

Statement on principal adverse impacts of investment decisions on sustainability factors

26 June 2024

Financial market participant: BLS Capital Fondsmæglerselskab A/S (254900VGW6POFMVTTU76)

Sammenfatning (English below)

BLS Capital Fondsmæglerselskab A/S (LEI-kode: 254900VGW6POFMVTTU76) (Selskabet) tager hensyn til de væsentligste negative indvirkninger (Principal Adverse Impacts, PAI) af sine investeringsbeslutninger på bæredygtighedsfaktorer.

Denne erklæring om de vigtigste negative indvirkninger på bæredygtighedsfaktorer omfatter referenceperioden fra den 1. januar til den 31. december 2023.

Selskabets "Politik for integration af bæredygtighedsrisici og ansvarlige investeringer" og "Politik for Aktivt Ejerskab" understøtter denne erklæring, og sætter rammen for Selskabets arbejde med bæredygtighed og bæredygtighedsrelaterede risici, når Selskabet investerer på vegne af sine medinvestorer gennem managed accounts, fonden Global Equities LLC eller Kapitalforeningen BLS Invests afdelinger.

Udover de obligatoriske PAI-indikatorer for investering i investeringsmodtagende virksomheder, har Selskabet valgt også at rapportere på de supplerende PAI-indikatorer: "4. Investeringer i virksomheder uden initiativer til reduktion af CO2-emissioner" fra Skema 2 og "9. Manglende menneskerettighedspolitik" fra Skema 3 i EU Kommissionens delegerede forordning (EU) 2022/1288.

I 2022 implementerede Selskabet EU SFDR's bestemmelser i sin investeringspraksis og kommunikation til medinvestorer og omverdenen. Som en del heraf er datagrundlaget for tage hensyn til de væsentligste negative indvirkninger af investeringsbeslutningerne blevet vurderet, og Selskabet har besluttet at basere denne erklæring på PAI-data fra analyseselskabet MSCI.

Selskabet screener halvårligt sine investeringer på baggrund af data og research fra MSCI for at sikre, at porteføljevirkhederne agerer i overensstemmelse med FN Global Compacts principper for klima og miljø, menneske- og arbejdstagerrettigheder og anti-korruption.

For de fleste PAI-indikatorer, der indgår i tabellen nedenfor, angives værdier, der dækker over 90% af den investerede kapital i investeringsporteføljerne. Selskabet vurderer, at dækningen og datakvaliteten giver en tilstrækkelig beskrivelse af de væsentligste negative indvirkninger på bæredygtighedsfaktorer af Selskabets investeringsbeslutninger. Selskabet har identificeret en risiko for, at metoden angiver lavere værdier for selskabernes negative indvirkninger på bæredygtighedsfaktorer, end hvad tilfældet reelt er, da der for enkelte PAI-indikatorer er identificeret mangler og nul-indberetninger i data fra dataleverandøren og fra porteføljevirkhederne. Dette kan medføre unøjagtigheder i de rapporterede værdier og kommenteres kort i tabellen nedenfor.

I 2023 påbegyndte Selskabet stikprøvevis kontrol af kvaliteten af tredjepartsdata ved at sammenholde denne med data fra porteføljevirkhederne. Målet er at bidrage til en bedre datakvalitet, der skal understøtte så fyldestgørende og retvisende rapportering som muligt. De foretagne stikprøver i 2023 gav ikke anledning til anmærkninger ift. datakvaliteten fra tredjepart.

Summary (Danish above)

BLS Capital Fondsmæglerselskab A/S (the “Company” or “BLS Capital”) considers the principal adverse impacts (PAI) on sustainability factors of its investment decisions.

This statement on the principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

The Company’s “Policy for Integration of Sustainability Risks and Responsible Investments” and “Stewardship Policy” support this statement and set the framework for the Company’s work on sustainability and sustainability-related risks when the Company invests on behalf of its co-investors through managed accounts solutions, the fund Global Equities LLC, and the sub-funds in the AIF structure Kapitalforeningen BLS Invest.

In addition to the applicable PAI-indicators for investments in investee (portfolio) companies, also chosen to report on the additional indicators: “4. Investments in companies without initiatives to reduce CO2 emissions” from Table 2 and “9. Lack of human rights policy” from Table 3 in the EU Commission’s delegated regulation (EU) 2022/1288.

During 2022, BLS Capital implemented the EU SFDR’s provisions in its investment practice and communication to co-investors and the general public. As part of this, the data utilised for considering principal adverse impacts on sustainability of the investment decisions has been assessed. BLS Capital has decided to base its principal adverse impact statement on data from the research company MSCI.

BLS Capital bi-annually screens its investments with data and research from MSCI to ensure that portfolio companies act in accordance with UN Global Compact principles in the areas of climate and environment, human- and labour rights and anti-corruption.

On most PAI-indicators, that are listed in the table below, the reported values, represent more than 90% of the investment portfolios’ capital. BLS Capital believes that this coverage and data quality provides an adequate description of the most significant negative impacts on sustainability factors of the Company’s investment decisions. BLS Capital has identified a risk that the methodology provides lower values for the investee companies’ adverse impact on sustainability factors, than their actual adverse impacts, due to the fact that for specific PAI-indicators are identified deficiencies and zero reporting in the data from the data provider as well as the investee companies. This may lead to inaccuracies in the reported data which is briefly commented in the below table.

During 2023, the Company performed sample controls of third-party data by comparison with available information from portfolio companies. The aim is to contribute to an improved data quality that leads to an as adequate and complete reporting as possible. The spot-checks performed in 2023 did not give cause for concern in relation to the quality of third-party data.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	2023	2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period.	
Climate and other environment-related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	27.384 ton CO2e	22.707 ton CO2e	Increase in assets under management roughly corresponds to increase in emissions	Monitor third party data quality.
		Scope 2 GHG emissions	80.630 ton CO2e	63.455 ton CO2e		Monitor third party data quality.
		Scope 3 GHG emissions	850.009 ton CO2e	632.868 ton CO2e		Monitor third party data quality.
		Total GHG emissions	956.903 ton CO2e	722.868 ton CO2e		Monitor third party data quality.
	2. Carbon footprint	Carbon footprint	125 ton/mio. EUR	124 ton/mio. EUR	N/A	Monitor third party data quality.
	3. GHG intensity of investee companies	GHG intensity of investee companies	432 ton/mio. EUR	439 ton/mio. EUR	N/A	Monitor third party data quality.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	N/A	Monitor third party data quality.
	5. 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	56,0%	64,8%	N/A	Monitor third party data quality.
	6. 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	A:0,00 B:0,00 C:0,11 D:0,00 E:0,00F :0,00G:	A:0,00 B:0,00 C:0,14 D:0,00 E:0,00 F:0,00G:	N/A	Monitor third party data quality. Indicator that is likely to contain inaccurate data,

			0,06 H:0,02 I:0,00	0,01 H:0,00 I:0,00		that will be tested in 2023 if possible.
Biodiversity	7. 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	13,1%	0%	Companies have only begun to disclose in 2023. There was no disclosure in 2022	Monitor third party data quality.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	0	N/A	Monitor third party data quality. Indicator that is likely to contain inaccurate data, that will be tested in 2024 if possible.
Waste	9. 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	0,02	0,2	N/A	Monitor third party data quality.
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. 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	0%	0%	N/A	Monitor third-party data quality and alignment with screening research.
	11. 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	0%	24,6%	The remaining companies have adopted policies to comply with demand.	Monitor third-party data quality and alignment with screening research.

		Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	18%	15%	Increased coverage. from 27% to 71% of companies. No longer only best in class companies reporting gender pay gap.	Monitor third-party data quality and alignment with screening research.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	40,6%	38,3%	N/A	Monitor third-party data quality and alignment with screening research.
	14. 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	0%	0%	N/A	Target not to invest in companies involved in the manufacture or selling of controversial weapons.
Indicators applicable to investments in sovereigns and suprationals						
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	N/A	Not applicable given investment universe of BLS funds.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A	N/A	Not applicable given investment universe of BLS funds.
Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil	N/A	N/A	N/A	Not applicable given investment universe of BLS funds.

		fuels.				
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets.	N/A	N/A	N/A	Not applicable given investment universe of BLS funds.
Additional indicators for principal adverse impacts on sustainability factors						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	16,7%	27,9%	More companies have taken initiatives and adopted policies	Monitor third-party data quality.
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	0%	0%	N/A	Monitor third-party data quality and alignment with screening research.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

BLS Capital’s policy to identify and prioritise principal adverse impacts on sustainability factors is constituted by the Company’s “Policy on the integration of sustainability risks and responsible investments”.

The Company’s Board of Directors review this policy annually. It was last approved in February 2024. The policy is implemented in the investment process under the Company’s CEO’s responsibility and supervision.

BLS Capital identifies and prioritises principal adverse impacts on sustainability factors through an ongoing screening and monitoring of the investment portfolios. BLS Capital receives information from MSCI’s ESG research that is integrated into the investment decisions.

Additionally, and due to the Company’s focused investment strategies and philosophy, the Company continuously conducts due diligence on all portfolio companies. Due diligence is based on information from e.g., the portfolio companies themselves, media, stakeholders, and investment research from third party providers.

The purpose of maintaining a high level of due diligence on all portfolio companies is to make informed investment decisions that, among others, take principal adverse impacts on sustainability factors into account. Portfolio companies that are in breach of BLS Capital’s policy or who have an unacceptable adverse impact on sustainability factor(s) which is not adequately mitigated will either be excluded from the investment portfolios or will not be considered for new investments. The probability of occurrence and severity of principal adverse impacts, including their potentially irremediable character are factors that, if not mitigated, increases the likelihood of exclusion from the investment portfolios.

BLS Capital expects limitations and a margin of error in the calculated data in this statement. In general, high quality ESG data and data supporting the PAI indicators is still in an early stage of maturity and

availability of data may contribute to the margin of error in the accuracy of this statement. BLS Capital therefore continues to monitor the data quality and perform sample controls of data quality and the reporting methodology of the third-party provider.

Engagement policies

BLS Capital's policy to engage on principal adverse impacts on sustainability factors is constituted by the Company's "Stewardship Policy".

The Company's Board of Directors approves this policy at least annually. It was last approved in February 2024. The policy is implemented in the investment process under the Company's CEO's responsibility and supervision.

The purpose of the Company's Stewardship Policy is to protect and promote the value creation in the portfolio companies by acting as a long-term co-owner that engages in dialogue with the portfolio company managements and votes on all annual and extraordinary general meetings.

To that end, BLS Capital will also raise its concerns if principal adverse impacts on sustainability factors develop in an unfavourable way. It is instrumental to BLS Capital to engage actively in dialogue with portfolio companies to stay informed.

International standards

BLS Capital's policy to identify and prioritise principal adverse impacts on sustainability factors is constituted by the Company's "Policy on the integration of sustainability risks and responsible investments".

This Policy provides a framework for considering responsible investment, social responsibility, ESG factors, and sustainability risks in BLS Capital's investment and decision-making processes. The Company provides discretionary portfolio management in accordance with global norms as defined in the UN Global Compact. These principles form the basis of BLS Capital's controversy screenings and ESG risk assessments. These assessments also translate into the Company's considerations of principal adverse impacts on sustainability factors.

BLS Capital's assessments build on third party screening and ESG research from MSCI and supplementary inhouse assessments that are integrated into investment decisions and portfolio monitoring. If portfolio companies breach BLS Capital's "Policy on the integration of sustainability risks and responsible investments", BLS Capital will engage with the specific company and find assurance that the company takes the necessary steps to rectify the violation, or it could eventually lead to a disinvestment, or the company will not be considered as a potential candidate for a portfolio company. It is BLS Capital's ambition that all portfolio companies' principal adverse impacts on sustainability factors should be analysed.

BLS Capital does not integrate forecasts or forward-looking scenarios – also when it comes to climate change - in its assessments and decision-making regarding portfolio companies. The Company applies a fact-based approach to its assessments and decision-making.

Historical comparison

BLS Capital have as previously indicated included a historical comparison in 2024 when reporting on PAI-indicator performance from 2023.