

# Policy for Responsible Investments

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## 1 Purpose and Objectives

Lannebo Fonder AB (hereinafter referred to as Lannebo or the fund company) is an independent fund company focused on active management within selected areas. Lannebo's primary objective is to generate the highest possible risk-adjusted returns for our unit holders, while simultaneously promoting positive societal and environmental development.

To ensure that we align our investments with long-term sustainable development, we have implemented a Policy for Responsible Investment. This policy serves as a guiding framework that outlines how we integrate sustainability into our investment process and active ownership practices. It applies to all Lannebo's funds and reflects our commitment to generating long-term risk-adjusted returns while contributing to sustainable development in the companies we invest in.

Lannebo has policies and processes to ensure the companies in which we invest meet the sustainability requirements established by the fund company, including principal adverse impacts (PAI), and effectively manage sustainability risks in the investment decisions. As a responsible investor we actively engage in ownership-related matters to drive improvements in companies' sustainability practices.

## 2 Summary

Lannebo is an active manager dedicated to investing in companies with long-term sustainable business models. This refers to companies with strategies, practices, and operations that are designed to create value not only in the short term but also in the long run while considering environmental, social, and governance factors, both internally and externally. Such companies are often characterized by their innovative and beneficial products, robust control systems to manage the external impact, measurable sustainability goals, ambition to be an industry leader within sustainability, and well-developed strategies for sustainable growth.

To identify these companies, the portfolio managers integrate sustainability risks and opportunities into their investment decisions through comprehensive company analysis. Before making any investment, we conduct a sustainability analysis to identify, assess, and

mitigate the fund's sustainability risks. This analysis, based on Lannebo's proprietary model, ensures that our investments align with our exclusion criteria, enhances our understanding of the companies and their impact on sustainability, and identifies companies with long-term sustainable business models.

As part of our efforts to reduce sustainability risks and negative impacts, Lannebo applies an exclusion strategy. We exclude companies operating in sectors and activities that we deem to have significant negative effects on society, where an investment would be associated with substantial negative environmental or social consequences or undesirable sustainability risks. By implementing clear exclusion criteria, we incentivize companies to develop their operations in a more sustainable direction. Our exclusions encompass controversial weapons, alcohol, tobacco, cannabis, gambling, weapons, pornography, and fossil fuels. Furthermore, we exclude investments in companies that systematically violate international norms and conventions or are subject to international sanctions. These exclusions align with Lannebo's investment philosophy, which prioritizes long-term sustainable business models. Detailed exclusion criteria can be found on our website.

As a significant investor, Lannebo possesses the opportunity to influence companies in a more sustainable direction. We seize this opportunity by engaging with company managements. Through our sustainability analysis and continuous monitoring, we identify areas for engagements and actively influence these companies. By communicating our expectations and requirements as responsible investors, we provide valuable guidance to companies, assisting them in navigating and improving their management of sustainability risks and opportunities. We believe that this approach is an effective means of making a real impact and fostering positive change as responsible investors.

### 3 Definitions

This policy aligns the definition of sustainability terms with EU regulations.

**Sustainability risks** refer to environmental, social or governance event or conditions that, if they occur, could have an actual or potential materially negative impact on the value of an investment.

**Sustainability factors** encompass environmental, social and employee matters, respect for human rights, as well as anti-corruption and anti-bribery matters. These sustainability factors are used to assess the principal adverse impacts of investment decisions.

**Principal adverse impact (PAI)** is any impact of investment decisions that results in a negative effect on sustainability factors. PAI encompasses a predefined set of indicators outlined by the European Commission, which are utilized to assess and disclose these negative effects.

**Responsible investment strategies** refer to:

- integrating environmental, social and governance factors into our investment processes, including both sustainability risks and principal adverse impacts, a concept commonly referred to as “double materiality”.
- acting as a responsible owner, engage with our investee companies to ensure their alignment with our expectations regarding sustainable business practices and adherence to international norms.
- excluding companies that are engaged in sectors and activities that we deem to cause significant adverse effects on society, where an investment would be associated with substantial negative environmental or social consequences or associated with an undesirable sustainability risk.

**Sustainable investments** refer to investments that contribute to an environmental or social objective, without causing significant harm to any other objectives, and adhering to good governance practices.

#### 4 Responsibility and Allocation of Responsibilities

This policy is subject to review and approval by the CEO of Lannebo at least once a year. The outcomes of the fund company’s efforts in governance and responsible investments are reported to the board of the fund company annually and on an ongoing basis to the CEO. The CEO bears overall responsibility for ensuring Lannebo’s adherence to this policy and regulatory requirements. Additionally, the CEO is accountable for establishing any supplementary policy documents required for the implementation of this policy.

The head of sustainability is responsible for annually updating this policy and overseeing its implementation within the fund management operations. The head of sustainability is also

responsible for coordinating sustainability-related initiatives and reports to the chief investment officer, the CEO, and the Board.

All fund managers and employees involved in investment decisions or ownership-related matters are responsible for integrating sustainability into their investment decisions and active ownership, according to this policy.

Lannebo's sustainability council consists of the management group, the corporate lawyer, and the sustainability team. The council provides support in external monitoring, development of methods and processes to implement this policy and regulatory requirements, prioritization and monitoring of companies with significant sustainability risks, company dialogues, and decisions related to exclusions. The head of sustainability leads these efforts.

## 5 Principles for Responsible Investments

Making responsible investments is an essential aspect of fulfilling our fiduciary duty. It involves integrating sustainability risks and opportunities into our investment decisions and active ownership practices, thereby considering the broader impact of our investments. By recognizing the long-term significance of sustainability as a driver of change in markets, countries, and companies, we evaluate potential investments based on their environmental impact, social responsibility, and governance practices. Integrating sustainability factors means going beyond short-term financial gains and considering the broader impact of our investments. This approach allows us to make well-informed investment decisions that align with our unit holders' values and have the potential for both favorable returns and positive contributions to society and the environment.

This section outlines the methods and strategies employed for responsible investments, which are applicable to all our funds.

### 5.1 Integration of Sustainability into the Investment Decision

Lannebo's portfolio managers integrate environmental, social, and governance factors into their investment decisions. Before making an investment, the responsible portfolio manager ensures that the investment aligns with Lannebo's

exclusion criteria, followed by a thorough sustainability analysis. This analysis is a fundamental component of the comprehensive company evaluation process that forms the investment decisions. The sustainability analysis serves three key purposes:

1. to evaluate the extent to which companies align with the fund's environmental and social characteristics, such as adhering to good governance practices,
2. to identify companies with long-term sustainable business models by assessing their exposure to sustainability-related risks and the effectiveness of their risk management practices, and
3. to assess the companies' impact on environmental, social and employee matters, respect for human rights, as well as anti-corruption and anti-bribery matters, referred to as principal adverse impacts (PAI).

The portfolio managers hold the responsibility of conducting the sustainability analysis and integrating its findings into the investment decision-making process. The sustainability analysis encompasses various factors, such as the company's greenhouse gas emissions and whether it has established scientifically based emission reduction targets, ensuring good working conditions, adherence of human rights, senior executive remuneration, and the risk of corruption. The outcomes of the sustainability analysis provide the fund managers with valuable insights into environmental, social, and governance considerations. This analysis is carried out for all investments, encompassing both equities and fixed-income securities.

The sustainability analysis results in an assessment of the company, which must meet specific criteria to be included in the fund. The fund holdings undergo continuous evaluation, and divestment may occur if a company fails to meet certain criteria.

## 5.2 Active Ownership

We recognize that effective stewardship is a critical aspect of responsible investment and plays a vital role in promoting long-term value creation, managing risks, and fostering sustainable business practices. Our stewardship activities involve active engagement with the companies in which we invest, advocating for good corporate governance, and promoting responsible business practices. This engagement efforts are executed through three key strategies:

1. Participating in nomination committees
2. Voting at general meetings
3. Company dialogues, which can be proactive, reactive, or thematic and are conducted individually or collaboratively

These stewardship activities inform and influence our investment decision-making process. By engaging with companies, we gain valuable insights into their strategies, governance practices, and ESG performance. This information is considered alongside financial analysis to assess the overall quality and long-term sustainability of potential investments. We believe that companies with robust governance structures, transparent reporting, and strong ESG performance are more likely to generate sustainable returns over time.

These strategies are outlined in Lannebo's Principles for Shareholder Engagement, which also highlight commitment to the effective functioning of the capital market, governance practices, and the fund industry. Regardless of the strategy employed, the goal is to improve both profitability and sustainability in the portfolio companies while preventing negative consequences for the environment and people. These strategies enable Lannebo to gather important information for informed decisions-making and comprehensive risk assessments.

### **Identification and Prioritization**

Proactive dialogue holds significant importance in Lannebo's active ownership role, aiming for continuous evolution and improvement in the companies while upholding our ambitions, commitments, and exclusion criteria. Engagement dialogues are identified and prioritized through:

- weak areas in the sustainability analysis,
- principal adverse impacts (PAI), or
- Lannebo's focus areas: climate, human rights, and corporate governance.

If sustainability incidents occur within our portfolio companies, we initiate reactive dialogues to address the issue, unless our involvement is considered to have minimal impact.

Engagement dialogues are primarily conducted individually with companies, particularly within the Nordic region. However, we also collaborate with global

investors to expand our reach to more companies and geographical markets, fostering knowledge sharing and establishment of industry standards. These dialogues cover diverse aspects of companies' operations, providing deeper insights into their challenges, opportunities, and business models.

Lannebo also actively contributes to the development of evolving regulations and industry standards, aiming to promote sustainable value creation and a green economy. Collaborations with industry organizations further facilitate knowledge sharing and the advancement of industry-wide standards.

### Escalation Strategies

Our primary strategy is to remain as owners and exert influence towards a more sustainable direction. However, if our set goals for an investment cannot be achieved, actions such as voting against board proposals, collaborating with other investors, or divesting holdings may be taken. Our goal is always to resolve issues through dialogue and minimize the need for such actions.



### 5.3 Focus Areas and Objectives:

#### Climate and Transition to a Low-Carbon Economy

Lannebo is committed to aligning our investment practices with the objectives of the Paris Agreement. Our aim is to contribute to limiting global warming to 1.5 degrees Celsius and achieving net-zero emissions by 2050. Climate change poses one of the most significant threats to the global economy and the overall well-being of life on our planet. As such, it brings specific risks to the companies we invest in, including physical risks, political actions, and changing consumer behaviors aimed at reducing global carbon emissions (transition risk).

#### Objective

By the year 2040, our target is for 100 percent of the portfolio companies operating in sectors with significant climate impact to have established science-based targets. By 2030, we strive for at least 50 percent of our portfolio companies to have adopted science-based targets. This proactive approach



demonstrates our dedication to driving sustainable change and promoting the transition to a low-carbon economy.

Lannebo also expects companies exposed to climate risks to:

- have a climate strategy aligned with the purpose and objectives of the Paris Agreement,
- integrate climate risks into their risk management process, have environmental management systems (EMS) as ISO 14001 or similar for collecting and following up on environmental data which has also been review by a third party, and
- report in line with TFCDs recommendations.

### **Human Rights**

Protecting human rights is not only a legal obligation and the responsibility of governments but also encompasses the potential impact of companies on the management of human rights. Various areas come into focus, such as modern slavery, discrimination, workplace security and health, and freedom of association. We expect companies to uphold and manage human rights not only within their own operations but also throughout their value chains. In addition to complying with local laws, regulations, and business practices, companies should adhere to international norms regarding the environment, human rights, working conditions, and anti-corruption measures. These norms are outlined in various frameworks, including the ten principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) conventions.

#### Objective

100% of all investments must respect and adhere to international norms and conventions.

Lannebo recognizes the value of diversity in the composition of companies' board of directors. We emphasize the importance of having board members with diverse competencies, experiences, and backgrounds. To actively promote inclusivity and equal opportunities, Lannebo has established a target of achieving gender-balanced boards. By prioritizing inclusion and diversity, Lannebo seeks to create a corporate environment that not only respects and upholds human rights but also

benefits from the wealth of perspectives and expertise that diverse board members bring. We believe that a diverse board enhances decision-making, fosters innovation, and contributes to sustainable business practices. Moreover, promoting gender equality aligns with our commitment to promoting equal opportunities and addressing societal imbalances.

#### Objective

A minimum representation of 40% for the underrepresented gender on the boards.

#### **Exercise of Ownership to Promote Sustainable Value Creation**

Lannebo expects companies to:

- integrate and develop sustainability into governance, operations, and business model,
- provide essential sustainability data alongside financial data,
- contribute to the transition towards a more sustainable, inclusive, and low-carbon economy, for instance by supporting the UN Sustainable Development Goals, and
- drive investments and research in areas that support this transition.

## 5.4 Exclusions

Lannebo applies an exclusion strategy for companies that are engaged in sectors and activities that we deem to cause significant adverse effects on environment or society, where an investment would be associated with substantial negative environmental or social consequences or associated with an undesirable sustainability risk. These sectors include controversial weapons, alcohol, tobacco, cannabis, gambling, weapons, and pornography. As part of our commitment to addressing climate change, we have also made the decision to exclude investments in fossil fuels (oil, coal, gas, oil sand). Additionally, Lannebo excludes investments in companies that systematically violate international norms and conventions or are subject to international sanctions. These exclusions align with Lannebo's investment philosophy, which prioritizes long-term sustainable business models. Detailed criteria for exclusions can be found on the fund company's website.

### Thresholds for Exclusion Criteria

Exclusion	Production (percentage of revenue)	Distribution (percentage of revenue)
Tobacco	0%	5%
Cannabis	5%	5%
Alcohol	5%	5%
Gambling	5%	5%
Pornography	0%	5%
Weapons	5%	5%
Controversial weapons	0%	0%
Fossil fuels	5%	E/T

### Norms- and product-based screening

Lannebo monitors and performs norms-based and product-based screening of all holdings to ensure compliance with the exclusion strategy. These screenings allow us to identify any holdings that may not align with our responsible investment approach. If an incident is detected, it is assessed by Lannebo's sustainability team, who then provide recommendations to the fund managers. Severe incidents are brought to the sustainability council, comprised of the management team, for a final decision. In response to incidents, actions may include initiating a company dialogue or considering exclusion from the portfolio. However, if the incident has already been resolved by the company or is deemed immaterial, no further action may be required.

## 5.5 Environmental and social characteristics

Lannebo promotes environmental and social characteristics by integrating sustainability risks in the investment process. The funds promote:

- That portfolio holdings integrate sustainability in their business model and strategies as well as aiming to meet the purpose and objectives of the Paris Agreement.
- That portfolio holdings adhere to good governance practices.
- Exclusion of companies involved in violations of international norms and conventions on the environment, human rights, working conditions and business ethics.
- Exclusion of companies involved in controversial activities or activities with a significant negative climate impact.

## 5.6 Framework for sustainable investment

Lannebo has established a framework for sustainable investments in accordance with Article 2.17 of the EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"). To be considered a sustainable investment by Lannebo, an investment must meet three criteria:

1. The sustainable investment must contribute to an environmental or social objective. Lannebo's sustainable investments contribute to the UN Sustainable Development Goals (SDGs) and/or the EU Taxonomy. Lannebo assesses whether the investments meet the criteria for substantial contribution of any environmental or social objective in the sustainability analysis.
2. The sustainable investment must not cause significant harm to any other environmental or social objectives. Lannebo ensures that sustainable investments do not cause significant harm to other environmental or social objectives through our proprietary sustainability analysis and by excluding companies that are assessed to have a significant negative impact on the environment and society.
3. The sustainable investment must adhere to good governance practices. Lannebo has adopted a policy to assess the practices of good governance in the investments. The policy includes an obligation to review that the companies have

sound management structure and employee relations. Additionally, Lannebo reviews the companies' compensation structures for relevant personnel and compliance with tax regulations.

Lannebo applies a pass-fail approach in assessing each investment according to this framework.

## 5.7 Due diligence of principal adverse impacts

Principal adverse impacts on sustainability factors refer to the negative consequences that investments can have on sustainability factors. Lannebo considers principal adverse impacts on sustainability factors in investment decisions and has identified the following potential adverse impacts on sustainability in accordance with Annex 1 of the EU regulation, SFDR.

### 1. Indicators from table 1

- 1.1. GHG emissions (Scope 1, 2, 3 and total)
- 1.2. Carbon footprint
- 1.3. GHG intensity of investee companies
- 1.4. Exposure to companies active in the fossil fuel sector
- 1.5. Share of non-renewable energy consumption and production
- 1.6. Energy consumption intensity per high impact climate sector
- 1.7. Activities negatively affecting biodiversity-sensitive areas
- 1.8. Emissions to water
- 1.9. Hazardous waste ratio
- 1.10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- 1.11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- 1.12. Unadjusted gender pay gap
- 1.13. Board gender diversity
- 1.14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons, and biological weapons)

## 2. Indicators from table 2

### 2.1. Exposure to companies without carbon emission reduction initiatives

## 3. Indicator from table 3

### 3.1 Insufficient whistleblower protection

Lannebo employs a risk-based analysis approach, taking into account the likelihood and severity of PAIs, including potential irreversibility. Companies with negative PAI indicators undergo further analysis, which may result in additional actions. The head of sustainability is responsible for implementing processes related to the identification, prioritization, and monitoring of PAI indicators.

## 6 Monitoring

Lannebo continuously monitors the portfolio companies. This is done through our first line of defense control by the portfolio managers' ongoing monitoring of the portfolio holdings and regular dialogue with the portfolio companies, enabling monitoring of any events that may have implications for the funds' sustainability strategy. Additionally, Lannebo has control mechanisms through second and third lines of defense control functions: the sustainability team, the risk management function, the compliance function, and the internal audit function, which review and monitor Lannebo's compliance with the sustainability criteria applied by the funds.

## 7 Cooperation and Initiatives

In 2013, Lannebo demonstrated the commitment to responsible investing by signing the United Nations Principles for Responsible Investment (PRI). This initiative promotes the integration of environmental, social, and governance factors into investment processes and active ownership practices. Lannebo actively participates in numerous prominent organizations and initiatives, including Swesif, Eurosif, EFAMA, Swedish Investment Fund Association, Institutionella ägares förening (IÄF), Institutional Investor Group Climate Change (IIGCC), Transition Pathway Initiative (TPI), Tobacco-free Finance, and Investor Alliance for Human Rights. Additionally, Lannebo adheres to the principles set forth by the Swedish

Corporate Governance Code and takes into account the guidelines outlined in the UN Global Compact. By being part of these esteemed entities and following recognized frameworks, Lannebo demonstrates its commitment to responsible investment practices and upholds global standards for sustainability and corporate governance.

## 8 Reporting and Transparency

This policy will be made publicly available on the website of the fund company, ensuring transparency and accessibility. The sustainability-related information of the funds can be found on the fund company's website, as well as in the prospectus and annual reports. In addition, Lannebo's annual sustainability report, included in the annual report, provides a comprehensive overview of the fund company's sustainability-related initiatives. Lannebo also utilizes PRI's reporting tool to report on its sustainability efforts, further enhancing its commitment to responsible investment practices.