



Approved by
Decision No. V01-02-17 of the Board of Directors of
JSC Open Pension Fund SEB UNIPENSIJA
of 16 January 2017

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Member of the Board of Directors, Executive Director

**Pension Plan
SEB-SABALANSĒTAIS
(SEB-BALANCED)
Registered on 30 May February 2000
Licence No. 06.04.04.107/87.1**

**INVESTMENT POLICY
2017-2019**

**JSC SEB atklātais pensiju fonds (SEB Open Pension Fund)
Uniform registration No. 40003485047
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1. TERMS AND ABBREVIATIONS USED

Investment Object –	securities and other financial instruments, which the Fund Managers is entitled to purchase for the funds of the pension plan, in accordance with the Law, the pension plan and the investment policy of the pension plan.
Law -	Law on Private Pension Funds, of the Republic of Latvia
Actual Value -	Actual value is amount against which the security may be exchanged or with which one can pay for obligations, by executing transaction between informed and independent parties on the basis of mutual will.
Risk Reduction Principle -	Financial loss risk reduction by distributing the property of the Fund in Investment Objects and by observing the transaction restrictions, as well as by maintaining an opportunity to gain the greatest expected income.

2. PURPOSE AND CONDITIONS OF INVESTMENT POLICY

2.1. Purpose of the investment policy

- 2.1.1. To promote the protection of the private pension reserve of the participants of the pension plan against inflation and to increase the purchasing capacity of contributions by income from investments, and to increase the private pension reserve of the participants of the pension plan in accordance with the Investment Objects and restrictions provided for by the Law.
- 2.1.2. Implement the investment policy which ensures increase of the pension plan participants' supplementary pension in longer term.

2.2. Principles and strategy of placement of assets

- 2.2.1. By investing the pension plan assets, the Fund shall deal as a careful and accurate owner only in the interests of the pension plan participants, and shall observe the precautionary principles that ensure risk reduction, investment security, quality and liquidity, in accordance with the obligations of payment of the pension plan participants.
- 2.2.2. In order to ensure long-term stability of investments, the pension plan assets will be mainly invested in high quality and security government, local government and commercial company debt securities and term deposits of credit institutions.
- 2.2.3. In order to gain additional profit, in advantageous market situations, 25% of the pension plan assets will be invested in shares and other capital securities, 10% will be invested in real estate and risk capital market.
- 2.2.4. Pension plan assets will be invested in financial instruments, which have stable and increasing market value in long term.
- 2.2.5. Balance will be achieved between the highest possible income from investment and prevention of financial risk in long term.
- 2.2.6. More attention will be given to limiting and prevention of financial risk rather than to activities for increasing of income from investment and activities oriented to speculation.

2.3. Tactics of asset placement

- 2.3.1. Investments will not be centred in any specific business or economic sector.
- 2.3.2. Investments abroad will be mainly made in financial instruments registered in the Member States and Candidate States of the European Union, the European Economic Area, or the Organisation for Economic Co-operation and Development.
- 2.3.3. At any given moment of time the currency composition of the investment shall be determined by evaluating both the benefits from income/disbursement and risk, and general currency flows in the trade of Latvia.
- 2.3.4. In order to ensure distribution of investment risks (diversification), investments will be made in non-coordinated currencies with the obligation currency. Open item of foreign currencies will not exceed the

following values in one specific foreign currency: 10% of the pension plan assets, and total in all foreign currencies: 20% of the pension plan assets.

- 2.3.5. A part of the pension plan assets may be held in cash in order to ensure additional pension capital costs and, if it impossible to make appropriate investments for achieving of the objectives of the pension plan investment policy.
- 2.3.6. No specific limit has been determined, upon the reaching of which holding of specific assets shall be terminated or restricted.

2.4. Investment objects and types

Pension plan assets will be invested in the following financial instruments:

- 2.4.1. securities or money market instruments issued or guaranteed by government, local government or international financial institutions;
- 2.4.2. debt securities of commercial companies;
- 2.4.3. shares and other capital securities of commercial companies;
- 2.4.4. term deposits in credit institutions;
- 2.4.5. investment funds and similar joint investments in companies;
- 2.4.6. real estate;
- 2.4.7. derivative financial instruments;
- 2.4.8. risk capital market.

2.5. Investment restrictions, compliance and control

2.5.1. Investments in securities or money market instruments issued or guaranteed by government, local government or international financial institutions

- Pension plan assets may be invested in securities or money market instruments of by government and international financial institutions, if such securities are issued or guaranteed by:
 - Latvia, a Member State of the European Union or the European Economic Area;
 - a Member State of the Organisation for Economic Co-operation and Development, the long-term credit rating of which, in foreign currency and according to evaluation made by international rating agencies is included in investment category;
 - international financial institution, the member of which is one or several Member States of the European Union or the European Economic Area.
- Pension plan assets may be invested in securities issued or guaranteed by local governments, if:
 - securities are issued or guaranteed by a local government of Latvia, a Member State of the European Union or the European Economic Area or a Member State of the Organisation for Economic Co-operation and Development;
 - securities correspond with the provisions of the Law regarding listing in main lists of the stock exchange, applicable to financial instruments of commercial companies.

- Total amount of investments in securities issued or guaranteed by one government or international financial institution or money market instruments must not exceed 35% of the pension plan assets. The said restriction may be exceeded with regard to securities issued by the state or money market instruments, if the pension plan assets include securities or money market instruments from six or more issues of one issuer and the value of each issue of securities and money market instruments separately does not exceed 20% of the pension plan assets.
- Total amount of investments in securities issued or guaranteed by one local government must not exceed 5% of the pension plan assets.

2.5.2. Investments in financial instruments of commercial companies

- Pension plan assets may be invested in capital and debt securities of commercial companies, if such securities:
 - Are listed in the main list or similar list of a stock exchange registered in Latvia, another Member State of the European Union or the European Economic Area;
 - Are listed in the main list of a stock exchange registered in a Member State of the Organisation for Economic Co-operation and Development – full member of the International Stock Exchange – or are traded on other regulated financial instrument markets or markets available to the public;
- Investments in capital securities of one issuer must not exceed 5% of the pension plan assets and simultaneously 5% of equity capital and the number of shares with voting rights of a respective issuer.
- Investments in debt securities of one issuer must not exceed 10% of the pension plan assets and simultaneously 10% of debt securities issued by one issuer.

2.5.3. Term deposits in credit institutions

- Pension plan assets may be deposited in a credit institution, which has obtained a licence for operation of a credit institution and which is permitted to provide financial services in Latvia, another Member State of the European Union or the European Economic Area.
- Deposits in one credit institution must not exceed 20% of the pension plan assets.
- Total amount of deposits in credit institutions must not exceed 50% of the pension plan assets.
- Total claims against one credit institutions must not exceed 25% of the pension plan assets, with the exception of claims for request against the fund holder.

2.5.4. Investments in investment funds.

- Pension plan assets may be invested in investments funds, if:
 - the investment fund is registered in Latvia, another Member State of the European Union or the European Economic Area;

- investment fund managing company is under obligation, upon a request of an investor, to repurchase shares or equivalent securities of relevant investment fund.
- Investments in one investment fund must not exceed 10% of the pension plan assets and simultaneously 10% of net assets of the relevant investment fund.
- Total amount of investments in investment funds may reach 100% of the pension plan assets, if the policy for investment of the investments fund assets provides investments in financial instruments specified in the pension plan.

2.5.5. Investments in real estate.

- Investments in real estate will be mainly made only in those objects where positive cash flow in long term or increasing future value in long term is forecasted.
- Investments in one undivided real estate must not exceed 5% of the pension plan assets.
- Total amount of investments in real estate must not exceed 10% of the pension plan assets.

2.5.6. Investments in derivative financial instruments.

- Pension plan assets may be invested in derivative financial instruments only for limiting of foreign currency risk and interest rate risk, as well as in order to ensure efficient management of the portfolio, if:
 - Such derivative financial instruments are listed in the main list of a stock exchange registered in Latvia, a Member State of the European Union or the European Economic Area or Member State of the Organisation for Economic Co-operation and Development, which is also a full member of the International Federation of Stock Exchanges;
 - Obligations included in a derivative financial instrument have been undertaken by a credit institution, which has obtained a licence for operation of a credit institution and which is permitted to provide financial services in Latvia, another Member State of the European Union or the European Economic Area.
- Investments in derivative financial instruments issued by one issuer (total amount of transactions with one transaction partner) must not exceed 5% of the pension plan assets.
- In order to ensure evaluation of relevant derivative financial instruments, their value, in accordance with the international accounting standards, will be compared with a part of specific investments or investment portfolio for which the derivative financial instruments are used.

2.5.7. Investments in risk capital market.

- By making investments of the pension plan in risk capital market, claims against one issuer or transaction partner must not exceed 5% of the pension plan assets.
- Total amount of investments in the risk capital market must not exceed 10% of the pension plan assets.

2.5.8. Other restrictions and conditions for investments of pension plan assets.

- Investments in financial instruments issued by commercial companies in one holding with the pension fund must not exceed 5% of total assets of pension plans established by the relevant pension fund, and investments may be made only by mediation of regulated market.
- Investments in financial instruments issued by commercial companies, which have concluded collective participating contracts with the pension fund, must not exceed 5% of the pension plan assets; total amount of investments in commercial companies in one holding of employers that make contributions must not exceed 10% of the pension plan assets, and investments may be made only by mediation of regulated market.
- Investments in financial instruments issued by commercial companies in one holding must not exceed 25% of the pension plan assets.
- At least 70% of the pension plan investments in financial instruments must be made by mediation of regulated market.
- Pension plan assets must not be used for loans, and it is prohibited to grant the funds of the pension fund in loans or issue in sureties.
- Pension plan assets may be used in repo and reverse repo deals with debt securities, where the total amount of resultant obligations does not exceed 50% of the plan assets. Such transactions may be made only for ensuring short-term liquidity of the pension plan for a period up to three months.
- Total deposits in one credit institution and investments in debt and capital securities, as well as derivative financial instruments of the same credit institution must not exceed 25% of the pension plan assets. The said restriction shall not apply to claims to request against the holding bank.
- Open position of foreign currencies of the pension plan must not exceed:
 - In one foreign currency: 10% of the pension plan assets;
 - Totally in all foreign currencies: 20% of the pension plan assets.
- In order to ensure the pension plan liquidity requirements, a part of the pension plan assets may be held in cash in a holding bank.
- In case of extraordinary market or economic situations, pension plan assets may be held short-term, even up to 100% of the pension plan assets, in cash in a holding bank and deposits in credit institutions. In order to hold more than 30% of the pension plan assets in cash, the Fund Manager must receive consent of the Board of Directors of the pension fund.
- The Fund Manager shall not be entitled to undertake obligations at expense of the pension plan assets, if such obligations are not directly applicable to the pension plan. The Fund Manager must not make any transactions with the pension plan assets without compensation. Claims against the Fund Manager, the pension fund or the fund holder and claims included in the pension plan assets cannot be offset.
- By evaluating the compliance of the pension plan investments portfolio with the investment policy, strategy and restrictions, the value of the pension plan assets shall be used as determined according to the methods for evaluating of investment return, under Section 4.

- The Fund Manager shall inform the pension fund in writing, not later than on the next business day, about any violations of investment restrictions, as well as about measures for elimination of such violations, by observing the interests of the pension plan participants.

3. METHODS FOR DETERMINATION, CONTROL AND MANAGEMENT OF INVESTMENT RISKS

- 3.1. **Liquidity risk** – opportunity to sell some of the pension plan assets, within a defined period, for acceptable price, if the pension fund requests payment of additional pension capital to the pension plan participants. The higher is the demand, the more funds are needed for execution of the same, and the pension plan may incur losses by early selling the pension plan investments.

Measures for risk reduction – risk shall be reduced by keeping a share of the property of the pension fund as monetary means and short-term debt securities, as well as high value securities with high liquidity level, also by ensuring sufficient diversification of the investment. In order to reduce the risk, repo transactions may be used.

- 3.2. **Risk of interest rate fluctuations** – in case of changing market interest rates, the value of the pension plan assets may change, and it will influence the pension plan activity results. Value of debt securities may change depending on any changes in interest rates: if interest rates increase, prices of such securities decrease, and vice versa.

Measures for risk reduction – in order to increase productivity and to reduce the impact of fluctuations of interest rates on the value of the investment portfolio, derivative financial instruments will be used for limiting the risk of interest rate fluctuations, as well as a share of investments will be made in long-term high value securities, which will be kept until expiry of the term and evaluated according to the amortisation method.

- 3.3. **Price fluctuation risk** – price of securities and income from the same is subject to fluctuations that have direct effect on the value of pension plan assets owned by an investor.

Measures for risk reduction – by making investments, the Fund Manager will receive sufficiently detailed information and will supervise investments where the pension plan assets will be or have been invested. by making investments, the Fund Manager will ensure adequate diversification of investments in different Investment Objects thus reducing the negative impact of decrease of price of one security.

- 3.4. **Currency risk** – pension fund assets may be invested in securities nominated in foreign currencies. As the exchange rates of foreign currencies against the euro change, the value of the pension plan assets may either increase or decrease.

Measures for risk reduction – the Fund Manager may use appropriate derivative financial instruments for reduction of the currency rate fluctuation risk.

- 3.5. **Other risks** – force majeure (natural calamities and disasters, military operations, strikes, interference in means of communication and information systems), credit risk of issuer, credit risk of transaction partner, cash flow risk, legal, information, government regulation risk, and the like.

Management of the pension plan assets will be made in the interests of the pension plan participants and, within the limits, the most will be done to avoid or to minimize the risks stated in Section 3; however the pension fund does not guarantee full prevention of such risks in future.

4. ASSESSMENT OF INVESTMENT RETURN

- 4.1. **Value** of the pension plan assets **and investment return is not guaranteed** and shall be calculated in accordance with the procedure provided for in the Law and other regulations.
- 4.2. Year of account of the pension plan is 12 months. Year of account of the pension plan corresponds with a calendar year.
- 4.3. Value of the pension plan assets is the difference of the value of assets and liabilities of the pension plan assets.
- 4.4. By determining the value of the pension plan assets, the following general principles shall be applied:
- 4.4.1. *Activity continuation principle*. It is assumed that the pension plan will operate also in future.
- 4.4.2. *Accumulation principle*. By determining the value of the pension plan assets, all revenues and expenditure applicable to the pension plan shall be taken into account at the moment of origin, without regard to date of receipt or payment of the same and according to accumulated volume until the moment of determination of the value of the pension plan assets.
- 4.4.3. *Consistency principle*. The same accounting and assessment methods shall be used that were applied in preparation of financial statements of the previous year.
- 4.4.4. *Caution principle*. Evaluation in all cases is made with due caution, by observing the following conditions:
- Profit gained only by the date of statement shall be included in financial statements;
 - All losses shall be taken into account, irrespective of the moment of origin;
 - All value reduction and amortisation amounts shall be taken into account, irrespective of the fact if the year of account has ended with profit or losses.
- 4.4.5. Transactions and other events must be shown in point of fact, must be registered and shown according to economic content and financial nature of the same, instead of legal form.

- 4.4.6. *Relevance principle* – financial statements must show all important information about transactions and events during the year of account.
- 4.4.7. Items of assets and liabilities, as well as components thereof must be assessed separately.
- 4.4.8. Statement of assets and liabilities as of the beginning of each year of account must correspond with the statement of assets and liabilities as of the end of the previous year of account.
- 4.5. By exception, the above-mentioned accounting principles and assumptions may be derogated. Any and all such cases must be explained in annexes to financial statements and other statements by indicating the effect on the pension plan assets and its obligations, financial status and operation results.
- 4.6. Historic cost registration principle shall be applied in record keeping of the pension plan, with the exception of investments in securities that are classified as financial assets held for trade/financial assets available for sale and investments in derivative financial instruments. The said investments are registered according to their Actual Value.
- 4.7. With regard to assets, which are registered according to their original value, if there are objective proofs that accounting value of an asset is higher than its estimated retrievable value or current Actual Value, losses due to reduction of such asset value must be determined, and such losses must be included in statement of income and expenditure.

4.8. Deposits in credit institutions

Interest due from term deposits in banks shall be calculated daily and accumulated (with the exception of interest paid) until expiry of the term deposit.

4.9. Investments in securities

- 4.9.1. Initially, pension plan investments in securities are acknowledged in a statement of assets and liabilities according to their purchase value (including transaction costs). Purchase value on one type of securities shall be determined according to FIFO method.
- 4.9.2. Securities shall be registered or cancelled from record keeping starting from a day of settlement.
- 4.9.3. For future record keeping, pension plan investments in securities shall be classified as:
 - financial assets held for trade/financial assets available for sale;
 - financial assets held until expiry.
- 4.9.4. Pension plan investments in securities shall be classified as financial assets held for trade/financial assets available for sale or financial assets held until expiry depending on the purpose of investment and the requirements of International Accounting Standard No. 39.
- 4.9.5. The fund manager of the pension plan shall set the purpose of investment and classification of financial assets prior to concluding a transaction.

- 4.9.6. Securities classified as financial assets held for trade or financial assets available for sale shall be revaluated according to their Actual Value. Profit or loss from revaluation of such securities shall be included in statement of income and expenditure. Actual Value shall be determined according to listed market prices or discounted cash flow models.
- 4.9.7. By determining financial assets held for trade or financial assets available for sale, with regard to claim securities listed in Riga Stock Exchange, one shall apply the stock exchange closing offer YTM indicator and the discounted cash flow model by making an assumption that settlements will be made according to T+0 principle. Evaluation of claim securities listed in foreign stock exchanges is made on the basis of net prices of the main trading place closing offer and accumulated interest or closing offer net prices and accumulated interest provided by financial information agencies Bloombergs, BNS or Reuters. In case, if foreign prices of securities are unknown at evaluation of the pension plan assets at 17:00, closing offer net prices of the previous business day shall be applied. Accumulated interest is determined on the basis of interest accumulation convention stated for a specific security.
- 4.9.8. For evaluation of shares, price of the last available registered stock exchanges in the main trading place of such securities or the last available registered funds of the previous day shall be applied, if trading in the main trading place has not ended at the moment of evaluation.
- 4.9.9. Investments in joint investment company certificates and other fund investment certificates shall be determined on the basis of repurchase price of such certificates as of a day of evaluation.
- 4.9.10. In case, if a security is not listed in a stock exchange or if the last known price does not show the actual market situation (sale of existing quantity is impossible for the last known price, period since the last price quotation in a registered stock exchange is more than one month, and similar cases), or if it has not been listed in included in a stock exchange at all, as well as for unlisted securities, the value shall be determined by evaluating possible sale price cautiously and in good faith (by using securities price listed by market players, discounted cash flow models).
- 4.9.11. Securities classified as "financial assets held until expiry" shall be registered at their amortised purchase value. Amortised purchase value is an amount in which the financial asset is initially acknowledged in statement of assets and liabilities, from which repaid principal amount is deducted, amortised difference of the financial instrument purchase value and its value in the end of term is deducted or added. In case, if for securities classified as "financial assets held until expiry", the value of the same decreases below the estimated retrievable value, appropriate reserve shall be made of the same that reduce the registration value.

4.10. Investments in derivative financial instruments

- 4.10.1. Derivative financial instruments, including currency exchange contracts, currency swap contracts, currency option contracts (sold and purchased), as well as other derivative financial instruments for reduction of currency position risk and interest rate risk, shall be recognised in statement of assets

and liabilities initially according to their purchase value (including transaction costs) and afterwards revaluated according to their Actual Value. Actual Value shall be determined according to listed market prices, discounted cash flow models or option contract pricing models. All derivative financial instruments shall be shown as assets, if their Actual Value is positive, and liabilities, if their Actual Value is negative.

- 4.10.2. Changes of the Actual Value shall be included in statement of income and expenditure.

4.11. Asset repo transactions

Asset repo transactions shall be registered as financing transactions. The pension plan may engage in such transactions as seller of assets and it shall continue reflecting any assets sold in its statement of income and expenditure, by applying accounting principles appropriate to its own assets of a relevant type. Funds gained as a result of sale shall be indicated as obligations against a particular active buyer.

4.12. Transactions in foreign currency

- 4.12.1. The unit of currency used for pension plan financial statements and accounting purposes shall be the euro.
- 4.12.2. Transactions in foreign currencies shall be revalued into euros in accordance with the effective currency exchange rate established by the European Central Bank on the date of the transaction.
- 4.12.3. Upon drawing up the statement of assets and liabilities, the assets and liabilities in foreign currency shall be revalued into the euro currency in accordance with the effective currency exchange rate established by the European Central Bank on the date when the statement was drawn up.
- 4.12.4. Profit or loss gained from foreign currency exchange rate shall be included in statement of income and expenditure as profit or loss from revaluation of foreign currency items.

4.13. Investments real estate

- 4.13.1. Investments in real estate are land and buildings that are kept for the purpose of gaining income from rent or increase of their value, or both.
- 4.13.2. Since the pension plan is neither a private individual, nor a legal entity, real estate shall be registered in the Land Book in the name of the pension fund with reference that it is investment of the pension plan however is not included in economic accounting of the pension plan.
- 4.13.3. Investment in real estate shall be initially shown in its purchase price by including also purchase costs.
- 4.13.4. Transaction costs related to purchase of real estate, which include fees to notaries, attorneys (lawyers), construction supervisors, financial controllers, brokers, dealers, security stock exchanges and depository, government and local government duties and other similar expenses, shall be applied to each specific real estate, and initially shown in the value of each specific real estate.
- 4.13.5. Costs of reconstruction, improvement or renewal of real estate shall be capitalised or added to the accounting value of real estate, if it is possible that

such costs would increase future economic benefit expected from such real estate.

- 4.13.6. Actual Value of investments in real estate is the best shown by market value of such investments. Valuation of real estate shall be prepared by an independent, certified real estate valuator at least on an annual basis.
- 4.13.7. Market value of investments in real estate shall be determined on an annual basis in the end of a year.
- 4.13.8. Revaluation of investments in real estate shall be made more frequently in the following situations:
 - Value of real estate decreases as a result of natural calamities, accident (fair) or criminal action;
 - Considerable price fluctuations in the real estate market.
- 4.13.9. By determining the asset and obligation value of investment in real estate on a day of valuation, the last valuation of the real estate shall be used.
- 4.13.10. Income from lease of real estate, as well as expenses related to management of the real estate and tax payments shall be included in statement of changes in net assets as income or loss from the real estate.

4.14. Investments in risk capital

- 4.14.1. Investments in risk capital market shall be made by mediation of risk capital funds. Investments in risk capital market shall be registered in statement of net assets according to amount invested in accordance with contract.
 - 4.14.2. Income (profit/losses) from investments in risk capital fund shall be determined when the risk capital fund sells its investments.
 - 4.14.3. In case, if regular financial statements about companies where risk capital investments are made or other information about economic activity is available, net asset value method, discounted cash flow method, industry valuation benchmarking method, or earnings multiple method may be used for revaluation of investments. Value of investments in risk capital will be determined by using at least two of the above-mentioned methods, and investments will be revaluated by using the average value determined by particular methods.
 - 4.14.4. The first evaluation of investments in risk capital shall be made after the last investment in the risk capital fund, in accordance with contract.
- 4.15. Transaction costs, which include government and local government duties, fees to notaries, financial controllers, banks, brokers, dealers, security stock exchanges and depository, and other similar expenses, shall be applied to each specific transaction.
 - 4.16. The pension plan is not a legal entity and is not subject to taxation. In case, if application of taxes to investment objects, as well as in transactions with the pension plan assets is stipulated in laws and regulations, tax payments shall be covered from the pension plan assets.
 - 4.17. Income gained from investment of pension plan assets shall be fixed in increase of the value of the pension plan assets and shall be repeatedly invested in

financial instruments, by taking into account the investment policy of the pension plan and investment restrictions provided for in the Law and the pension plan.

5. DIVISION OF RESPONSIBILITY IN DECISION MAKING

- 5.1. All decisions related to particular Investment Objects may be made by the fund manager without agreeing the same with the pension fund and by observing the restrictions provided for in the Law, the pension plan, and the investment policy, with the exception of decisions about investments in real estate and risk capital market.
- 5.2. The fund manager must agree any decisions on investment of the pension plan assets in real estate and risk capital market with the Board of Directors of the pension fund.

6. VOTING POLICY RELATED TO INVESTMENTS

- 6.1. All investments of the pension plan that result in voting rights in any commercial company shall be registered in the name of the pension fund.
- 6.2. Usually, the pension fund shall not participate in transactions with voting that result from investment of the pension plan, with the exception of cases when it can have important effect on changes in the value of the pension plan investments.
- 6.3. In case, if the Board of Directors of the pension fund has made a decision to participate in voting related to investment of the pension plan, such voting will always be agreed with the fund manager.

7. OPERATION OF THE FUND MANAGER AND THE FUND HOLDER

- 7.1. **The fund manager:** Investment management joint stock company “**SEB Investment Management**” (uniform registration No. 40003525797), which manages the pension plan assets in accordance with the contract regarding asset management, and ensures implementation of the investment policy of the pension plan, makes settlements with funds paid in accordance with the pension plan, receives and transfers financial instruments and makes other transactions with the pension plan assets in accordance with the provisions of the Law and the pension plan.
- 7.2. The Fund Managers shall make assessment of pension plan investment portfolio, co-ordinate the same with the fund holder and submit assessment to the pension fund, which shall verify it according to transactions made with the pension plan assets, and shall prepare financial statements of the pension plan.

- 7.3. **Fund holder:** joint stock company **SEB banka** (uniform registration No. 40003132437), which accepts contributions, made by the pension plan participants or made for the benefit of them, to the plan account in accordance with the contract regarding asset holding, receives and holds financial instruments, as well as original documents regarding funds and other property forming the plan assets, payment documents for money crediting or debiting for holding of funds of the pension plan in created bank accounts, and executes orders for transfers of the plan assets and financial instruments.
- 7.4. Fund holder shall make settlements with funds, receive and transfer financial instrument applicable to transactions made by the Fund Manager.
- 7.5. Fund holder shall follow and report to the Financial and Capital Market Commission and the pension fund, whether the Fund Manager complies with the provisions of laws and regulations pertaining to pension plan investments and the pension plan, as well as investment provisions.
- 7.6. The remuneration of the holder of the funds and the manager of the funds shall be calculated every day based on the value of the pension plan assets, considering the amount of the commission fee rate established for the pension plan participant.
- 7.7. Additional remuneration is envisaged to the Fund Manager in cases when profitability of investment of the pension plan assets exceeds the level determined in a contract on fund management.
- 7.8. Operation of the fund manager and the fund holder shall be evaluated on a monthly basis, simultaneously with preparation of financial statements.

8. POLICY FOR PREVENTION OF POTENTIAL CONFLICT OF INTERESTS

- 8.1. In case of potential conflict of interests, the pension fund will ensure that the fund manager invests the pension plan assets only in the interests of the pension plan participants.
- 8.2. The Board of Directors of the pension plan will ensure establishing of corresponding reporting and control system in order to ascertain that the fund manager manages the pension plan assets in accordance with the policy and procedures provided by the Board of Directors of the pension plan.
- 8.3. Pension plan participants may familiarise themselves with the investment policy in the premises of the Board of Directors of the pension fund in Riga, Pils iela 23. Investment policy of the pension is available on the Internet, the homepage of the pension fund: www.seb.lv .