



Policy for Sustainability Risks

Fondab AB

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1 Introduction

1.1 Background and purpose

Fondab AB (“**FONDAB**” or “the **Company**”) is an investment firm which provides portfolio management services as one of many services. The Company provides portfolio management through various model portfolios. Each model portfolio has one responsible portfolio managers. The direction of each model portfolio is decided by FONDAB’s Investment Committee.

This Policy contain the Company’s principles and strategies regarding the integration of sustainability risks in the portfolio management process. Through this Policy, FONDAB aims to disclose information regarding such sustainability integration in a clear and transparent way to its customers and other stakeholders.

This Policy applies to all employees and contractors of the Company in their contact and work with FONDAB’s portfolio management. This Policy shall be reviewed at least annually and shall be adopted by the Board.

This Policy shall be externally published on the Company’s website. CEO is responsible for ensuring that the latest version of this Policy is published after the annual adaptation made by the Board.

1.2 Legal basis

In the Company’s role as a provider of portfolio management services, FONDAB falls under the definition of a financial market participant under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation, “**SFDR**”)¹.

As a financial market participant, FONDAB is obliged to disclose how the Company integrates sustainability risks in their investment decision-making process. Such information shall be made available by publication on the financial market participant’s website.

Further requirements which follow from SFDR states that the Company shall also disclose information regarding their consideration of adverse impacts of investment decisions on sustainability factors, along with their remuneration policy in relation to the integration of sustainability risks.

1.3 Scope

This Policy only describe the integration of sustainability risks in the portfolio management process within the Company. This means that the integration of sustainability risks focuses on risks of which the customers of the Company could be exposed to which could have an effect on the expected return on and performance of the portfolio. Thus, this Policy does not take into consideration potential sustainability risks which FONDAB can be exposed to as a company.

Further, this Policy does not aim to fully disclose all pre-contractual information in relation to sustainability risks for the Company’s customer. Complete information regarding the portfolio management service is always provided in the Key Investor Information Document.

¹ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector.

List of definitions

ESG

Environmental, social and governance factors.

Financial Products

- (a) a portfolio managed in accordance with Directive 2014/65/EU;
- (b) an alternative investment fund (AIF);
- (c) an IBIP;
- (d) a pension product;
- (e) a pension scheme;
- (f) a UCITS; or
- (g) a PEPP.

Sustainability Factor

Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Sustainability Risk

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.

Principal Adverse Impacts (PAI)

The negative consequences on sustainability factors which follow from an investment decision or financial advice made by a financial institution.

2 Integration of sustainability risks

2.1 Sustainability analysis

It is the responsibility of the portfolio manager to continuously analyze and evaluate the Company's portfolios and how the underlying financial instrument of the portfolio performs.

When proposing changes to the composition of financial instruments of a portfolio, the portfolio manager presents the basis for the proposed changes to the Company's Investment Committee. Each new portfolio management model or model portfolio must be approved by the investment committee and be documented in written minutes.

Discussions in the Investment Committee shall take into account relevant sustainability risks when such factors are deemed relevant for the assessment of the long-term profitability of the portfolio and its performance.

When the portfolio manager stands before the decision to choose between two similar financial instruments which are assessed as having an equivalent potential return, risk, exposure, investment strategy, characteristics etc, the portfolio manager shall choose the financial instrument with the highest ESG-score. For this decision FONDAB uses data from Morningstar via their analysis tool Morningstar Direct.

2.2 Assessment of impacts of sustainability risks on the returns of the financial products

FONDAB shall analyze and/or integrate actual or potential sustainability risks in the decision-making process of its investments when sustainability risks are assessed as having an impact on the performance of the portfolio. These assessments are in line with the Company's overall objective with its portfolio management services to secure the best risk adjusted return to its customers.

FONDAB naturally take sustainability risks into consideration when assessing and evaluating relevant risks which could have an impact on the return of the financial product. This is indirectly archived due to the fact that long-term profitable companies are often also expected to be a sustainable company. Thus, it could be argued that the lower the sustainability risks with the underlying financial instrument of the portfolio, the higher potential return could be expected for the customer in the long term perspective.²

2.3 Consideration of principal adverse impacts

FONDAB does currently not consider principal adverse impacts of the Company's investment decisions on sustainability factors. This means that the Company does not evaluate whether the investment decisions in the portfolio management process has an impact on sustainability factors as defined under section 1.4 of this Policy.

The Company has chosen not to consider principal adverse impacts on sustainability factors in the investment process mainly due to the fact that principal adverse impacts assessments require sufficient resources and time management in order to be accurate, reliable and compliant with relevant Regulatory Technical Standards³ of the SFDR.

The decision to not consider principal adverse impacts of the Company's investment decisions shall be reviewed annually in the annual adaptation of this Policy made by the Board. FONDAB shall, if a decision is made to assess principal adverse impacts in the future, disclose when the Company intend to commence its consideration of sustainability factors in the portfolio management process.

2.4 Remuneration policy in relation to the integration of sustainability risks

The Company has a defined remuneration structure in accordance with its Remuneration Policy and external regulatory requirements. The Company pays both fixed and variable remuneration to its employees in accordance with the requirements set out in the Remuneration Policy.

Since the portfolio manager include sustainability risks in the decision-making process in the way described in section 2.1 and 2.2 of this Policy, it is natural that the assessment and analysis of sustainability risks takes an organic part of the general remuneration structure set out in the Company's Remuneration Policy. The Company shall further ensure that they do not promote an excessive risk-taking or provide opportunities for the Company's employees to receive higher remuneration through non-compliance of the Sustainable Finance Disclosure Regulation.

² FONDAB's assessment of the potential return of an investment is not solely based on sustainability risks.

³ Final Report on draft Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a(3), Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088 (JC 2021 03, 2 February 2021).