

This ESG Policy for Fairpoint Capital AB

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**ESG Policy
for
Fairpoint Capital**

FAIRPOINT *capital*

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1 MISSION

Fairpoint Capital AB's (FCAB) mission is to support the development of its portfolio companies to build long term value and generate superior returns for its investors. As a minority investor FCAB believes it also has a responsibility towards society to influence its portfolio companies to act in a socially responsible manner. FCAB further believes that the best interests of its investors are aligned with those of the companies we invest in, their customers, their employees and the communities in which they operate. Therefore, while remaining resolutely commercial, FCAB always aim to act in a sustainable way and promote environmental and social characteristics.

To reflect this, FCAB has adopted this ESG Policy.

2 ESG POLICY

FCAB's policy is to:

- a. At all times act as a responsible minority investor, promoting appropriate environmental, labor & human rights and ethical issues and characteristics as part of its investment process, and
- b. When assessing potential investments, to consider:
 - Potential breaches against international conventions and norms such as UN Global Compact's 10 Principles
 - ESG related risks and opportunities that may affect the value of the investment
 - How well the company is already aligned with FCAB's aim to promote environmental and social characteristics

FCAB does not currently incorporate Principal Adverse Impact factors

2.1 ESG Integration in the Investment Lifecycle

FCAB consider ESG ethics, risks and opportunities at many stages of the investment lifecycle: the sourcing stage, the screening and evaluation ("due diligence") process, the ownership phase and in the eventual exit of the company. During the sourcing and due diligence process of a potential investment, FCAB will firstly as part of its defined ethical values always consider a potential target's alignment and compliance with relevant international conventions and standard such as the UN Global Compact. In this part of the process FCAB will also exclude any direct investments in the following set of restricted sectors which we do not consider ethical or sustainable:

- Controversial weapons including nuclear
- Thermal coal production
- Tobacco
- Cannabis
- Alcoholic beverages
- Pornography
- Fossil fuels

FCAB then has the following Due Diligence process in place to incorporate ESG risks and opportunities as part of their formal screening and evaluation process. The process is outlined below.

1. Send ESG self-assessment questionnaire to the potential target company.
2. Consider following questions:
 - a. Is the company aligned with relevant international conventions and guidelines, such as UN Global Compact principles?
 - b. Does the company align with FCAB's ethical guidelines?
 - c. Is the team gender diverse and/or have the ambition to become diverse?
 - d. What do you consider the biggest regulatory risks for the company going forward? Could the company's main business be affected by any major regulations in the coming years?
 - e. Is the company connected to any high-risk third countries through their customers or suppliers?
 - f. Do the company have any governance in place to ensure no corruption?
 - g. Does the company already report on the KPI's FCAB uses to measure its contribution to positive environmental and social characteristics?
3. Consider the result from the self-assessment questionnaire in relation to the company's size, industry, and the scope of their business. Make an overall assessment of potential ESG risks and opportunities that can have an impact on investment value.

The ESG self-assessment questionnaire is developed to assess a company's alignment with international conventions and standards, ESG risks and opportunities as well how the company is positioned to contribute to environmental and social characteristics according to FCAB's definition. Following the due diligence of a potential target company, an investment memorandum is put together and provided to the investment committee for its consideration and discussion. The investment memorandum summarizes the key conclusions and findings from the due diligence of the target company, including identified ESG risks (if any), and forms the basis for the investment committee's decision to recommend (or not recommend) an investment to the board of directors for its final investment decision. Different ESG risks are prioritized in the due diligence process depending on how material they are to the business and stakeholders.

During the ownership phase, FCAB monitor the portfolio companies' risk profiles, including ESG risks, through continuous discussions with the companies' board and senior management. As active owners, FCAB aim to increase awareness and encourage work for the improvement and disclosure of ESG matters, such as (but not limited to) the environmental, labor & human rights and ethical practices described below.

2.1.1 Environment

Post investment FCAB aims to promote an appropriate level of environmental awareness and sound environmental practices in the portfolio companies in which it has an interest, where relevant, including:

- Measure each portfolio company's Co2e emissions and promote no increase
- Limiting the emissions of harmful substances and harmful waste.
- Seeking appropriate permissions for dealing with hazardous materials.
- Complying with current environmental law.
- Limiting consumption of environmentally scarce resources.
- Supporting value creation potential from developing the company as environmentally sound.

2.1.2 Labor & Human Rights

Post investment FCAB aims to promote sound labor and human rights practices including diversity, equality and inclusion in the portfolio companies including:

- Considering employee working conditions such as minimum wages, working hours, health, and safety of work force.
- Continuously monitoring any potential breaches against Human Rights.
- Avoiding discrimination based on e.g. age, race, gender, religion, sexual orientation, or disability.

2.1.3 Ethics

Post investment FCAB aims to promote sound ethical practices in the portfolio companies, including:

- Promote the development and implementation of a Code of Conduct at all companies during the holding period.

Promoting awareness and compliance with relevant laws and regulations.

- Does not tolerate corruption and unethical business practices.
- Seeking positive involvement with stakeholders and community.

2.2 Governance

An essential part of FCAB's value creation model is quality of governance, management, and founders in place for each portfolio company.

The board of directors of each portfolio company is responsible for defining strategy and policy, and FCAB expects their role to include the setting of sound environmental, labor & human rights and ethical standards. FCAB requires that the board of every portfolio company consider their company's compliance with ESG factors. As part of this governance work, FCAB sends an ESG self-assessment questionnaire to each portfolio company on a regular basis. The answers are documented and followed up by our investment directors at regular meetings with company representatives.

UN Principles for responsible investments (UNPRI)

FCAB is a signatory to UNPRI. The principles aim to promote and incorporate ESG aspects in daily operations and in investments. In short, this means that FCAB is committed to the following:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.