

## Responsible Investment Policy

### Purpose

The aim of this policy is to clarify and set the direction for how St. Petri Capital, as investors and owners, will work with sustainable and responsible investments. The outset for this is an ambition of aligning the responsible investment policy with St. Petri Capital's ambition to consistently deliver 8 - 10 % in net return per year. We believe that including sustainability risks in the investment decision process can enhance the risk-adjusted returns of the portfolios. To obtain this we will integrate ESG risks in our investments process defined as the double materiality approach where we consider both ESG risks for our potential investment, and the ESG risk the investments poses to its surroundings.

### Responsibility requirements for portfolio construction

This section will address how St. Petri Capital will integrate ESG procedures in its funds. The main criteria are that St. Petri Capital's portfolios are resilient to ESG risks. As mentioned above this will be done by observing the double materiality approach. All St. Petri Capital's investee companies shall adhere to common international norms and regulations regarding environmental protection, corruption, human and labor rights etc., and preferably support the United Nations Sustainable Development Goals (SDGs).

Examples of international standards:

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

St. Petri Capital has decided to either limit its investments in, or to not invest in, certain thematic investments and product types, that are considered especially damaging to sustainability factors, or contribute to aggressive warfare and have indiscriminate effects on populations. Further details can be found in St. Petri Capital's ESG-positions.

These themes and products are:

- Tobacco and cannabis (not for medical use)
- Cluster munition, anti-personnel mines, landmines, nuclear-, chemical- and biological- weapons
- Fossil fuel (oil, gas and coal)
- Pornography (production and distribution)
- Soft commodities
- Alcohol
- Gambling

### ESG-provider

Through our partnership with Kapitalforeningen Wealth Invest, who have chosen SEB Invest as (ESG) administrator, we have Ethis as our ESG provider concerning norm-based screenings and

exclusions. Clarity AI is St. Petri Capital's other provider of all other ESG services such as ESG ratings, ESG impact, PAI assessment, taxonomy alignment etc.

### Responsible investment process

St. Petri Capital has developed a responsible investment process to ensure that ESG risks are handled both before and after an investment is implemented. St. Petri Capital's portfolios and all potential investments are continuously filtered and processed through several steps to ensure adherence to our responsible investment policy. The process consists of an exclusion's list, norms and regulations, thematic and product-based screening, principal adverse indicators (PAI), ESG rating and impact, EU taxonomy, engagement & AGM voting and finally the portfolio managers ESG integration and assessment of the company. At the general level, and as an input in the investment process, our analysts will review the company's stand and work on the SDGs.

### **Exclusion list –**

St. Petri Capital excludes investments in certain themes, and companies involved in severe breaches of international norms and regulations, or companies producing controversial weapons as mentioned earlier. Exclusion will always be a last resort, and not effectuated before serious attempts on dialogue and engagement have been made by our ESG provider. Therefore, all investments are screened against our exclusion list. The current exclusion list is managed by Ethix and updated at least twice a year. St. Petri Capital can by itself choose to exclude Mid- and Small Cap companies from our portfolios without an extensive dialogue and engagement effort, if the company is not covered by a ESG provider.

### **Norm-based screening**

St. Petri Capital's investments are continuously subject to norm-based screening to identify companies that could be involved in breaches of international norms and conventions as mentioned above. If a breach is detected our ESG provider will initiate a dialogue to assist in solving the issues. Should it be impossible, it can in the worst-case result in the company being added to the exclusion list, and thereby being excluded from St. Petri Capital's portfolios. St. Petri Capital is committed to follow the recommendations of ESG providers.

### **Thematic and product-based screening**

St. Petri Capital's investments are also continuously subject to thematic and product-based screening to identify companies that are involved in thematic or product related activities that St. Petri Capital do not invest in. These activities are defined in St. Petri Capital's ESG positions. If a company invests in a thematic or product-based activity mentioned in our ESG positions a sale process will be initiated, and the company will be added to the exclusion list.

### **Principal adverse impact (PAI) integration**

St. Petri Capital integrates PAI in the investment process. St. Petri Capital's ambition is to assess our investments ESG impact on its surroundings on an ongoing basis. Companies which have a material principal adverse impact are defined as outliers. Data identifying PAI activity will predominantly come from our ESG provider but may also come from other sources identified by St. Petri Capital.

St. Petri Capital's initial model for PAI to be assessed are structured as follows:

- 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
- 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)

All companies are first assessed against each individual indicator and secondly 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. Outliers will be assessed by St. Petri Capital's Responsibility Committee, who 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 must be explained how it is in consistence with St. Petri Capital's responsibility policy. If St. Petri Capital discovers an adverse activity in its own investment process it will report to the ESG administrator and ESG provider with an instigation to engage with the company. Such investigation 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.

### **Taxonomy alignment**

St. Petri Capital's ambition is to contribute to enhance reliability of information, comparability, and transparency on the sustainability degree of an investment, and to contribute to combatting greenwashing. Therefore, we will work to disclose the degree of taxonomy alignment in St. Petri Capitals portfolio. Disclosure on taxonomy alignment will enable both investors and St. Petri Capital to keep track of the ongoing development of taxonomy alignment especially as the taxonomy expands in the future. The quality of the disclosure will be challenged by the lack of data on how company revenue and expenditure is broken down in accordance with the taxonomy criteria. One challenge is that it is only listed companies with over 500 FTE who are required to report from 2022 i.e., not for small and non-European companies.

The taxonomy focus is currently on:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

### **ESG rating and impact**

St. Petri Capital will use ESG ratings and impact assessments to consider a company's ESG risk exposure and its impact on society. Unmanaged ESG risks and impacts can have a negative effect on a company's financial performance. Companies with a low ESG rating may be excluded from the portfolio unless they have a clear and viable strategy to raise its rating in a short period of time.

The Responsibility Committee will consider the extent and severeness of the low ESG rating and decide if the company shall remain part of the portfolio or will be added to the exclusion list. If a low ESG rated company remains in the portfolio it must be explained how it is consistent with St. Petri Capitals responsibility policy.

### **Engagement and AGM voting**

St. Petri Capital views engagement and AGM voting as an important part of our investment process. Through engagement St. Petri Capital seeks to identify and manage material risks and opportunities that can have a significant impact on a company's business strategy, financial and ESG performance. Engagement is also used to manage the risk associated with a company's impact on sustainability factors or breaches of international norms and regulations and St. Petri Capitals ESG positions.

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 St. Petri Capital's ongoing monitoring, PAI warnings, thematic or product related events are directed by St. Petri Capital.

### **ESG integration**

The portfolio managers and analysts will integrate the above ESG considerations into the fundamental analysis and investment process.

### **Data**

ESG process data will be provided to our investment team from our ESG administrator SEB, Kepler Cheuvreux, our ESG data providers, industry led initiatives and other relevant data sources.

### **St. Petri Capital Responsibility Committee**

The committee comprises St. Petri Capitals two founders and ESG manager. The committee's task is to ensure that all investments adhere to St. Petri Capital's responsible investment policy and relevant sustainability regulation. The committee will act by simple majority in case of dissent.

### Role and Responsibilities

- The Portfolio Managers are responsible for the maintenance and implementation of this policy
- The ESG Manager is responsible for maintenance and implementation of this policy as well as communication with ESG- and data providers.
- St. Petri Capital's Responsibility Committee is responsible for the overall compliance with the policy, decide on exclusions, and secure adequate reporting.

### International standards

St. Petri Capital's Responsible Investment Policy is 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.