

Statement for investment decision's adverse impacts on sustainability factors

1 Summary

Skandia Fonder AB, (LEI HCKGI8GZLTSBG0RGP548), acting as Investment Manager for Thule SICAV-SIF, considers main adverse impacts on sustainability factors in our investment decision-making process. This means that we take into account a number of indicators that have been set out in the EU Sustainability-Related Disclosure Regulation ("EU Sustainability-related Disclosures") in the funds' management process. Skandia Fonder takes into account statutory indicators for negative impacts regarding, among other things, the environment, climate, social conditions and human rights. In addition, we consider additional indicators that we consider relevant and material to provide a broader picture of how an investment affects or is affected by sustainability factors. This work is described in section 2 below. We will report for the fiscal year 2022 on how we consider each of the indicators of main adverse impacts and what implemented or planned measures have been implemented in relation to these by 30 June 2023.

Skandia Fonder's sustainability analysis is a central and important part of the work to consider the main negative consequences. An important result of the work is to identify and prioritize which investments we consider incompatible with sustainable development, which are summarized in the funds exclusion lists. Skandia Fonder's policy on responsible investments, including our positions that guide dialogue with companies and in our internal work, constitute our policies for how we identify and prioritise sustainability indicators. This work is described in particular under section 2.2 below. Skandia Fonder's policy on responsible investments also forms the basis for how we analyse and make decisions to opt-in, opt-out and try to influence investments. This strategy, together with other measures we take to consider negative impacts on sustainability factors, is further described in section 2.3.

Our positions are based on international norms such as the UN Declaration of Human Rights, the ILO's fundamental conventions on human rights at work, the Rio Declaration on Environment and Development and the UN Convention against Corruption. These are reflected in the UN Global Compact and the OECD guidelines for multinational companies, which we expect the funds we invest in to follow. Our aim is for the funds in which we have ownership interests to be able to manage the risks and opportunities associated with sustainability, in order to create good returns and value for our customers and society at large. Our advocacy work and our expectations of the funds we invest in are described in section 3 below.

2 Skandia Fonder's work with the adverse impacts on sustainability factors

2.1 Generally

Skandia Fonder's sustainability analysis is a central and important part of our asset management process. This includes analysing, identifying and managing the material sustainability risks of investments and mitigating negative impacts on sustainable development. In the EU Regulation on sustainability-related disclosures, sustainability factors are defined as; "environmental, social and employee issues, respect for human rights and the fight against corruption and bribery". Investments that do not take these sustainability factors into account are considered to have negative consequences that counteract sustainable development, which is why Skandia Fonder has chosen to consider such sustainability factors.

Skandia Fonder's policy on responsible investments as well as the Fund's PPM governs the way in which the work to take into account the main negative consequences of our investment decisions are to be conducted. The policy was adopted by Skandia Fonder's Board of Directors on 11 October 2023 and is based on our positions that develop Skandia Fonder's view of various material sustainability factors, our expectations of the companies and other issuers in which we invest, and how the assessments are applied in our investment strategy when we select, exclude and influence investments. Positions in the policy are introduced into the business with the help of steering documents (PPM).

2.1.1 Funds considering adverse impacts on sustainability factors

Negative consequences for sustainability factors are taken into account only for Thule Infrastructure Co-Investment Fund I (since launch 15 Nov 2022). This is due to the lack of available and reliable data in the unlisted space, investor appetite as well as lack of available stock that is likely to meet the requirements. A regular review of the ability to consider negative consequences for sustainability factors is done at least once a year. Should this change in the future, the disclosure on the website of the investment manager and other relevant documents will be updated accordingly.

2.2 Strategies to identify and prioritize main negative impacts

In its efforts to identify the main negative consequences of our investments, Skandia Fonder takes into account a number of statutory indicators when conducting our sustainability analysis in connection with the management of the funds. The statutory indicators have been set out in the EU Regulation on sustainability-related disclosures and are used as a yardstick to assess whether an investment has a negative impact on sustainability factors. In addition, we supplement these statutory indicators with more sustainability indicators that we think are relevant and material to provide a broader picture of how an investment affects or is affected by sustainability factors. We will report on how we consider all indicators going forward.

Skandia Fonder's sustainability analysis, including the choice of indicators, is adapted to the asset class of the investments and with regard to the sustainability risks that are material for the investment's operations. When selecting indicators for the investment in question, we also strive to take into account the probability of negative impacts materializing, the severity of the consequences that may occur and whether the negative impacts are those that cannot be reversed if they occur. With regard to our funds' investment policy and permitted asset classes, Skandia Fonder only takes into account indicators relating to investments in investee funds as well as state and supranational entities, since according to the PPM the funds do not invest in direct real estate, which constitutes the last category of indicators.

We prioritise taking into account the sustainability indicators that are in line with our positions, but often consider more indicators that, depending on the sector in which the investment takes place, may be material for an overall assessment of the sustainability risks of the investment. Important sustainability risks within the various sustainability factors are described in sections 2.2.1 and 2.2.2 below. It can be noted in particular that we have a strong focus on contributing to the UN's 17 global sustainability goals and a climate transition in line with the Paris Agreement. See also our position on climate change.

We believe that the business community has a great opportunity to drive the development of a more environmentally friendly industry and to develop new environmentally adapted solutions. We are aware of the risks associated with climate change and we therefore advocate reduced energy use and thus reduced greenhouse gas emissions. Other environmental aspects to consider include water use, chemical use, deforestation (for example linked to palm oil) and impact on biodiversity. Environmental issues are important for all companies and industries, but extra important for companies in, for example, the forest industry, agriculture, the chemical industry, extraction of oil, gas and minerals as well as energy-intensive industries, such as steel and power.

Skandia's goal is to gradually reduce its exposure to companies or investments that extract oil and gas, as well as power producers with a high proportion of fossil fuels in their energy mix. We then gradually exclude investments that do not show sufficient willingness or ability to transform their operations in line with the goals of the Paris Agreement.

We want the funds/companies we invest in to strive to reduce their negative environmental impact and encourage the development and dissemination of environmentally and climate-adapted solutions. This applies to both the fund's/companies' direct and indirect environmental impact, i.e. both in their own operations (so-called scope 1 and 2 emissions) and with suppliers, partners and users (so-called scope 3 emissions). Our expectations of developed and systematic environmental work are greatest for those companies whose operations have a significant environmental impact or that operate in ecologically sensitive areas, with operations in or near areas with water scarcity, high biodiversity or otherwise ecologically sensitive areas particularly exposed to environmental risks.

For the above reasons, the funds do not invest in fund/companies that extract coal for energy purposes and other funds/companies in the fossil energy sector that are deemed to have significant challenges in transforming their operations in line with the Paris Agreement's two-degree target.

2.2.2 Social and personnel matters, respect for human rights, anti-corruption and anti-bribery issues

Social and personal factors

Tobacco is a global public health problem with scientifically proven health risks for individuals who consume these products. Lung cancer, cardiovascular disease and chronic obstructive pulmonary disease (COPD) are the most high-profile problems and involve both suffering for the individual and large costs for society through sick leave and loss of production. For these reasons, the funds do not invest in funds/companies that produce tobacco. The funds also do not invest in funds/companies involved in cannabis for recreational use and we have a very restrictive attitude towards fund/companies involved in medical cannabis.

Respect for human rights

Human rights are universal and apply to everyone. They state that all people, regardless of country, culture and context, are born free and equal in dignity and rights. Companies have the opportunity to influence human rights in a positive direction and increase prosperity in the countries and societies in which they operate, but they also run the risk of contributing to human rights violations. This can be done either through purchasing, production and sales or through partnership and financing. Examples of human rights violations that companies risk being involved in are child labor, forced labor or trafficking, the use of excessive force by hired security guards, restrictions on freedom of expression and trade in conflict minerals. Other risks include forced displacement of communities with insufficient compensation, land grabbing, restrictions on the livelihoods of vulnerable groups (such as indigenous peoples) and activities in occupied territories that consolidate the power of the occupier.

The UN supports the right of nations to defend themselves in the event of armed attack, which justifies the arms industry. On the other hand, there is no support for the use of weapons of mass destruction, weapons that cause unnecessary suffering or act indiscriminately and do not distinguish between military and civilian targets. For Skandia Fonder's investments, the following weapon categories are defined as controversial weapons:

- cluster munitions, anti-personnel mines, nuclear, chemical and biological weapons.

For the above reasons, the funds do not invest in funds/companies that are involved in systematic and serious violations of human rights and international law, without showing a willingness to change. Furthermore, the funds do not invest in funds/companies involved in controversial weapons for these reasons.

Fight against corruption or bribery

Our view is that a high level of business ethics benefits the fund's/companies' long-term competitiveness and success. For the individual fund/company, corruption can undermine effective governance and lead to decisions being made on the wrong grounds. From a broader perspective, corruption and cartels can damage the functioning of the free market and undermine democracy, thereby hindering economic, social and political development. The trend towards stronger regulations also places increasing demands on funds/companies, while shortcomings in funds/companies' anti-corruption work can entail high costs in the form of fines and exclusion from future procurements. For these reasons, the funds do not invest in funds/companies that are involved in systematic and serious corruption or bribery without showing a willingness to change or in states that are systematically corrupt.

2.3 Measures with regard to main negative impacts

2.3.1 Opt in, opt out, influence

The work to identify and prioritize the main negative consequences results in measures that result in Skandia Fonder selecting, opting out of and influencing our funds' investments.

We select funds/companies with a positive impact on sustainability factors based on our proprietary sustainability model, which analyzes investments based on two sustainability dimensions; the extent to which the investee's products and services contribute to the UN Sustainable Development Goals and the Paris Agreement (what) and how well the investee manages sustainability-related risks and opportunities in its operations (how). Selecting investments with a positive impact on sustainability factors is a particular priority in our funds with a sustainability focus, where Skandia Fonder strives to primarily make investments in operations or organizations that work for the environment and society and that environmental or social characteristics should be decisive when choosing the fund's investments.

We exclude companies with a negative impact on sustainability factors based on the negative consequences identified in our sustainability work. Fund/companies that are excluded for investment are presented in Skandia Fonder's exclusion list, which at any given time is available on Skandia Fonder's website. The fund's PPM also contains product-specific information on which sustainability indicators each fund considers when opting out of investments.

Skandia Fonder also influences companies by conducting dialogues about expectations, voting at general meetings or, if our ownership allows, also participating in nomination committees. See section 3 below for more information about our overall advocacy work. More information about our work to consider sustainability factors can also be found in our Sustainability Report for 2022. Reference to the said report can be found under section 4 below.

For the type of financial instruments in which Thule invests, Skandia has little opportunity to engage in direct corporate influence with the underlying holdings. However, as mentioned, we have a close dialogue with the manager with whom we invest, regarding issues that arise in our ESG analysis of the investment object.

2.3.2 Follow-up and ongoing analysis

For Skandia Fonder's UCITS and alternative investment funds, the relevant fund manager reviews all investments, both prior to an investment and during the holding period, based on selected sustainability indicators. The analysis is done using our proprietary sustainability model, where the managers for the UCITS funds have access to data from external analysis providers, primarily ISS ESG and Sustainalytics, and information from Skandia's sustainability analysts. Skandia's sustainability analysts and portfolio managers also continuously evaluate the internal analysis model and our exclusion lists together with Skandia Fonder and the funds' managers.

We believe that sustainability factors can represent both financial risks and opportunities. Therefore, our managers work with sustainability factors as an integral part of the investment process and consider these when they are financially material. The consideration of sustainability indicators, and measures to address them, differs depending on the manager and fund. Differences may arise, for example, in light of the fund's level of sustainability (i.e. whether the fund invests responsibly or applies specific sustainability criteria in its management and thus has a "sustainability focus"), the fund's investment policy or other decisive factors. The measures planned for each fund can be found in a special appendix to the funds', PPM and on Thule's website.

Skandia Fonder will annually report on the implemented or planned measures that are implemented with regard to both statutory and additional sustainability indicators.

3 Sustainability in ownership work

3.1 Engagement strategies

We expect the funds/companies we invest in to comply with international norms and conventions. If we identify shortcomings in a fund's/company's sustainability work, we initiate advocacy work where possible. Our main strategy is to remain as owner and try to influence the fund/company in a more sustainable direction, but in some cases the influence activities do not lead to an acceptable solution. In this case, the investments are sold (if possible) until the fund/company has taken sufficient measures. An advocacy dialogue can, for example, be about the fund's/companies' work to reduce emissions,

respect trade union rights or prevent corruption, that is, to reduce their negative consequences for sustainability factors. By asking questions about the fund's/companies' sustainability work, they are challenged to develop their work and have an awareness of sustainability factors.

Our advocacy work includes several types of activities and can be summarized as below:

- **Reactive impact** in cases where we have identified shortcomings in a fund's/company's sustainability work, for example in the form of an incident.
- **Proactive influence** in cases where we identify improvement opportunities in a fund's/company's sustainability work or as part of our investment analysis. For our UCITs funds, we prioritize the companies where we are major owners for proactive influence.
- **Voting at general meetings and participation in nomination committees/advisory committees.**
- **Thematic impact** is a form of proactive influence where several funds/companies are addressed simultaneously in areas that we have deemed particularly important, such as climate, health or the promotion of the UN's 17 Global Sustainability Goals.

More information about Skandia Fonder's overall advocacy work can be found in our report Corporate impact 2022. See also separate report for Skandia Fonder's Annual General Meeting 2022. For references to these reports, see section 4.

3.2 References to international standards

Skandia Fonder supports, through its parent company that has signed the UN Principles for Responsible Investment, the UN PRI (Principles for Responsible Investment) and the UN Global Compact. Both our corporate governance work and our other responsible investment work are based on this initiative. We also work to ensure that the companies we invest in comply with international conventions and agreements on the environment, human rights, working conditions, corruption and controversial weapons. The funds/companies in which Skandia Fonder has direct shareholdings or other exposure, for example through fixed income securities, are therefore expected to take responsibility for people and the environment and to have good corporate governance.

Funds/companies should openly and transparently report on their sustainability work and follow the principles of the following frameworks and guidelines:

- FN:s Global Compact
- OECD:s Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Task Force on Climate-related Financial Disclosures (TCFD), an international initiative that aims to promote society's climate transition by working to ensure that companies and other actors make clear climate-related financial information about their operations available.

These frameworks and guidelines are in turn based on international conventions, including:

- UN Convention on the Rights of the Child
- UN Universal Declaration of Human Rights
- ILO core conventions
- Conventions on bribery and corruption
- International environmental conventions

Several of the above-mentioned frameworks and guidelines are used as indicators in Skandia Fonder's work to consider negative consequences for sustainability factors, see more under section 2.2.2 above. To check whether the funds/companies comply with conventions and standards, we review all of our holdings regularly, both internally and with the help of external research firms that can provide relevant data. In cases where the review catches violations, we initiate advocacy work, either on our own, in collaboration with other actors or through external analysis firms.

4 Other information

Facts and history of the document

Legal entity identification codes LEI HCKGI8GZLTSBG0RGP548

Date of publication 24 May 2023

Date of last update 17 Nov 2023

References

References to relevant policies Skandia Fonders policy om ansvarsfulla investeringar

References to international standards Normer och konventioner

References to initiatives Externa initiativ och organisationer som Skandia stödjer

Position on climate change Ställningstagande – miljö och klimat