

Litorina's Responsible Investment Framework

Introduction

This framework defines Litorina's purpose, approach and focus areas within environmental, social and governance (ESG) matters.

Purpose

At Litorina, we are convinced that our companies must have a sustainable and long-term approach to be successful. For us, sustainability is essential to drive long-term value creation. We recognize that our decisions and activities have an impact on the environment and the people and communities where we and our portfolio companies operate. As active owners, it is Litorina's ambition to manage those impacts and promote sustainable business practices.

We are committed to promote good business practices at Litorina and across our portfolio companies. We also believe that companies which effectively manage ESG risks and opportunities are better positioned to increase their long-term value. As a result, we have incorporated our Responsible Investment Framework into our investment process and active ownership model.

Litorina has been a signatory to the United Nations Principles for Responsible Investment (UN PRI) since 2014 and our active ownership approach is consistent with the six UN PRI principles. Furthermore, our ESG framework builds on the Ten Principles of the United Nations Global Compact (UNGC) and recognises the UN Sustainable Development Goals (UN SDGs) as a guideline in our investment process and sustainability strategy.

Approach

We recognize that our decisions and activities have an impact on the environment, the people and the communities where we and our portfolio companies operate. As active owners, it is Litorina's ambition to manage those impacts and promote sustainable business practices. Sustainability is therefore an integrated part of all stages in our investment process: (1) deal sourcing, (2) investment decision, (3) ownership and value creation and (4) exit.

1. Deal sourcing

- Exclude companies or entities whose business activity consists of illegal economic activity, or which substantially focus on tobacco and alcohol, weapons and ammunition, casino and gambling, illegal drugs, pornography or coal-based activities
- Include companies with a good potential to improve on our four core SDGs
- Pro-active sourcing excludes sectors and subsectors exposed to high sustainability risks

2. Investment decision

- Perform an ESG due diligence to determine sustainability risks and opportunities
- Companies that are exposed to (unmanageable) sustainability risks are excluded

- Confirmation of potential to contribute to our four core SDGs as well as identification of company specific SDGs
 - ESG due diligence findings are an integrated part of the material presented to the Investment Committee
- 3. Ownership and value creation**
- Assign responsibility and accountability for managing ESG matters to the board and management (ESG onboarding):
 - ✓ Sustainability coordinator
 - ✓ ESG committee
 - ✓ ESG governance (policies, training, etc.)
 - Setting the ESG strategy:
 - ✓ ESG materiality assessment
 - ✓ Selection of UN SDGs
 - ✓ Setting ESG KPIs and targets
 - ✓ ESG integration into the business strategy
 - ✓ Educate and communicate
 - Monitor regular reporting of material ESG matters
- 4. Exit**
- Communicate achievements and, where possible, measure impact over the investment period
 - Identify lessons learned and integrate feedback into the Responsible Investment Framework

Focus areas

The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as a universal call to take action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The SDGs are the blueprint to achieve a better and more sustainable future for all and includes 17 unique goals. Litorina strongly believes that we as a private equity owner have a great opportunity to drive sustainability matters in our portfolio companies. We recognize what impact our portfolio companies may have on the environment and the society use the SDGs as a framework to assess risks and opportunities. On Litorina level we focus on four core SDGs: (5) Gender Equality, (8) Decent Work and Economic Growth, (13) Climate Action and (16) Peace, Justice and Strong Institutions. These four focus areas form an integrated part of our investment process and active ownership model. On top of these four core SDGs our portfolio companies are also encouraged to select 1-3 additional SDGs where their business can specifically contribute.

Litorina strives to take a holistic view of ESG matters across the value chain of our portfolio companies, and therefore we encourage our portfolio companies to influence their suppliers, subcontractors, distributors and other business partners.

Environmental (UN SDG 13 – Climate action)

We will support our portfolio companies in creating robust climate strategies, report on GHG emissions and reduce environmental impact in our portfolio companies and at Litorina.

- *Cautious and responsible approach to environmental management of business operations*
- *Efficient use of natural resources and promoting circular business models*
- *Mitigation and enhancement of product and service impacts on the environment*

Social (UN SDG 5 – Gender diversity and UN SDG 8 Decent work and economic growth)

We will increase the share of women at Litorina and increase the share of women in Litorina’s Advisor network (which represents the non-executive board members that Litorina appoints to the board of directors of our portfolio companies).

We will create new jobs in our portfolio companies and promote sustainable and safe workplaces.

- *Fair treatment of all employees and contractors including respect for international labour and human rights standards, safe and healthy working conditions and responsible labour management*
- *Fair treatment of customers including consideration of product safety, data protection and responsible marketing practices*
- *Positive engagement with regulators, communities and other stakeholders impacted by business activities*
- *Diversity and equal opportunity*

Governance (UN SDG 16 – Peace, justice and strong institutions)

We will promote and implement sustainable corporate governance practices and business ethics with the aim of reducing risk of corruption and bribery.

- *Compliance with relevant laws, regulation and, if clearly defined, future regulation in countries of operation*
- *High standards of business integrity and work against bribery and corruption in all its forms*
- *Clearly defined responsibilities and procedures in company management structures with appropriate internal control mechanisms*
- *Communication and disclosure of how ESG matters are managed*

Monitoring and reporting

As active owners, promoting a sustainable approach to our investments is an integrated part of our value creation agenda and requires regular monitoring to assure progress is made on the sustainability agenda. Monitoring is done on different levels (e.g. board of directors, ESG committee, etc.) at different frequencies and is based on both qualitative as well as quantitative data.

Litorina reports progress on our sustainability work to our key stakeholders on a quarterly basis and publishes an annual sustainability report on our website.

As UN PRI signatory we also publish our annual Transparency Report on our website.

Litorina is active within the Nordic ESG community and has amongst others contributed to the sustainability report prepared by the Swedish Venture Capital and Private Equity Association (SVCA).

For detailed sustainability-related disclosures required by the EU Sustainable Finance Disclosure Regulation (SFDR) (EU) 2019/2088, see the separate document “SFDR disclosures” published on our website.

This Responsible Investment Framework was updated by Litorina in July 2023.

Appendix – policy revisions

Date of previous adoptions and amendments

Date	Description of amendments
December 2012	Document created
[***]	[***]
February 2020	Major revisions and transition to Word format
November 2020	Additions to Approach and Focus areas
July 2023	General update and integrated UN SDGs