

4. May 2022

Policy on Integration of Sustainability Risks for BWB Partners

1. Introduction

BWB Partners P/S (“BWB Partners”) is a registered Alternative Investment Fund Manager in accordance with the Danish Alternative Investment Fund Managers etc. Act.

This Policy on Integration of Sustainability Risks describes BWB Partners’ commitment to sustainability and has been prepared in accordance with the requirements of 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 (“the Sustainable Disclosure Regulation”).

2. Background and Objective

BWB Partners is the fund manager of the funds BWB Partners I K/S and BWB Partners II K/S. BWB Partners invest in small and medium-sized companies with a turnover up to DKK 750m. Our goal is to develop stronger, bigger, and better companies over a number of years. As an investor, BWB Partners complies with the guidelines of Active Owners Denmark (previously named DVCA) including adherence to the requirement of comply or explain. Our Ethical Policy is an integral part of our Limited Partnership Agreement and based on the UN Principles for Responsible Investment. As a responsible fund manager, we are committed to comply with these principles.

We are committed to promoting sustainability in our activities as fund manager. We seek to make a positive contribution to society by promoting long term sustainable growth, and we integrate sustainability factors and risks in the investment processes as well as the ongoing management processes. More specifically, sustainability factors have been incorporated into the BWB Partners Operating Model that covers the period from deal sourcing until BWB exit and constitutes the framework for identification, execution, and monitoring of value creating initiatives.

3. Screening of Investments

Before investing, BWB Partners will screen the target company to determine whether it is sustainable. At industry level, we screen for controversial sectors and at company level we screen for ESG maturity.

a. Industry level screening

BWB Partners will not invest in companies engaged in the manufacture of or trading with weapons, or in companies engaged in activities related to gambling, tobacco, pornography, or genetically modified organisms.

b. Company level screening

In the company specific screening, BWB Partners considers sustainability factors in line with our Ethical Policy.

We evaluate sustainable maturity in order to identify sustainability risks that could have an adverse impact on the value of the investment. This process is undertaken based on the Ten Principles of the UN Global Compact:

1. The company should support and respect the protection of internationally declared human rights;
2. The company should ensure that it does not contribute to the violation of such human rights;
3. The company should uphold the freedom of association and effectively recognise the right to collective bargaining;
4. The company should support the eradication of any type of forced labour;
5. The company should support effective abolition of child labour;
6. The company should eliminate discrimination in working and employment conditions;
7. The company should support a precautionary approach to environmental challenges;
8. The company should take steps to promote greater environmental responsibility;
9. The company should encourage the development and diffusion of environmentally friendly technologies;
10. The company should combat any form of corruption, including extortion and bribery.

In evaluating the principles, BWB Partners will review data from the company, including its annual report, as well as seek data from external sources. BWB Partners will furthermore assess the significance of any potential lack of good sustainability practices and evaluate the likelihood of improving such practices under our ownership based on management's capabilities and attitude towards ESG.

Should BWB Partners conclude that a target company is violating the principles and are unwilling to rectify such violation under our ownership, BWB Partners will not invest in the company.

4. Investment decision

BWB Partners' investment proposals must include a paragraph on the integration of sustainability risks. In this paragraph, BWB Partners will provide documentation on the screening done. By including sustainability in the investment decision, BWB Partners ensures focus on ESG throughout the investment period.

5. Shareholder engagement

BWB Partners is an active investor with ongoing involvement in the management of our investments. Overall, we engage with stakeholders through:

1. Monitoring strategy, financial and non-financial performance, risk, capital structure, social and environmental impact, and corporate governance;
2. Demonstrating commitment in the company;
3. Exercising voting rights and other related rights;
4. Cooperating with other shareholders;
5. Being attentive to any conflicts of interest.

6. Policy updates

The policy must be updated at least once a year. Such update must be approved by the Board of Directors upon recommendation by the Executive Board.

The policy must also be revised following amendments to law, guidelines by the Danish Financial Supervisory Authority or other circumstances calling for revision.

This policy has been adopted on 4 May 2022.