CLIENS
KAPITALFÖRVALTNING

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Cliens Kapitalförvaltning AB. LEI 5493001XOIKH56D1VB49

Summary

Cliens Kapitalförvaltning AB ("Cliens") (LEI: 5493001XOIKH56D1VB49) considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures.

The publication of this statement on principal adverse impacts on sustainability factors coincides with the first reference period of 1 January 2022 to 31 December 2022 and thus we will not show any historical comparisons.

The consideration of principal adverse indicators on sustainability factors is carried out through established internal processes. We are continuously monitoring our investee companies within our analysis framework to evaluate and identify any potential cases that might cause significant harm to social or environmental factors. This statement on principal adverse indicators on sustainability factors encompasses all of the funds and discretionary mandates that Cliens manage on behalf of our clients.

The general state of data used for assessing and reporting on principal adverse impacts on sustainability factors is not at its most desirable state and thus makes reporting in accordance with regulation 2019/2088/EU (Sustainable Finance Disclosure Regulation) and applicable delegated acts challenging. The implementation of the Corporate Sustainability Reporting Directive and other reporting standards from the European Financial Reporting Advisory is necessary to deliver reliable information regarding quantitative and qualitative indicators and we look forward to initiatives of improvements in data in the future. However, mentioned regulatory frameworks only apply to companies domiciled within the EU/EES which is why it might still remain some gaps in data concerning investee companies domiciled outside the EU/EES.

In addition to above, Cliens is also of the opinion that there are limitations to our ability to credibly verify the data used in the Principal Adverse Impact Statement. This is due to the fact that there are several competing reporting standards with respect to sustainability-related data without a central third-party verification process. There might also be some time lags in the data used, which implies that the information used for the purposes of this document may have been outdated.

Description of the principal adverse impacts on sustainability factors

Below table lists the most important indicators for principal adverse impacts on sustainability factors considered by Cliens. All funds and segregated mandates managed by Cliens are included in below indicators. For each indicator we have included an explanation of the measures that we have and will take going forward, as well as an overall goal for respective indicator, in order to reduce and mitigate the negative impacts associated with the indicators.

Indicators applicable to investments in investee companies

Adverse Sustainability Indicator	Metric	Impact 2022	Impact 2021	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	15 329 kt CO_2e	N/A	During 2022 we established the baseline for upcoming measurements of GHG emissions. We will use these baseline measurements with the ambition to improve over coming years. Hence, we cannot comment on any changes in the data series this year. The coverage ratio for indicator 1 is 86 % during the year.	Cliens overarching goal with respect to sustainability is on the climate. We have set goals to continuously reduce our emissions primarily by investing in companies that reduce their emissions over time. In other words, we want to invest in companies with specific reduction targets as well as engage with companies in order to establish reduction targets. Hence, our goal is not to achieve reduction in emissions through financial measures. By financial measures we mean to reduce emissions by simply buying companies with less emissions while simultaneously selling those with more emissions. During the year we have, among other things, mapped out the largest emitters within our investment universe. We have identified companies that we want to engage with on the topic of drafting reduction targets in line with the Science Based Targets Initiative (SBTi). We have also had 3 dialogues with companies during the year on the topic. We are reporting on the share of companies without commitments or targets under the SBTi under indicator 19. Portfolio companies without climate goals.
		Scope 2 GHG emissions	10 220 kt CO_2e	N/A		
		Scope 3 GHG emissions	487 325 kt CO_2e	N/A		
		Total GHG emissions	512 476 kt CO_2e	N/A		
	2. Carbon footprint	Carbon footprint	238 tonnes CO_2e	N/A	We are following both indicator 2. Carbon footprint and 3. GHG intensity of investee companies but do not set goals related to them. This is because the indicators are intensity based and do not show absolute reductions of CO_2e over time. Therefore, we have completed indicator 1. Total GHG emissions by normalizing it with total AuM. This gives us an opportunity to track how	
	3. GHG intensity of investee companies	GHG intensity of investee companies	771 tonnes CO_2e per EUR million invested	N/A		

					much emissions one million SEK invested at Cliens ‘owns’ over time. Coverage ratio for both indicator 2 and 3 was 86 % during the year.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0 %	N/A	Cliens has an exclusion policy in place regarding indicator 4 which stipulates that all companies with more than 1 % of turnover derived from production and distribution of fossil fuels are excluded from all our funds. However, during the year, some segregated accounts were invested in this type of company. These companies represented less than 0.2 % of total AuM during the year. The coverage ratio was 87 % for indicator 4 during the year.	Regarding indicator 4. Exposure to companies active in the fossil fuel sector, we decided during the year to also exclude companies with this profile within our segregated mandates. Thus, we expect zero exposure towards those business models for the next reporting period (2023).
	5. Share of nonrenewable 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 percentage	74 %	N/A	During the year, we have only had access to energy consumption data. Our data provider will provide us with energy production data for coming periods. 2022 forms a baseline for the indicator and this is the first year we report on	We put less emphasis on indicators 5 and 6 primarily due to three reasons: A) these are indicators we have not historically tracked, B) data on these indicators are in particular of low quality and availability, while we do expect it to improve going forward and C) we are convinced that improvements in indicator 1 and 19 over time significantly correlate with improvements in indicators 5 and 6.

					the indicator, externally as well as internally. The coverage ratio for the indicator during the year was 62 %.	Hence our main efforts lie with indicators 1 and 19 in terms of workload and engagements with companies. We have had three engagements during the year on the topic of Science Based Targets. We will continue to work with pushing companies towards adopting SBT in the future as well. Our main priority in this regard is companies with the highest emissions within our funds. The overall goal we have committed to is that no more than 50 % of our AuM be invested in companies without SBTs by end of 2027.
	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	Agriculture, forestry and fishing (GWh/EURm): 0,5 Utvinning av mineral (GWh/EURm): 1,1 Manufacturing (GWh/EURm): 3,0 Distribution of electricity, gas, heating and cooling (GWh/EURm): 6,0 Water, Sewage, Waste management and sanitation (GWh/EURm): 0,0 Construction (GWh/EURm): 0,1 Handel, reparation av motorfordon och motorcyklar (GWh/EURm): 0,2 Transportation and Packaging (GWh/EURm): 0,7 Real Estate (GWh/EURm): 12,5	N/A	For indicator 6 2022 forms a baseline and this is the first year we report on the indicator, externally as well as internally. The coverage ratio for the indicator during the year was 50 %.	

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	0 %	N/A	In the absence of other metric, we track this indicator by data from our service providers that highlight whether or not companies we invest in have been involved in controversies relating to biodiversity during the year. Today we lack a data set that indicates whether companies we invest in operate in biodiversity sensitive areas and thus rely on abovementioned methodology. We expect that metrics relating to biodiversity will proliferate in the future and thus paint a more meaningful picture. The coverage ratio for this indicator was 87 % during the year.	Cliens primary focus on biodiversity is ensuring that companies we invest in do not have a significant negative impact on biodiversity sensitive areas. Our warning system signals if there is potential mismanagement of biodiversity related aspects by bringing controversies involving companies up to our attention. During the year, we had no such indications relating to the companies we invest in.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.5 tonnes	N/A	Data availability is poor for indicator 8 which reduces any meaningful chance of inferences based on the data during the year. We only had 8 % coverage on this indicator during the year. We expect that both quality and availability of data will improve dramatically over time in conjunction with	Companies that are flagged with significant emissions to water or with negative impact on other indicators are subject to due diligence and can, in the most extreme case, be excluded from our investment universe.

					companies starting to report on this indicator.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	1.3 tonnes	N/A	Data availability is poor for indicator 9 which reduces any meaningful chance of inferences based on the data during the year. We only had 28 % coverage on this indicator during the year. We expect that both quality and availability of data will improve dramatically over time in conjunction with companies starting to report on this indicator.	Companies that are flagged with significant hazardous waste indicators or with negative impact on other indicators are subject to due diligence and can, in the most extreme case, be excluded from our investment universe.
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 %	N/A	During the year, we had no investments in companies in violation of international norms and standards. Coverage ratio for the year was 90 %.	We have zero-tolerance against companies that are identified to have breached international norms and standards. If a company is identified as having breached international norms and standards, in a systemic manner, by for example engaging in corruptive practices, we will exclude the company from our investable universe. If the breach is not considered systemic, but rather a one-off, we will engage with the company to investigate if, and how adequately, the company has addressed the issue before making a judgement on whether we can still invest in the company.

	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 Multinational Enterprises	28 %	N/A	We believe that the main reason 28 % of companies are flagged on indicator 11 is due to the composition of our investable universe. A majority of Cliens AuM is invested in small-, and mid-cap stocks. These companies more often lack formal policy frameworks that their large-cap peers almost always have in place. Coverage ratio for the indicator was 84 % during the year.	We do not consider potential lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises to be of sufficient reason for exclusion of companies. We are engaging with these smaller companies that we believe have bigger risks to establish adequate policies and procedures to ensure compliance before subsequently working our way to lower-risk companies. Over time, our goal is to ensure that 100 % of companies we invest in have the appropriate documentation and procedures in place.
	12. Unadjusted gender pay gap	Average undadjusted gender pay gap of investee companies	11 %	N/A	Data availability is poor for indicator 12 which reduces any meaningful chance of inferences based on the data during the year. We only had 10 % coverage on this indicator during the year. We expect that both quality and availability of data will improve dramatically over time in conjunction with companies starting to report on this indicator.	We support equal pay for equal work, regardless of industry or geographic location. We believe that much more data needs to be made available for us to make any sense of indicator 12 and will push our investee companies to publish adequate data in the coming years.
	13. Board gender diversity	Average ratio of female to male board members in investee companies,	37 %	N/A	We believe that the indicator is relatively balanced with respect to	Diversity and a balanced distribution of female to male board representatives is a part of the

		expressed as a percentage of all board members			board gender diversity at 37 %. We met our goal of having at least 30 % of female representation on boards. The coverage ratio during the year was 87 %.	fundamental analysis conducted at Cliens as part of the overall governance analysis of companies. We expect at least 30 % of board representatives, on average, to be female.
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	N/A	During the year we had no investee companies with exposure towards controversial weapons. The coverage ratio during the year was 87 %.	Cliens policy stipulates that we cannot invest in companies with 5 % or more turnover from weapons, regardless of the weapons in question are considered controversial or not. We exclude all companies that meet the threshold of 5 % from our investable universe.

Indicators applicable to investments in sovereigns and supranationals

Adverse Sustainability Indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environment	15. GHG intensity	GHG intensity of investee countries	141 tonnes of CO_2e per EUR million invested	N/A	Given the fact that we only invest in German and Swedish sovereign bonds, our GHG intensity will be relatively low as compared to an global bond strategy with exposure to more resource intensive countries.	Given our limited options on the sovereign bond market – i.e., German and Swedish bonds – we will strive to gain more exposure towards green bond issuance by these states whenever the opportunity arises.
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	0	N/A	No investments were made in countries that were subject to social violations as dictated by international treaties and	We believe that the risk of social violations within Sweden and Germany remains fairly low. Should we expand our investment strategy to include more countries, we will review our processes to ensure that

		referred to in international treaties and conventions, United Nations principles and, where applicable, national law			conventions during the year.	we have an adequate process of identifying and mitigating the associated risks.

Indicators applicable to investments in real estate assets

Adverse Sustainability Indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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 fuels	0			No investments were made in real estate assets during the period.
Energieffektivitet	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	0			No investments were made in real estate assets during the period.

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse Sustainability Indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Emissions	19. Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives	67 %	N/A	During the year 67 % of our investments lacked climate reduction initiatives under the Science Based Targets initiative. 2022 is the baseline for future improvements. The	During the year we had 3 dialogues with companies aimed at initiating a process internally to map out the demands for respective company's ability to commit to the Science Based Targets initiative. We will continue this process in the future where our aim is to push companies to commit to climate reduction targets under the SBTi. Our focus is primarily on the

					coverage ratio for the year was 100 %.	heaviest emitters within our funds/investable universe. Our stated goal is that no more than 50 % of our investee companies should lack climate reduction targets under the SBTi by 2027.
Social aspects	20. No Code of Conduct for the supply chain	Share of investee companies that lack a Code of Conduct for the supply chain (against working unsafe conditions, child labor and slave labor)	59 %	N/A	We believe that the main reason 59 % of companies are flagged on indicator 20 is due to the composition of our investable universe. A majority of Cliens AuM is invested in small-, and mid-cap stocks. These companies more often lack formal policy frameworks that their large-cap peers almost always have in place. Coverage ratio for the indicator was 87 % during the year.	Even though the vast majority of companies we invest in are based in Sweden, a market with relatively strong protection of working conditions in general, we are aware of the fact that many of our investee companies have supply chains across the globe. We have an overarching goal of continuously improving the number of companies that have a formal Code of Conduct to suppliers, and processes to monitor and implement the Code of Conduct. Our goal during 2023 is to establish a more formal channel through which we can engage companies in order to have them set up relevant policies and mechanisms to implement the policies with their suppliers.

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

The board of Cliens Kapitalförvaltning AB adopted the policies and strategies described below in November 2022.

Our policy to establish which indicators to prioritize for principal adverse impacts for sustainability factors is conducted on two levels: the strategic level and company specific level.

On the strategic level, i.e., applicable across all the AuM at Cliens funds and segregated accounts, is the sector exclusion. We exclude companies who derive more than 5 % of their turnover from production and exploration of fossil fuels, tobacco, weapons, gambling, and pornography. We have made the decision to exclude these sectors as they negatively contribute to the UN Sustainable Development Goals. In addition to these sector-based exclusions, we have made a strategic commitment that no more than 50 % of Cliens total AuM can be invested in companies without climate reduction targets by 31st of December 2027. This rationale behind this decision is that climate change is the most acute and challenging issue facing the benchmark most of our AuM is tracking.

On a company specific level, applied across all of Cliens funds, all PAI-indicators are considered for all companies. In other words, our whole investment universe is quantitatively screened against all PAI-indicators. Our initial screening aims to identify outliers with respect to each PAI-indicator which is where we put most of our focus. Furthermore, we have divided up the PAI-indicators into two categories: binary and relative. The relative indicators are essentially designed to catch companies with extreme values on each of the PAI-indicators deemed relative. We have also selected two voluntary indicators to focus on: 19. Investments in companies without carbon emissions reduction initiatives and 20. No Code of Conduct for the supply chain. We have chosen to include indicator 19 since climate change constitutes the most acute and serious sustainability related challenge. Through our engagement initiatives, we can steer companies that at present lack formal and ambitious climate commitments towards adopting those – which is also why we have made a formal commitment that no more than 50 % of companies we invest in by 2027 are allowed to be without targets. On the other hand, indicator 20 was chosen because our investable universe is rather “de-risked” from an ESG-perspective, relative to other geographies, which we concluded on following an internal analysis. However, the majority of our potential portfolio companies have global supply chains which makes the risk-profile significantly higher. Hence, we believe that companies without adequate policies and procedures have higher risks to manage ESG-risks within their supply chain, as well as without appropriate oversight mechanisms. We want our portfolio companies to address these what we call second order ESG-risks.

To establish if a relative indicator fits the description of extreme, we compare company-values within the same industry where we also normalize for other factors, in order to establish the most reliable comparable indicator as possible. Binary indicators are, however, not compared against anything but are flagged if an indicator shows a certain value/signal. For example, this could be if a company is widely featured in reports claiming that there are reasons to believe that the company is involved in breaches against international norms and standards. To identify companies through this process gives us a robust framework of capturing signals about where potential harm might occur against sustainability factors. A combination of several indicators raising alarm typically means that company management lacks the appropriate focus and commitment to manage factors related to sustainability in general.

Since the concept around principal adverse indicators is relatively new and ESG-data in general is a challenge, both concerning availability and quality, especially for companies within the smaller-cap space, we are expecting that more data of higher quality will be made available in the future. This will naturally improve our assessments and analysis of companies’ principal adverse impact on a wide range of sustainability factors. Today we rely on third party data as well as the current state of company reported data to conduct our assessments. Thus, we cannot guarantee that important data points will be missing or for that matter guarantee the quality of the existing data points.

A qualitative assessment takes place if one of our funds is trying to make an investment in a company that has been flagged on any one of the PAI-indicators. In the first step, we try to identify whether or not the potential harm done to the PAI-indicator(s) that are flagged by assessing the reliability of the data and materiality of the indicator(s) on the company. If we conclude that the company is in fact performing poorly on the indicator(s) the sustainability team conducts a deeper due diligence with support of the portfolio management team. Following this a decision is made during the weekly portfolio management team meetings where one of three outcomes with respect to the company is possible:

1. No action required due to the indicator(s) not showing the correct value and/or not being deemed as material to either the company or sustainability factors. One such example could be a company whose majority of energy consumption comes from fossil fuel sources, but the company consumes very little energy.

2. We need to engage with the company where we make Cliens position clear on what areas of the company operations the indicator(s) are pointing to that need to be addressed in order to improve. A credible plan with both actionable steps as well as a timeline for the action plan is the most probable outcome of these types of engagements with companies.

3. Permanent or temporary exclusion from Cliens investable universe if the company fails to adequately respond to the issues that we raise

Data sources: Primarily MSCI ESG Research and company reports.

Engagement policies

Cliens has adopted principles for shareholder engagement that describe both strategic and opportunistic strategies for active ownership. Our objective for shareholder engagement is to lead to sustainable and positive development in the stocks and other assets in which we invest on behalf of the funds, as well as within the framework of discretionary management mandates, and for our engagement to also contribute to long-term positive returns on invested capital. Cliens can engage with portfolio companies but will also be active through various investor collaboration platforms, such as the UN's PRI. This applies in cases where there are relevant opportunities for engagement with companies. On the strategic front, Cliens has decided to primarily engage with companies on climate change. This decision is based on the urgent nature of the climate challenge and has been made in consultation with both clients and the management organization. It is also based on the structure and composition of the investment universe in which most of Cliens' funds invest - and thus the majority of the company's assets under management. Specifically, Cliens intends to first engage with companies regarding overall climate goals and the credibility and ambition of these goals. Indicators 1-6 and 19 are considered the most relevant in this context, with a particular emphasis on indicator number 19. For these indicators, which are mainly forward-looking and focused on improvement, we will typically accept a longer improvement period through which improvement can be demonstrated over three financial years.

The ad hoc engagement policy is primarily related to our processes that address issues with specific companies within the scope of negative consequences for sustainable development. Cliens expects most engagements initiated through the ad hoc process will be related to identified or potential violations of international norms and standards by portfolio companies. Indicator 11 is the most relevant in this context. We usually allow only one financial year to address a situation where a company is involved in serious violations of international norms and standards. If the situation is not addressed and adequate assurance is provided that such problems are unlikely to occur in the future, we will exclude the company from our investment universe.

In addition to engaging with company management, Cliens intends to vote at shareholders' meetings through proxy voting or physical attendance in all the companies in which the funds invest, with a particular focus on climate issues.

References to international standards

Cliens has signed the United Nations' Principles for Responsible Investment ("PRI") and follows the PRI's principles for responsible investing. Cliens' overall policy framework encompasses, but is not limited to, the following international standards:

United Nations Global Compact (Table 1, indicators 10 and 11)

OECD Guidelines for Multinational Enterprises (Table 1, indicators 10 and 11)

International Labour Organization (ILO) conventions on labour standards (Table 1, indicator 12)

Convention on Cluster Munitions

United Nations Convention against Corruption

At Cliens, we also conduct climate scenario analysis of our portfolios and compare them to the underlying indexes of each fund. In other words, we try to assess whether our funds have higher or lower climate risk compared to the index. We conduct climate scenario analysis for 1.5°C, 2°C, and >3°C scenarios. Our climate scenario analysis covers regulatory risk, technological risk, and physical risk. So far, we have not measured a risk level that has prompted us to take actions in our portfolios, such as selling/buying companies.

Historical comparison

Not applicable for this year. A historical comparison between the reporting period and the previous year will be made as of 2024.