

## ESG Policy

### 1. Purpose

This policy is prepared according to:

- a. Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (**'Disclosure Regulation'**)
- b. Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (**'Taxonomy Regulation'**)
- c. Regulation 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565, and
- d. Lov om fondsmæglerselskaber og investeringservice og -aktiviteter (**LOV no. 1155 of 08/06/2021**),

and aims to ensure that Fondsmæglerselskabet CABA Capital A/S (the "Company") is compliant with applicable legislation and operates a responsible and transparent business. Creating value for society as well as long-term value for customers and investors is essential to how the Company invests for customers (AIFs).

We believe that the financial sector has a responsibility for the green transition as a result of the investments and financing that the sector makes. We also believe that everyone should have access to cheap and long-term financing and that efficient and liquid bond markets are an essential prerequisite for this.

The Company's objective is to provide alternative investment products (AIFs) with attractive risk adjusted return. The investments are made with a focus on mortgage (covered)- and government bonds and the investment strategies also involve derivatives.

The Company considers mortgage bonds as socially beneficial instruments, as borrowers thereby have access to cheap, secure and long-term financing, which promotes citizens' ability to own their own homes. We believe that ownership increases the incentive to maintain, and energy optimize the home, which contributes positively to sustainable development, the total property market, and the living conditions of citizens.

### **Partners**

The company's customers are subfunds (AIFs) of capital associations with an approved Alternative Investment Fund Manager ("AIFM"), and the investments must therefore comply with the respective AIFMs' policies for responsible investments.

The company has chosen to cooperate with Nykredit Portefølje Administration, which administers and is the AIFM for Kapitalforeningen Investin and thus also for the subfund CABA Hedge KL. Nykredit and Nykredit Portefølje Administration want to invest in accordance with the goals of the Paris Agreement and contribute to the achievement of the global goals. Nykredit Portefølje Administration screens the managed investment funds for issuers' activities that may break with widely recognized UN conventions, the Global Compact's 10 principles or the OECD's Guidelines for Multinational Enterprises. At the same time, risks within the environment, social conditions and good corporate governance are assessed. As part of this process, the investment funds' climate footprint is also assessed, if available data from issuers allows this. Link to policy: [Politik for bæredygtige investeringer \(nykredit.com\)](https://www.nykredit.com/politik-for-baeredygtige-investeringer)

The company has also chosen to cooperate with the Investeringsforvaltningsselskabet SEBinvest A/S, which administers and is the AIFM for Kapitalforeningen Wealth Invest and thus also for the subfund CABA Flex. The capital association Wealth Invest collaborates through the AIFM with Ethix SRI Advisors via the SEB Group. The capital association has a responsible policy for investing in government bonds. The policy is based on ISS-Ethix's Norm-Based Screening for Countries. On the basis of this screening, issues from countries that are subject to multilateral international sanctions, countries that cannot or will not live up to or protect basic human rights are excluded. Link to policy: [NOTE \(sebgroup.com\)](https://www.sebgroup.com/NOTE)

The respective AIFMs of the subfunds follow the industry practice when categorizing the departments according to Regulation (EU) 2019/852 and Regulation (EU) 2020/2088. CABA Hedge KL and CABA Flex are both categorized as Art. 6 of the Disclosure Regulation.

### **Organization and other policies**

The ESG policy shall support the Company's business model and take into account the Company's size, and structure, as well as the nature, scale, and intricacy of its operations.

The policy applies to all investments made by the Company on behalf of customers (AIFs). The Board of Directors assesses and updates the policy at least once a year. The policy is effective until amended by the Board of Directors.

The Board of Directors have also adopted a remuneration policy, a policy for handling conflicts of interest and an investment services policy that ensures that the Company considers ESG in all parts of the business.

The CEO of the Company holds the responsibility for integrating ESG considerations into the investment process.

The Company's management has also adopted a Code of Conduct that supports the way in which the Company builds and maintains long-term relationships with all stakeholders.

### **PRI:**

The Company is a PRI signatory and is supporting the six principles of PRI:

1. *We will incorporate ESG issues into investment analysis and decision-making processes.*
2. *We will be active owners and incorporate ESG issues into our ownership policies and practices.*
3. *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
4. *We will promote acceptance and implementation of the Principles within the investment industry.*
5. *We will work together to enhance our effectiveness in implementing the Principles.*
6. *We will each report on our activities and progress towards implementing the Principles.*

### **2. How we invest:**

The Company takes responsibility by including sustainability considerations in the investment process.

We hold the belief that nations and entities upholding robust ESG standards will experience enhanced stability in their debt and foreign exchange markets, ultimately leading to favorable risk-return dynamics. Subsequently, we curate investments that we deem capable of delivering optimal risk-adjusted returns for our customers and investors.

We work on the following propositions:

1. We include ESG in investment analysis and decisions.
2. We are transparent about our work with responsible investments.
3. we select the best possible investments that we believe can generate attractive risk-adjusted returns on a responsible basis.

### **Government bonds:**

We believe that democracy, political stability and legitimacy, respect for human rights and focus on sustainable development in the form of climate action as well as the UN's Sustainable Development Goals contribute to economic stability and development, which will positively affect the return on government bonds.

Countries with high ESG standards will generally be rated less risky by investors, and thus there is an attractive return-to-risk ratio.

**Covered bonds:**

Mortgage/covered bonds are a unique form of financing that makes attractive and long-term financing available to homeowners, farmers, etc. We believe that issuers of mortgage bonds/covered bonds in countries with high ESG standards, are also subject to strict regulatory requirements and generally strong governance requirements and systems. Thus, investors will generally rate these issuers less risky, which contributes to an attractive return/risk ratio.

When investing in government and mortgage bonds/covered bonds, the following applies:

Category	Sustainability factor	Government bonds	Mortgage / covered bonds
<b>Environmental</b>	<b>Natural resource</b> (quality of water, soil, air, biodiversity);	Countries must have ratified the Paris Agreement	
	<b>Climate change</b> (physical changes such as hurricanes, floods, earthquakes, sea level rise);		
	<b>Green transition</b> (technological development);		
	<b>Energy security</b> (availability and management of energy resources);		
<b>Governance</b>	<b>Institutional strength</b> (independence of institutions, regulatory framework, data quality and availability, business environment and opportunity);	Investments are only made in countries with a high OECD rating (0-4)	Issuers must have high ESG ratings in Nordea (AAA – BBB), Sustainalytics (Negligible-Medium) or equivalent rating provider issue must be investment grade.  Issuers must comply with national and international law and conventions.  Issuers subject to international sanctions are excluded.
	<b>Political stability</b> (political and civil liberties, freedom of expression, freedom of the press)	Investments are only made in countries with low score (max 50) in the Fragile States Index (Sustainable – Stable)	
	<b>Government efficiency</b> (quality of administration, independence of the civil service, policy implementation and predictability of implementation)	Countries must comply with international law and conventions.	
	<b>Rule of law</b> (property rights, independence of the judiciary)	Countries subject to international sanctions are excluded.	
	<b>Corruption</b> (spreading corruption, accountability and transparency of institutions, money laundering, bribery)		

**Identification and prioritization**

The Company's core competencies within government and mortgage bonds means that our focus on sustainability is on E (environment) and G (governance). The Company attaches importance to the fact that both countries and issuers comply with national and international law and conventions as well as international principles within the environment, labor and human rights or anti-corruption.

**Main negative impacts and related actions**

The Company addresses the main adverse sustainability impacts by screening countries and issuers in accordance with the section of this policy on investment in government bonds and in covered bonds.

Countries and issuers that are deemed not to comply with national and international law and conventions are excluded from the Company's investment universe.

The Company has also chosen to work with AIFMs that share our desire to invest responsibly and manage Mutual Funds with well-defined ESG policies.

### **Active ownership**

The Company's primary investment universe is Scandinavian government and mortgage bonds, along with the associated derivative financial instruments. Hence, the Company lacks similar avenues for practicing active ownership, engagement, and investor collaboration as it would, for instance, when investing in stocks. Due to strict regulatory requirements and generally strong management requirements and systems that issuers in this universe must meet, the Company does not expect any violation of international norms or conventions. If a violation nevertheless can be confirmed and if the Company deems it appropriate, the Company will enter dialogue with the issuer.

The Company do not invest in credit bonds, individual shares or funds/ETFs with shares as an underlying asset.

Pursuant to Act No. 1155, §49, the Company must formulate a policy for active ownership. The Company has chosen to use the exemption in Act No. 1155, Section 49(5) and has not defined a separate policy for active ownership, as the Company:

- does not provide services related to the holding of voting shares in undertakings holding shares admitted to trading on a regulated market,
- does not provide services related to portfolio management of voting shares in companies that have shares admitted to trading on a regulated market.

The Board of Directors will formulate a policy for active ownership if/when the Company provides services in relation to shares.

### **3. Data and transparency**

Data and quality of data plays a significant role in the investment process and in the approach to ESG. The Company obtains ESG reports from the issuers and combines these reports with publicly available data from authorities, international organizations, etc. In addition, the Company purchases data and analysis from selected stockbrokers.

The Company wants to be transparent about policies, processes and activities and the website [www.cabacapital.dk](http://www.cabacapital.dk) be updated continuously with relevant policies and reports regarding returns and ESG.

### **4. Principal Adverse Impact (PAI)**

The Company do not consider adverse impacts of investment decisions on sustainability factors in relation to the investment advisory services provided CABA Hedge KL and CABA Flex.

A statement upholding this stance is published on the Company's website, in accordance with the guidelines of Article 4 of the Disclosure Regulation.

### **5. Compliance checks and reporting**

It is the responsibility of the Management to make sure:

- a) This policy is complied with and communicated to relevant employees.
- b) The Company's business procedures are up-to-date and reflect the board's guidelines.

The Board of Directors receives regular, and at least once a year, reporting on the Company's compliance with this policy.

**6. Entry into force**

This policy is adopted and effective as of September 7, 2023.