

# **Sustainability-related disclosures for Litorina**

## Introduction

The EU Sustainable Finance Disclosure Regulation (SFDR) ((EU) 2019/2088) is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors. Litorina is committed to adhering to SFDR and sustainability matters are integrated in all aspects of our investment process and active ownership model.

Litorina V AB and Litorina V (A) AB (jointly the “Fund”) promote environmental or social characteristics, but do not have as its objective to make any sustainable investment. As a result, the Fund complies with Article 8 of the SFDR.

## Integration of sustainability risks in our investment process

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.

In our deal sourcing process, we 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. We also exclude sectors and subsectors exposed to high sustainability risks in our pro-active sourcing efforts and specifically look to include companies with a good potential to improve on our four core sustainability focus areas.

Sustainability is an important part of our due diligence process and consists of the following steps: (1) ESG readiness/maturity level assessment of the target company (incl. compliance with regulatory requirements), (2) materiality assessment to define risks and opportunities including a peer analysis and consideration of sustainability trends, (3) setting strategic ambitions including ESG value drivers and (4) contributions to the United Nations Sustainable Development Goals (UN SDGs). Results from the ESG due diligence process are an integrated part of the material presented to the Investment Committee and hence an important part of the investment decision process.

During our ownership we work actively with our companies on sustainability matters. We assign responsibility and accountability for managing ESG matters to the board and management and have developed an ESG onboarding program providing our companies with a clear plan to set ESG governance, an ESG strategy and value creation plan. Progress on sustainability matters is monitored regularly on different levels (e.g. board of directors, ESG committee, etc.) and is based on both qualitative as well as quantitative data.

By working actively on sustainability matters with our companies we can ensure a positive impact in an exit process. We communicate our achievements and, where possible, measure impact over the investment period. We also identify lessons learned and integrate feedback into our Responsible Investment Framework and processes.

## **Integration of sustainability risks in our remuneration process**

Litorina's remuneration to employees is determined on an annual basis and considers both financial and non-financial criteria. Once a year an annual evaluation is performed for all employees that amongst others includes the employees' contributions during the year to our investment processes as well as adherence to our core values and organizational activities such as sustainability initiatives.

## **No consideration of sustainability adverse impact**

Litorina does not consider principal adverse impacts ("PAI") on sustainability factors. Although Litorina is supportive of the aim of the PAI regime and takes sustainability factors into account in its processes, we do not comply with the specific PAI regime of the SFDR. For the time being, we consider our processes and Responsible Investment Framework appropriate. Litorina will, however, continue to learn more about the PAI regime and evaluate and update its position if relevant.

## **Sustainability-related disclosures for the Fund**

The Fund is a financial product that promotes environmental or social characteristics, but does not have as its objective a sustainable investment. Consequently, the Fund categorises as an Article 8 product in accordance with SFDR.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted by the Fund.

## **Environmental and/or social characteristics promoted by the Fund**

The Fund's has aligned its sustainability work with the UN Sustainable Development Goals ("SDG"). Based on a materiality assessment the Fund has indicated four SDGs where the Fund believes it can make the most impact. These four SDGs form the core environmental and social characteristics promoted by the Fund. Below you will find a description of the selected SDGs as well as information on how these SDG goals are promoted.

### SDG 5: Gender diversity

The Fund promotes diverse workplaces. This may be obtained through the implementation and follow-up by portfolio companies of appropriate policies and practices with respect to

recruitment, hiring, compensation, benefits, promotion and other terms and conditions for employment.

*Sustainability indicators: % female management and % female board of directors.*

#### SDG 8: Decent work and economic growth

The Fund promotes sustainable and safe workplaces in all portfolio companies, including prevention of injuries and work-related illness. This may be obtained through the implementation and follow-up on appropriate policies, processes and practices in portfolio companies with respect to health and safety. The Fund also promotes the creation of new job in our portfolio companies, which comes naturally with the Fund's target to achieve sustainable growth in all portfolio companies.

*Sustainability indicators: FTE development*

#### SDG 13: Climate action

The Fund promotes climate action to reduce GHG emissions in all portfolio companies. This may be obtained by educating the portfolio companies, supporting them in creating robust climate strategies and reporting on GHG emissions.

Sustainability indicators: number of portfolio companies measuring GHG emissions and number of portfolio companies with a GHG emission reduction target.

#### SDG 16: Peace, justice and strong institutions

The Fund promotes and implements sustainable corporate governance practices and business ethics with the aim of reducing the risk of corruption and bribery. Effective controls and measures to prevent any form of corruption or bribery are enforced by the Fund and required of the portfolio companies. This is done by requiring the portfolio companies to establish processes, policies and internal controls to prevent money laundering, terrorist financing or any violation of sanctions-related rules.

*Sustainability indicators: number of portfolio companies with a Code of Conduct, Anti-Corruption and Whistleblower Policy.*

In addition to the specific SDGs goals promoted, the Fund also has an exclusion policy where 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 are excluded.

## Consideration of principal adverse impacts on sustainability factors

The Fund does not consider principal adverse impacts (“PAI”) on sustainability factors. Although the Fund is supportive of the aim of the PAI regime and take sustainability factors into account in its processes, the Fund does not comply with the specific PAI regime of the SFDR. For the time being, the Fund considers its processes and responsible investment framework appropriate. The Fund will, however, continue to learn more about the PAI regime and evaluate and update its position if relevant.

## Periodic reporting

Periodic reporting in accordance with Article 11 of the SFDR is included in the annual report of the Fund. The first report has been included in the 2022 annual reports of the two Fund entities.

## Appendix – policy revisions

Date of previous adoptions and amendments

Date	Description of amendments
August 2023	Document created