Sustainability-related disclosures

This document provides information about AKL St. Petri L/S I (ISIN DK0060952836) as required in the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help understand the sustainability characteristics and risks of this Fund. This document should be read in conjunction with other relevant documentation on this Fund so investors can make an informed decision about whether to invest.

For financial products referred to in Article 8(1) of Regulation (EU) 2019/2088, St. Petri Capital shall publish the information referred to in Article 10(1) of that Regulation and Articles 33 to 44 in the order and made up of the following sections titled:

(a) ‘Summary’;

(b) ‘No sustainable investment objective’;

(c) ‘Environmental or social characteristics of the financial product’;

(d) ‘Investment strategy’;

(e) ‘Proportion of investments’;

(f) ‘Monitoring of environmental or social characteristics’;

(g) ‘Methodologies’;

(h) ‘Data sources and processing’;

(i) ‘Limitations to methodologies and data’;

(j) ‘Due diligence’; (k) ‘Engagement policies’; and

(l) where an index is designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product, ‘Designated reference benchmark’.

Summary

AKL St. Petri L/S I promotes environmental and social characteristics but does not have as its objective a sustainable investment.

This Fund has as its objective, via the total composition of companies in the portfolio’s long leg, to promote responsible environmental (E), social (S) and managerial (G) characteristics (ESG).

This is done by ensuring:

* That all long positions comply with international norms and standards and with St. Petri Capital's ESG positions
* That the ESG-risk-score is reduced, and the ESG-impact-score is increased over three-year cycles, for the Fund’s long positions
* That the Fund limits investments in companies with an elevated ESG risk profile.

For the Fund’s long positions, principal adverse impacts on sustainability factors are considered.

To ensure the integration of the Fund’s ESG characteristics, companies that have a significant principal adverse impact on the sustainability factors or the Fund's sustainability indicators, and companies with an increased ESG risk, may as a last resort be divested from the portfolio. Before divesting a long position, a qualitative analysis is carried out to assess whether the company has a realistic and sustainable ESG strategy going forward.

The Fund has an investment strategy that integrates ESG screening into the investment process and evaluates the evolvement of the Funds sustainability indicators. The process includes an assessment of the level of good governance for each company, and the option to engage in active ownership. The ESG screening process is described in St. Petri Capital's [Responsible Investment Policy](https://stpetricapital.com/wp-content/uploads/2022/08/Responsible-Investment-Policy.pdf). The Fund’s sustainability indicators measure how the fund's ESG characteristics are promoted. The investment strategy defines seven binding elements that support a positive development in the sustainability indicators and thus promotes the integration of the Fund’s ESG characteristics.

The Fund's short positions do not affect the integration of the Fund's ESG characteristics.

Through SEB, the Fund’s investment service provider Wealth Invest, monitors several of the sustainability indicators daily. The rest are monitored at varying intervals by St. Petri Capital, using data and methods developed by Clarity AI, SEB, ISS and St. Petri Capital et al.

St. Petri Capital continuously evaluates the quality and validity of both the internal and external data sources and methods.

St. Petri Capital's investment committee has the ultimate responsibility for ensuring that all investments comply with St. Petri Capital's Responsible Investment Policy and that the fund's ESG characteristics are implemented.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.

Environmental or social characteristics of the financial product

The Fund seeks to promote responsible environmental (E), social (S) and managerial (G) characteristics (ESG) via the total composition of companies.

The Fund’s ESG characteristics are promoted by:

* Ensuring that long investments comply with international norms and standards
* Promoting and increasing social, environmental and governance -level through the formal engagements exercised in relation to violations of international norms and standards
* Promoting a baseline for social and environmental characteristics through the exclusion criteria linked to the Fund’s thematic and product-based screening (controversial weapons, tobacco, spirits, oil, gambling, etc.), and which encompasses’ the Fund’s long positions
* Increasing the Fund’s average ESG-risk-score for the long positions, over a three-year period
* Increasing the Fund’s average ESG-impact-score for the long positions, over a three-year period
* The Fund’s ESG risk assessment, that assess the companies in the portfolio, and limits investments in long positions with an elevated ESG risk profile.

Principal adverse impact is considered for the Fund’s long positions. The Fund conducts an ongoing screening and assessment of portfolio companies that have a negative impact on their surroundings based on the fourteen mandatory and the two additional principal adverse indicators.

The additional principal adverse indicators are the environment-related No. 4: Investment in companies without CO2 reduction initiatives; and the corruption-related No. 15: Lack of anti-corruption and anti-bribery policies.

The indicators are assessed individually and collectively.

Investment strategy

ESG screening is an integral part of the investment process, as described in the Fund’s: (i) Responsible Investment Process, as well as (ii) Sustainability Indicator evaluation. The process includes an assessment of the level of good governance for each company. Moreover, the Fund takes principal adverse impact into consideration, and can choose to divest companies with a principal adverse impact or with negative impact on the Fund’s ESG characteristics.

Before divesting a long position, due to poor ESG characteristics, a qualitative analysis is carried out to assess whether the company has a realistic and sustainable ESG strategy going forward.

It is part of the Fund’s strategy, to reduce activities that have a negative impact on the sustainability indicators, that the portfolio’s long legs refrain from investments in:

1. Companies that violate widely adopted and ratified international legislation such as:

• UN Global Compact

• OECD guidelines for multinational companies

• UN declaration for human rights

• ILO conventions for labor rights

2. Companies that produce tobacco and companies that produce, distribute, or promote pornography.

3. Companies that:

* Produce alcohol if they do not have a policy for responsible marketing, sale and use of alcohol,
* Provides gambling, but without policies that address the personal and societal problems that arise as a result of gambling
* Produce cannabis for recreational use
* Produce coal and derive more than 10% of their revenue from thermal coal and 30% from other types of coal production
* Produce oil with revenues from oil sands or shale oil/gas that exceeds 10% and 5% from Arctic oil fields. Unless they have a valid transitions strategy that is in line with the Paris Agreement's 2-degree objective
* Pose a significant risk to biodiversity, but do not have a transparent and sustainable plan to manage these risks
* Are commercially involved in wood-related products and that are without clear strategies and management structures that clearly articulate the management and board responsibilities with regards to combating deforestation
* Where water is an indispensable part of their production, but that do not have a clear and sustainable strategy for managing the risks associated with that water consumption.

The Fund exercises active ownership via direct dialogue with the companies during the investment process. The dialogue can contribute to identifying issues that may challenge the Funds ESG characteristics.

The Fund’s investment adviser has a multifaceted ESG screening process to ensure that the total sum of long positioned companies promotes the Fund’s ESG characteristics.

The binding elements are that:

* The Fund excludes companies that violate the international norms and standards that the Fund has committed to follow in its Responsible Investment Policy (applies to all long positions)
* The Fund excludes all companies that violate the Fund’s thematic and product based ESG positions (applies to all long positions)
* Active ownership is exercised via ongoing dialogue with the companies and formal engagement is made in case international norms are breached
* The Fund primarily follows SEB's recommendations for proxy voting
* The Fund’s average ESG-risk-score increases continuously/over a three-year period (applies to the long positions)
* The Fund’s average ESG-impact-score increases continuously/over a three-year period (applies to the long positions)
* Companies with an ESG-risk-score of less than 33, on one or more ESG indicators, may be divested from the portfolio. Before a divestment, the low-scoring indicators and the company as an entity are analyzed. The analysis focuses on significant financial ESG risks and considers whether the company has a realistic and sustainable ESG strategy going forward (applies to the long positions).

A focus on good governance practice is an important part of the assessment of a company's quality and is an integral part of the Fund’s investment process. St. Petri Capital's Responsible Investment Policy is the starting point, and the assessment evaluates the robustness and potential of the company's business model and strategy, as well as the management's future ability to create value for investors. In addition, employee relations, remuneration practices, management structure and tax matters are screened. In accordance with St. Petri Capital's Engagement Policy, the Fund can also use dialogue, engagement, or collaboration with like-minded stakeholders to influence the company's level of good corporate practice.

The short positions do not negatively affect Fund’s ESG performance. Read the Department's [Shorting Policy](https://stpetricapital.com/wp-content/uploads/2023/09/230912-Shorting-policy-and-reporting-2023.pdf).

The Fund uses short positions to:

* Hedge against systemic risk
* Express an investment view
* Short companies that violate international norms and standards as well as the Fund’s ESG positions
* Hedge against ESG risks.

The Fund’s short positions are only expected to have a potential real world ESG impact, if published or made as part of a broader activist initiative. None of these approaches are an integrated part of the Funds normal investment strategy.

Proportion of investments

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The Fund can include up to:

• 60% in cash

• 90% in net short equity positions, max. 4% in each position

• 40% in short individual ETFs

• 40% in long individual ETFs

The different investment thresholds are used in connection with risk management and return generation. The Fund invests neither short nor long in financial instruments or equity positions that directly reflects the development in food prices.

Monitoring of environmental or social characteristics

The Fund uses the following sustainability indicators to monitor the ESG characteristics:

* The number of potential or current investments excluded because of violations of international norms and standards (does not apply to short positions).
* The number of potential or current investments excluded due to thematic- and product-based screenings of the Fund (does not apply to short positions).
* The number of formal engagements with existing portfolio companies.
* The Fund's last three-years annual average ESG-risk-score (excluding short positions).
* The Fund’s last three-year annual average ESG-impact-score (excluding short positions).
* The number of excluded companies due to increased ESG risk profile (does not apply to short positions).

(Wealth Invest/SEB) monitors daily, if any companies violate international norms and standards, or the Fund’s thematic- or product-based ESG positions. In case violations of international norms and standards it’s also the service provider that via ISS, initiates formal engagements. If information is provided about violations of the Fund’s ESG-positions, it is St. Petri Capital that assesses whether a formal engagement should be initiated.

The evolvement in the Fund’s ESG-risk-score and ESG-impact-score are monitored every six months by St. Petri Capital. The aim is to ensure that focus is on sustaining a positive development in both scores over three-year cycles.

To limit long positions with an increased ESG risk, the ESG-risk-score of the individual companies is reviewed on a continual basis.

The Fund reports on the sustainability indicators yearly.

Methodologies

St. Petri Capital's investment service provider maintains, via SEB, an exclusion list of companies that violate international conventions such as, but not limited to, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN's Declaration of Human Rights. AKL St. Petri L/S I's portfolio is monitored daily for companies on this list.

Companies that are not on the exclusion list but are in breach of one or more of the above conventions are included on an internal observation list. The companies are described as norm-breakers. A dialogue is sought with these companies with the aim of clarifying the situation, including the will to bring the problematic conditions to an end. If satisfactory results are not achieved from the dialogue, the companies can ultimately be added to the exclusion list.

At the end of the year, St. Petri Capital requests the service provider to provide a list with the companies for which engagements has begun. St. Petri Capital keeps regular accounts of the engagements that are initiated independently.

Reporting takes place annually.

St. Petri Capital uses the private ESG vendor Clarity AI to deliver data and ESG-risk-scores as well as ESG-impact-scores, etc. for the assessment of our fund. The data can be supplemented with own collected data and analyzes to the extent deemed necessary.

The ESG-impact-score measures how a company's operations affect the environment and society. A company's overall score is calculated by calculating its total impact on the social, environmental and governance challenges that society faces. The companies’ operations are scored on nine different impact metrics. Each metric is scored on a scale from 0-100, and the performance is ranked against a company peer group. The total company score is then calculated, and finally a total portfolio score.

The ESG-risk-score is used to identify the material social, environmental and governance risk factors that can affect a company's and a portfolio's value. The companies' ESG performance is scored on 115 different ESG metrics. Each metric is scored on a scale from 0-100, and the performance is ranked against a company peer group. The total company score is then calculated and finally a total portfolio score.

At year end, the portfolio's total ESG risk score and ESG impact score are reported to create transparency on the development of the two scores over three-year cycles.

To limit long exposure in companies with an elevated ESG risk profile, all companies are scored from 0-100 on 115 ESG metrics. ESG metrics with scores below 33 are analyzed to assess whether they pose a material risk. If the company's risks are high, from a double materiality perspective, then the company's ESG performance is further analyzed.

Data sources and processing

St. Petri Capital uses various data sources to support the integration of the Fund’s environmental and social characteristics.

The investment service provider is responsible for providing data that ensures that the Fund’s long positions do not violate international norms and standards; and that the companies do not violate the Fund’s thematic and product-based restrictions.

To deliver this data, the service provider uses data suppliers such as SEB, Impact Cubed and ISS.

St. Petri Capital uses Clarity AI as a data provider for the fund's ESG-risk-score, ESG-impact-score, and data regarding the principal adverse indicators.

To supplement and fact-check the above data sources, St. Petri Capital also uses data obtained from corporate websites, general news media, the internet, and analyses from various analysis companies.

The data is used as is, and no additional systematic procedures for data processing are undertaken due to St. Petri Capitals limited size and resources. St. Petri Capital depends on our data providers methodologies and procedures in terms of data collection and quality. However, St. Petri Capital can cross-check critical data points with other data sources as mentioned above.

On an ongoing basis, St. Petri Capital reviews Clarity AI’s methods for data collection, processing, and estimation to assess the validity and quality of the data provided. Clarity AI uses estimated data where no reported date exists, or when reported data does not have the necessary quality.

Limitations to methodologies and data

Systematized ESG data collection is untested in a larger global context. Much data is not collected or reported, and the companies' and data providers methods of collecting and quality assuring ESG data are under development. The validity of the ESG data available on the market therefore varies both for companies and ESG data providers.

For the same reasons, there is a low correlation between the ESG providers’ different ratings.

To ensure consistency and direction in the development of the fund's ESG characteristics, St. Petri Capital has chosen to use the same acknowledge ESG data providers for the coming years.

The choice has fallen on ESG providers also used by other and larger financial market participants. St. Petri Capital relies on the fact that other more resourceful players also have assessed the quality of the ESG providers methods. St. Petri Capital evaluates both continuously and in connection with the selection of ESG data providers, areas such as data quality, data collection and estimation methods, price, market coverage, etc.

The validity of the estimated data used by St. Petri Capital uses is defined by the quality of the machine learning models developed by Clarity AI.

The fund's portfolio consists of a varying but significant proportion of small cap companies. Small cap companies often do not have the resources to collect and publish the same amount of ESG data as larger companies. Therefore, several small cap companies do not have an ESG rating, or a large part of the underlaying rating data may be estimated. To ensure that such a data gap only have a minimum impact on the fund's ESG characteristics, all companies in the long leg, with an ESG-risk-score data relevance of less than 50% are analyzed[[1]](#footnote-1). Due to the missing or estimated data, the aim is to analyze if a given company's real-world activities have a negative or positive impact on the Fund’s ESG characteristics.

ESG data and ratings are often backward-looking, and therefore do not consider companies' transition plans and their ability or willingness to implement such plans, and thus also not the future ESG risks and opportunities associated with the company.

Due diligence

Before alle trades are executed, it is verified that the company in question is not on St. Petri Capital’s exclusions list, and that it complies with international norms and standards as well as St. Petri Capital's ESG positions. The responsibility for executing that process lies with Wealth Invest and SEB.

St. Petri Capital's Responsible Investment Policy describes the internal due diligence processes which is an integral part of the fund's investment process.

St. Petri Capital's due diligence process includes the following steps:

• Norm-based screening

• Thematic and product-based screening

• An assessment of the principal adverse indicators

• An ESG-risk-score assessment

• An ESG-impact-score assessment

St. Petri Capital Responsible Investment Committee has the responsibility to ensure that all investments comply with the Responsible Investment Policy, and that the fund's ESG characteristics are implemented.

Engagement policies

For companies that significantly contribute to a negative impact on the fund's ESG characteristics, or violate St. Petri Capital's Responsible Investment Policy, active ownership measures can be initiated. St. Petri Capital's Engagement Policy describes how active ownership can be exercised. Depending on the result of the exercise of active ownership, it can either be decided to retain, sell, or change the weight of the company in the portfolio.

Designated reference benchmark

The fund does not use a reference benchmark.

Date

2 January 2023.

1. Data relevance is a combined expression of whether data exists for the various 115 ESG metrics that collectively make up a company's ESG-risk-score, and the materiality of each metric. The materiality assessment is based on a peer group materiality analysis. Data relevance is part of Clarity AI's method. [↑](#footnote-ref-1)