

Policy on the integration of sustainability risks and responsible investment

BLS Capital Fondsmæglerselskab A/S

August 2024

- 1. INTRODUCTION 3
- 2. LEGAL BASIS 3
- 3. WHAT ARE SUSTAINABILITY RISKS? 3
- 4. RESPONSIBLE INVESTMENT 4
- 5. THE INVESTMENT PROCESS 4
- 6. USING NORM SCREENING AND EXCLUSION 6
- 7. REPORTING 7
- 8. REVIEW 7
- 9. VERSION 7

1. INTRODUCTION

- 1.1. This Policy on the Integration of Sustainability Risks and Responsible Investment ("the Policy") applies to BLS Capital Fondsmæglerselskab A/S (the "Company") subject to the approval of the Board of Directors.
- 1.2. The Policy concerns the consideration of responsible investment and the integration of sustainability risks in the investment and decision-making process in connection with the management of investment funds and discretionary mandates.
- 1.3. The Policy's objective is to provide a framework for considering a responsible investment, social responsibility, ESG factors, and sustainability risks in the Company's investment and decision-making processes.

2. LEGAL BASIS

- 2.1. The Policy has been prepared pursuant to 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") with applicable amendments and rules issued in pursuance thereof, including especially the delegated regulation (EU) 2022/1288 with applicable amendments.

3. WHAT ARE SUSTAINABILITY RISKS?

- 3.1. A sustainability risk means an environmental, social, or governance event or circumstance that, if it occurs, could cause a material negative impact on the value of an investment, i.e. sustainability factors (ESG factors) that could adversely impact the value of the investments of companies and, by extension, clients.
- 3.2. Sustainability risks may arise as a result of a company's exposure to activities involving elevated risk (such as the extraction of fossil fuels, mining, or low-wage manufacturing). Still, they may also be related to a lack of governance measures aimed at mitigating risk (such as environment-improving forms of production, monitoring of health and safety at work, or climate-proofing of production plants). Risks may be physical (specific environmental or social events) or transaction-related (political or technological change).

4. RESPONSIBLE INVESTMENT

- 4.1. The Company aims to achieve attractive long-term investment returns based on focused risk management that takes environmental, social, and governance (ESG) factors into account, including the actual or potential material impact of these factors on the value of a specific investment. The Company considers investment risk in all its investment decisions. A sustainability risk in the form of climate or environment-related, social, or governance events or circumstances could pose an investment risk in line with other market risks.
- 4.2. The Company believes that investing in companies that understand and manage sustainability-related risks – which implies that they respect international social responsibility principles – produces healthier returns, lower risk, and, by extension, higher long-term risk-adjusted returns in addition to the social benefits of such investments.
- 4.3. The Company considers stewardship as a natural part of the investment process, whereby adverse impacts of sustainability factors and risks are taken into consideration to generate long-term responsible returns for investors. Stewardship may be exercised by voting at general meetings and engaging with companies. For additional information, reference is made to our Stewardship Policy, which may be found at our website, www.blscapital.dk, under "governance".

5. THE INVESTMENT PROCESS

- 5.1. The Company integrates ESG data and analysis into the investment process. The Company consider integration and monitoring of sustainability risks a natural part of the overall investment risk associated with investing in regulated markets. The Company's portfolio managers and investment research team conduct due diligence procedures prior to any investment, and takes relevant risk for the specific investment into account. We obtain information on portfolio companies' sustainability ratings from third-party suppliers and the companies themselves.
- 5.2. The Company do not consider sustainability risks in isolation but evaluate these with other investment risks. Our portfolio managers seek to identify such risks as best as possible prior to investing in a portfolio company. Against this background, the Company do not expect sustainability risks to impact the return potential more than other investment-related risks.

- 5.3. The Company regularly considers whether any sustainability risks have occurred and considers these risks if deemed necessary. The Company makes investment decisions based on the following principles concerning sustainability risks:
- ESG data and analyses are integrated into all investment decisions when deemed relevant.
 - The Company takes a critical stance on companies where there is a significant risk that the company directly or indirectly violates international principles of sustainability, social conduct, or governance. The Company's assessment will depend to a large extent, on the nature of the violation or potential violation, its confidence in management and its ability to manage such sustainability risks appropriately.
 - The Company will not invest in companies using or proliferating weapons covered by conventions, including:
 - Cluster munitions
 - Landmines
 - Chemical weapons
 - Biological weapons
 - Nuclear weapons not comprised by the Treaty on the Non-Proliferation of Nuclear Weapons
 - The Company will not invest in companies within the tobacco industry.
 - The Company engages in ongoing dialogue with the management teams of our portfolio companies and votes by proxy at all their general meetings.
- 5.4. The Company integrates sustainability factors throughout the life of an investment, including in connection with the due diligence process, the investment decision, the exercise of stewardship, and the exit strategy. Conversely, the Company does not consider sustainability factors when this is deemed irrelevant to the investment decision in question. We thus refrain from considering unnecessary factors for purposes of the overall investment decision-making process.
- 5.5. The Company integrates ESG data if deemed relevant, including data on governance, social and employee-related issues, in our investment decision-making process. The Company consistently integrates an assessment of governance matters in its investment decision-making processes, whereas other ESG factors are included based on a discretionary assessment. The Company's investment research team is responsible for this process. At the same time, the portfolio managers are responsible for sustainability factors and make investment decisions based on the results of the investment research team's analysis of portfolio companies.

6. USING NORM SCREENING AND EXCLUSION

6.1. As a guiding principle, the Company is committed to providing discretionary portfolio management in accordance with global norms as defined in the UN Global Compact, which lays down guidelines concerning climate and the environment, human and labour rights, anti-corruption, and bribery.

6.2. The Company works with an external data supplier and research agency, which provides climate data on emissions and other climate risks. The Company screens portfolio companies biannually to ensure they comply with the guidelines of section 6.1.

6.3. The Company's screening and escalation process may be summarised to the following seven steps:

1) Red flag

If a violation of international norms by a company in which the Company is invested should be identified, the Company will react accordingly and escalate the issue to step 2 below.

2) Investigation of issue

The Company will investigate the issue and its scope, using sources such as media, contact relevant people, international organisations, and third-party ESG data providers.

3) Consideration of relevance and materiality to the investment

The Company will assess whether the violation significantly affects the company's financial performance and ability to operate.

4) Assessment as to whether the company has exercised due caution to mitigate risks and negative impacts

The Company will consider whether the company has taken adequate steps to mitigate risks entailing the breach of norms and has responded to any negative impacts internally and externally.

5) Dialogue

The Company will engage in a dialogue with the company concerning the breach of norms and the company's response to understand the issue from the company's perspective.

6) Follow-up on dialogue

Based on this dialogue, The Company will follow up with the company to ensure it properly addresses the issue and delivers on any promises and commitments.

7) *Discussions concerning divestment or exclusion from the investment universe*

The Company may decide to divest the investment or exclude the company from the investment universe if the dialogue is unproductive, and the identified sustainability risks are expected to have a significant impact on the company's risk adjusted return potential. The Company's portfolio managers has the ultimate authority of such decision.

- 6.4. The Company may at its sole discretion at any point during the screening and escalation process decide that the information gathered or provided by the company is sufficient and reassuring to such an extent that no further action is required.
- 6.5. The Company's portfolio managers has the ultimate authority to exclude certain companies or sectors is made by the portfolio managers.

7. REPORTING

- 7.1. This Policy is publicly available and may be accessed at www.blscapital.dk under "governance."
- 7.2. The Company is required to publish whether it considers principal adverse impacts of its investment decisions on sustainability factors or why it does not consider adverse impacts of its investment decisions on sustainability factors and, if relevant when it intends to consider such adverse impacts. This information will be published and updated once a year on the website of BLS Capital.
- 7.3. The Company's investment strategies are classified as Article 8 products in accordance with the Disclosure Regulation. Reporting information in accordance with Article 8 is published on the Company's website and/or will be provided to the investors.

8. REVIEW

- 8.1. The Company's Board of Directors must review and approve this Policy regularly and at least once a year.

9. VERSION

Updated by: EN	Approved by: Board of Directors	Version: 1.2
Date: 13 August 2024	Date: 27 August 2024	

Chairman

Steen Juul Jensen

Deputy chairman

Peter Bundgaard

Board member

Pernille Backhausen

Board member

Anders Lund