

# Responsible Investing

Petersen & Partners Investment Management engages in responsible investing. We believe that by supporting sustainable finance and demonstrating good financial behaviour we can have a positive impact on society and the environment while at the same time reducing financial risk. We also believe that ignoring this impact could have the opposite effect. It is, therefore, the obvious choice for us to invest responsibly. We believe that doing so is in our clients' interest. Moreover, it is our hope that investing responsibly will encourage others to do the same.

Petersen & Partners Investment Management is a signatory of the UN PRI (United Nations Principles for Responsible Investment). The PRI is a global initiative established by the UN and aims to achieve a sustainable global financial system, which we believe is necessary for long-term value creation. The principles focus on the three factors of ESG, which stands for environment, social and governance. As a signatory of the principles, we are constantly working to incorporate these and other factors into our investment processes.

## Equities - Internally Managed

Sustainable World's strategy is based on sustainable investment. It is a Nordic Swan Ecolabel product, which means that it complies with the strict standards set by the Nordic Ecolabel. The companies that we invest in must, among other requirements, earn at least 20% of their return from activities within the United Nations 17 Sustainable Development Goals (SDG). Furthermore, at least 50% of the overall portfolio must earn at least 40% of their returns from the SDGs as measured by MSCI.

Although the SDG are the focus of our investment strategy, it is very important to us that we do not invest in companies with a low ESG score. Therefore, Sustainable World only invests in companies that have a BB ESG rating or higher.

Finally, the fund excludes companies with severe or very severe controversies as defined by MSCI. This includes companies having a negative impact on international norms and conventions including the UN's declaration on human rights, OECD Guidelines for multinational companies and Global Compact's 10 principles for corporate sustainability. Companies are also excluded if 5% or more of their revenue is generated from the production or distribution of:

- Alcohol, tobacco, weapons, pornography, or hazard games.
- Energy from coal, oil, gas, or uranium. Some exceptions are included in the prospect for companies that are currently undergoing a green transformation.

## Equities - Externally Managed

It is important to us that our external managers invest responsibly. To ensure responsible external investment, all our partners are UN PRI signatories and have strict ESG-policies. This way we can be confident that they incorporate the ESG into their investment processes and decision-making.

## Fixed Income – Internally Managed

We use a traffic light system to examine new investment opportunities. ESG ratings are based on Sustainalytics and MSCI as data providers. We use a waterfall approach with Sustainalytics as our main data source. We supplement this with data screenings. Our approach is described below, where a green flag is awarded to assets that we are always allowed to buy, 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 would not invest, and which must be sold immediately if they are already part of the portfolio and become red.

Green flag:

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

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 monthly, however if we receive new information about our positions during the month, we act on it immediately.

On top of monitoring the portfolio holdings we also monitor our counterparts for fulfilling the same requirements as the companies/countries issuing the bonds.