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SANDWATER AS

ESG INVESTMENT AND RISK POLICY

1 INTRODUCTION

Sandwater AS ("**Sandwater**") focuses on investments in companies in a growth phase. Such companies present a range of opportunities to contribute positively to environmental and social challenges. Sandwater considers that it has a duty to its investors, and the wider public, to contribute to environmental and social challenges by integrating an ESG strategy in its operations and thereby promote potential investees to operate in an environmentally and socially responsible manner. Sandwater believes that this approach will have a positive impact on the risk-adjusted return of funds under management.

In order to achieve this overall objective, the Investment Manager has adopted this investment and risk policy integrating environmental, social and governance ("**ESG**") factors in Sandwater's investment management activities.

This document sets out Sandwater's approach for integrating of ESG risks in the investment process and for ensuring responsible investments. By that, Sandwater integrates double materiality considerations in terms of ESG. i.e. considerations in respect to both "harm to investment" and "potential harm by investing".

This document further describes the binding elements that apply in the investment process and enable Sandwater to consider, integrate and manage ESG factors.

2 ESG APPROACH IN ANALYSING POTENTIAL INVESTMENTS

2.1 Overview of the methodologies used

Sandwater uses the following methodologies to assess, measure and monitor the environmental or social characteristics of funds under management:

(i) Exclusion criteria, and

(ii) an ESG investment analysis and screening,

both as further described below.

2.2 Screening against absolute exclusion list

Firstly, Sandwater assesses any potential investment in order to determine if it is, or is likely to be, significantly exposed to the below listed excluded industries or products, and/or breaches of fundamental laws, norms and conventions.

Sandwater excludes both companies which do not follow fundamental international and national laws, and norms, as well as companies investing in unsustainable product categories and industries. These are considered unsustainable and are therefore associated with significant environmental and social risks.

<u>Norm-based exclusions:</u>

a) Systematic violations of international law, norms and human rights

b) Systematic corruption and/or financial crime

c) Serious environmental degradation

Product/industry-based exclusions:

d) Production, trade and/or distribution of controversial weapons (such as cluster bombs)

e) Production, trade and/or distribution of tobacco

f) Activity of prostitution or procuring of prostitutes

g) Production, distribution or sale of pornography

h) Manufacture or marketing of casinos or other gambling activities

i) Activities that contribute to significant increases in CO2 emissions

Companies will be excluded where the breaches are considered serious and risk of recurrence is high. This entails that exclusion will only be the result where it cannot be demonstrated that companies have made improvements, and that inclusion is possible for previously excluded companies who can demonstrate a positive development. Other irregularities in companies, industries or sectors should only lead to exclusion as a last resort, but will be considered as a part of the due diligence analysis and screening described below.

2.3 Investment analysis and screening

Further, Sandwater will with respect to each potential investee conduct an ESG analysis, which constitutes the basis for an ESG screening and possible approval of the investment.

As part of the ESG analysis process of the potential investee, Sandwater will determine, with reasonable assurance:

- Whether the investee has the potential to contribute to an environmental and/or social objective or goal, as further described below.
- Whether the investment entails unacceptable principal adverse impacts, considering specific principal adverse indicators, as further described below.
- Whether the investee is exposed to unmanageable sustainability risks, as further described below.
- Whether the investee adheres to good governance practice, as further described below.

The following parameters will be assessed as part of the ESG analysis:

a) The environmental or social contributions of the potential investee companies. This includes, but is not limited to, activities that have the potential to contribute to one or more of the objectives/goals as set out below:

    - The following selected environmental objectives set out in the EU Taxonomy, including also enabling activities which directly enable other activities to make contributions to the objectives: (1)climate change mitigation, (2) climate change adaption and (4) the transition to a circular economy.

- The following selected UN Sustainable Development Goals: (3) Good Health and Well-being, (4) Quality Education, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production and (13) Climate Action.

b) The principal adverse impacts of the potential investee companies, in particular relating to the following indicators: GHG emissions, exposure to companies active in the fossil fuel sector, activities negatively affecting biodiversity sensitive areas, violations of UN Global Compact principles and OECD guidelines for Multinational companies, exposure to controversial weapons, emissions of inorganic pollutants, emissions of air pollutants, land degradation, desertification, soil sealing and cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery

c) Operational risks of a potential investee, such as impacts of environmental or social events on the operations, and governance risks such as inadequate management oversights of sustainability risks.

d) The governance practices of potential investee companies

The following principles apply to the ESG investment analysis process and to the possible approval of investments:

a) Sandwater will as a main rule seek to make investments that have potential to make contributions as described above and which do not entail unacceptable principal adverse impacts. Sustainability is a key factor in financial performance of investments and such positive contributions are generally assumed to have a positive impact on the risk-adjusted return of funds under management. However, given that the overall objective is to generate the best possible risk-adjusted returns for investors, Sandwater does not make an ex-ante commitment to solely make investments that have a positive impact.

b) Where an investment is exposed to unmanageable sustainability risks, this should result in an exclusion of the investment. Whether the risks are unmanageable is determined on the basis of an overall assessment, based inter alia on the parameters described above. Such exclusions and the parameters will in each case be documented in Sandwater's internal CRM system.

The ESG analysis for each potential investment, including the assessment made in relation to the above parameters, will be documented for each potential investment in Sandwater's internal CRM systems.

2.4 Active Ownership

Sandwater will have a minority ownership share in underlying portfolio companies and will also support portfolio companies by actively contributing and providing available expertise and network. Sandwater will promote ESG-related factors both through exercising its ownership rights and by through dialogue with the management of the portfolio companies.

Sandwater will focus on influencing and improving the behaviour in the underlying portfolio companies, and may engage with portfolio companies to:

- encourage increased focus on ESG factors, including the implementation of ESG policies and practices in the investee companies;

- influence the investee companies to reduce adverse impact on ESG factors;
- increase understanding and integration of ESG related risks in the investee companies; and/or
- improve ESG disclosures and reporting from the investee companies.

3 REVIEW OF POLICY

This policy will be reviewed at least once a year by the board of directors Sandwater.