SUSTAINABILITY RISK INTEGRATION POLICY

May 2023

Legal basis

The Disclosure Regulation (REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 27 November 2019 on sustainability-related disclosures in the financial services sector) (explained in Annex 1)

The Taxonomy Regulation (REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088) (explained in Annex 2)

The UN's Sustainable Development Goals.

Introduction

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the 'Sustainable Finance Disclosure Regulation') sets out rules on the disclosure obligations of financial market participants and financial advisers, on the integration of environmental, social and governance (ESG) considerations.

According to the Sustainable Finance Disclosure Regulation, sustainable investments include investments in an economic activity that contribute to an environmental objective, which are measured, for example, by means of key resource efficiency indicators for the use of energy, renewable energy, raw materials, water and soil, for the production of waste and greenhouse gas emissions, or for impacts on biodiversity and the circular economy.

It can also be an investment in an economic activity that contributes to a social objective, such as combating inequality, or an investment that promotes social cohesion, social inclusion and industrial relations.

In addition, it may be an investment in human resources or economically or socially disadvantaged communities, provided that such investments do not significantly harm the above-mentioned sustainability objectives and that the investee companies follow good governance practices, in particular with regard to sound management structures, employee relations, staff remuneration and tax compliance.

ESG policy

Recognizing the importance of sustainable investing, Schmiegelow also recognizes that sustainability factors can have a significant impact on financial performance.

Schmiegelow is a small company with relatively few customers. The company's policy on integrating sustainability risks reflects the size of the company, recognizing that sustainable investments are not only important to society, but also have the potential to create long-term value for our clients.

Schmiegelow has chosen a model where the customer chooses whether to take into account the impact of sustainability factors on the return in the investment proposals presented. Such consideration may in some cases be difficult to reconcile with an objective of delivering the market return that is part of the specific customer agreement.

In connection with the signing of the contract with the client, Schmiegelow will request that a decision be made as to whether the impact of sustainability factors on the return in the submitted investment proposals should be included as part of the company's investment advice. This will be associated with additional costs.

Customers of Schmiegelow will thus, when signing the contract, have to choose between the following 3 options:

• Do not want ESG factors to be included in the advice

• Wants Schmiegelow to pass on any existing ESG information without Schmiegelow relating to it.

• Want ESG factors to be included in the investment advice (for an extra fee)

The policy for integration of sustainability risks applies to all the investment concepts and products that are advised, and also applies to the company's potential business partners.

Pay policy

Schmiegelow Fondsmæglerselskab A/S wants to deliver a long-term competitive return on a responsible basis, and the Board of Directors has in this sustainability policy considered whether the company should implement sustainability risks in its investment advice on its own initiative. The Company's remuneration policy is based on principles designed to ensure that the Board of Directors, the Executive Board and employees are remunerated in such a way that the Company's business and long-term strategic objectives are supported in the best possible way.

As a general rule, the company will not use the opportunity to receive performance-based fees (either directly or indirectly) in the investment advice, as this is considered to have an impact on the company's decision-making processes regarding the implementation of sustainability risks in the investment advice. This promotes sound and effective risk management. In connection with advice that focuses on specific investment mandates, the company may receive a fee, as a percentage of the market value, as well as a performance fee. This fee and performance fee have no impact on the remuneration of employees in the company.

Roles and responsibilities

The Company's Board of Directors approves and decides on the Company's policies, including the policy for the integration of sustainability risks.

The company's executive board is responsible for preparing proposals for the policy and updates to it.

The Company's Executive Board is responsible for implementing the Company's policies, including the publication of the Sustainability Risk Integration Policy on the Company's website.

This policy must be reviewed by the Board of Directors at least once a year.

APPENDIX 1: The Disclosure Regulation

The Disclosure Regulation is an important EU set of rules in relation to sustainable finance and aims to improve information on sustainability issues in the financial area. This is particularly true in relation to investors in order to improve investor and consumer protection.

The Disclosure Regulation contains rules on the disclosure obligations of financial market participants and financial advisers in connection with the integration of environmental, social and governance (ESG) factors. There are disclosure requirements at both company and product level, as well as in relation to investment and advisory processes. The provisions will be translated into EU detailed regulation through regulatory technical standards (RTSs) on a number of points.

At the product level, the Disclosure Regulation stipulates a number of disclosure requirements for both fully sustainable financial products that are marketed with sustainability as a declared goal, as well as partially sustainable financial products where sustainability is one of several characteristics.

The European Commission will lay down detailed rules on how the information obligations are to be presented as well as the detailed content of the regulation. This is done through regulatory technical standards (RTSs).

What is a sustainable investment?

According to the Disclosure Regulation, sustainable investments are investments that either contribute to environmental goals, such as reducing greenhouse gas emissions, or social goals, such as combating inequality. At the same time, it is a requirement that the investment does not significantly harm any of these environmental or social objectives and that the companies in which the investment is made comply with good governance practices, including in relation to labour relations.

Disclosure requirements at company level

Financial market participants and financial advisers are obliged under the Regulation to provide information on their websites on how they integrate sustainability risks into their investment decisions and their investment advice, respectively. Sustainability risks are defined in the Regulation as environmental, social and governance events or circumstances that could have a significant adverse impact on the value of the investment, if they occur.

Financial market participants must, inter alia, disclose the following:

Policies to identify and prioritise negative sustainability impacts How they address negative sustainability impacts

Active ownership policies

How they comply with codes of conduct for responsible business conduct

Financial advisers must, among other things, disclose whether they take negative sustainability impacts into account in their advice. If they do not take into account negative sustainability impacts, they must disclose the reason why they do not.

Information on sustainability issues must also be provided to customers prior to entering into a contractual relationship.

Financial market participants and financial advisers are also required to disclose how sustainability issues are included in their remuneration policies.

Disclosure requirements for sustainable financial products

The Disclosure Regulation sets out detailed disclosure requirements for fully sustainable and partially sustainable investment products (so-called Article 9 and Article 8 products).

For fully sustainable financial products that have sustainability as their objective, an account must be given of how the sustainability objective is achieved. For partially sustainable financial products, where sustainability is one of several characteristics, it must be explained, among other things, how the sustainable characteristics are met.

Consistency with the EU Taxonomy Regulation

There is a close connection between the Disclosure Regulation and the EU's so-called Taxonomy Regulation, which concretises and expands a number of disclosure obligations in the Disclosure Regulation. The Taxonomy Regulation aims to establish a classification system for which economic activities can be considered to be climate- and environmentally sustainable.

APPENDIX 2: About the Taxonomy Regulation

The Taxonomy Regulation defines six climate and environmental objectives to which economic activities can contribute significantly in order to be classified as climate and environmentally sustainable:

• Climate change mitigation

• Adaptation to climate change

• Sustainable use and protection of water and marine resources

• Transition to a circular economy

• Prevention and control of pollution

• Protection and restoration of biodiversity and ecosystems

The six objectives shall be complemented by technical screening criteria with minimum requirements for when a specific economic activity is considered to contribute to each objective.

The regulation defines a sustainable economic activity based on four criteria, all of which must be met:

• The activity must contribute significantly to achieving one or more of the six climate and environmental goals

• The activity must not significantly harm one of the six climate and environmental goals

• The activity must comply with minimum guarantees of human and labour rights

• The activity must meet EU technical screening criteria

For financial market participants that market sustainable financial products as defined in the Disclosure Regulation, new requirements will also be introduced. For fully sustainable financial products (Article 9 products), information must be provided in the future on which of the six climate and environmental goals the underlying companies contribute to. For partially sustainable financial products (Article 8 products), similar requirements apply, but it must also be stated that the remaining part of the investment does not meet the EU requirements for climate and environmental sustainability.