Policy for the Integration of Sustainability Risks in the Investment Process

BLS Capital Fondsmæglerselskab A/S

February 2025

BLS CAPITAL

1. INTRODUCTION

1.1. This Policy on the Integration of Sustainability Risks in the Investment Process (the "Policy") applies to BLS Capital Fondsmæglerselskab A/S (hereinafter the "Company") and is approved by the Board of Directors.

1.2. The Policy describes how the Company integrates sustainability risks into its investment and decision-making processes in connection with the provision of portfolio management services.

2. LEGAL BASIS

2.1. The Policy is prepared in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Disclosure Regulation").

3. WHAT IS SUSTAINABILITY RISK

3.1. Sustainability risks refer to an environmental, social, or governance-related event or condition that, if it occurs, could have a material adverse impact on the value of an investment. These are sustainability factors (ESG factors) that may negatively affect the value of companies and thereby customers' investments.

3.2. Sustainability risks may arise from a company's exposure to activities with an elevated risk of being negatively impacted by events related to environmental, social, or governance issues. These risks include but are not limited to the following illustrative examples:

- Environmental risks: Financial risks from environmental degradation and climate change, typically categorized as physical risks (e.g., extreme weather events) and transition risks (e.g., new regulations, changing consumer behavior).

- Social risks: Related to activities potentially negatively affected by problematic social conditions (e.g., human rights violations, poor working conditions, child labor, health issues, inequality, and discrimination).

- Governance risks: Include exposure to issues such as corruption, bribery, conflicts of interest, and tax matters. Governance factors also relate to the company's leadership quality, minority shareholder protection, proper incentive structures, responsible business operations, and interaction with stakeholders and the surrounding environment.

4. THE INVESTMENT PROCESS

4.1. The Company integrates ESG data and analysis into its investment process. The integration and monitoring of sustainability risks are considered a natural part of the overall investment risk assessment. The Company's portfolio managers and Investment Research team perform a due diligence procedure before any investment, considering the relevant risks. ESG ratings are obtained from third-party providers and the companies themselves. The process includes:

Before investment:

ESG data is collected and reviewed by Investment Research to identify any sustainability risks that may warrant further consideration in the investment analysis.

Data that is routinely collected includes:

- MSCI ESG rating of the potential investment
- Individual MSCI scores for Environmental, Social, and Governance factors with selected underlying data points
- Comparisons with sector averages and relevant MSCI indices, including alignment with the UN Sustainable Development Goals
- Screening for compliance with the UN Global Compact
- Additional information from other sources on an ad hoc basis

If indicators suggest significant sustainability risks or a need for further analysis, e.g. due to material deviations from comparable companies, the Investment Research team will alert the portfolio manager so the risks can be considered in the investment decision.

After investment:

The Company closely monitors its investments, including the development of sustainability risks, using the same indicators used during the pre-investment phase. The Company is focused on selecting high-quality companies with dedicated and effective governance, and therefore, particular attention is paid to companies rated below "A" in any ESG area as an indicator of potential sustainability risks. Monitoring includes a monthly update of the five most recent ESG-rating changes and their reasons. UN Global Compact screening is performed semi-annually.

4.2. The Company does not assess sustainability risks in isolation but in conjunction with other investment risks. The portfolio managers seek to identify and evaluate relevant investment risks prior to any investment and do not generally expect sustainability risks to have a greater impact on the return potential than other investment-related risks. Identified risks after the process set out in Section 4.1are evaluated for (i) relevance, (ii) materiality, and (iii) impact. Given the Company's quality standards and investment process and the residual investment universe, governance-related sustainability risks are often of the highest focus.

4.3. The Company integrates sustainability factors throughout the investment lifecycle, including in due diligence, investment decisions, active ownership, and exit strategy.

4.4. ESG information—including governance, social, and employee matters—is incorporated into investment decisions when deemed significant, as also set out in this Section 4. Governance factors are always considered; other ESG information is considered based on an assessment of the above mentioned indicators and other relevant information available to the Company. The Investment Research team handles this process, while portfolio managers hold overall responsibility and base their decisions on, amongst other factors, the analyses of the Investment Research Team.

5. MITIGATION OF SUSTAINABILITY RISKS

5.1. The Company believes that companies not aligned with global norms, such as those defined in the UN Global Compact, are more likely to face sustainability risks affecting investment value. These norms include principles on climate, environment, human and labor rights, anti-corruption, and bribery.

5.2. The Company has engaged an external data provider, currently MSCI, to obtain ESG data, including climate-related information. Investments are screened initially and, thereafter, semi-annually for risks related to breaches of the guidelines mentioned above in Section 5.1.

5.3. Additionally, the Company monitors investments, as also set out in Section 4, by analyzing publicly available information and maintaining dialogue with company management. If an investment risk materializes, including any sustainability risk, the process outlined in 5.4 is followed if the Company aspires to stay invested:

5.4. The escalation process consists of the following seven steps:

1) Risk Identification

Relevant sustainability risks identified during monitoring or screening are escalated to the second step below.

2) Risk Investigation

Risks are examined using sources such as media, company contacts, international organizations, and third-party ESG data providers.

3) Relevance and Materiality Assessment

The Company assesses whether the risk could materially affect the portfolio company's financial performance or operations.

4) Evaluation of Company's Response

An assessment is made of the sufficiency of the portfolio company's actions to mitigate the risk and potential impact.

5) Dialogue

The Company engages with the portfolio company to gain insight into its handling of the risk and collect any additional information necessary to incorporate the risk in the investment case.

6) Follow-up and Monitoring

Follow-ups with the portfolio company and/or other relevant sources ensure adequate measures are in place to address the risk.

7) Divestment or Exclusion

If risks are not mitigated to an acceptable level, the Company may divest or exclude the investment. This decision is made by the portfolio managers.

5.5. The escalation process ends when the portfolio managers are satisfied with the risk mitigation, or the investment has been divested. The steps serve as guidance, and their sequence may be adjusted at the portfolio manager's discretion.

6. REPORTING

6.1. This Policy is publicly available on the Company's website under the sustainability section: https://www.blscapital.dk/da/esg-i-bls-capital.

7. UPDATING AND REVISION OF THE POLICY

7.1. The Board of Directors reviews and approves the Policy on an ongoing basis and at least annually. The next scheduled update is in Q1 2026, according to the Board's annual cycle.

8. VERSION HISTORY

Updated by:	**Approved by:**	**Version:**	**Commentary:**
Dato: 10/02/2025 EN	**Dato:** 19/02/2025 BoD	2.0	Further specification of the Company's processes, while the policy is isolated

			to address the integration of sustainability risks (regulation of responsible investments deleted).
Dato: 10/02/2025 EN	**Dato:** 27/08/2024 BoD	1.2	Clarifications of the Company's processes, etc.
Dato: 10/02/2025 EN	**Dato:** 08/02/2024 BoD	1.1	Clarifications and policy isolated to the Company (investment funds no longer subject to policy).
Dato: 30/01/2023 LV	**Dato:** 09/02/2023 BoD	1.0	Policy isolated to the integration of sustainability risks and responsible investments, with active ownership being separated from the policy.
Dato: 13/10/2022	**Dato:** 26/10/2022 BoD	1.0	N/A
Dato: 18/08/2021	**Dato:** 26/08/2021 BoD	1.0	N/A

This Policy is a translated copy of the Company’s Policy, and the Danish version takes precedence in case of any ambiguity.

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Chair

Steen Juul Jensen

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Board member

Pernille Backhausen

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Deputy Chair

Peter Bundgaard

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Board member

Anders Lund