

May 2024

Responsible Investment Policy

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On September 25, 2015, the UN General Assembly adopted a new framework for global sustainable development called "Agenda 2030 for Sustainable Development," with its core being the Sustainable Development Goals. The transition to a low-carbon, more sustainable, resource-efficient, and circular economy in line with these goals is crucial for the union to achieve long-term economic competitiveness. The Paris Agreement, which came into force in 2016, aims to strengthen actions against climate change, including aligning financial flows with a path towards low greenhouse gas emissions and climate-resilient development.

In regard to the above, and to lead capital towards sustainable investments, as well as to create transparency regarding processes for integrating sustainability risks and considering adverse impacts on sustainable development, new regulations on sustainability-related disclosures have come into effect. As of March 10, 2021, Kavaljer AB, hereinafter Kavaljer, is therefore subject to Regulation (EU) 2019/2088 on sustainability-related disclosures within the financial services sector, hereinafter referred to as the Disclosure Regulation. This framework includes requirements to disclose how sustainability risks are integrated into investment decisions and the results of the assessment of the likely impacts of sustainability risks on the returns of the products offered by Kavaljer.

To increase transparency and comparability regarding Kavaljer's processes for integrating sustainability risks and considering adverse impacts on sustainable development, Kavaljer has developed this sustainability-related disclosure policy. This policy aims to outline how Kavaljer works with responsible investments and integrates relevant sustainability risks within the three focus areas environmental, social conditions, and corporate governance factors.

Kavaljer's Responsible Investment Policy covers all funds managed by Kavaljer AB and applies to the funds direct investments in Swedish and foreign shares and bonds. In Discretionary Management, we can apply additional sustainability related policies based on the client's preferences. The Responsible Investment Policy is approved by the Board of Directors of Kavaljer and undergoes biannual reviews.

The CEO, or a person appointed by the CEO is responsible for updating and maintaining the Policy. The portfolio managers together with Responsible Investments are responsible for implementation and integration of the Policy into the investment process.

For additional details about each fund, kindly consult the pre-contractual information available on each fund's respective page at [kavaljer.se](https://www.kavaljer.se)

Kavaljer's Responsible Investment approach

Kavaljer is dedicated to fostering long-term responsible growth through active management, fulfilling our mission to our clients. Central to our commitment is the integration of environmental, social, and corporate governance (ESG) considerations into our investment management processes and ownership practices. We firmly believe that these factors can significantly impact financial performance. This dedication is realized through the following mechanisms:

- Norms-based screening
- Negative screening
- Principal Adverse Impact (PAI) consideration
- Consideration of 'Kavaljer's Climate Principles'

1 SELECTION AND RATING

All Kavaljer's investments are subject to a negative screening, which means that we avoid investing in certain activities and have set materiality thresholds based on revenue exposure and business operations. Furthermore, we screen issuers against minimum standards of business practice based on international norms. Those frameworks include the UN Global Compact, the Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.

Our screenings are conducted pre-investment and on a continuous basis during the investment period.

2 MONITORING AND ACTIVE OWNERSHIP

As an active manager with a focus on long-term sustainability and responsibility, Kavaljer carefully monitors all holdings. We believe that as investors, we can drive companies towards improvement by acting as engaged owners. Our holdings are monitored on a monthly basis. This provides accurate information concerning any violations of international norms or conventions and ensures that we stay within our sector thresholds and out of our excluded sectors. This process is supported by using our third-

party data provider, Impact Cubed. If we uncover violations of our Principles for Responsible Investment, our initial step is to assess the situation. Subsequently, depending on the severity of the situation there are two actions: initiating engagement measurements or divestment of the asset.

The goal of our active ownership activities is to induce positive changes in the company's practices towards greater responsibility, or to encourage the company to take sufficient remediation measures. The engagement period is limited to a maximum of two years, and thereafter, there must be compelling justifications for retaining the investment. Recognizing the power of collective action, we may collaborate with other investors to address systemic issues with investees. In general, it is a part of the investment strategy of the funds that the portfolio managers often meet with the company representatives on a regular basis to discuss responsibility-related issues.

3 VOTING

We can choose to exercise our voting rights at general meetings that we consider important for various reasons, such as when engagement dialogues have not been successful. If necessary and when it benefits our shareholders, Kavaljer may also vote at general meetings in all the companies in which our funds have ownership.

Kavaljer's Sector Principles

Excluded sectors

Kavaljer refrains from investing in following activities:

- Controversial weapons (distribution and production of cluster bombs, anti-personnel mines, chemical- and biological or nuclear weapons)
- Arctic drilling
- Oil sands extraction
- Tobacco (distribution and production)

Sector thresholds

Maximum 10% of the investees' revenue may come from:



Extraction and utilization of thermal coal



Oil- and gas related products and services

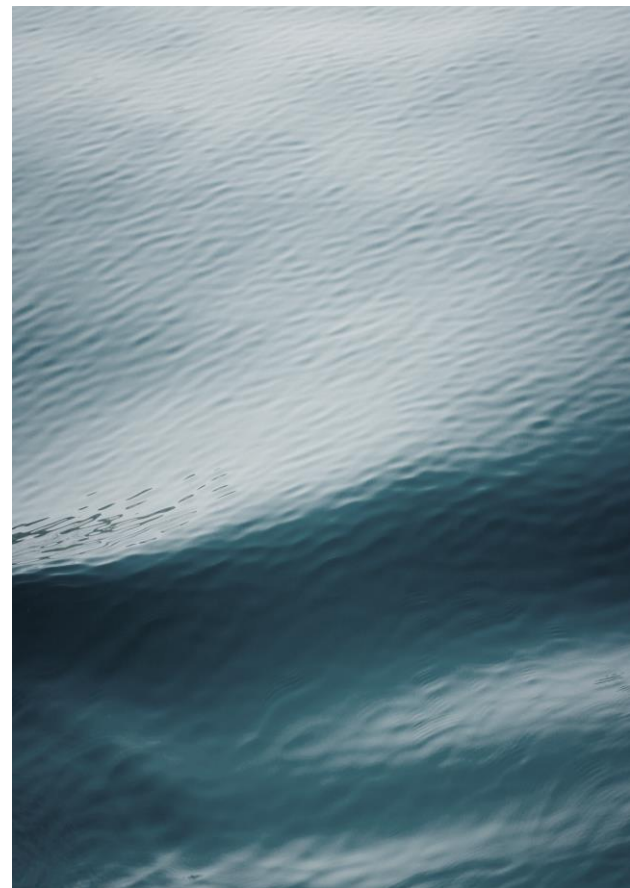


Extraction, production, distribution and exploration of fossil fuels

Maximum 5% of the investees' revenues may come from:



Production and distribution of adult entertainment



Kavaljer's Climate Principles

Kavaljer diligently oversees greenhouse gas emissions stemming from its investments, meticulously scrutinizing both the portfolios and on company levels. Every investment we undertake is expected to feature a publicly communicated commitment to phasing out fossil fuels, a robust transition plan, and well-defined, stipulated goals aimed at accomplishing the phase-out. Aligned with **Kavaljer's Climate Principles**, our funds abstain from investing in companies where more than 10% of is derived from sectors listed in our Sector Principles.

As Kavaljer believes that companies with exposure to fossil fuels can help accelerate the transition to clean energy and phase out of fossil fuels, we can invest in companies where more than 10% of revenues are derived from the extraction, production or distribution of fossil fuels or oil- and gas related products and services, when all the following criteria are met:

- I. The company has set a science-based target in line with the Paris agreement or has a publicly stated, verifiable and transparent commitment about reducing its greenhouse gas emissions in line with the Paris agreement.
- II. The company has a significant share of Green Capex.
- III. The company's operations is not primarily related to fossil fuels, where a maximum of 50% revenues is derived from fossil fuels.



Principal Adverse Impact (PAI)

Kavaljer consistently monitors the environmental and social impact of the activities conducted by the companies in which we invest, contingent upon data availability at our third-party provider. If a company is identified as an outlier based on one or more PAI indicators, we shall conduct a thorough analysis and appropriate measurements will be taken on a case-by-case assessment. The measures can include engagement, voting or eventual divestment.

Our disclosure statement on PAI will be published in 2025.



Revised Policy

These guidelines were established by the Board of Directors of Kavaljer on 2024.05.20.

Considering the ongoing legislative work within the EU regarding the Level II rules for the Disclosure Regulation and the Taxonomy Regulation, including associated delegated regulations, this policy will be reviewed and revised regularly, at least annually.

Reporting

Kavaljer will start to report on its responsible investment activities on a yearly basis. This report will be published for the first time in 2025.

In addition, Kavaljer provides:

- Principal Adverse Impact statement (will be published 2025)
- Pre-contractual Information - **LMM - Kavaljer Investmentbolagsfond** ([link](#))
 - Disclosure of sustainability-related information ([link](#))
- Pre-contractual Information - **LMM - Kavaljer Quality Focus** ([link](#))
 - Disclosure of sustainability-related information ([link](#))
- Active Ownership Policy "**Principer för Aktieägarengagemang**" ([link](#))