Nordic Equities Kapitalförvaltning AB

Sustainability risk integration policy/due diligence policy

Adopted by the Board of Directors, 15 February 2023.

1 BACKGROUND

1.1 Introduction

On 10 March 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial sector (the "**Disclosure Regulation**") entered into force. The Disclosure Regulation is part of the European Commission's action plan for financing sustainable growth and aims, among other things, to ensure transparency and openness on sustainability-related issues.

The regulatory framework states that financial market participants and financial advisors should act in the best interest of the end-investors, including but not limited to the requirement to conduct appropriate due diligence before investing. Recital 12 of the Disclosure Regulation states that in order to fulfil their obligations under the regulatory framework, financial market participants and financial advisors should integrate in their processes, including due diligence processes, not only all relevant financial risks, but also all related relevant sustainability risks that could have a relevant significant negative impact on the financial return of an investment or advice, and evaluate these risks on an ongoing basis.

Against this background, Nordic Equities Kapitalförvaltning AB (the "**Company**") has prepared and adopted the following sustainability risk integration/due diligence policy.

2 FINANCIAL PRODUCTS AND FINANCIAL INSTRUMENTS

2.1 The company manages four UCITS funds; Nordic Equities Strategy which invests in Nordic equities, Nordic Equities Sweden which invests in Swedish equities and Nordic Equities Global Stars and Nordic Equities Our World which invests in global equities. All UCITS funds may have a maximum liquidity of 10%. The liquidity consists mainly of cash and cash equivalents, preferably placed in a bank in Sweden. The Company also manages an AIF fund, Nordic Equities Select, which invests primarily in Nordic and global equities and cash and cash equivalents, preferably placed in a bank in Sweden. The AIF may also be invested in futures, fixed income and other securities.

2.2 The Company also manages a portfolio for Stiftelsen Oscar Lindgrens stipendiefond on a discretionary basis under the Company's authorisation for discretionary portfolio management. The portfolio currently consists of Nordic equities and a maximum of 10% liquid assets placed in banks in Sweden, similar to the Nordic Equities Strategy fund, but may also include other financial instruments such as bonds, futures, funds, etc.

3 INTEGRATION OF SUSTAINABILITY RISKS

3.1 Sustainability risk means an environmental, social or governance event or circumstance that, if it were to occur, would have an actual or potential significant negative impact on the value of the investment ('sustainability **risk**').

3.2 The concept of sustainability risk thus includes risks that are identified and related to the environment and climate, human rights and labour conditions, diversity and equality, and transparency. Transparency and openness are prerequisites for a sustainable process, which also includes how the Company has decided to consider sustainability risks when selecting investment objects, regions or sectors.

3.3 The company's managers conduct analyses of potential investments in the portfolio or in the funds, and as part of the analysis, sustainability risks related to potential investment objects are identified. The risks are analysed based on whether they are deemed to have an actual or potential significant negative impact on the value of the investment over time, if the risk should be realised.

3.4 When identifying potential sustainability risks, the Company has used the sustainability risks identified in the 2021 and 2022 global risk report from the World Economic Forum.[1] The risks related to the environment and climate are considered the most alarming and are among the highest risks also from a financial risk analysis perspective. The 2021 and 2022 Global Risk Report identifies climate and social risks based on probability and impact. A summary of the climate and social risks is attached to this policy as Annex 1. In addition, governance-related risks and risks related to human rights in investment decisions are also identified.

3.5 When making investment decisions, the Company integrates the relevant sustainability risks identified in a particular sector or region. Against this background, the Company has identified the most material sustainability risks, adopted a methodology for integrating sustainability risks into decision-making and analysed and assessed the likely impact of sustainability risks on the performance of the portfolio or funds.

3.6 When managing the Company's funds or the portfolio, sustainability risks are integrated into the investment decisions by the Company's managers - evaluating and analysing the investment objects and taking any risks associated with sustainability into account. The company conducts the analysis internally, primarily based on data collection from Sustainalytics' screenings and partly on interviews and discussions with representatives of the investment objects.

3.7 Based on the results of the analysis conducted by the Company as described above, the Company's manager decides whether or not to make an investment. The Company weighs the

[1]https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf
http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf, and

risk of whether the sustainability risks should be realised and, in relation to this, the risk of the potential or actual negative impact on the portfolio or fund in terms of returns that the risk may entail. The risk is analysed in terms of probability and consequence, taking into account the possible actions of the investees. If the investment objects take migratory measures that would reduce the effect on a realised risk, the Company can decide to invest in the object even though the sustainability risk can be assessed as high based on probability and consequence. It is the actual or potential negative impact on the value of the investment that guides the selection of the investment object in relation to its benefit.

4 IDENTIFICATION AND DESCRIPTION OF NEGATIVE IMPACTS ON SUSTAINABILITY FACTORS

Identification of negative impacts on sustainability factors

4.1 Negative impacts on sustainability factors refer to factors that may have a negative impact on sustainable development. Sustainability factors are defined in the Disclosure Regulation as environmental, social or employee-related issues, respect for human rights and the fight against corruption and bribery.

4.2 The Company has decided to consider negative impacts on sustainability factors when making investment decisions, and has identified the following potential negative impacts on sustainability in accordance with Annex 1 of Delegated Regulation (EU) 2022/1288 (the "Technical Standards").

For the purposes of these guidelines, negative impacts on sustainability factors are defined as:

- Total greenhouse gas emissions (including scope 1, 2 and 3)
- Carbon footprint
- GHG intensity of the investment objects
- Exposure to companies operating in the fossil fuel sector
- Share of non-renewable energy consumption and energy production
- Energy consumption intensity by sector with high climate impact
- Activities that negatively impact sensitive biodiversity areas.
- Discharge to water
- Hazardous and radioactive waste
- Violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- No processes and compliance mechanisms to monitor compliance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- Unadjusted gender pay gap

- More gender balance in boards of directors

-Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons).

Indicators applicable to investments in state and supranational entities

- Greenhouse gas intensity

- Location of investment objects where there is a lack of social responsibility

Indicators applicable to investments in real estate

-Exposure to fossil fuels through property

-Exposure to energy efficient properties

<u>Strategies to prioritise main negative impacts for sustainability factors</u>

4.3 In addition to the sustainability indicators listed in section 4.2 of these guidelines, the Company has chosen to consider two additional sustainability indicators. In the selection process of these sustainability indicators, the company has carried out a probability and impact assessment based on the company's activities. From Table 2 in Annex 1 of the Technical Standards, the company has chosen to consider the indicator Investments in companies without carbon reduction initiatives. In addition to the indicator being relevant to consider in terms of the likelihood and consequence of the negative sustainability factor materialising, the indicator is relevant to achieving the promotion of the environmental characteristics that the Company's funds intend to promote. Furthermore, the Company has chosen to consider the indicator no code of conduct for suppliers from Table 3 in Annex 1 of the Technical Standards. The indicator is relevant for the Company to consider as the Company assesses long and complex supply chains in investment objects as sustainability risks. Furthermore, the Company's policy for assessing good governance practices in investee companies requires the Company to check whether the investee company has established a code of conduct.

4.4 The company uses three approaches to integrate negative sustainability impacts into the investment process, which consist of 1) include 2) exclude and 3) influence. The choice of asset class and management approach can affect the way the Company operates.

4.5 The Company does not invest in certain sector because those businesses are deemed to have negative impacts on sustainability factors by their nature. Such exclusion includes both when the Company manages the individual portfolio and the funds. The activities that are continuously excluded are:

- Pornography
- Weapons
- Fossil fuels
- Coal power
- Tobacco

- Commercial gambling activities
- Alcohol
- Cannabis
- Testing on animals not related to the research of new medicines that require animal testing by law.

5 PRIORITISATION OF NEGATIVE IMPACTS

5.1 The Company prioritises and considers a wide range of impacts when investing to achieve sustainability. The funds aim to consist of a broad selection of companies that take the UN's 17 global sustainable development goals, under Agenda 2030, into account.

5.2 The company assesses that one of the most alarming negative consequences for sustainability factors is environment-related negative consequences. Global warming leads to serious consequences for the ecosystem and the effects already affect the world economy to a greater extent. The company therefore assesses the potential environmental impact of an investment decision.

5.3 The Company also assesses the negative impact the investment may have on human rights and the fight against corruption and bribery. The Company considers fundamental respect for human rights to be a prerequisite for long-term value creation and the Company shall not contribute to negative consequences for human rights either in its own operations or in the investment decisions taken.

5.4 In the management of the Company's funds, as well as in the discretionary mandate, the Company intends the products to promote the SDGs, through the investments mad,e on behalf of the unit holders or clients. As part of promoting the SDGs, negative impacts on sustainability factors are also considered when selecting investment targets. The Company considers the net benefit of each investment, and if the positive aspects are deemed to outweigh the negative aspects, the Company's prioritisation of negative impacts may vary.

6 ACTIONS

6.1 The Company takes measures to ensure that the Company does not contribute to negative consequences for sustainability factors in its investment decisions by screening the funds and the portfolio regularly using Sustainalytics' norm-based screening, which contributes to information about the funds' own impact on the climate, compliance with human rights and governance issues. The screening, combined with regular individual meetings with the investment objects, where dialogues on sustainability are conducted, gives the Company a better understanding of the investment objects' environmental and climate impact as well as any negative consequences they may have for human rights.

6.2 The Company also carries out advocacy work by engaging with the investment objects in which the funds invest, or which are invested in within the discretionary mandate. As part of this work, the Company seeks to influence the investment objects on human rights, climate and environmental issues.

6.3 The company has adopted a policy for shareholder arrangements in which the company states how the company's advocacy work is also conducted in matters relating to environmental, social and governance-related issues.

6.4 In addition, the Company excludes investments in certain activities that in themselves have a negative impact on sustainability in accordance with section 4.4 above.

7 CODES OF CONDUCT AND INTERNATIONAL STANDARDS, ETC.

7.1 The company has chosen to follow the ten principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and supports the Principles for Responsible Investments (PRI). When the company evaluates the negative impact of potential investments on sustainability factors, it also checks whether the investment objects are committed to complying with international standards and codes of conduct.

7.2 The company takes the transition, based on the Paris Agreement, into account when analysing investment objects.

8 PUBLICATION ON WEBSITE

8.1 Article 3 of the Disclosure Regulation requires the Company to publish information regarding its policies for integrating sustainability risks into its investment decision-making process on its website.

8.2 No later than 30 June each year, the Company publishes a "Statement of the negative impact of investment decisions on sustainability factors" under the section "Sustainability-related information" on the Company's website.

8.3 It is the responsibility of Mikaela Fredriksson, CEO, to ensure that the above information is published and, where necessary, updated.

9 UPDATING AND AMENDING THIS POLICY

9.1 This policy shall be reviewed regularly at least once a year or more often if necessary.

9.2 A review shall be conducted before the Company invests in a new asset type or in a new region where specific negative impacts on sustainability factors can be identified.

9.3 Amendments to the policy must be approved and adopted by the Company's Board of Directors.

ANNEX 1

2021-2022 Global Risk Report by the World Economic Forum

CLIMATE RISKS

Climate risks categorised by probability and impact (0-10 years):

1. Climate action failures
2. Extreme weather
3. Loss of biodiversity
4. Environmental damage caused by mankind
5. Natural resource crisis

9.4 SOCIAL RISKS

Social risks categorised by probability and impact (0-10 years):

1. Undermining social cohesion
2. Supply crisis
3. Infectious diseases