a circular economy. • pollution prevention and control. • protection and restoration of biodiversity and ecosystems.
Category B	A financial instrument that invests in sustainable economic activity. Sustainable economic activities contribute to environmental objectives (e.g., energy efficiency, renewable energy, use of raw materials, water, etc.) or social objectives (combating inequalities or promoting social cohesion, social inclusion, labour relations, etc.) and to good governance practices.
Category C	A financial instrument that takes into account negative impacts on sustainability factors such as the environment, social and employee welfare, respect for human rights, and the fight against corruption and bribery. Unlike categories A and B, this financial instrument does not aim at a positive impact, but only takes into account the negative impacts of investments on sustainability.

A broader explanation of the categories of sustainability priorities

a. Environmentally sustainable economic activities (Category A)

Environmentally sustainable economic activity is defined as that part of the activities of a financial instrument or company that is directly related to environmental objectives. To qualify as an environmentally sustainable economic activity, an economic activity must comply with 4 criteria:

Make a significant contribution to at least one of the six environmental objectives	An economic activity that makes a significant contribution to one or more environmental objectives: • mitigating climate change. • adaptation to climate change. • sustainable use and protection of water and marine resources. • transition to a circular economy. • pollution prevention and control. • protection and restoration of biodiversity and ecosystems.
No significant harm to any of the six environmental objectives	These activities should contribute to one of the six environmental objectives and should not undermine any of the other five environmental objectives.
Comply with the prescribed minimum protection measures	Economic activities comply with minimum safeguards, e. g. in line with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight core conventions of the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
Meet the technical selection criteria developed by the EU Technical Expert Group	These technical selection criteria are very detailed, science-based and based on best market practice. The aim of these technical selection criteria is to encourage companies to have a substantially positive impact on the environment or to substantially reduce their negative impact on the environment, and to help sectors to achieve the environmental objectives of the EU's Green Deal.

b. Sustainable economic activities (category B)

To qualify as a sustainable economic activity, an economic activity must meet 3 criteria:

Contribute to an environmental or social cause	• economic activities that contribute to an environmental objective, such as investments that are measured by key resource efficiency indicators such as the use of energy, renewable energy, raw materials, water and land, the amount of waste produced, greenhouse gas emissions or the impact on biodiversity and the circular economy; or • economic activities contributing to a social objective, in particular investments contributing to addressing inequalities or promoting social cohesion, social inclusion and labour relations, or investments in human capital or disadvantaged communities.
No significant harm to either an environmental or a social objective	These activities should not undermine either an environmental or a social objective.
Investee companies must comply with good governance practices	This includes sound governance structures, relations with employees, remuneration and tax compliance.

c. Economic activities that take into account negative impacts on sustainability factors (category C)

The indicators (PAIs) developed by the EU Expert Group are used to assess negative impacts on sustainability factors. PAIs are considered to capture any negative impact that a financial instrument may have on the environment and society. PAI indicators are familiar to many in the market, such as carbon footprints or board diversity. Other variables are more niche, such as 'water emissions', which aims to capture water impacts or energy inefficiencies. A full list of PAI indicators can be found in Annex 1 to EU Commission Delegated Regulation 2022/1288.