Sustainability-related disclosures

CNI Advisory AB

Execution Version 2021-03-01

Approved by: The board of directors in March 2021 and last reviewed June 2022

1. General dispositions

CNI Advisory AB, corporate registration number 559154-1189 ("**Manager**" or "**AIFM**") manages alternative investment funds ("**Funds**" or "**AIF**") for the purpose of making investments in-line with an investment policy and adheres to the Alternative Investment Fund Manager Directive (2011/61/EU) ("**AIFMD**") and the Swedish Act *Lag (2013:561) om förvaltare av alternativa investeringsfonder* ("**AIFM Act**") and the European Venture Capital Funds Regulation (EU 345/2013) ("**EuVECA**"). The Manager is registered with the Swedish Financial Supervisory Authority as EuVECA manager. In accordance with the legal and regulatory requirements under the Regulation on sustainability-related disclosures in the financial services sector (EU) 2019/2088 ("**SFDR**"), the Manager provides with this document transparency regarding the integration of sustainability risks in its processes as well as sustainability-related information of its financial products.

2. Applicable regulations

- Regulation on sustainability-related disclosures in the financial services sector (EU) 2019/2088
- European Venture Capital Funds Regulation (EU 345/2013)
- Alternative Investment Fund Manager Directive (2011/61/EU)
- Swedish Act *Lag (2013:561) om förvaltare av alternativa investeringsfonder*

3. Purpose of the disclosure document

The Manager recognises that climate change, diversity, human rights, business ethics and corporate governance are concerns of humankind. Therefore, the Manager incorporates these aspects into its managerial practices when acting in the best interest of its investors. This includes adequate due diligence prior to all investment decisions as well as an ongoing assessment of all financial and non-financial risks including sustainability related risks. This document discloses and provides transparency on the Manager's integration of sustainability risks. It is for the information of external stakeholders and investors, to help them understand what the Manager seeks to achieve. Information about the Manager's handling of sustainability risks can also be found in the Fund's pre-contractual disclosures to ensure uniform protection of investors and enable them to make informed investment decisions. The Manager's investment decision-making process is documented and linked to its best practice policy and due diligence procedure. The Manager has also aligned its remuneration policy to avoid the encouragement of, or omitting, sustainability risk taking. All documents have been updated in accordance with this policy. This document gives a description of:

(i) the manner in which sustainability risks are integrated into the investment decision; and

(ii) the results of the assessment of the likely impacts sustainability risks can have on the return of the investment.

Overall, the Manager aims to reduce risks and impacts of climate change, strengthening risk management and aligning strategies with the priorities of all beneficiaries and stakeholders. Third parties or stakeholders have no right to rely on the Manger's policies, nor does the Manager accept any duty of care or liability in relation to the interpretation and application of them. While the Manager seeks to ensure that these policies are met, it cannot control all actions taken, or not taken, by its portfolio companies. If the Manager discovers that a portfolio company acts outside the Manager's policies, it will request that it remedies the situation and unless satisfactory actions have been taken, the Manager may exit the holding.

3.1 Identification

Sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Environmental, social and governance risks often go beyond legal requirements and sustainability risks are arising across all sectors of the economy. If addressed it can help to adapt to a changing environment, avoid future losses of an investment and define business success in a long-term context. For the identification of sustainability risks the Manager takes all commercially reasonable steps to analyse:

(i) sustainability risks impacting the portfolio; and
(ii) the impact of the portfolio on sustainability.

3.1.1 List of sustainability risks

The Manager has identified sustainability risks that can impact the portfolio as well as the portfolio's impact on sustainability, in the below non-exhaustive list:

CNI identified sustainability risks		
Environmental issues	**Social issues**	**Governance issues**
• Carbon Emissions	• Labour Practices	• Board Diversity
• Water Management	• Human Rights	• Management Diversity
• Waste Management	• Community Involvement	• Compensation Policies
• Biodiversity	• Diversity	• Risk Management
• Deforestation	• Data Protection and Privacy	• Shareholder Engagement
• Air and Water Pollution	• Customer Satisfaction	• Competitive behaviour
• Energy Efficiency	• Customer Welfare	
• Extreme weather	• Digital inequality	

Potential negative impact on the portfolio	If addressed, positive impact on portfolio
→ Company's performance and market value;	→ Enhanced brand and reputation;
→ Financial, legal and reputation;	→ Improved risk management;
→ Loss of social / regulatory license to operate;	→ Customer retention/increased market share;
→ Increased regulation;	→ Preserve licence to operate;
→ Penalties/fines as a result of breaches;	→ Products/services;
→ Supply chain practises;	→ Improved access to capital;
→ Increasing operation costs (e.g., energy, material)	→ Increased and sustained shareholder value
Potential negative impact of portfolio on sustainability	**If addressed, positive impact of portfolio on sustainability**
→ Waste of resources;	→ Better resource handling;
→ Poor labour and human rights practices;	→ Enhance human and intellectual capital (employee attraction and retention);
→ Increased inequality;	→ Improved operational efficiency;
→ Less innovation;	→ Enhanced industry norms and promoting innovation
→ Less competitive	

The Manager acknowledges that some sectors bring different sustainability risks than others, as presented in the indicative sustainability risk matrix in Annex 1.

3.2 Integration of sustainability risks in investment decision process

The consideration of sustainability risks is not only important for risk management, but also for the long-term value creation of the portfolio. At its investment decision the Manager conducts a due diligence check including a risk assessment. Part of this risk assessment is a negative screening, where the

Manager excludes investments in companies which it does not wish to finance. The negative screening will exclude certain companies, sectors, or geographies that are seen as particularly risky; do not meet standards or are below industry averages for particular ESG factors. This ensures that the portfolio is tilted towards undertakings with higher ESG quality. The ***negative screening*** will always exclude investments into:

- Environmental:
    - "Heavy industries" e.g., mining, nuclear or oil and gas;
    - Practises harming the life for future generations;
- Social:
    - "Sin industries" e.g., alcoholic beverages, defence, tobacco companies, gambling/casino operators, pornography, addictive products, certain pharmaceutical companies, certain medical procedures;
    - Poor labour and human rights practises;
    - Poor diversity practises;
    - Poor data protection and privacy practises;
- Governance:
    - Unethical business practices e.g., tax avoidance or fraud.

For long-term value creation, the Manager includes ESG factors in its fundamental analysis of investments to ensure all growth aspects of its investments. Potential portfolio undertakings with strong performance on ESG-related factors (e.g., when the portfolio undertaking sets sustainability-related business priorities) are considered to be value creating.

The Manager considers especially the governance factor as crucial, since investments are typically characterised by ownership shares in portfolio undertakings with limited regulatory oversight (unlisted shares). Therefore, the Manager aims to take board seats or engages in dialogues with management, which also includes discussions on how to mitigate certain ESG issues (e.g., by increasing ESG performance) and improve performance of the portfolio undertaking.

3.3 Impact assessment

Sustainability risks can cause an actual or a potential material negative impact on the value of the investment i.e., a potential loss of some or all its value. In its risk assessment, the Manager avoids overexposure to certain industries sensitive to environmental, social or governance pressures. Portfolio companies are assessed on how well they take care of their natural surroundings, pay attention to the wellbeing of their employees, the wider environment in which they operate and how changing consumer ethics can impact their business model. The Manager's sustainability risk assessment aims to quantify the risk so that a clear picture of expected damage emerges. The Manager will in its due diligence assess risks on:

(i) their expected magnitude (i.e., degree of impact); and
(ii) the likelihood of their impact.

When a risk is identified, the Manager rates the potential impact to prevent any adverse effects. Three risk levels (high, medium, and low) ensure appropriate measures to be taken by the Manager with high risks requiring an action plan to rectify and closely monitor the risks post-investment. In its overall portfolio management, the Manager aims to balance the material impact of risks and avoid an overweight of similar risks.

3.4 Renumeration policy

The Manager has put procedures in place that address the *removal of any direct link between the remuneration* of persons principally engaged in one activity and the remuneration of, or revenues generated by, different persons principally engaged in another activity, where a conflict can increase or disregard any impact of sustainability risks.

3.5 Monitoring

The Manager maintains and regularly updates its due diligence documentation, which includes sustainability risks. The Manager ensures that:

(i) on a yearly basis, procedures are reviewed in order to assess whether they are up-to-date and effective;
(ii) on a regular basis, any sustainability risks are identified and reviewed.

3.6 Documentation

Employees of the Manager update and, in case of changes or reassessments, fill out the due diligence documentation of each portfolio undertaking of the applicable Fund. The frequency depends on the agreed terms and conditions of the Funds managed. Reporting on the performance of the portfolio is at least done annually and with that reporting the Manager conducts performance checks and assessments of each portfolio holding.

4. Principal adverse impacts

The Manager is considering with all commercially reasonable means sustainability risks, however, hereby informs that it does not consider principal adverse impacts in its investment decisions. For reasons of proportionality concerning its operational size, the Manager is not measuring principal adverse impacts which would require mandatory disclosure on a set of common indicators considering scope, severity, probability, and potential of materialising. The Manager has no internal sustainability specialist or external market research providers conducting such work. Furthermore, given the governance structure of unlisted shares, the Manager has insufficient data available and cannot provide data i.e., to ensure comparability of those impacts to its investors.

5. Review of the policy

The ESG disclosure policy and the procedures in place are reviewed on a yearly basis by the Manager. Should the Manager find that the aforementioned procedures of this policy are insufficient, it will take all commercially reasonable steps to ensure that it acts in the best interests of the Funds and its investors. The Manager will update this document and keep it accessible on http://www.cninordic.com. Where no update is required, this policy will be applied consistently over time.

Attachments to this policy:
Annex 1 – Sustainability risk matrix

Last update: -

Annex 1

Sustainability risk matrix						
Dimension	Issue	Tech	Fintech	Healthcare	Leisure	Consumer
Environment	Carbon Emissions					
	Water Management					
	Waste Management					
	Biodiversity					
	Air and Water Pollution					
	Energy Efficiency					
	Extreme Weather					
Social	Labour Practices					
	Human Rights					
	Community Involvement					
	Diversity					
	Data Protection and Privacy					
	Customer Satisfaction					
	Customer Welfare					
	Digital Inequality					
Governance	Board Diversity					
	Management Diversity					
	Compensation Policies					
	Risk Management					
	Shareholder Engagement					
	Competitive Behaviour					