Stabelo Asset Management AB

POLICY FOR THE INTERGRATION OF SUSTAINABILITY RISKS AND DUE DILIGENCE

____

For final approval by the Board of DIRECTORS of STABELO ASSET MANAGEMENT AB (the "Company") at the Board meeting the 19 March 2021

1 BACKGROUND

1.1 Introduction

Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (the "Disclosure Regulation") entered into force on 10 March 2021. The Disclosure Regulation is part of the European Commission's action plan for the financing of sustainable growth and the objectives include ensuring transparency and openness on sustainability-related issues.

The regulation states that financial market participants and financial advisers must act in the best interests of end-investors, including, but not limited to, the requirement to perform an appropriate due diligence prior to investments being made. Recital 12 to the Disclosure Regulation states that in order to fulfil its regulatory obligations, financial market participants and financial advisers should integrate into their processes, including due diligence, not only all relevant financial risks, but also all relevant sustainability risks that could have a significant adverse impact on the financial return of an investment or on the advice provided, and that such risks are to be continuously evaluated.

As a result, Stabelo Asset Management AB (the "Company") has established and adopted the following policy for the integration of sustainability risks/due-diligence policy.

2 FINANCIAL PRODUCTS AND FINANCIAL INSTRUMENTS

2.1 The Company manages only one fund, Stabelo Fund I that invests in conservative Swedish residential mortgages with a maximum LTV of 60% at origination. There is no active management of the Fund, but investments are governed by a strict investment policy (the "Credit Policy") that requires approval from 90% of invested capital to be changed. The main role of the fund manager is to ensure that all investments are in fulfilment with the Credit Policy.

The Credit Policy dictate that the Fund only should invest in sustainable mortgages that offers both financial and social returns to its investors. Our investment policies and practices are rooted in our Policy for Responsible Investments that also defines the essence of sustainable mortgages. The Company's philosophy of sustainable mortgage investing focuses on five objectives:

1) Support homeownership – home ownership is a key path to savings and wealth-building for many. Connecting borrower with lender is an established way to ease the path to home

ownership. It is important to aspire to provide attractive and fair mortgage products also to customer groups that are inadequately serviced by the overall bank community that is dominating the Swedish mortgage market.

2) Promote responsible lending - it is crucial that borrowers are not put at added risk of financial distress or burdensome debt load. Borrowers should be able to service and repay their debt without distress.

3) Fair and transparent mortgage products – simple and transparent mortgage products that borrowers understand enhance their ability to make overall sound financial decisions.

4) Climate change – incentivising borrowers to make investments to increase the energy efficiency of their homes will protect them and lenders against transition risks associated with reaching the goals set out in the Paris Agreement.

5) Financial crime prevention – through strong anti-money laundering processes, Stabelo Asset Management participates in the fight against financial crime and the financing of terrorism.

3 INTEGRATION OF SUSTAINABILITY RISKS

3.1 Sustainability risk refers to an environmental, social or governance-related event or circumstance which, if it were to occur, would have an actual or potentially significant adverse impact on the value of the investment ("sustainability risk").

3.2 The Company thus considers in the concept of sustainability risk those risks that are identified and related to the environment and climate, human rights and working conditions, diversity and gender equality, as well as transparency. Transparency and openness are a prerequisite for a sustainable process, which also includes how the Company decides to consider sustainability risks when choosing investment objects.

3.3 There is no active management of Stabelo Fund I, but investments are governed by the strict Credit Policy that requires approval from 90% of invested capital to be changed. Sustainability risks have been identified by Stabelo Group's strategic leadership team and taken into consideration when regulating what types of mortgages that Stabelo Fund I can invest in. The risks are analysed based on whether they are judged to have an actual or potentially significant adverse impact on the value of the investment over time should the risk arise. The main role of the fund manager is to ensure that all investments are in fulfilment with the Credit Policy.

3.4 Risks related to the environment and climate are identified in line with Task force on Climate-related Financial Disclosure's ("TCFD's") approach. In the process of identifying the most relevant sustainability risks impacting the fund's portfolio assets the World Economic

Forum's global risk reports for 2020 and 2021 that identify risks threatening the global community based on probability and consequence have also been used.

The sustainability risks that the Company concludes to be most relevant due to highest probability of occurring in the short to medium term combined the highest impact on the financial performance of the portfolio are:

- Risks of increased costs of living for borrowers in energy inefficient homes due to policy changes to drive climate transition to be able to deliver on Sweden's ambitious emissions targets in line with the goals of the Paris Agreement which might decrease borrowers credit worthiness.

- Risks caused by changes in consumer behaviour resulting from increased awareness of the impact of climate change and / or increased costs associated with energy inefficiency. In such a scenario one could expect the value of energy inefficient properties to decrease.

- Acute climate-related risks due to increased severity of extreme weather changes such as storms, heat and flooding that could damage or destroy the properties underlying the mortgages in the portfolio.

- Risks to some portfolio assets caused by raising sea levels. Properties situated close to the coastline and certain river mouths are especially exposed to raising sea levels caused by melting ice sheets and glaciers as well as expansion of seawater as it warms. The level of risk exposure varies by region.

3.5 Social and socioeconomic risks have been identified by looking at the World Economic Forum global risk reports for 2020 and 2021 that identify climate risks and socioeconomic risks based on probability and consequence.

3.6 The conclusion is that although the financial impact on the portfolio because of certain social-related events occurring such as a collapse of social security systems, structural mass unemployment and loss of workers' rights in Sweden would be severe, the likelihoods of such events occurring in the short to medium term are relatively low.

3.7 The fund only invests in mortgages with strong focus on consumer protection and responsible lending as outlined above under 2.1. We aim to influence the best practices in the overall Swedish mortgage market to make it stronger. A well-functioning mortgage market is a critical part of the local and global economy. A healthy degree of competition and access to a wide range of alternatives in the mortgage market will benefit customers and safeguard a well-functioning marketplace. Furthermore, increasing the diversity of mortgage financing available outside the banking system will support financial stability. This has proven to be especially true in times of stress in the banking system.

3.8 The management of the Company’s fund integrate sustainability risks into investment decisions made by the Company's fund manager thus evaluating and analysing the investment objects and taking into account any risks associated with sustainability. The risks are analysed based on whether they are judged to have an actual or potentially significant adverse impact on the value of the investment over time should the risk arise. The company carries out the analysis internally and it is in part based on data collection, as well as communication with relevant experts.

3.9 Based on the results of the analysis carried out by the Company in accordance with the above, the Company's fund manager decides on whether to make an investment or not. In the decision, the Company makes a determination if the sustainability risk would arise. Therefore, the risk of a potential or actual adverse impact on the fund is also weighted in terms of returns that may be affected by the risk. The risk is analysed on the basis of probability and consequence, where the possible actions of the investment objects are also considered. It is the actual or potential adverse impact on the value of the investment that is the guideline for the choice of investment object.

4 IDENTIFICATION AND DESCRIPTION OF ADVERSE IMPACTS ON SUSTAINABILITY

4.1 Adverse impacts on sustainability factors refer to factors that may have an adverse impact on sustainable development. Sustainability factors are defined in the Disclosure Regulation as environmental, social and employee matters , respect for human rights, anti-corruption, and anti-bribery matters.

4.2 The Company has decided to take principal adverse impact on sustainability factors into account when making investment decisions and has thereby identified the following potential adverse impacts regarding sustainability.

Adverse environmental impacts on sustainability factors:

- High greenhouse gas emissions
- High energy consumption from non-renewable energy

Adverse social and personnel-related impacts on sustainability factors:

- Negative socioeconomic consequences arising because of unsustainable levels of debt carried by Swedish households.

Adverse impacts for human rights and combatting corruption and bribery:

- Occurrence of borrowers using the proceeds for activities outside the legal framework.

4.3 The company works with three methods for integrating principal adverse impacts on sustainability factors in the investment process. These consist of 1) selection, 2) opting out, and 3) influencing.

4.4 The Company never invests in certain operations that are judged to have adverse impacts on sustainability factors by their very nature. Such exclusions exist in the Company's management of the fund. The activities that are continuously excluded are:

- Cluster bombs
- Anti-personnel mines
- Chemical and biological weapons
- Nuclear weapons, weapons and/or munitions
- Pornography
- Fossil fuels (oil, gas, coal)
- Coal
- Tobacco
- Commercial casino operations
- Alcohol
- Extraction of tar sand, thermal coal and/or palm oil

5 PRIORITIZATION OF ADVERSE IMPACTS

5.1 The Company has chosen to prioritise the principal adverse impacts on sustainability factors stated in section 4.2. In addition to the principal adverse impacts identified in section 4.2, investment decisions can have adverse impacts on other sustainability factors. The Company has assessed that the stated principal adverse impacts on sustainability factors shall be prioritised on an equal basis and at the same level where no sustainability factor is prioritised higher than the other. This means that investment decisions shall always be assessed in relation to the identified principal adverse impacts in section 4.2 so that none of the principal adverse impacts shall exist when investment decisions are made.

6 MEASURES

6.1 The Company takes measures to ensure that it does not contribute, by way of its investment decisions, to adverse impacts on sustainability factors. Such measures include measuring the portfolio's carbon footprint. This provides the Company with an in-depth understanding of the investment objects' environmental and climate impact at any given point in time.

6.2 The Company also exercises effective influence by engaging in the investment objects in which the funds invest. As part of that work, the Company seeks to influence the investment objects in matters of climate and energy efficiency.

6.3 In addition, the Company excludes investments in certain operations which by their very nature have adverse impacts on sustainability factors, see section 4.4 above.

7 CODE OF CONDUCT AND INTERNATIONAL STANDARDS ETC.

7.1 The Company is a signatory of the UN Principles of Responsible Investment ("PRI") since 2019 and supports the UN's view that incorporating ESG factors in the investment process will enhance returns and enable the Company to better manage risks. Fundamentally, Stabelo believes that lending practices that do not make the customers' wellbeing a top priority is imprudent and not sustainable. Lending practices that have a lax approach towards customer long-term affordability and financial robustness will ultimately have a negative impact on credit quality of the mortgage assets financed by investors. Furthermore, we believe that a mortgage offering should fair and easy to understand without hidden costs and agendas. This enhances borrowers' ability to make sound financial decisions. Many mortgage providers use the practice of bundling offers where the true costs of the packaged deal are poorly disclosed.

7.2 The Company invests in "green mortgages" as defined by the Energy Efficient Mortgage Initiative ("EEMI") and Climate Bonds Initiative ("CBI"). The Company has been an official member of EEMI since 2020.

8 WEBSITE PUBLICATION

8.1 Pursuant to Article 3 of the Disclosure Regulation, the Company shall publish on its website information regarding its policies for the integration of sustainability risks in its investment decision process.

8.2 Furthermore, Article 4 of the Disclosure Regulation stipulates that the Company is to maintain and publish information on its website regarding how the Company describes the principal adverse impacts on sustainability factors that are to be taken into account in the investment decision process etc.

8.3 It is the duty of the CEO to ensure that the abovementioned information is published and, if necessary, updated.

9 UPDATING AND AMENDING THIS POLICY

9.1 This policy shall be reviewed regularly at least once a year or more frequently as required.

9.2 A review shall be carried out prior to the Company investing in a new type of asset or in a new region where special adverse impacts on sustainability factors may be identified.

9.3 Changes to the policy shall be approved and adopted by the Company's Board of Directors.

____