



CAPIDEA – SUSTAINABILITY POLICIES

1. Purpose

This Sustainability Policy shall apply to all Environmental, Social and Governance (ESG) initiatives and activities at and Companies owned and management by Capidea.

The objective of Capidea’s Sustainability Policy is to establish the principles and guidelines for Capidea and its companies to address, integrate and mitigate sustainability risks.

It is the mission of Capidea to generate returns for our investors by acquiring, developing and improving, and selling small and medium-sized Danish companies. Capidea invests in companies across sectors and industries which are on a long-term growth trajectory.

Capidea is committed to responsible investment practices that consider our environmental and social responsibility, and good corporate governance. For this reason, Capidea has pledged itself to acting responsibly towards the companies we own and in the way we run our business in general. We therefore also evaluate potential adverse sustainability impact of our investment decisions. Anything else would affect the fund's reputation and potentially also the value of our investments.

Our ambition is to ensure that our companies have the required foundation for long term sustainable growth. We therefore integrate sustainability risks in our investment processes, from sourcing and due diligence, through active ownership and exit.

Active ownership includes our companies being run in accordance with the demands and expectations of the world around us and us acting as good corporate citizen, we therefore ensure that our companies report on sustainability in accordance with the UN Global Compact (UNGC)

Further, Capidea strives to comply with all relevant rules applying to our portfolio companies and us. Capidea is a member of “Active Owners Denmark” (Aktive Ejere (“AE”)) and adheres to the organization’s code of conduct and valuation principles.

2. Responsibilities

Capidea wants to make sure that we follow up on all ESG matters, whether they emerge during due diligence, in the course of audits, in the regular risk reporting, during self-assessments, or simply in the course of the day-to-day-business of Capidea or our companies.

This means that management in Capidea and in our companies – whether on the Board of Directors or in executive management – and all employees in Capidea and our companies are responsible for reporting significant ESG findings so they can be proactively addressed.

Capidea commits to make sure that top level ESG policies and processes are in place in our portfolio companies, and we oversee that these policies are implemented, both when we act as investment advisors and when we act as directors of our companies.

In our companies, the Boards of Directors are responsible for complying with the standards set by Capidea, and for defining ESG strategies and standards at a company level and have oversight with executive management's implementation.

3. Investment processes

When Capidea is screening for future investment options, we incorporate relevant ESG factors in our general evaluation criteria. This implies that we gather available information on sustainability risks in the relevant industries and markets and take it into account when evaluating potential investments. Such process is undertaken based on UN Global Compact's Ten Guiding Principles. Capidea considers each acquisition of a Portfolio Company carefully. Therefore Capidea perform an ESG related due diligence ahead of any new investment. The purpose of the ESG due diligence is to identify company specific sustainability risks which can impact the value of investment. Further, it is our opinion that appropriate risk behaviour in all risk categories, including sustainability risk, is a central tenet of performance assessment. We therefore incorporate potential adverse sustainability impact of our investments in our risk assessment procedures and valuation processes.

Capidea does not invest in companies with significant negative ESG impacts without a realistic path to mitigate them. Capidea therefore does not invest in companies who, during due diligence, are not willing to improve any potential findings related to human and labor rights, environment, or anti-corruption.

4. Active Ownership Practices

As an active owner in the companies we invest in, Capidea takes responsibility for considering ESG factors not only in strategic decisions, but also in the day-to-day business activities. As owners, we do this as members of the Boards of Directors of our companies, and furthermore Capidea provides the companies with tools, guidance, and knowledge sharing opportunities regarding ESG management.

Companies are introduced to our approach to ESG integration during our onboarding and strategy development process (Capidea Value Creation). When we review company performance, we integrate ESG factors.

Capidea oversees that all portfolio companies join the UN Global Compact, report in accordance with Communication-on-Progress requirements and integrate relevant findings in the regular risk reporting of the company. Further, companies are expected to conduct a climate risk and opportunities scenario analysis with a basis in the recommendations made by the Financial Stability Board's Task Force on Climate-related Financial Disclosures. The purpose of such process is to mitigate potential adverse impact of sustainability factors, while ensuring that each Portfolio Company's strategy is positioned to benefit from a sustainable transformation of society.

To ensure that all companies comply with our expectations each Portfolio Company ensures relevant employees are involved in ESG management processes. The responsible for sustainability at Capidea maintains a dialogue with the companies throughout the year.

Capidea expects companies under management to:

- comply with relevant laws, rules and internationally recognized principles
- consider risks relating to ESG issues and address them proactively through action plans
- be in a position to meet the requirements and expectations of customers and business partners concerning supply chain management and codes of conduct
- consider future business opportunities and positioning in relation to ESG; and
- comply with AE's guidelines on openness and transparency

5. Reporting on Sustainability

Capidea adheres to the 'comply or explain' requirement of the AE Guidelines.

Capidea portfolio companies report on Sustainability in accordance with the UN Global Compact reporting structure. This means that each portfolio companies disclose e.g.:

- Their practical actions taken or planned to implement the UN Global Compact principles in each of the four issue areas (human rights, labor, environment, anti-corruption) on a report or explain basis
- An outcome measurement indicating which targets were met, or other qualitative or quantitative measurements of results

Furthermore, Capidea portfolio companies are encouraged to employ Key Performance Indicators (KPIs) where it is relevant in the four issue areas of UN Global Compact; human rights, labor, environment and anti-corruption.

Employing KPIs means (1) formulating the specific KPI, (2) setting a target, (3) explaining the actions taken and (4) finally reporting on the status by allocating resources to data collection.

6. Governance

Capidea has established a set of ground rules and tools for good corporate governance. A common platform for cooperation between Capidea and each company's management and Board of Directors has been established, creating better conditions for growth and value creation. Key pillars of this platform are:

- Board of Directors Tasks
- Legal and Financial Compliance
- Risk Management and Assessment
- Composition and Organisation
- Sustainable business conduct

7. Remuneration (to be included in remuneration policy and updated on website)

The overall remuneration model is aligned with sound and efficient risk management principles. A part of the policy is to address and mitigate risk, including sustainability risks as defined in Regulation (EU) 2019/2088.

The responsibility for management of Sustainability ultimately rests with our CEO. Our CEO is responsible for allocation of adequate resources to comply with the Sustainability Policy.

Adopted:
Copenhagen, June 2022

Erik Balleby Jensen
CEO, Capidea Management

The Sustainability Policy will be reviewed no later than June 2023.