

Principle Adverse Impact Statement

Summary

St. Petri Capital acknowledges our responsibility, as an investor and owner, understood as the principal adverse impact (PAI) we have on sustainability factors through our investment process and decisions. The following contains a description of how St. Petri Capital considers our adverse impacts on sustainability factors.

Principal Adverse Impact as defined by ESMA¹:

“Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.”

The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as: *environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.*

The statement applies to St. Petri European Small Cap AKL and AKL St. Petri L/S I.

This statement will be reviewed at least annually.

Description of principal adverse sustainability impacts

According to the SFDR financial markets participants are obliged to report yearly on 14 mandatory and at least two optional principal adverse indicators. St. Petri Capital will on an ongoing basis assess and monitor the mandatory indicators as well as on two optional, and any other indicators used to identify and assess additional principal adverse impacts on a sustainability factor.

St. Petri Capital's yearly principal adverse indicators assessment will be based on at least an average of four calculations made on 31 March, 30 June, 30 September and 31 December during the reference period. The assessment will in time be compared with previous year's performance.

The mandatory indicators:

- Greenhouse gas emissions
 - Carbon emissions (including agriculture, forestry and other land use emissions).
 - Carbon footprint
 - GHG intensity of investee companies
 - Exposure to companies active in the fossil fuel sector
 - Share of nonrenewable energy consumption and production
 - Energy consumption intensity per high impact climate sector

- Biodiversity
 - Activities negatively affecting biodiversity sensitive areas

¹ European Securities and Markets Authority

- Water
 - Emissions to water

- Waste
 - Hazardous waste ratio

- Social and employee matters
 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
 - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
 - Unadjusted gender pay gap
 - Board gender diversity
 - Exposure to controversial weapons (anti personnel mines, cluster munitions, chemical weapons and biological weapons)

Optional

The optional indicators will be finally decided on during 2022 as more knowledge is acquired.

Description of policies and methodologies

St. Petri Capital has as part of its investment process developed several filters serving as a kind of basic safeguards in order to prevent or limit principal adverse impact in our portfolio. These filters are part of St. Petri Capital's ESG integration and includes norm-based screening, thematic investments and product types, exclusions-lists, ESG rating and EU Taxonomy screening. All of these filters serve as a kind of safeguards in order to identify companies with a principal adverse impact early in the investment process.

A more thorough understanding of St. Petri Capital ESG integration process can be found in the Responsible Investment Policy. The implementation of the SFDR PAI screening and analysis will further enhance St. Petri Capital's ESG integration and adverse impact mitigation process.

Principal adverse impact identification and actions

Identifying PAIs during the initial investments process, and during an eventual investment period, will primarily be done through the use of our ESG providers PAI tool and the data they collect. This process will be complemented by St. Petri Capital's own PAI analysis for companies not covered by the ESG provider. *Through St. Petri Capital's own ESG integration process we will also be able to identify and prioritize PAI on sustainability factors as mentioned above.*

All companies are first assessed against each individual indicator and second across all indicators. Then the performance of key indicators, material for the sector the company belongs to, will be compared to sector peers, to conclude on the total effects of a company's actions. The worst performing companies are called negative outliers and will be assessed by St. Petri Capital's Responsibility Committee through different tools of choice such as company analysis, company dialogue and evaluation of data. The committee will consider the extent, severeness, and risk of recurrence of the outlier's adverse activities. The committee will decide if the outlier can remain part of the portfolio or will be added to the exclusion list. If an outlier company remains in the portfolio it has to be explained how it is consistent with St. Petri Capital's responsibility policy. If

St. Petri Capital discovers a severe adverse activity in its own investment process it will report to the ESG administrator and ESG (PAI) provider with an instigation to engage with the company. Such instigation can come with a recommendation to engage via industry led initiatives such as Climate Action 100+, Sustainability Accounting Standards (SASB), The United Principle for Responsible Investment (PRI), Carbon Disclosure Project (CDP) or Investor Alliance for Human Rights.

Companies not identified as outliers will remain in the portfolio without any further action.

Engagement policies

St. Petri Capital sees responsible ownership as an important part of the asset management function. Despite St. Petri Capital's limited size our ambition is to ensure an effective and sustainable shareholder engagement by supporting compliance with international norms and regulations, strong corporate governance practices and a long-term approach in investee companies

The engagement activities which St. Petri Capital's can be involved in may include:

- Company dialog and monitoring regarding normal daily/annual operations and strategies
- Formel engagement if more cardinal questions or problems appear (a step up)
- Cooperation with other asset managers and owners
- Communications with other stakeholders

Engagement

St. Petri Capital's portfolios are screened on an ongoing basis to identify potential reasons for engagement.

To ensure the highest impact and benefits, all norm-related engagements are taken in collaboration with other asset managers and asset owners through ISS-Ethix, one of St. Petri Capital's ESG providers. Other engagements caused by PAI warnings, thematic or product related events are directed by St. Petri Capital. The purpose of such engagements is to ensure compliance with international norms and regulations, good corporate governance, company performance, risk management, overall disclosure standards and ESG performance.

Escalation

If, as a result of the ongoing company screening or engagements, St. Petri Capital or ISS-Ethix does not have full confidence in a company's strategy or results, and/or the company violates St. Petri Capital's Responsible Investment Policy or international norms, in addition to further dialog with the company is assessed as without effect, a sales process will be initiated.

As mentioned above St. Petri Capital will report yearly on 14 mandatory and at least two optional principal adverse indicators. St. Petri Capital will on an ongoing basis assess and monitor the mandatory indicators as well as on two optional, and any other indicators used to identify and assess additional principal adverse impacts on a sustainability factor.

Each year St. Petri Capital will analyze the results for the PAI report for the purpose of adapting our policies when there is no reduction of the principal adverse impacts over more than one reference period. Exactly how it will be done depends on the experience obtained during the coming reporting periods.

References to international standards section

St. Petri Capital's Responsible Investment Policy which includes our PAI assessment are based on the following international standards, norms and conventions:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions
- Weapon-related conventions

Through our partnership with Kapitalforeningen Wealth Invest, who have chosen SEB Invest as (ESG) administrator, we follow the United Nations Principles of Responsible Investments.