

# **Sustainable Investing Policy**

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## 1. Background and objective

For Brock Milton Capital AB (BMC), sustainability is about perseverance, responsibility, trust, and good business. We care for people, the environment, society, and our world. We attach great importance to thorough analysis in which material environmental, social and governance (ESG) aspects are considered as factors alongside financial factors in a holistic manner in our due diligence and investment process. We believe this helps us to make better-informed investments, and to prioritize areas where we can contribute to improvements and a positive outcome.

## 2. Definitions

The below definitions as formulated in the Regulation [EU] 2019/2088 of the European Parliament and of the Council on Sustainability-Related Disclosures in the Financial Services Sector apply to the terms used throughout the Policy.

<b>Do no Significant Harm</b>	A principle that seeks to ensure that actions that support environmental or social objective do not negatively impact other objectives.
<b>ESG</b>	Environmental, Social, Governance
<b>Exclusions</b>	The exclusion of certain sectors, companies, or products from investment portfolios/universe on the basis of established ESG/ethical criteria.
<b>Principle Adverse Impacts</b>	Negative impacts that an investment might have on Sustainability Factors as measured through indicators defined in SFDR.
<b>SFDR</b>	Sustainable Finance Disclosure Regulation: Regulation [EU] 2019/2088 of the European Parliament and of the Council on Sustainability-Related Disclosures in the Financial Services Sector.
<b>Sustainability Factors</b>	Environmental, social, and employee-related matters, respect for human rights, anti-corruption, anti-bribery matters.
<b>Sustainable Investments</b>	An investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.
<b>Sustainability Risks</b>	An environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

## 3. Application and scope

This Sustainable Investing Policy applies to all investments, funds, and discretionary mandates in BMC and scopes the guidelines for our sustainable investing framework.

## 4. Sustainable investing framework

Our sustainable investing framework contains our Sustainable Investing approach and our Sustainable Investing Council, as described below.

### 4.1 Sustainable Investing approach

Our Sustainable Investing approach applies to all our investments and contains the following four parts:

- a) ESG integration and focus on themes
- b) Stewardship and engagement
- c) Investment restrictions and exclusions
- d) Reporting and transparency.

## a) ESG integration and focus on themes

The investment team incorporates ESG data and sustainability information into the due diligence and investment process – as appropriate for our strategy and asset class – to identify and manage risks and opportunities in relation to the portfolio and/or underlying holding. Material ESG and sustainability aspects are considered as factors alongside financial factors in a holistic manner to help make better-informed investments, and to help prioritize areas where change, improvements, and a positive outcome can be achieved in the portfolio and/or underlying holding.

The investment team has access to ESG data and sustainability information which are useful for the specific investment strategy, asset class, due diligence, and ongoing monitoring. The information is leveraged from a variety of sources such as: Company disclosure; engagement with company management or government representatives; third-party research and data; and other publicly available information such as industry data and news.

The investment team is responsible for assessing the materiality of ESG data and sustainability information as appropriate for their strategy and asset class – including both risks and opportunities, and for acting as stewards of the assets entrusted to us by our clients.

The investment team is also guided by international standards and principles to assess good governance and identify potential violators of, for example: The UN Global Compact (UNGC); The OECD Guidelines for Multinational Enterprises and Corporate Governance; or The UN Guiding Principles on Business and Human Rights (UNGPs).

Specifically, the investment team considers ESG and sustainability information as signals and indicators of sustainability risks and principal adverse impacts in the portfolio and/or underlying holding:

### *Sustainability risk*

- We recognize that several ESG and sustainability aspects can carry negative consequences and pose actual or potential risks to our investments. Examples of such risks include but are not limited to environmental performance, climate change impact and energy transition, social aspects, supply chain management, corruption and fraud, community impact, governance and economic growth, or access to financing.
- The investment team is responsible for establishing and implementing measures within its due diligence procedure and/or investment process, to identify and manage sustainability risks which are material for the portfolios under its management. Details of the measures shall be described in the investment management instruction for each fund or discretionary mandate.

More information, please see **Annex 1: Integration of Sustainability Risk**.

### *Principal Adverse Impacts*

- We recognize that an unintended consequence of some of our investments may include levels of adverse impact on broader aspects. Examples of such broader aspects include but are not limited to social and environmental matters, labour and employee matters, respect for human rights, and anti-corruption matters.
- Our investment team is responsible for establishing and implementing measures within its due diligence procedure and/or investment process, in order to identify principal adverse impacts of investment decisions on sustainability factors and seek to address and mitigate them. Details of the measures shall be described in the specific investment management instruction for each fund or discretionary mandate.
- Principal adverse impact of investment decisions on sustainability factors are considered both on entity level and on a product level.

For more information, please see **Annex 2: Principal Adverse Impacts Statement**.

The investment team further applies a specific focus on SDG 5 Gender Equality and the promotion of UN Global Compact principles, which is implemented through our ongoing assessment of and active dialogue with our portfolio companies.

#### **b) Stewardship and engagement**

As an active asset manager, our team is engaged in the investments covering a range of ESG and sustainability aspects that are identified in the due diligence and investment process. Based on the investment team's thorough knowledge and understanding, constructive dialogues are initiated with company management, regulators, interest groups, government representatives or peers, seeking to:

- Promote environmental and/or social factors,
- Address and mitigate sustainability risks and principal adverse impacts, and/or
- Contribute to positive development and change.

Our investment team is responsible for establishing their engagement activities, which may come in the form of meetings, formal correspondence, conferences, and exchange of information. As we invest in publicly listed companies, we can exercise our ownership rights by voting at general meetings.

For more information, please see **Annex 3: Principles for Shareholder Engagement**.

#### **c) Investment restrictions and exclusions**

Our investment team adheres to investment restrictions regarding companies involved in weapons restricted under international conventions (i.e., cluster munitions, landmines, chemical and biological weapons, and nuclear weapons).

Our investment team may also exclude companies involved in unaddressed or verified breaches of norms such as the UN Global Compact (UNGC), The OECD Guidelines for Multinational Enterprises and Corporate Governance, or The UN Guiding Principles on Business and Human Rights (UNGP), and where constructive dialogue and engagement activities are assessed not to be fruitful.

In addition, we apply investment restrictions on the following products/sectors based on an established threshold of more than 5 % revenue from the specific product/sector:

- Alcohol, arms, fossil fuel, gambling, pornography, tobacco.

#### **d) Reporting and transparency**

We disclose our sustainable investing framework and provide sustainability-related information for each of our funds on our website. Our reporting complies with the EU regulations on sustainability-related information, which in summary requires transparency regarding:

- Sustainability risk policies (Article 3)
- Adverse sustainability impacts at entity level (Article 4)
- Remuneration policies in relation to the integration of sustainability risks (Article 5)
- Integration of sustainability risks (Article 6)
- Adverse sustainability impacts at financial product level (Article 7)
- Promotion of environmental or social characteristics in pre-contractual disclosures (Article 8)
- Sustainable investments in pre-contractual disclosures (Article 9).

We support voluntary frameworks and initiatives for responsible investment and responsible business, and as signatories to the Principles for Responsible Investment, the UN Global Compact, and Swesif, we report according to these frameworks.

#### 4.2 Sustainable investing council

The Sustainable Investing Council consists of Portfolio Managers, Chief Investment Officer, and Chief Sustainability Officer. It serves as a forum for coordination and collaboration across the different investment teams, while acknowledging each investment team's independence and autonomy.

The Sustainable Investing Council deals with critical issues related to sustainable investing, discusses trends, development, dilemmas, regulations, and agrees on joint initiatives and cooperation.

The Sustainable Investing Council evaluates the Sustainable Investing Framework (ESG integration, Stewardship & Engagement, Investment Restrictions & Exclusions, and Reporting & Transparency) and agrees on suggested changes or adjustments.

For an overview of our sustainable investing approach, please see **Annex 4: Overview of BMC's Sustainable Investing approach**.

### 5. Conflicts of Interest

BMC is aware that potential or actual conflicts of interests may arise as part of its shareholder engagement activities. Consequently, BMC has policies in place for the purpose of taking all reasonable steps to prevent conflicts of interests. Where such conflicts cannot be avoided, BMC will identify, manage, and monitor the conflicts and, where appropriate, disclose them to clients to prevent them from adversely affect the interests of the clients.

### 6. Follow-up and control

The Policy for Sustainable Investing has been adopted by the board of Brock Milton Capital AB.

The Policy is revised at least annually.

The following monitoring and control functions are set up:

- The CEO of BMC is responsible for this Policy.
- BMC's investment team is responsible for establishing and implementing specific investment management instructions for each fund and discretionary mandate under their management. This shall include consideration of sustainability risks, principle adverse impacts, and ESG matters in their investment and decision-making process.
- The CEO of BMC is responsible for ensuring that specific investment management instructions have been established by the investment team. The specific investment management instructions shall be adopted by the CEO.
- The CEO of BMC is responsible for ensuring that proper control measures are implemented to ensure compliance with this policy and the specific investment management instructions adopted by the company.
- The independent risk and compliance functions in BMC are responsible for monitoring adherence to this policy and the specific investment management instructions of each fund or discretionary mandate.

**Annex 1: Integration of Sustainability Risk**

**Annex 2: Principle Adverse Impact Statement**

**Annex 3: Principles for Shareholder Engagement**

**Annex 4: Overview of BMC's Sustainable Investing approach**

## Annex 1: Integration of Sustainability Risk

This information is provided in accordance with Article 3 of Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”).

This statement outlines how BMC integrates sustainability risk into its investment decision-making process. Sustainability risk is defined under the SFDR as *“an environmental, social or governance related event or circumstance that, if it occurs, would have an actual or potential significant negative impact on the value of the investment”*.

As outlined in BMC’s Sustainable Investing Policy, the investment team considers ESG and sustainability information as signals and indicators of sustainability risks and principal adverse impacts in the portfolio and/or underlying holding.

BMC recognizes that several ESG and sustainability aspects can carry negative consequences and pose actual or potential risks to our investments. Examples of such risks include but are not limited to environmental performance, climate change impact and energy transition, social aspects, supply chain management, corruption and fraud, community impact, governance and economic growth, or access to financing.

BMC is responsible for establishing and implementing measures within its due diligence procedure and/or investment process, to identify and manage sustainability risks which are material for the portfolios under its management. Details of the measures shall be described in the investment management instruction for each fund or discretionary mandate.

BMC has access to third-party data and information in support for the investment team’s process to:

- Identify and monitor sustainability risks.
- Manage and mitigate potential sustainability risks.
- Monitor the sustainability risk levels.

BMC’s sustainable investing framework enables the investment team to:

- Meet the regulatory requirements related to integration of sustainability risks in the investment process and assess the impact of the investment returns.
- Gain a better understanding of the quality of companies/issuers and how they manage and mitigates risks.
- Make better-informed investment decisions based on a holistic assessment of the investments.
- Meet the demands of clients regarding sustainable investing.

BMC’s procedures for integrating sustainability risk are embedded in the portfolio management instruction.



## Annex 2: Principle Adverse Impact Statement

Principal adverse impact is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. This statement describes how we seek to consider principal adverse impacts (PAI) of our investment decisions on sustainability factors, as per Article 4 of the SFDR.

In case of any inconsistency in translations of this statement, the English version will prevail.

### Description of principal adverse sustainability impacts

Several types of economic activity have the potential to impact various sustainability indicators, both positively and adversely. PAI indicators are a way of measuring how issuers negatively impact sustainability factors.

BMC seeks to manage the risk connected to potential adverse sustainability impact from our investments in several ways, including via screening criteria and monitoring of alleged violations of international standards. We monitor and evaluate a range of PAI indicators for investee companies. The PAI indicators currently monitored and evaluated for investee companies are outlined in below table.

Mandatory PAI Indicator		Metric
<b>Climate and other environment-related indicators</b>		
Greenhouse Gas Emissions	GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	Carbon footprint	Carbon footprint
	GHG intensity of investee companies	GHG intensity of investee companies
	Exposure to companies in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	Activities negatively affecting biodiversity- sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
<b>Social and employee, respect for human rights, anti-corruption, and anti-bribery matters</b>		

<b>Social and employee matters</b>	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or 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	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

<b>Additional PAI Indicators</b>		<b>Metric</b>
Climate and other environmental-related indicators	Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average.
Social and employee matters	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy.
Anti-corruption and anti-bribery	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nation convention against Corruption.

For investments in sovereign bonds, BMC monitors, evaluates, and reports the GHG Intensity.

### **Description of policies to identify and prioritize principal adverse sustainability impacts**

Subject to data availability, BMC monitors the selected PAI indicators for all managed assets, except for assets where data on PAIs is not available, on an ongoing basis using expert-data provider services. Issuers identified as outliers on specific indicators, or which exhibit high adverse impact across several indicators, are identified based on data acquired from expert-data providers and/or internal analysis. These issuers are subject to further analysis by expert-data providers, and relevant cases will be escalated to our investment team, who may decide to act in accordance with its investment strategy.

PAI data is also used by our investment team as input to their investment process.

### **Description of actions to address principal adverse sustainability impacts**

See above description.

### **Methodologies and data used to assess each principal adverse impact**

#### **ESG Safeguards**

Our sustainable investing framework comprises a baseline integration of ESG safeguards. The ESG safeguards consist of screening and/or exclusions, implemented across our product range to ensure the

portfolio meets a minimum standard irrespective of the individual portfolio's ESG profile.

### Principle Adverse Impacts monitoring

PAI monitoring is carried out using a third party-data service provider. The issuer's PAI indicator performance is assessed and ranked on their PAI indicator performance, both for individual indicators and overall.

The output of the total assessment and ranking results in a flag indicating the performance of each issuer. The issuers flagged for poor performance, either overall or on individual indicators, are then analysed by our investment team. For a given indicator, multiple data sources may be used. The indicator importance is prioritized according to parameters reviewed and maintained by our investment team.

These parameters consider various aspects, including data quality, data freshness and history, data coverage, aspects of the methodology of the data providers, the materiality of the indicator's subject matter, and divergence of indicator values.

The worst performing issuers, or "negative outliers" will be analysed by our investment team who will agree and decide on the appropriate action. Cases may also be triggered by internal analysis, based on information/data from other sources. The range of possible actions consist of the following:

**Engagement:** The issuer is identified as a candidate for an engagement case. This can be due to various reasons such as the issuer's PAI performance, either overall or on certain indicators, or low data coverage for the issuer compared to benchmark.

The investment team engages with the issuer and tracks performance after the engagement based on relevant PAI-related KPIs.

**Exclusion:** The issuer is deemed not eligible for investment and is excluded.

**No action:** The PAI indicator level of the issuer is deemed acceptable or judged not to reflect the actual ongoing performance of the company, and no further action is needed at this point. The issuer will continue to be assessed on an ongoing basis in deciding the appropriate action, the investment team considers, e.g., the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irreparable characteristics.

### Actions taken or planned in relation to PAI

We have an established framework for sustainable investing including ESG integration, stewardship and engagement, investment restrictions and exclusions, and reporting.

### Engagement policy summary

As an active asset manager, our team is engaged in their investments covering a range of ESG and sustainability aspects that are identified in the due diligence and investment process. Based on the investment team's thorough knowledge and understanding, constructive dialogues are initiated with company management, regulators, interest groups, government representatives, or peers, seeking to:

- Promote environmental and/or social factors,
- Address and mitigate sustainability risks and principal adverse impacts, and/or
- Contribute to positive development and change.

Our investment team is responsible for establishing their engagement activities, which may come in the form of meetings, formal correspondence, participation at conferences, and exchange of information. As we invest in publicly listed companies, we are also able to exercise our ownership rights by voting at general meetings. For more information, please see **Annex 3: Principles for shareholder engagement**.

## References to international standards

The application of PAI builds on the UN Sustainable Development Goals (SDGs) and relevant international conventions and norms, including, but not limited to: UN Global Compact; OECD Principles of Corporate Governance; OECD Guidelines for Multinational Enterprises; Universal Declaration of Human Rights; UN Guiding Principles on Business and Human Rights; Children's Rights and Business Principles; ILO conventions on labour standards; Rio Declaration on Environment and Development; UN Convention on Corruption; Convention on Cluster Munitions; Paris Agreement under the UN Framework Convention on Climate Change.

## **Annex 3: Principles for Shareholder Engagement**

BMC represents all clients and shareholders who use our services or invest in our funds and discretionary portfolios. In all matters related to our asset management and thereby ownership issues, we act exclusively in the interest of our clients. Since shares are an asset class that can be included in our asset management services, BMC generally can exercise voting and other rights associated with shareholding on behalf of our clients. Thus, BMC can have potential influence in a company and thereby influence governance in the direction we believe benefits our clients. BMC does not vote for shares included in discretionary portfolios, as stated in the engagement agreement.

The purpose of this document is to set out how BMC, as an asset manager, exercises its shareholder engagement, i.e., how we intend to use voting rights attached to the shares included in the relevant asset management services. This area should not be confused with corporate governance issues, which deal with the division of roles and responsibilities between owners, the board of directors and management.

### **Exercise of shareholder engagement**

#### **1. Monitoring, dialogue, and escalation**

BMC's investment decisions are generally based on company analyses that consider factors such as the company's business model, market position and development opportunities. The analysis assesses the company's strategy, financial and non-financial performance and risk, capital structure, environmental and sustainability performance, and corporate governance, among other things.

BMC collects information on the status and planned activities of the companies. With such information, we can assess whether the company is heading in the right direction or whether we believe we need to act. Information is obtained through company briefings, investor meetings, capital market days, external analysis, and directly from the companies.

In the ongoing monitoring process, we assess the risks that may arise from the investment. The outcome may mean that we consider that the most appropriate action is to engage in a dialogue directly with the company to influence the company's direction in the way that we believe is in the best interests of clients.

BMC considers on a case-by-case basis to increase its shareholder engagement; a so-called escalation procedure, which is done by directly contacting the company on specific matters and views or by exercising voting rights, if the company's response is not satisfactory, we may also choose to sell the holding.

BMC is an independent actor but shall consider cooperating with other shareholders where this is deemed appropriate and in the common interest of the shareholders.

#### **2. The Annual General Meeting**

The Annual General Meeting (AGM) is the highest decision-making body of the company, where shareholders have the right to exercise their influence by exercising their voting rights. BMC shall normally vote at the annual general meetings of companies where BMC has significant fund holdings, and otherwise at meetings deemed essential for other reasons. Participation in annual general meetings is exercised in person, or through voting by proxy in accordance with the voting instructions provided by BMC. Voting rights shall be used solely for the benefit of the fund and shall be used in the manner deemed to be in the common interest of the shareholders. Any shares lent by BMC will be recalled in good time before the AGM if BMC is to participate.

#### **3. Board of Directors**

BMC shall exercise its owner governance without the requirement of having its own board representation, in cases where board member position would impede effective management.

#### **4. Nomination committees**

Where it is justified or possible based on the volume of shares held to participate in nomination committees, BMC may decide to participate. BMC will then work to ensure that each company has a well-composed board in terms of independence, competence, diversity, and gender balance, and will work to ensure that a nomination process is carried out prior to appointment of new members. BMC shall also make efforts to ensure that proposals for new board members are supported by arguments, and that the principles by which the nomination committee works are made transparent.

#### **Conflict of interest**

BMC recognizes that potential or actual conflicts of interest may arise as part of our investment team's shareholder engagement. BMC has therefore established guidelines to take all reasonable steps to prevent conflicts of interest. If such conflicts cannot be avoided, BMC will identify, manage, and monitor the conflicts and, if necessary, inform the customers about them to prevent them from adversely affecting the customers' interests.

#### **Remuneration to senior executives**

BMC's view is that the remuneration of senior executives of portfolio companies should be market-conforming and aimed at promoting long-term sustainable returns for shareholders. Remuneration programs must contain a clear link between performance and requirements and be reported in the annual report. Proposals for remuneration programs must be discussed with the company's major shareholders well in advance of the AGM.

#### **Communication**

The principles of shareholder engagement are subject to annual review. A report on how the principles have been applied will be published annually on the BMC website: [www.bmcapital.se](http://www.bmcapital.se).

#### **Shareholder Engagement Officer**

The person responsible for ownership issues is appointed by the CEO of BMC. The person responsible for ownership issues shall report annually to the Board on the application of the BMC Shareholder Engagement Principles.

## Annex 4: Overview of BMC's Sustainable Investing approach

Fund	Sustainable investing approach																	Sustainable Finance Disclosure Requirement (SFDR)				
	ESG Integration			Stewardship & Engagement		Transparency & Reporting	Thematic focus				Investment restrictions & exclusions											
	Consider sustainability risks	Consider PAIs	Measure CO2 emissions	Dialogue and active ownership	Voting	Reporting of sustainable investing approach	Good governance	SDG Contribution	Global Compact	Gender Equality	Banned weapons (APM, CM, biological, chemical)	Unaddressed, verified breaches of norms, eg. UN Global Compact	Alcohol	Arms/weapons	Fossil fuel	Gambling	Norm breach	Pornography	Tobacco	Article	Promotion of environmental or social characteristics in pre-contractual disclosures	Sustainable investments in pre-contractual disclosures
BMC Global Select	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	8	X	X	X
BMC Global Small Cap Select	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	8	X	X	X