

Sustainability Risk Disclosures:

[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.

Petersen & Partners Investment Management A/S fund:

Petersen & Partners Green Bonds

1.0 Scope

Per introductory paragraph 18 of (EU) 2019/2088, taking due account of our small size, the nature and scale of our activities and the types of financial products we make available, this document provides an answer to all disclosure requirements for our sustainable fund: 'Petersen & Partners Green Bonds' fund. Please refer to our [\(EU\) 2019/2088 disclosure: Sustainable World fund](#) and [\(EU\) 2019/2088 disclosure: non-sustainable funds](#) for our other funds.

All pre-contractual disclosure documents and policies referred to in (EU) 2019/2088, refer to this document by way of a website link located in the relevant documents.

2.0 Activities covered by this disclosure

The following disclosures relate to our 'Petersen & Partners Green Bonds' fund only. This fund is managed by Petersen & Partners Investment Management A/S as a financial market participant per *article 2 (I) and (II) of (EU) 2019/2088*.

3.0 Transparency of sustainability risk policies (Article 3 of (EU) 2019/2088)

In accordance with article 3 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, Petersen & Partners has published a policy on sustainability risks. Please refer to the [Company Information](#) on our website. This policy communicates Petersen & Partners' commitment to sustainability risks and an understanding of the responsibilities Petersen & Partners may have on the matter.

'Petersen & Partners Green Bonds' fund invests in AAA-rated mortgage bonds and Nordic companies that support the global green transition. ESG risks are considered as part of the investment process. Policies on the integration of sustainability risks and how they are integrated into our investment decision-making process are described below.

4.0 Transparency of adverse sustainability impacts at entity level

- **Article 4 -1. (a): Publishment and maintenance of principle adverse impacts on website**

Petersen & Partners publish a yearly report on the principle adverse impacts (PAI) of investment decisions on sustainability factors concerning our 'Petersen & Partners Green Bonds' fund. Please refer to the [PAI report: Green Bonds](#) on our website.

- **Article 4 -2. (a): Identification and prioritization of adverse impacts and indicators**

For a description of how we identify adverse impacts and indicators within ESG, please see our response to article 6-I (a). Companies with adverse impacts, which we define as companies with poor ESG standards, are not eligible for our portfolio and are therefore excluded. When selecting bonds for our green bonds fund, we screen for bonds explicitly designated to a 'sustainable' or 'green' development. Any bonds that do not meet these requirements, will be excluded from the fund. Further, the behind standing companies should not be source to any harm to the environment or social and governmental structures through their practices.

- **Article 4 -2. (b): Principal impacts of taken and planned actions**

Companies with adverse impacts, which we define as companies with strong controversies and low ESG standards, are not eligible for our portfolio and are therefore excluded (see more details on our investment approach in Article 6-I (a)).

If a company that is already in our portfolio experiences a controversy resulting in a poorer ESG rating labeled as 'red' as described in 6-I. (a), we will sell the bond. However, if the company has a clear plan for solving the controversy in the nearest future, then the company is permitted to stay in the portfolio. Under these circumstances, the company's progress is monitored closely. If the company does not improve then any investment in the bond will be sold.

If an asset in the portfolio has been on our watch list, and drops further, it must be sold immediately.

- **Article 4 -2. (c): Summaries of engagement policies**

Companies with controversies and low ESG standards are not eligible for our portfolio and are therefore excluded (see more details on our investment approach in Article 6-1 (a)). Consequently, we do not find it relevant to engage with such companies. If a company in our portfolio suddenly does not meet our ESG standards we will sell the bond unless they quickly adjust their procedures back into alignment with our standards.

- **Article 4 -2. (d): Adherence to business conduct codes and standards and Paris Agreement**

Our portfolio does not invest in companies with strong controversies. Therefore, if a company breaks international human rights or damages the environment, the company will not be included in our portfolio. Furthermore, we are a signatory of the UN Principles for Responsible Investment, and therefore also meet these standards.

5.0 Transparency of remuneration policies in relation to the integration of sustainability risks *(Article 5 of (EU) 2019/2088)*

Our remuneration policies can be reviewed [here](#) and are consistent with our statement in paragraph 3.0 of this document. No remuneration or bonus is given that violates (EU) 2019/2088.

6.0 Transparency of the integration of sustainability risks *(Article 6 of (EU) 2019/2088)*

Our pre-contractual disclosures include the following:

- **Article 6-1. (a): Integration of sustainability risks into our investment decisions**

By definition, the selection of bonds focuses on sustainability and at least one of the three ESG-factors are considered. As such, for bonds to be included in the portfolio, we require that they meet certain requirements on the matter. 'Petersen & Partners Green Bonds' invests in AAA-rated mortgage bonds and Nordic companies that support the global green transition. ESG risks and opportunities are considered as part of the investment process and decisions.

The primary method is based on an internal ESG-rating for each individual bond prepared by Petersen & Partners. Secondly, are ESG-ratings by Sustainalytics and MSCI. 'Petersen & Partners Green Bonds' is only subject to bonds classified as green

or sustainable. However, as data on corporate bond level is yet not available, we look at the ESG-rating of the behind standing company.

When examining a new investment opportunity, we use a traffic light approach. Assets that we are always allowed to buy are marked with a green flag, yellow flags are given to the assets that we may look further into and that we might put on our 'watch' list, and finally, red flags are given to assets in which we will not invest. If an asset is already part of the portfolio and become red, it must be sold immediately. Our approach is as follows:

Green flag

- Corporate bonds: Companies with an ESG Risk Score lower than 40
- Corporate bonds: Companies must have an A score or higher
- Government bonds: Countries in Sustainalytics' top 20

Yellow flag

- Corporate bonds: Companies with an ESG Risk Score of between 40-60
- Corporate bonds: Companies with an ESG rating between B or BBB
- Corporate bonds: Companies with an ESG rating of B will be on our watch list

Red flag

- Corporate bonds: Companies for which ESG Risk scores are higher than 60
- If a company drops to a CCC rating, it will be sold immediately

We monitor the portfolio according to this flag approach quarterly, however, if we receive new information about our positions during that period, we act on it immediately. For the companies whose ESG-ratings are not available through Sustainalytics, we will, on quarterly basis, make an internal ESG-rating based on data directly obtained from the companies. On top of monitoring the portfolio holdings, we also monitor our counterparts for fulfilling the same requirements as the companies or countries issuing the bonds.

We require that all companies that pass our ESG screenings also comply with international norms and conventions. Companies that do not comply with these norms will be excluded from the fund.

The requirements described above are our minimum thresholds within the area of ESG for companies to be eligible for the portfolio. This ensures that we only invest in companies with prudent ESG characteristics, thereby mitigating the ESG risks that could lead to a negative impact on our portfolio returns.

With reference to **Article 8-I (a)** of (EU) 2019/2088: **How characteristics are met:**

We believe that investing in companies that focus on environmental and social activities, has a positive impact on society. As such, our strategy focuses on

sustainability by design, as we believe that sustainability is a super trend and a return driver going forward.

With reference to **Article 8-I (b)** of (EU) 2019/2088: **Index benchmark and whether consistent with characteristics:**

Petersen & Partners Green Bonds is not subject to any index benchmark.

- **Article 6 -I. (b): The likely impacts of the risks on the returns**

This fund excludes all companies with low ESG standards that potentially could have a negative impact on returns from the fund. It is therefore not relevant to try to estimate any impact on returns.

7.0 Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites *(Article 10 of (EU) 2019/2088)*

- **Article 10 -I. (a): Our Sustainable investment objective**

We believe that sustainability is a global super-trend and a central facilitator for economic growth. As such, our investment strategy is, by design, focused on sustainability.

We believe that investing in companies that focus on environmental and social activities has a positive impact on society. As such, our investment strategy is, by design, focused on sustainability since we believe it is a super trend and a return driver going forward.

- **Article 10 -I. (b): Methodologies used**

To measure and monitor the impacts of sustainable investments, we are in direct contact with the bond issuers and will modify our data warehouse as new measures become available.

Further, we use Sustainalytics and MSCI as data providers on sustainability measures. This data is used for screening, measuring, and monitoring sustainability within the portfolio. For a thorough insight into the methodology of Sustainalytics and MSCI, please see the 'ESG Risk Ratings' on the Sustainalytics webpage and MSCI's Sustainable Impact approach on MSCI's webpage. Our investment methodology is explained in article 10-I (a).

Please refer to our [disclosures on our Sustainable World fund and our non-sustainable funds](#).