SDG Invest

IMPACT REPORT
2024

Value for generations

A LETTER FROM OUR CHAIR OF THE BOARD

DEAR STAKEHOLDER

As we reflect on the past year, it is clear that sustainability is no longer a choice but an obligation. The world continues to grapple with the realities of climate change, social inequality, and governance challenges, and businesses are increasingly held accountable for their role in shaping a just and sustainable future. At SDG Invest, we welcome this shift. We believe that sustainable investing is a powerful tool, not only to generate strong financial returns but also to drive meaningful change in the world.

The regulatory landscape is evolving rapidly, with increasing expectations for transparency, corporate responsibility, and climate action. Frameworks, such as the Corporate Sustainability Reporting Directive (CSRD), are raising the bar for companies worldwide. These developments reflect what we have long advocated for: stronger accountability, clear sustainability commitments, and a more structured approach to measuring impact. At SDG Invest, we have taken proactive steps to ensure that all our portfolio companies align with the highest ESG standards. Compliance is a foundation for better decision-making, stronger risk management, and, ultimately, greater long-term value for all stakeholders.

At SDG Invest, our commitment to sustainability is reflected in our classification as an Article 9 fund under the EU Sustainable Finance Disclosure Regulation (SFDR). This classification represents the highest standard for sustainable investment products within the European regulatory framework. For us, Article 9 status reflects a clear and deliberate investment philosophy rooted in the belief that finance should drive positive environmental and social outcomes. We invest exclusively in companies that make a meaningful contribution to sustainability objectives and uphold robust standards of transparency, accountability, and impact measurement.

For our investors, this offers confidence that their capital is being managed with purpose and discipline, while actively contributing to solutions that address global challenges such as climate change, biodiversity loss, inequality, and governance shortcomings. Article 9 funds must demonstrate measurable results, and we fully embrace this responsibility. It strengthens our mission to deliver long-term value while advancing the global transition to a more sustainable and inclusive economy.

Over the past year, we have seen significant progress across our impact areas. Climate action remains at the core of our investment strategy, and we are encouraged to see more companies committing to verified net-zero targets, reducing their emissions in alignment with the Paris Agreement. As a result, all new portfolio companies must be committed to setting, or have already set, science-based targets. We have also set a goal for all portfolio companies to be aligned with SBTi by the end of 2025, and have verified net-zero targets set by 2030.

These achievements mark real progress, but we recognise that there is still work to be done. The fight against climate change demands more ambitious action, particularly in transitioning away from fossil fuels, protecting biodiversity, and embedding science-based targets across entire value chains. Social responsibility must go beyond policies and reporting, it must translate into tangible improvements in working conditions, equitable opportunities, and stronger governance.

The role of investors has never been more critical, and we remain committed to using our influence to push for higher standards and greater accountability. Through active ownership, we engage directly with companies to support and guide their sustainability journeys. We use open dialogue, written communication, and formal letters to raise expectations, encourage stronger practices, and nudge companies in the right direction. Our aim is to foster long-term relationships that enable meaningful progress, grounded in transparency, accountability, and a shared commitment to positive impact.

We will continue to strengthen our approach, ensuring that our investments contribute to a sustainable, fair, and resilient future. Through our ambitious portfolio goals, we are dedicated to achieving full compliance with evolving regulations while maintaining our core mission: to invest in companies that lead by example.

I want to extend my sincere thanks to our investors, partners, and all those who support our mission. Your trust and engagement fuel our commitment to sustainable investing, and together, we will continue to push boundaries, challenge the status quo, and shape the future of sustainable finance.

CHARLOTTE STOKKEBYE
Chair of the Board

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2024
YEAR IN REVIEW

HIGHLIGHTS

+14.56%
return in 2024
(2023: +17,07%)

1,972
investors
(2023: 1,777)

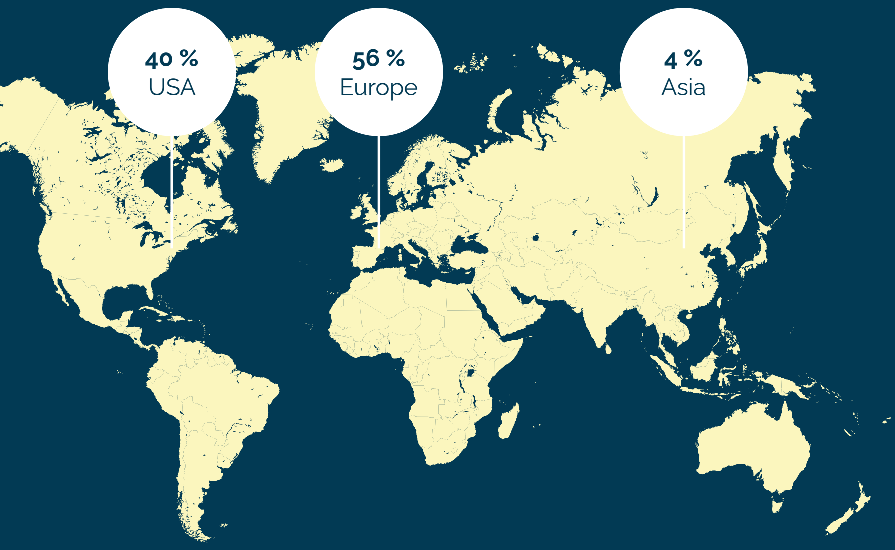
+23.08%
CO_2 reduction (Weighted Average Carbon Intensity)

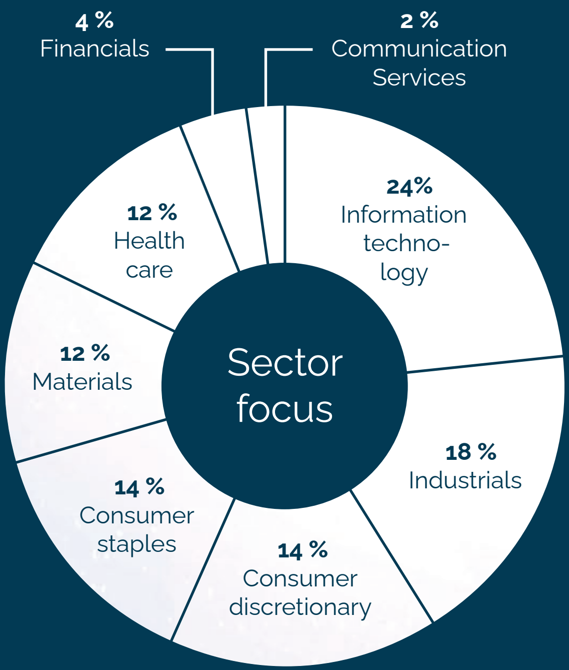
PORTFOLIO OVERVIEW

50
companies

97,360
average number of employees per company

$34.35 bn
average annual revenue per portfolio company





IMPACT HIGHLIGHTS

SCIENCE-BASED TARGETS

88%

of portfolio companies have set Science-Based Targets. (2023: 76.9% | 2018: 35%) Goal to have 90% of portfolio companies with status "committed" on Science-Based targets by 2025 and 100% by 2030.

NET-ZERO TARGETS

80%

of portfolio companies have set net-zero targets for the entire value chain. That figure increases to **82%**, when including companies that have set scope 1 and scope 2 net-zero targets.

CIRCULAR PRINCIPLES

82%

of portfolio companies have strategically implemented circular economy principles in their business operations, through specific targets. (2023: 75%)

SUPPLY CHAIN DUE DILIGENCE

100%

of portfolio companies have descriptions of their supply chain due diligence programmes to mitigate human and labour rights risks including a policy, grievance mechanism, and risk assessment screenings. (2022: 85%)

Out of the 100%, **46,15%** have extensive description of their supply chain describing assessments of adverse impacts, audits and remediation and the results hereof to ensure human rights and worker rights.

CONTRIBUTES TO SDGS

72%

of portfolio companies have developed products and/or solutions that directly contribute to the UN SDGs, integrating sustainable development in their business model. (2023: 73%)

INITIATIVES AND PARTNERSHIPS

98%

of portfolio companies are engaged in multi-stakeholder initiatives or strategic sustainability partnerships. Our companies recognise that sustainability challenges can only be solved when working together. (2023: 98%)

WOMEN IN EXECUTIVE MANAGEMENT

29%

is the average percentage of women in executive management positions in our portfolio companies (2023: 24%).

OUR APPROACH TO SUSTAINABLE INVESTING

The UN Sustainable Development Goals (SDGs) have been the foundation of SDG Invest's strategy since our inception in 2017.

The SDGs provided a clear, global framework that shaped our original investment philosophy, recognising that sustainability challenges are interconnected and must be addressed collectively to ensure long-term prosperity for people and planet.

Since then, our approach has evolved in response to regulatory developments, improved data availability, and rising expectations around corporate accountability. While the SDGs continue to define the why behind our strategy, we have modernised the how by integrating more precise sustainability criteria, measurable impact metrics, and stricter environmental thresholds, particularly in relation to climate action.

Today, SDG Invest applies a more targeted methodology to identify companies that not only align with the SDGs in principle, but also demonstrate real-world progress on issues such as decarbonisation, human rights, biodiversity, and good governance. By doing so, we ensure that our investments contribute meaningfully to sustainable development, while supporting long-term value creation and ethical responsibility.

At SDG Invest, we believe that financial performance and sustainability are inherently connected. Our investment philosophy is rooted in the idea that companies that prioritise ESG considerations are better positioned for long-term success. By integrating sustainability into every aspect of our decision-making, our goal is to ensure that our portfolio not only delivers strong financial returns but also drives meaningful impact.

We operate in a regulatory landscape that is becoming increasingly demanding. The Corporate Sustainability Reporting Directive (CSRD) is raising expectations for data accuracy, consistency, and transparency across ESG disclosures. The EU Taxonomy continues to guide how we assess environmental performance, particularly in areas such as climate action and resource use. In addition, the Omnibus regulation is introducing more consistent sustainability requirements across the financial sector. These developments are directly shaping how we evaluate companies, manage risk, and report on progress across our portfolio.

INVESTMENT STRATEGY
INTEGRATING SUSTAINABILITY AND COMPLIANCE

Our investment strategy is built on a structured approach that balances financial strength with ESG leadership. We exclusively invest in companies that demonstrate resilience, innovation, and a commitment to responsible business practices. The SDG Invest Sustainability Scorecard plays a central role in this process, ensuring that each company in our portfolio meets strict sustainability criteria. This methodology allows us to evaluate companies not only on their current ESG performance but also on their ability to adapt to future sustainability challenges.

We also recognise that compliance is a fundamental driver of sustainability. As regulations become more robust, companies that fail to integrate sustainability into their core business strategies face growing financial, legal, and reputational risks.

In this report, we provide a detailed overview of how our portfolio companies are aligning with key regulatory frameworks such as the CSRD and EU Taxonomy. Each impact area in the report reflects a core pillar of sustainability regulation; from climate accountability and supply chain due diligence to circular economy practices and diversity in leadership.

By disclosing this information, we aim to demonstrate not only how our portfolio complies with evolving expectations, but how we use these standards to assess performance, engage with companies, and guide investment decisions.

SDG INVEST IS AN ARTICLE 9 FUND

SDG Invest is an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR), which means the fund has sustainable investment as its core objective.

The fund's objective is to contribute to limiting global warming in line with the Paris Agreement, by supporting the transition to a low-carbon economy. SDG Invest pursues this through a focused investment strategy that selects companies actively working to reduce greenhouse gas emissions and align with a 1.5°C pathway.

The strategy is rooted in the UN Sustainable Development Goals (SDGs) and prioritises companies with:

- Documented climate targets, such as science-based emission reduction goals
- Demonstrable progress on decarbonisation
- Alignment with sustainability principles across governance, operations, and impact

SDG Invest does not use a climate benchmark but instead applies proprietary tools and strict sustainability criteria to measure and manage the environmental impact of the portfolio — including annual CO_2 intensity analysis and exclusion of high-risk activities like fossil fuel production.

The fund's aim is to generate measurable, positive environmental and social outcomes while achieving long-term financial returns.

ARTICLE
9

Investment funds that have sustainability as an integral objective of their investment strategy

COMPLIANCE AND REGULATORY ALIGNMENT

As an Article 9 fund, SDG Invest is required to invest in companies that demonstrate alignment with key European Union regulations on sustainable finance. These regulations set clear expectations for transparency, risk management, and sustainability-related performance. We assess portfolio companies against the following core frameworks:

- **EU Sustainable Finance Disclosure Regulation (SFDR):** Requires portfolio companies to meet the minimum safeguards defined in Article 2(17), including sound governance, fair treatment of employees, and responsible tax and remuneration practices. It also mandates reporting on principal adverse impacts (PAIs).
- **EU Taxonomy Regulation:** Provides criteria to assess whether companies' economic activities are environmentally sustainable. It supports alignment with the Do No Significant Harm (DNSH) principle across climate and environmental objectives.
- **Corporate Sustainability Reporting Directive (CSRD):** Requires companies to disclose detailed ESG data, including governance structures, environmental risks, and social impacts, in line with the European Sustainability Reporting Standards (ESRS).

These frameworks guide how we evaluate ESG risks, minimum safeguards, and reporting practices across our investment universe. Ensuring that portfolio companies meet these standards supports both compliance and long-term sustainability outcomes.

RISK MANAGEMENT AND DUE DILIGENCE

Managing sustainability risks is an integral part of our investment process. ESG risks have a direct influence on long-term value creation, so we carry out structured and ongoing assessments to evaluate how companies in our portfolio are addressing key issues. Our risk assessment framework is based on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the Science-Based Targets initiative. It covers climate, human rights, governance, and other material sustainability factors.

We take a proactive approach by reviewing publicly disclosed data, company sustainability reports, third-party ESG ratings, and regulatory filings. This work is supported by our internal SDG Invest Sustainability Scorecard, which evaluates companies across a set of performance indicators and flags areas of concern.

The Scorecard is part of a broader three-step investment process that integrates sustainability risks at multiple levels: through sector and activity exclusions, minimum standards screening, and detailed ESG analysis. These risks are assessed using proprietary tools such as PAI Mapping, with a focus on climate exposure, social impact, and governance quality. We continuously monitor companies for any developments that could indicate heightened sustainability risks, particularly in value chains or high-risk sectors.

When risks are identified through data, media coverage, or delays in progress, we begin an engagement process. This includes direct outreach, written questions, or formal requests for meetings. If the company does not respond adequately or take sufficient action to address the issues, we escalate our engagement. In cases where risks remain unresolved, we remove the company from our portfolio.

»Managing sustainability risks is an integral part of our investment process. ESG risks have a direct influence on long-term value creation, so we carry out structured and ongoing assessments to evaluate how companies in our portfolio are addressing key issues.«

ACTIVE OWNERSHIP ENGAGEMENT AND ADVOCACY

At SDG Invest, we believe that sustainable investing goes beyond selecting companies that meet minimum ESG standards. It means investing in businesses that are actively transitioning toward a more sustainable future and holding them accountable for real-world outcomes.

With our strategy, we focus on identifying companies that can demonstrate measurable progress on sustainability metrics, particularly in areas such as climate action, biodiversity, and human rights. But we don't stop at selection. We use our position as active owners to influence corporate behaviour and accelerate positive change.

Through structured engagement, direct dialogue, and participation in investor alliances, we push for higher standards across industries. We engage with portfolio companies to ensure they not only meet but strengthen their alignment with evolving ESG expectations, international norms, and regulatory frameworks, including the EU Taxonomy, SFDR, and CSRD.

By combining strict investment criteria with long-term engagement, we aim to improve outcomes at both company and system level and to ensure that our investments are genuinely aligned with a 1.5°C future and the UN Sustainable Development Goals.

Our role as active investors is not just to mitigate risks but to create opportunities for progress. We engage with portfolio companies to ensure that sustainability commitments are followed by action, and we work closely with industry leaders, policymakers, and advocacy groups to drive systemic change.

OUR ENGAGEMENT ACTIVITIES

Climate Action and Decarbonisation
Ensuring that companies align with our internal, annual reduction target, net-zero targets, TCFD disclosures, and SBTi commitments.

Supply Chain Due Diligence and Human Rights
Advocating for full compliance with OECD due diligence frameworks.

Diversity, Inclusion and Governance
Encouraging greater board diversity and transparency in executive compensation.

Circular Economy and Sustainable Resource Use
Holding companies accountable for their role in reducing waste and adopting circular business models.

Good Governance Practices
Ensuring that companies adhere to the principles defined in SFDR Article 2(17), including sound management structures, fair employee relations, responsible remuneration policies, and transparent tax practices.

100%

of our portfolio companies have descriptions of their supply chain due diligence programmes to mitigate human and labour rights risks including a policy, grievance mechanism, and risk assessment screenings

HUMAN RIGHTS AND SUPPLY CHAIN COMPLIANCE

The legal landscape for human rights, labour rights, and supply chain accountability is becoming increasingly stringent. Businesses must align with global frameworks that set clear expectations for corporate due diligence and ethical responsibility.

At SDG Invest, we integrate compliance with key international standards into our ESG assessment process. Our sustainability scorecard includes specific thresholds derived from the OECD Guidelines, UN Guiding Principles on Business and Human Rights (UNGPs), and the SFDR minimum safeguards. We apply these to evaluate alignment with the following frameworks:

- **UN Guiding Principles on Business & Human Rights (UNGPs):** We assess whether companies have implemented human rights due diligence processes, including identifying and addressing actual or potential impacts, integrating findings into operations, tracking responses, and communicating outcomes.
- **Corporate Sustainability Due Diligence Directive (CSDDD):** Entered into force in July 2024, with phased implementation from 2027. We encourage early alignment, especially where it supports the DNSH principle, PAI indicators, and SFDR minimum safeguards.

  Our thresholds require:
  - Supply chain mapping to identify human rights and environmental risks
  - Grievance mechanisms and remediation processes
  - Transparent due diligence reporting
  - No breaches of labour rights (UNGC Principle 3), anti-corruption (UNGC Principle 10), or involvement in tax controversies
- **OECD Guidelines for Multinational Enterprises:** Companies must demonstrate risk-based due diligence covering human rights, labour rights, corruption, and environmental practices.

THRESHOLDS AND PORTFOLIO STATUS

At SDG Invest, thresholds are central to how we assess and manage ESG risks. They are not simply a checklist but represent our underlying methodology. This structured framework ensures that we invest in companies aligned with long-term sustainability objectives and the Article 9 classification under the SFDR. These thresholds define the standards we use to evaluate company performances across climate, governance, labour rights, and transparency. They serve as a consistent basis for screening, engagement, and decisions regarding portfolio inclusion.

Each company is evaluated using criteria rooted in international frameworks, including UNGC, OECD Guidelines and the Principal Adverse Impacts (PAI) under the SFDR. The thresholds cover a wide range of areas.

92%

of our portfolio companies meet all human rights due diligence expectations.

For climate, we assess alignment with science-based targets and whether companies are delivering meaningful emissions reductions. On governance, we examine responsible tax conduct, transparency in financial reporting, and the presence of policies and oversight structures. For human rights, we expect companies to conduct and disclose due diligence related to labour rights and responsible sourcing. Additional considerations include circular economy practices, biodiversity risks, gender diversity in leadership, equal pay practices, and alignment with sustainable innovation goals.

When companies do not meet these expectations, they are flagged internally and placed on a watchlist. We then initiate targeted engagement, including written communication and meetings, to address the specific gaps. If no meaningful progress is made within a reasonable timeframe, the company may be removed from the portfolio. As of 2024, 92 % of our portfolio companies meet all human rights due diligence expectations.

Our thresholds are continuously updated in line with evolving regulation and sustainability standards. This approach strengthens accountability and reinforces our commitment to transparency, long-term impact and compliance with the Paris Agreement, the Do No Significant Harm principle and the overarching goals of sustainable finance.

ENGAGEMENT AND FOLLOW-UP

Engagement is tailored to each issue. Companies are tracked for corrective action through documented dialogues and follow-up assessmentsIf no improvement is made, the company may ultimately be removed from the portfolio.

This structured engagement approach is outlined in our Active Ownership Policy and supports our obligations under the SFDR. See below for our engagement actions in 2024.

50	23	1
companies received letters in 2024 regarding governance or due diligence gaps, with 10 companies having responded	companies received letters in 2024 and 7 companies responded to a targeted DEI letter campaign in the U.S.	company was contacted in 2024 regarding its alignment with the Science Based Targets initiative (SBTi) and provided a formal response

INVESTOR COLLABORATIONS TO STRENGTHEN ESG PERFORMANCE

As investors, we collaborate with institutional peers, asset managers, and advocacy organisations to influence corporate decision-making and promote stronger sustainability outcomes. These partnerships support our ability to hold companies accountable and align capital with long-term environmental and social goals.

SDG Invest participates in investor initiatives such as the Investor Alliance for Human Rights and Climate Action 100+. Through these coalitions, we:

- Support more ambitious climate disclosure and emissions reduction targets in line with TCFD and SBTi.
- Demand greater supply chain transparency and respect for human rights in multinational operations.
- Promote responsible corporate governance, board diversity, and transparency in executive pay.

We pursue these engagements through collaborative dialogue, coordinated shareholder actions, and joint advocacy. This complements our core engagement strategy and reinforces our role as an Article 9 fund committed to advancing responsible business conduct across our portfolio.

Listed on NASDAQ Copenhagen	Member of	Investor Signatory	Signatory	Retail partnerships with
Nasdaq	Climate Action 100+; Investor Alliance for Human Rights, an initiative of ICCR	CDP Investor Signatory	PRI Principles for Responsible Investment; KnowTheChain	Merkur Andelskasse

LOOKING FORWARD
THE FUTURE OF SUSTAINABLE INVESTING

The future of investing is increasingly defined by sustainability, compliance, and impact. As the global economy transitions to a low-carbon and more socially responsible framework, we remain committed to leading by example.

FURTHER READING

As active owners, we engage with portfolio companies to ensure they rigorous standards and continuously improve their SDG impact strategies.

Read more in our Policy for Active Ownership

By continuously strengthening our investment criteria, engagement efforts, and risk management practices, we aim to drive real impact while delivering financial growth.

Our vision for sustainable investing is clear: sustainability is not just about meeting regulatory requirements; it is about shaping the future of business. Through a rigorous investment approach, active ownership, and a steadfast commitment to compliance, SDG Invest endeavours to be at the forefront of sustainable finance. Looking ahead, we plan to strengthen our sustainability criteria, enhance our portfolio engagement activities, and focus even more closely on compliance with evolving sustainability regulations.

See also *The Future of Sustainability and Compliance* on p. 40 in this report.

SELECTION METHOD
THE SUSTAINABILITY SCORECARD

All new investments in SDG Invest must contribute positively to sustainable development and comply with the fund's strict ESG criteria. Our screening process for new investments follows a formalised and structured methodology, documented in our internal Business Procedure for ESG screening.

A THREE-STEP MODEL FOR SELECTING COMPANIES

1

INITIAL SCREENING

Assesses whether the company is involved in any activities that violate SDG Invest's zero-tolerance criteria

2

MINIMUM STANDARDS ASSESSMENT

Ensures alignment with our minimum sustainability thresholds.

3

SUSTAINABILITY SCORECARD EVALUATION

Screening and analysis of companies' approach to

- Sustainability
- Governance
- Leadership

The screening is conducted in three main steps:

1. INITIAL SCREENING: The first step assesses whether the company is involved in any activities that violate SDG Invest's zero-tolerance criteria. This includes sectors or practices such as fossil fuel extraction, controversial weapons, tobacco, and others that conflict with our ethical standards. At this stage, we also check whether the company has committed to the Science-Based Targets initiative (SBTi), which is a precondition for investment.

2. MINIMUM STANDARDS ASSESSMENT: The second step ensures alignment with our minimum sustainability thresholds, which are built around the SFDR's Do No Significant Harm (DNSH) principle, minimum safeguards, and good governance criteria.

This includes verifying whether the company:

- Meets expectations related to climate performance, circular economy, biodiversity, and social responsibility
- Has robust due diligence and whistleblower mechanisms
- Is not in breach of international norms such as the UN Global Compact and OECD Guidelines

If the company fails to meet one or more of these requirements, it is flagged and may be excluded or passed to internal discussion depending on the severity of the issue. In some cases, additional information is requested, or the investment may be put on hold pending improvement.

3. SUSTAINABILITY SCORECARD EVALUATION: Companies that pass the minimum standards assessment are then evaluated using the SDG Invest Sustainability Scorecard. This tool measures company performance across three core dimensions:

- **Sustainability:** Alignment with the Paris Agreement, climate targets, circular economy efforts, biodiversity, and contributions to the SDGs
- **Governance:** Tax practices, transparency, board diversity, human rights due diligence, and responsible sourcing
- **Leadership**: Integration of sustainability into innovation, executive commitment, and participation in collaborative sustainability initiatives

Each company is scored based on available data, and the results inform the final investment decision. Companies receiving multiple orange or red flags may still be rejected even if they meet the minimum standards. In such cases, justification and documentation are required in the internal screening memo.

Throughout the process, results are documented in an internal one-pager and stored in SDG Invest's compliance system. The ESG screening is reviewed by the SDG Lead and submitted for final validation by the Financial Market Specialist (FMS) and Sustainability & Responsible Finance (SRF) teams.

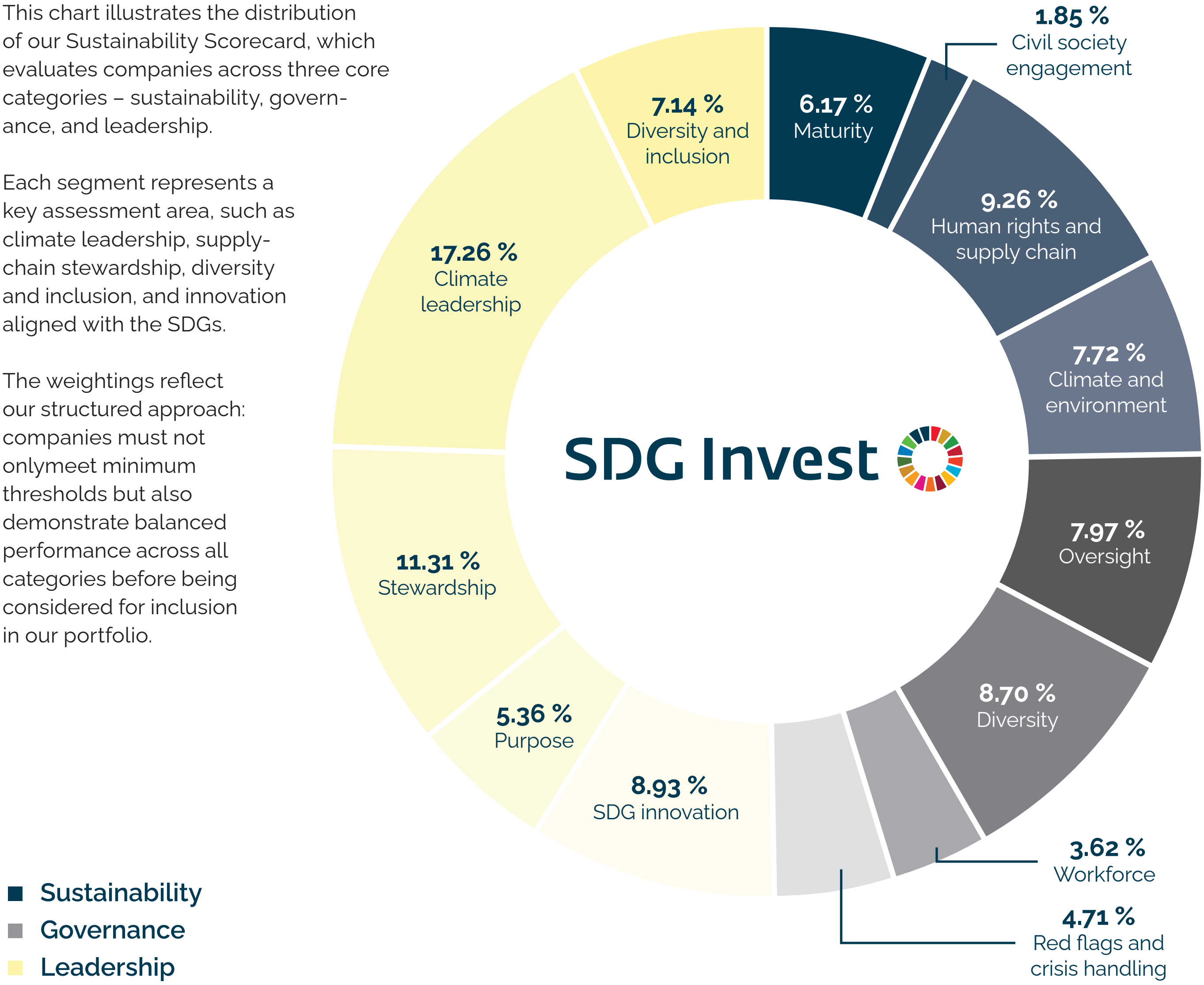
This rigorous methodology ensures that every company selected for the portfolio meets SDG Invest's high standards for sustainability, risk management, and long-term value creation.

BREAKDOWN OF OUR **SUSTAINABILITY SCORECARD**

This chart illustrates the distribution of our Sustainability Scorecard, which evaluates companies across three core categories – sustainability, governance, and leadership.

Each segment represents a key assessment area, such as climate leadership, supply-chain stewardship, diversity and inclusion, and innovation aligned with the SDGs.

The weightings reflect our structured approach: companies must not onlymeet minimum thresholds but also demonstrate balanced performance across all categories before being considered for inclusion in our portfolio.



IMPACT AREAS AND REGULATORY COMPLIANCE

This section will characterise eight impact areas where we assess the advancements in sustainability across the SDG Invest portfolio. We will also spotlight companies within our portfolio that exemplify exceptional commitment to sustainable development.

Our impact areas comprise climate change and carbon accountability, circular economy and sustainable resource use, human rights, labour rights and supply chain management, Sustainable Development Goals (SDGs) and innovation, diversity, inclusion and ethical employment, partnerships for systemic change, sustainability strategy and reporting, and finally, governance, ethics and corporate responsibility.

Each impact area will examine the progress of the SDGs within our portfolio companies and expound upon our active ownership strategies aimed at driving further advancements.

IMPACT 1
CLIMATE ACTION AND CARBON ACCOUNTABILITY

THIS IMPACT AREA AIMS TO HIGHLIGHT
the approach of SDG Invest portfolio companies to climate change and environment, and covers SDGs: 7 – *Affordable and Clean Energy*, 13 – *Climate Action*, 14 – *Life Below Water*, 15 – *Life on Land*, and 17 – *Partnerships for the Goals*.

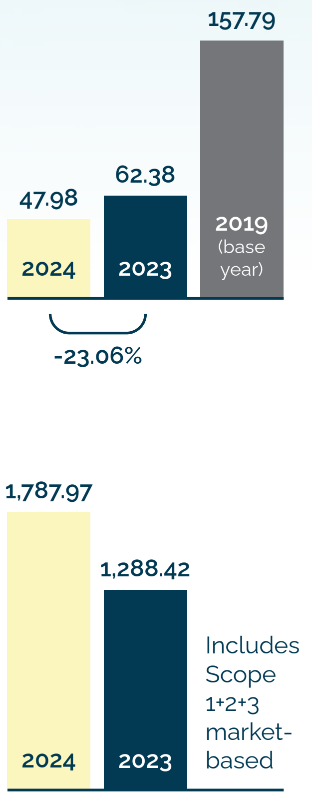
Climate change remains one of the most pressing challenges of our time, and the role of investors in accelerating the transition to a low-carbon economy has never been more critical. At SDG Invest, we recognise that financial performance and climate responsibility go hand in hand. Our investment strategy prioritises companies that are actively reducing their carbon footprint, improving energy efficiency, and aligning with global climate commitments like the Paris Agreement.

We assess companies based on their public climate disclosures, their commitments to science-based targets, and their progress toward verified net-zero goals. We evaluate their energy transition strategies, renewable energy adoption, and emissions reduction plans as part of our investment decision-making. Companies are expected to align with frameworks such as the TCFD and the Science-Based Targets initiative, and we monitor their performance over time to ensure continuous improvement.

THE CARBON FOOTPRINT OF THE SDG INVEST PORTFOLIO

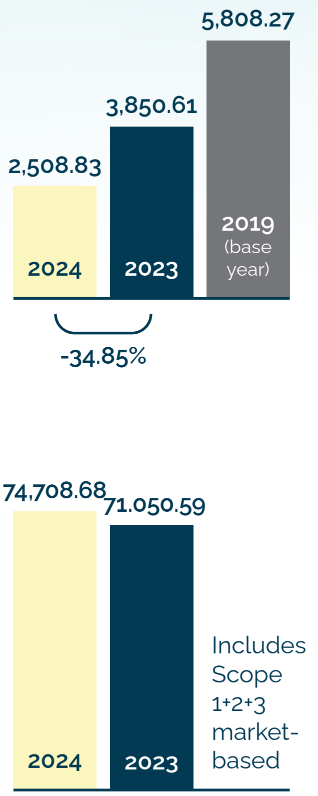
WEIGHTED AVERAGE CARBON INTENSITY

(tons of CO_2e/ $M revenue)



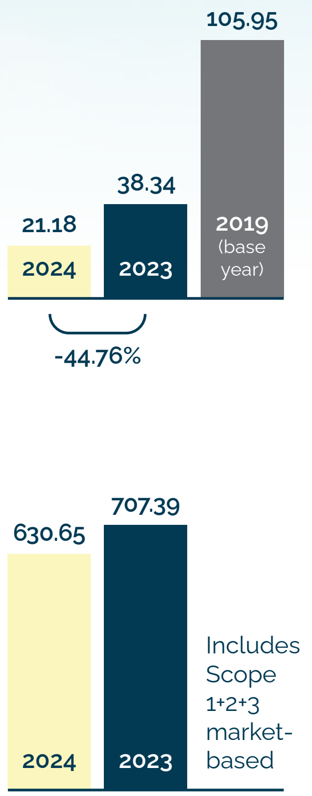
TOTAL CARBON EMISSIONS

(tons CO_2e)



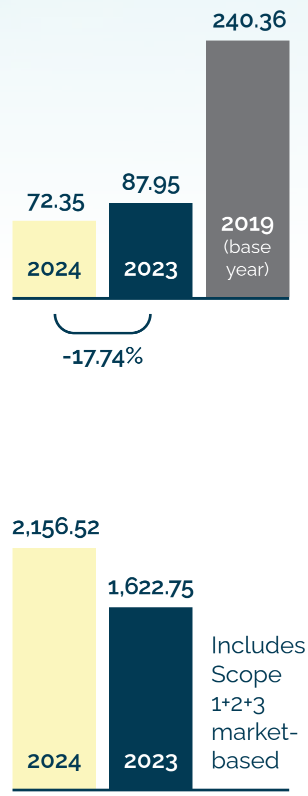
CARBON FOOTPRINT

(tons CO_2e/ $M invested)



CARBON INTENSITY

(tons of CO_2e/ $M revenue)



METHODOLOGY

Our carbon footprint metrics adhere to the methodology outlined by the TCFD*. Reliable data on the greenhouse gas (GHG) emissions of each company within our portfolio is essential for calculating these metrics. A significant portion, 98%, of our portfolio companies submit their emissions data to CDP in accordance with the Greenhouse Gas Protocol.

The remaining 2% disclose emissions data in their annual reports. While we operate under the assumption that this publicly available data is accurate, it's important to note that each company may employ varying methods to measure and report their emissions.

*) Source: bit.ly/tcfd-methodology

REDUCING SCOPE 1, 2, AND 3 EMISSIONS

The transition to a net-zero economy requires coordinated action across all levels of corporate emissions. In line with guidance from the Science-Based Targets initiative (SBTi), we expect portfolio companies to address their direct emissions (Scope 1), indirect energy-related emissions (Scope 2), and value chain emissions (Scope 3).

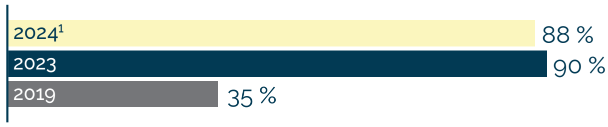
At SDG Invest, we have set internal climate targets aligned with the 1.5°C benchmark of the Paris Agreement. For Scopes 1 and 2, we aim to achieve a 7% annual reduction across the portfolio, using a 2020 baseline. For Scope 3 emissions, we have introduced a target of a 23% annual reduction by 2030, using a 2024 baseline. These reduction rates are applied as performance thresholds when assessing each portfolio company individually.

Based on our own calculations using CDP's open-source Net-Zero Alignment methodology, the temperature alignment of our portfolio is currently estimated at 1.5°C. This serves as a key reference point in our investment and engagement strategy.

While Scope 1 and 2 emission reductions are becoming more standardised, Scope 3 emissions, which often account for the largest share of a company's carbon footprint, remain a significant challenge. We work directly with companies to encourage full Scope 3 emissions mapping and the establishment of science-based targets. We expect portfolio companies to integrate Scope 3 into their broader climate strategies and use our engagement to highlight the importance of disclosure, accountability, and reduction across complex value chains.

In 2024, we saw a marked increase in portfolio companies setting verified net-zero goals, with many aligning to the 1.5°C target. Our objective is to reach 100% SBTi coverage across the portfolio by 2030. To track progress, we are shifting to a company-by-company monitoring approach, assessing each portfolio holding against its public disclosures, emissions reduction targets, and alignment with science-based decarbonisation pathways..

Involved with Science Based Targets



We have set a target for all portfolio companies to commit to science-based targets by 2025 and to reach net-zero emissions by 2050.

GROWTH IN RENEWABLE ENERGY ADOPTION

The shift toward clean energy sources is a crucial component of corporate decarbonisation efforts. Many of our portfolio companies are committing to 100% renewable energy usage, integrating sustainability into their operations, supply chains, and product development.

As part of our climate-focused investment strategy, some of the parameters we assess companies on are:

- **Emissions Reduction Targets:** Whether companies have set science-based targets for Scope 1, 2, and 3 emissions, verified through the Science-Based Targets initiative (SBTi) or similar frameworks.
- **Emissions Reduction Targets:** All companies should show an average of 7 % reduction in scope 1 + 2 and 23% in scope 3 until Net-Zero Emissions in 2050.
- **Renewable Energy Use:** The share of renewable energy in their overall energy consumption and any targets for increasing this share.
- **Climate Risk Management:** The extent to which companies identify, assess, and manage climate-related risks and opportunities, including alignment with the recommendations of the TCFD.
- **Net-Zero Commitments:** Whether companies have made credible net-zero commitments, covering all relevant emissions scopes, and the robustness of their transition plans.
- **Biodiversity and Nature-Related Risks:** How companies are addressing biodiversity loss, including risk mapping and the development of strategies to mitigate their nature-related impacts.
- **Circular Economy Practices:** Integration of circular economy principles into business operations, including waste reduction, resource efficiency, and sustainable product design.

By prioritising investments in companies that embrace renewable energy transitions, we contribute to the long-term resilience of both our portfolio and the global economy.

1) The slight decrease reflects the removal of certain companies that had approved science-based targets but were excluded from the portfolio based on other investment criteria.

COMPLIANCE AND REGULATORY ALIGNMENT

As an Article 9 fund, SDG Invest is required to invest in companies that meet strict sustainability criteria. Our climate-related assessments are directly tied to the Sustainable Finance Disclosure Regulation (SFDR), including the Principal Adverse Impact (PAI) indicators and the Do No Significant Harm (DNSH) principle. We apply a structured evaluation process to ensure that each portfolio company contributes to climate objectives in line with the Paris Agreement.

We assess companies against the frameworks below:

To meet our sustainable investment criteria under SFDR, we monitor whether companies are actively reducing CO_2 emissions, disclosing relevant PAI indicators, and ensuring their operations do not cause significant harm to environmental or social objectives. These regulatory frameworks serve as the foundation for both our due diligence process and our ongoing engagement with portfolio companies.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Task Force on Climate-Related Financial Disclosures (TCFD)
Companies must disclose climate-related governance, risks, opportunities, and mitigation strategies in line with the TCFD recommendations.

Science-Based Targets Initiative (SBTi)
Companies are expected to set or commit to science-based emissions reduction targets aligned with a 1.5°C pathway.

EU Green Taxonomy and Corporate Sustainability Reporting Directive (CSRD)
Companies must report taxonomy-aligned revenue, capital expenditure, and operating expenditure, alongside other climate-related disclosures required under the CSRD.

LOOKING AHEAD

While progress has been made, the challenge of accelerating the transition to net-zero remains significant. As we move forward, we will continue to drive change by engaging directly with portfolio companies to encourage the adoption of science-based emissions reduction targets, improve transparency in emissions reporting through alignment with TCFD, and support the adoption of renewable energy solutions. These expectations are fully integrated into our ESG assessment process, guiding both engagement activities and investment decisions to ensure that our portfolio leads in climate accountability and long-term sustainability.

If a company does not meet our internal thresholds or fails to align with our emissions reduction targets, it is placed on a formal watchlist. We then engage with the company through written communication and meetings to understand the gaps and identify steps toward alignment. If meaningful progress is not made within a reasonable time frame, based on the materiality and context of the issue, the company may be removed from the portfolio.

»In 2024, we saw a marked increase in portfolio companies setting verified net-zero goals, with many aligning to the 1.5°C target. Our objective is to reach 100% SBTi coverage across the portfolio by 2030.«

CASE STUDY **HOW ABB IS ALIGNING WITH TCFD AND CSRD CARBON DISCLOSURE STANDARDS**

ABB Ltd., a global leader in electrification and automation, exemplifies corporate responsibility through its commitment to climate action and transparent carbon disclosure. In 2024, ABB was awarded an 'A' score by the Carbon Disclosure Project (CDP) for its leadership in corporate transparency and performance on climate change. This recognition underscores ABB's alignment with the TCFD and the CSRD, demonstrating its dedication to comprehensive carbon disclosure.

ABB's sustainability strategy is anchored in science-based targets, aiming to reduce its Scope 1 and 2 greenhouse gas emissions by 80% by 2030, compared to a 2019 baseline.

The company also targets a 50% reduction in Scope 3 emissions intensity over the same period, and are well on track to achieve their 2030 goal. These ambitious goals reflect ABB's commitment to a low-carbon future and its proactive approach to managing climate-related risks and opportunities.

By integrating TCFD and CSRD frameworks into its reporting, ABB ensures transparency and accountability in its climate-related disclosures. This approach not only enhances stakeholder trust but also positions ABB as a leader in sustainable business practices.

ABB's recognition by the CDP and its alignment with international disclosure standards highlight the company's role in driving climate action and setting a benchmark for corporate sustainability.

ABB

80%

reduction in Scope 1 and 2 greenhouse gas emissions by 2030 is ABB's aim for 2030 – plus a 50% reduction in Scope 3 emissions

IMPACT 2
CIRCULAR ECONOMY AND SUSTAINABLE RESOURCE USE

THIS IMPACT AREA AIMS TO HIGHLIGHT the degree to which SDG Invest portfolio companies have integrated circular economy principles into their business practices. Working towards a circular economy, where the resources of yesterday become the resources of tomorrow, is an important part of achieving several of the UN SDGs. The impact area adheres to SDG 12 – *Responsible Production and Consumption.*

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

LINEAR ECONOMY

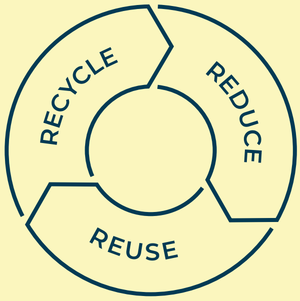
TAKE → MAKE → USE → DISPOSE

Natural resources are extracted and used to create products. Then, discarded as waste at the end of the product's lifespan.

As the demand for natural resources is growing alongside human population and development, the demand is out-pacing the supply, which is no longer sustainable.

CIRCULAR ECONOMY

The Circular Economy model promotes the creation of closed-loop systems where waste from one product becomes a resource for another.



This takes the pressure off our planet's natural resources and allows the preservation for future generations.

TRANSITIONING TO CLOSED-LOOP PRODUCTION MODELS

Traditional "take-make-dispose" production models are no longer viable in a world facing resource depletion, biodiversity loss, and climate change. Companies in our portfolio are increasingly adopting circular business models, where materials are reused, refurbished, or recycled, creating a closed-loop system that minimises waste.

In 2024, we saw an increase in portfolio companies implementing circular economy principles across their supply chains and production processes.

We expect companies to acknowledge the importance of circular economy practices as part of their materiality assessment and to integrate them meaningfully into their operations. Companies that fail to recognise circular economy as a strategic priority or do not demonstrate measurable progress are flagged through our sustainability screening. Monitoring circular economy integration also supports our Principal Adverse Impact (PAI) reporting under the SFDR, particularly in relation to waste management, resource efficiency, and use of sustainable materials.

Examples from our portfolio include:

Designing for recyclability
Companies like Mondi Plc have redesigned packaging solutions to be recyclable and biodegradable, reducing waste and supporting material reintegration.

Product-as-a-service models
Cisco Systems has expanded subscription-based services and device-as-a-service models to promote reuse, reduce hardware waste, and extend product life cycles.

Industrial symbiosis
Unilever has developed partnerships to reuse waste materials within its supply chain, reducing landfill dependency and promoting circular resource flows.

Our goal is to ensure that by 2030, 100% of our portfolio companies have integrated circular economy strategies into their operations, reducing waste generation and improving material efficiency.

WASTE REDUCTION AND SUSTAINABLE MATERIALS SOURCING

Waste reduction remains a key priority across our investments. Companies that fail to manage waste efficiently or rely on unsustainable raw materials expose themselves to regulatory, financial, and reputational risks. By encouraging businesses to adopt sustainable sourcing strategies and material innovations, we contribute to long-term environmental and economic stability.

Key strategies adopted by our portfolio companies include:

- Phasing out single-use plastics and non-recyclable materials
- Investing in biodegradable and compostable alternatives
- Developing closed-loop packaging solutions that enable full material recovery

With the European Union implementing stricter waste management policies, including the forthcoming Packaging and Packaging Waste Regulation (PPWR) and updates to the Waste Framework Directive, we see increased corporate commitments to material traceability, responsible forestry, and circular packaging solutions. These initiatives contribute to improving resource efficiency and reducing environmental impact, supporting broader global objectives such as SDG 12 (Responsible Consumption and Production).

Circular Economy Principles are Strategically Integrated into Business Operations

By 2030, we aim for 100% of our portfolio companies to have fully integrated circular economy principles into their operations.

COMPLIANCE AND REGULATORY ALIGNMENT

The transition to a circular economy is being reinforced by new regulations that demand greater accountability and sustainable resource management. We encourage all portfolio companies to align with the following key standards:

- **EU Packaging & Packaging Waste Regulation:** Mandates improved recyclability and reductions in packaging waste, requiring companies to adopt more sustainable packaging solutions.

- **Deforestation-Free Products Regulation (EUDR):** Introduced in 2023, the EUDR requires companies sourcing commodities such as wood, palm oil, soy, and rubber to ensure that these products are not linked to deforestation. While currently a standalone regulation, its implications for investment due diligence and sustainability reporting are expected to expand under future updates to the SFDR and the Omnibus Regulation.

By aligning our investment strategy with evolving regulations, we integrate sustainability requirements into our portfolio selection, company assessments, and engagement activities. Companies are assessed against criteria linked to regulatory expectations, such as waste reduction targets, responsible sourcing practices, and compliance with circular economy principles. Where gaps are identified, we engage directly with companies to encourage improvement, and regulatory compliance forms part of our ongoing risk monitoring and decision-making processes.

LOOKING AHEAD

The shift toward a circular economy is both an environmental necessity and a business necessity. Companies that embrace circular design, sustainable sourcing, and waste reduction will be better positioned for long-term success in an increasingly resource-constrained world.

As we move forward, SDG Invest will continue to prioritise companies that lead in circularity, advocate for stronger regulations, and drive innovation in material sustainability. Through sustainable investing, we aim to accelerate the transition to a regenerative economy that benefits both business and the planet.

CASE STUDY **HOW UNILEVER IS ADAPTING TO EU REGULATIONS ON PACKAGING AND DEFORESTATION-FREE SUPPLY CHAINS**

Unilever PLC, a global leader in consumer goods, is proactively aligning its operations with the European Union's Deforestation Regulation (EUDR), which mandates that products sold within the EU must not be linked to deforestation post-December 2020. Recognising the importance of sustainable sourcing, Unilever has implemented comprehensive measures to ensure compliance and promote environmental stewardship.

Central to Unilever's strategy is the establishment of a robust verification protocol for its primary deforestation-linked commodities, including palm oil, soy, paper, rubber, tea, and cocoa. By 2024, the company achieved independent verification that 97% of these commodities were deforestation-free, reflecting its commitment to responsible sourcing practices.

To enhance traceability and transparency within its supply chain, Unilever has invested in advanced technologies, such as blockchain and satellite monitoring systems. Blockchain technology secures sourcing data and verifies the origin of raw materials, while satellite monitoring provides real-time observation of land use changes, enabling early detection of deforestation risks and supporting compliance with regulatory requirements.

Beyond technological investments, Unilever supports smallholder farmers and suppliers through targeted training programmes in regenerative agricultural practices. These initiatives focus on improving soil quality, reducing chemical inputs, increasing crop yields, and restoring local ecosystems. By promoting measurable improvements in agricultural sustainability, Unilever strengthens supply chain resilience and advances its deforestation-free sourcing commitments.

Through these combined efforts, Unilever aims to achieve full deforestation-free sourcing for its key commodities, strengthen compliance with the European Union's Deforestation Regulation (EUDR), and contribute to broader environmental sustainability goals.

Unilever

97%

of Unilever's primary deforestation-linked commodities originate from deforestation-free sources, and was verified independently in 2024

IMPACT 3
HUMAN RIGHTS, LABOUR RIGHTS AND SUPPLY CHAIN MANAGEMENT

THIS IMPACT AREA AIMS TO HIGHLIGHT how companies in the SDG Invest portfolio are ensuring human rights and labour rights across value chains. This impact area also explores responsible supply chain management practices in the responsible sourcing of raw materials. It pertains to SDGs: 1 – *No Poverty*, 8 – *Decent Work and Economic Growth*, and 10 – *Reduced Inequalities*.

Ensuring respect for human rights, fair labour practices, and ethical supply chains is fundamental to sustainable investing. In a global economy where supply chains extend across multiple jurisdictions, businesses must take proactive measures to prevent exploitation, uphold workers' rights, and ensure ethical sourcing. At SDG Invest, we believe that companies should not only comply with human rights standards, but also actively work to improve conditions across their operations and value chains.

Human rights due diligence is no longer optional. With growing regulatory demands and stakeholder expectations, businesses must ensure that their operations and suppliers uphold fundamental labour rights, prevent forced and child labour, and maintain safe working conditions. As an Article 9 fund, SDG Invest integrates these requirements into its ESG assessments in line with SFDR's minimum safeguards, the Do No Significant Harm (DNSH) principle, and Principal Adverse Impact indicators. We assess companies against the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and we monitor alignment with good governance standards as defined in SFDR Article 2(17). Where gaps are identified, we engage directly, and where progress is insufficient, we escalate or reassess the company's inclusion in our portfolio.

STRENGTHENING HUMAN RIGHTS DUE DILIGENCE

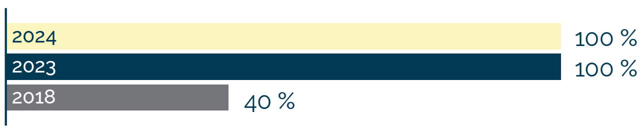
Human rights violations within supply chains remain a significant risk for global businesses. Issues such as exploitative working conditions, modern slavery, and land rights violations can pose various legal and financial risks. To address these challenges, our investment strategy prioritises companies that demonstrate strong human rights due diligence practices, including:

- Supply chain due diligence processes aligned with international labour standards
- Grievance mechanisms that allow workers to report abuses safely and anonymously
- Stakeholder engagement with local communities and NGOs to address potential human rights risks
- Clear policies on forced labour, discrimination, and workplace safety

In line with OECD Guidelines for Multinational Enterprises and the UNGPs, we expect our portfolio companies to conduct rigorous due diligence assessments and take proactive steps to prevent human rights abuses in their supply chains.

All portfolio companies have demonstrated the implementation of formal human rights due diligence processes in line with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Achieving 100 percent coverage reflects our strong engagement strategy and the continuous integration of human rights expectations into our investment decisions.

Human rights Secured Through Established Due Diligence Procedures



By 2025, all portfolio companies will be expected to publicly disclose their due diligence procedures related to human and labour rights.

»At SDG Invest, we expect portfolio companies to go beyond minimum legal requirements where necessary, promoting fair compensation that enables a decent standard of living in line with international human rights principles.«

PROMOTING LIVING WAGES AND ETHICAL SUPPLY CHAINS

Fair wages are essential for reducing inequality and improving the livelihoods of workers. However, millions of workers worldwide remain trapped in low-paying jobs where the legal minimum wage is insufficient to meet basic living standards. Many multinational companies continue to source from suppliers that pay only the statutory minimum, which often fails to cover the cost of housing, food, healthcare, and education. At SDG Invest, we expect portfolio companies to go beyond minimum legal requirements where necessary, promoting fair compensation that enables a decent standard of living in line with international human rights principles.

To drive change, SDG Invest prioritises companies that:

- Commit to paying a living wage across their value chains
- Ensure gender pay equity and transparent wage structures in line with SFDR Principal Adverse Impact Indicator 12, which requires the disclosure and mitigation of gender pay gaps at the investee company level.
- Implement ethical sourcing policies that prevent exploitation of vulnerable workers
- Engage in partnerships to improve working conditions in high-risk industries and countries

The importance of fair wages is increasingly recognised in global regulatory frameworks. The Corporate Sustainability Due Diligence Directive (CSDDD), which entered into force in July 2024, requires companies to address adverse human rights and labour impacts throughout their supply chains.

Although Member States have until July 2027 to transpose the directive into national law, and the obligations will apply to companies in a phased manner starting from 2028, we expect our portfolio companies to proactively align with these requirements. This includes ensuring that workers across their operations are treated with dignity and respect, and that fair wages are upheld throughout their supply chains.

COMPLIANCE ON HUMAN RIGHTS AND LABOUR RIGHTS

Our human rights and labour rights assessments are grounded in the compliance thresholds and standards outlined in the Compliance & Regulatory Alignment section [see pages 10-11]. These standards, which reflect our SFDR Article 9 obligations, form the basis for our ESG scoring, risk monitoring, and engagement practices in this impact area.

LOOKING AHEAD

As regulatory requirements tighten and public scrutiny intensifies, companies are compelled to implement concrete measures to uphold human rights and labour standards. This entails establishing formal due diligence processes, conducting regular risk assessments, and ensuring transparent reporting mechanisms.

At SDG Invest, we actively engage with our portfolio companies to verify the implementation of these measures. We advocate for robust due diligence frameworks and support companies that demonstrate leadership in ethical supply chain management. Our investment decisions are guided by a commitment to fair wages, human dignity, and responsible sourcing, ensuring that our portfolio aligns with these core values.

Raw materials responsibly sourced through established due diligence procedures

By 2027, at least 80% of portfolio companies must have implemented due diligence procedures for the responsible sourcing of raw materials.

1) Since 2018, we've observed a gradual increase from 61% to 64% in 2024. While progress has been steady, reaching our target necessitates continued engagement with companies to adopt and enhance their due diligence practices, ensuring alignment with evolving global standards and stakeholder expectations.

CASE STUDY **PROCTER & GAMBLE – ADVANCING HUMAN RIGHTS AND SUPPLY CHAIN DUE DILIGENCE**

Procter & Gamble (P&G) has undertaken significant measures to enhance human rights and labour standards within its global supply chain. The company has implemented a comprehensive human rights due diligence framework that encompasses assessing potential impacts, integrating preventive actions, monitoring effectiveness, and engaging stakeholders throughout the process. This approach aims to promote sustainable practices and mitigate adverse human rights impacts across its value chain.

In alignment with its commitment to responsible sourcing, P&G has established clear expectations for its external business partners. These expectations include adherence to ethical labour practices, environmental compliance, and business integrity. P&G's Responsible Sourcing Expectations for External Business Partners outline the standards suppliers must meet, emphasising the prohibition of forced labour, child labour, and human trafficking.

To ensure compliance and continuous improvement, P&G conducts regular assessments and audits of its suppliers. The company utilises third-party auditing frameworks, such as the Sedex Members Ethical Trade Audit (SMETA), to evaluate supplier practices and identify areas for enhancement. These audits are part of P&G's broader strategy to foster transparency and accountability within its supply chain.

Furthermore, P&G has been recognised for its efforts in responsible palm oil sourcing. The company achieved 100% certification of its palm oil supply under the Roundtable on Sustainable Palm Oil (RSPO) standards, demonstrating its commitment to sustainable and ethical sourcing practices. P&G's approach includes traceability measures, supplier engagement, and active participation in industry initiatives to promote sustainable palm oil production.

While challenges remain in ensuring full compliance and addressing complex supply chain issues, P&G's initiatives represent meaningful progress in advancing human rights and labour standards. Continued efforts and stakeholder engagement are essential to drive further improvements and uphold ethical practices across the company's global operations.

IMPACT 4
SUSTAINABLE DEVELOPMENT GOALS (SDGs) AND INNOVATION

THIS IMPACT AREA AIMS TO HIGHLIGHT
how the companies in the SDG Invest portfolio are making a positive contribution towards achieving the SDGs by leveraging their core business activities. The companies have impact built into their every day operations, and so they are key focus for SDG Invest and our sustainability aims. The focus is on showcasing the beneficial impact that portfolio companies can have through their existing products and solutions, as well as through their research and development and innovation initiatives. This impact area encompasses SDGs:
9 – *Industry, Innovation, and Infrastructure,* and
12 – *Responsible Consumption and Production.*

The UN SDGs provide a universal framework for addressing global challenges, from climate change and biodiversity loss to poverty and inequality. As an investor committed to sustainable growth, SDG Invest prioritises companies whose business activities are relevant to the SDGs and contribute to solving global challenges such as climate change, inequality, and unsustainable production patterns.

Innovation is a key driver of how our portfolio companies deliver measurable contributions to the SDGs. We prioritise companies that embed sustainability into their core operations by developing clean technologies, improving resource efficiency, and designing circular products. Many are also investing in research and development that enables systemic change, from reducing industrial emissions to improving product recyclability. These innovations directly support SDG 9 and SDG 12, reinforcing our focus on long-term impact through scalable, solutions-oriented business models.

CREATING PRODUCTS & SERVICES THAT ADDRESS THE SDGS
The private sector has a critical role to play in advancing sustainable development.

At SDG Invest, we prioritise companies whose strategies contribute to specific SDGs, recognising that these efforts support both long-term value creation and positive societal impact. Our portfolio includes companies that:

Develop renewable energy and energy-efficient solutions to address SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action)

Promote circular economy models to support SDG 12 (Responsible Consumption and Production)

Invest in sustainable agriculture and food security in alignment with SDG 2 (Zero Hunger)

Products and/or Solutions in Place that Directly Contribute to the Achievement of the SDGs

1) The 1% decrease reflects the removal of certain companies that had solutions in place that directly contributed to the achievement of the SDGs, but were excluded from the portfolio based on other investment criteria.
2) Data from 2018 not available

INNOVATION IN CLEAN TECHNOLOGY AND RESPONSIBLE FINANCE

The rapid advancement of clean technology and sustainable finance is reshaping industries and creating new opportunities for impact-driven growth. Our investment strategy prioritises companies that lead in:

- Advances in renewable energy technologies, including improvements in solar efficiency, offshore wind systems, and next-generation battery storage, which support alignment with the EU Taxonomy and the Do No Significant Harm (DNSH) principle
- Smart infrastructure and energy efficiency solutions that reduce carbon footprints
- AI-driven solutions for ESG risk assessment and impact measurement, such as natural language processing tools that flag human rights controversies in supplier disclosures, satellite-based deforestation detection algorithms, and machine learning models that predict climate risk exposure based on geospatial and financial data

Financial transparency and responsible capital allocation are increasingly important to how companies demonstrate their sustainability commitments. These factors are core components of good governance under SFDR Article 2(17), which requires that companies disclose decision-making processes and risk management systems. We prioritise companies that provide clear ESG disclosures, manage sustainability-related risks, and direct investment toward long-term environmental and social goals. This includes transparency on how capital expenditures support decarbonisation, product innovation, or improved labour practices.

All portfolio companies demonstrate innovation that directly supports the SDGs. This reflects our commitment to backing solutions that deliver real world impact.

COMPLIANCE AND REGULATORY ALIGNMENT

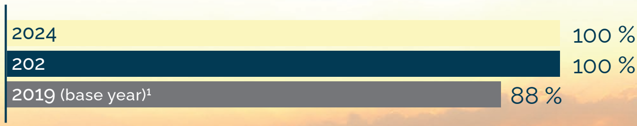
Sustainability innovation must be backed by robust reporting and accountability. As regulations evolve, companies are expected to align their sustainability strategies with globally recognised frameworks. SDG Invest encourages that our portfolio companies adhere to:

- **UN Global Compact (UNGC) Communication on Progress:** Requires companies to publicly report on their progress in integrating the UNGC's Ten Principles, covering human rights, labor, environment, and anti-corruption.

- **Corporate Sustainability Reporting Directive (CSRD):** Mandates enhanced ESG disclosures, ensuring that businesses provide transparent, standardised reporting on their sustainability efforts.

Alignment with these frameworks supports compliance with the EU's sustainable finance regulations, including the CSRD, the SFDR, and the EU Taxonomy. This regulatory structure drives accountability, ensures transparency, and reinforces corporate responsibility.

Innovation Activities that Contribute Directly to the SDGs



»All of our portfolio companies integrate sustainability and/or the UN's 17 Sustainable Development Goals into their innovation activities.«

1) Data from 2018 not available

LOOKING AHEAD

In the coming years, we expect regulatory and market pressures to significantly accelerate corporate investment in clean technology and sustainable business models. With the EU Green Deal Industrial Plan and global advancements in climate disclosure regulation, companies will face heightened scrutiny over their climate claims, supply chain accountability, and net-zero transition pathways.

We expect greater integration of AI and advanced data tools in ESG analysis, enabling more accurate emissions tracking, risk forecasting, and regulatory alignment.

Innovations in renewable energy storage, circular economy solutions, and nature-based carbon removal will also play a critical role in how companies scale their sustainability strategies.

As investors, we anticipate a shift from voluntary sustainability action to legally enforceable obligations. Failure to act will result in tangible financial and reputational consequences. We will continue to prioritise companies that are not only technologically prepared but also strategically aligned with emerging standards on carbon reduction, biodiversity protection, and human rights due diligence.

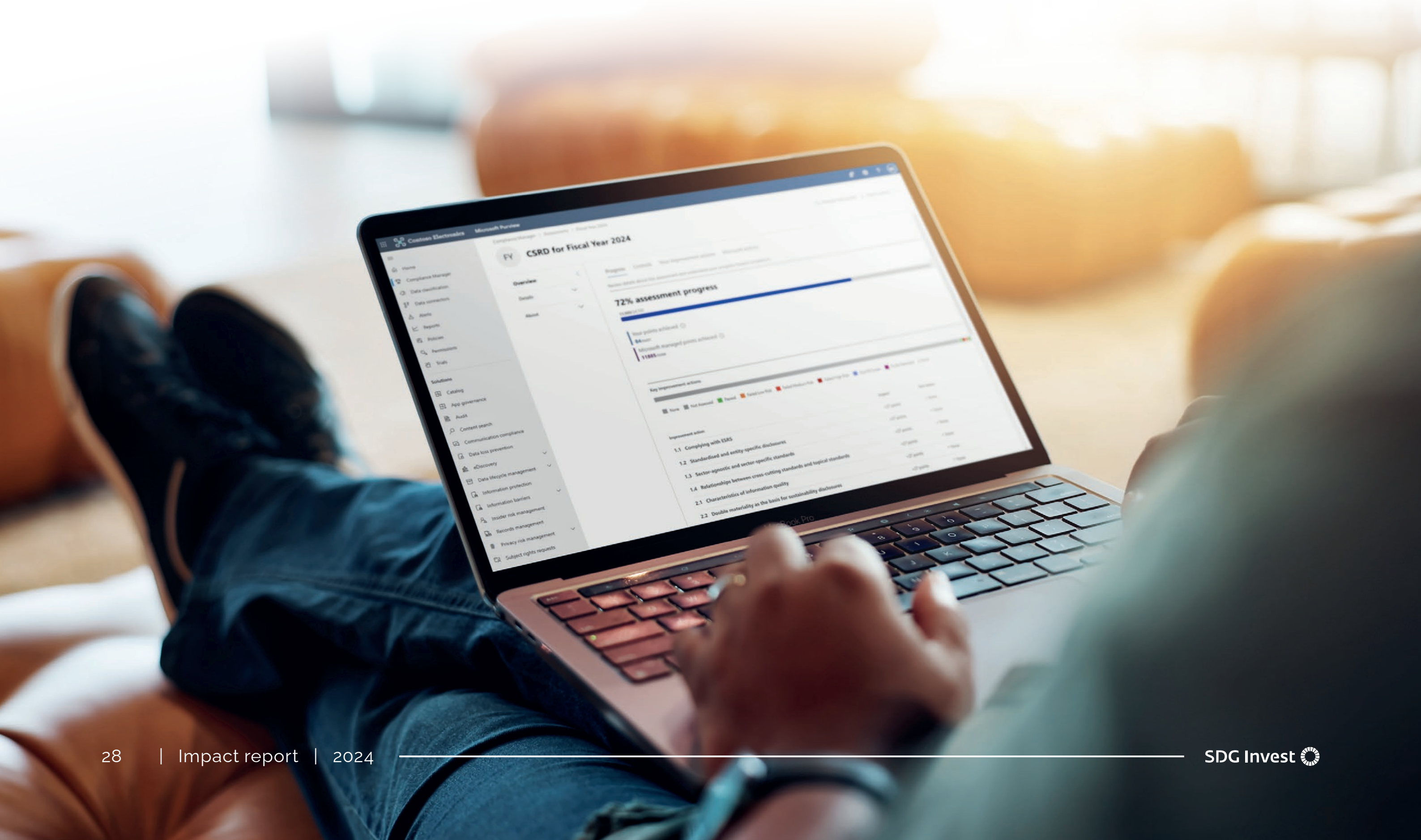
CASE STUDY **MICROSOFT'S TOOLS SUPPORTING CSRD COMPLIANCE AND ESG REPORTING**

Microsoft Corporation, a global technology leader, offers a range of tools designed to assist organisations in meeting sustainability reporting requirements, such as those outlined in the European Union's CSRD. While these tools support other companies' sustainability efforts, they also reflect Microsoft's commitment to facilitating broader ESG transparency.

Microsoft Purview Compliance Manager includes a CSRD premium template that helps organisations understand and navigate the data requirements for CSRD reporting. This template provides a structured approach to assess compliance with the European Sustainability Reporting Standards (ESRS), enabling companies to manage data protection risks and implement necessary controls effectively.

Complementing this, Sustainability Data Solutions in Microsoft Fabric allows organisations to gather, compute, and analyse ESG metrics pertinent to CSRD disclosures. By integrating these metrics with Compliance Manager, companies can visualise and audit their sustainability data, ensuring alignment with regulatory standards and enhancing transparency.

Through these tools, Microsoft supports organisations in their sustainability reporting journeys, promoting a culture of accountability and contributing to the advancement of sustainable development goals across industries.



IMPACT 5
DIVERSITY, INCLUSION AND ETHICAL EMPLOYMENT

THIS IMPACT AREA AIMS TO HIGHLIGHT
the approach of SDG Invest portfolio companies to diversity and inclusion within their company. We aim to ensure that our companies have diversity and inclusion efforts for all present and future employees regardless of gender, ethnicity, religion, sexuality, physical capabilities, and age. This impact area relates to SDGs: 5 – *Gender Equality*, and 10 – *Reduced Inequalities*.

While diversity, inclusion, and ethical employment practices are moral imperatives, they are also key drivers of innovation, resilience, and long-term business success. Companies that prioritise equity in the workplace are better positioned to attract and retain top talent, enhance decision-making, and build stronger relationships with employees, consumers, and investors.

At SDG Invest, we believe that fostering inclusive work environments, equitable pay structures, and diverse leadership teams is essential for sustainable value creation.

As global expectations around workplace equality continue to evolve, regulatory frameworks are becoming more robust. Under the SFDR, Article 2(17) defines good governance to include sound employee relations and fair treatment. We look for clear commitments to equitable pay, inclusive hiring practices, and workplace policies that support diversity at all organisational levels, in line with regulatory expectations set out in SFDR Article 2(17), the EU Pay Transparency Directive, and international labour standards such as the ILO Discrimination (Employment and Occupation) Convention.

GENDER BALANCE IN LEADERSHIP
Despite significant progress, women and underrepresented groups remain disproportionately excluded from executive leadership and boardrooms worldwide. Gender-diverse leadership teams have been shown to improve corporate performance, enhance risk management, and foster more innovative business strategies.

At SDG Invest, we engage with portfolio companies by raising diversity in leadership as a formal topic in our dialogues, reviewing executive and board composition, and encouraging measurable progress toward balanced representation. We expect companies to take meaningful steps to improve gender and broader diversity in leadership, while recognising that strategies may differ depending on company size, sector, and governance context. Our expectations include:

- Taking meaningful steps to increase female representation in executive and board positions
- Ensuring diversity metrics are integrated into corporate governance strategies
- Promoting inclusive recruitment and advancement practices

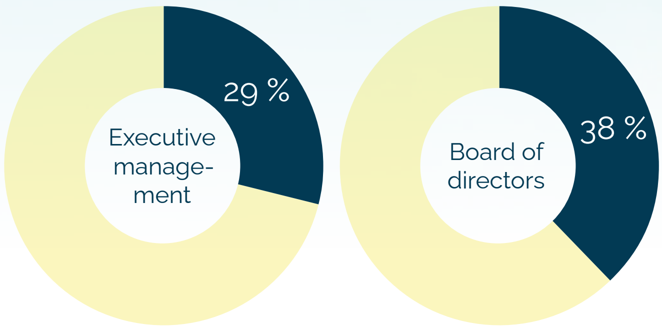
Regulations such as the EU Pay Transparency Directive are helping to improve access to pay data and support investor scrutiny of gender equity. However, the business case for diversity is stronger than regulation alone—companies that fail to address gender equality risk falling behind in the competition for talent, innovation, and capital.

We expect our portfolio companies to disclose gender pay gap data, implement fair compensation policies, and create pathways for more inclusive leadership.

These expectations align with the SFDR, which requires portfolio companies to demonstrate good governance, including fair employee treatment and transparent pay practices. At SDG Invest, we incorporate these factors into our investment assessments, with a particular focus on diversity, inclusion, and equality in leadership.

»Progress is being made, with women representing 38% of board members and 29% of executive leadership across the portfolio. We continue to engage with companies to improve gender balance at the highest levels.«

PERCENTAGE OF WOMEN IN SENIOR MANAGEMENT



SDG Invest

portfolio companies

By 2027, all companies in the portfolio must ensure that at least 25% of their senior management positions are held by women or individuals from underrepresented genders.

By 2027, all portfolio companies are expected to ensure that at least 40% of their board members represent gender diversity.

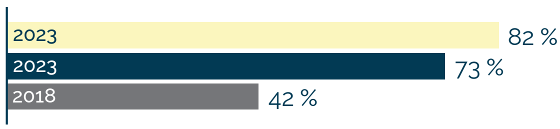
DIVERSITY-FOCUSED HIRING & PAY EQUITY

Workforce diversity extends beyond gender, it encompasses race, ethnicity, age, disability, sexual orientation, and socioeconomic background. Companies that embrace diverse hiring practices benefit from a broader range of perspectives, improved problem-solving capabilities, and stronger connections with global markets. To ensure that diversity and inclusion remain central to corporate culture, we assess whether companies:

- Provide training and guidance to reduce unconscious bias in recruitment and promotion
- Ensure equitable access to career advancement and leadership development opportunities
- Enforce anti-discrimination policies aligned with international human rights standards
- Conduct pay equity assessments to eliminate unjustified wage disparities

The ILO Discrimination (Employment & Occupation) Convention provides a global framework for fair employment practices, and we expect all portfolio companies to uphold these principles. Pay transparency regulations, such as those introduced in the EU, are also creating new expectations for wage equity, ensuring that employees are compensated fairly regardless of gender or background.

Actively Working to Eradicate the Gender Pay Gap



By 2030, all companies in the portfolio must acknowledge the existence of gender-based pay gaps and commit to addressing them through transparent reporting and corrective measures.

COMPLIANCE AND REGULATORY ALIGNMENT

Diversity and ethical employment are no longer voluntary initiatives but regulatory priorities. Under the Sustainable Finance Disclosure Regulation (SFDR), portfolio companies must meet minimum safeguards, including alignment with international human rights and labour standards. Addressing the gender pay gap is also a key Principal Adverse Impact (PAI) indicator, and forms part of our responsibility as an Article 9 fund.

We assess whether our portfolio companies align with:

- **ILO Discrimination (Employment & Occupation) Convention:** Establishes fundamental principles for eliminating discrimination in hiring, promotion, and compensation.

- **EU Pay Transparency Directive:** Requires companies to report gender pay gaps, disclose salary structures, and implement corrective actions where disparities exist.

These regulations establish a baseline for fair employment practices. However, we expect our portfolio companies to go further—by actively closing gender pay gaps, improving compensation transparency, and demonstrating inclusive leadership across their organisations.

LOOKING AHEAD

As regulatory requirements and stakeholder expectations around workplace equity grow, companies are under increasing pressure to demonstrate concrete action on diversity and inclusion. Transparent reporting, fair employment practices, and measurable improvements are becoming baseline expectations from investors, regulators, and employees alike.

At SDG Invest, we will continue to advocate for greater transparency, stronger diversity commitments, and meaningful progress in pay equity and leadership representation. By investing in companies that embrace diversity as a strength, we support the creation of workplaces that drive innovation, enhance business performance, and contribute to a more just and equitable global economy.

CASE STUDY **SAP SE, ADVANCING PAY EQUITY AND BOARD DIVERSITY UNDER EU DIRECTIVES**

SAP SE, a global leader in enterprise software, has demonstrated a strong commitment to diversity, inclusion, and ethical employment, aligning with the European Union's directives on pay equity and board diversity. The company has implemented comprehensive initiatives aimed at increasing gender diversity across all levels of the organisation and ensuring equitable compensation practices.

As of 2024, women constitute 35.4% of SAP's global workforce, with 30.2% representation in management positions and 22.5% in executive roles. These figures reflect a consistent upward trend in female representation, underscoring SAP's dedication to fostering an inclusive leadership pipeline. The company has set clear targets to further enhance gender diversity, striving to create a balanced and representative workforce .

In pursuit of pay equity, SAP conducts annual internal pay equity analyses to identify and address compensation disparities. The company's Fair Pay initiative ensures that employees in similar roles receive equitable compensation, regardless of personal characteristics. This proactive approach to fair remuneration supports SAP's diverse and inclusive culture through transparent and equitable compensation decisions.

SAP's commitment to diversity and inclusion extends beyond internal policies. The company supports various Employee Network Groups (ENGs), including the Business Women's Network, which empowers women through mentorship, professional development, and community engagement. These networks play a crucial role in fostering an inclusive workplace culture and promoting allyship across the organisation.

Through these initiatives, SAP exemplifies how companies can advance diversity, inclusion, and ethical employment in alignment with EU directives. By setting measurable goals, ensuring transparency, and fostering inclusive communities, SAP continues to lead by example in promoting equitable and diverse workplaces.

IMPACT 6
PARTNERSHIPS FOR SYSTEMATIC CHANGE

THIS IMPACT AREA AIMS TO HIGHLIGHT
how companies in the SDG Invest portfolio engage in partnerships to advance environmental and social sustainability outcomes. The ESG challenges we face today, whether related to climate change, labour rights, or biodiversity loss, require cross-sector collaboration. This impact area relates to SDG 17 – *Partnerships for the Goals*, which emphasises cooperation between business, government, and civil society to support sustainable development.

Sustainability challenges, whether related to climate change, human rights, or responsible business practices, cannot be solved in isolation. Meaningful progress requires collaboration among investors, businesses, policymakers, and civil society organisations to drive large-scale systemic change. At SDG Invest, we recognise that strategic partnerships and collective action are essential to shaping a more sustainable and resilient global economy.

Portfolio companies are increasingly participating in joint initiatives that aim to address systemic sustainability challenges. These include:

- Industry-wide standards and reporting initiatives, such as SAP's involvement in the Value Balancing Alliance to improve impact transparency.
- Collaborations with suppliers, including Unilever's efforts to eliminate deforestation and improve traceability across agricultural commodities.
- Circular economy partnerships, such as Mondi's work on recyclable and compostable packaging with other stakeholders in the materials value chain.
- Technology partnerships focused on emissions and efficiency, including Cisco's collaboration with industry actors to decarbonise digital infrastructure.

17 PARTNERSHIPS FOR THE GOALS

Engaged in multi-stakeholder initiatives, which proactively work for a sustainable future

»All companies in our portfolio actively participate in multi-stakeholder initiatives, contributing in various ways to a more sustainable future. This reflects the successful achievement of our 2030 goal, and we remain committed to upholding this standard in the years to come.«

ADVOCACY FOR STRONGER GLOBAL SUSTAINABILITY POLICIES
Policy and regulation are central to driving improved corporate sustainability practices. Frameworks such as the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy set clear expectations for ESG disclosure and environmental performance.

These rules help ensure greater comparability, reduce greenwashing, and create stronger incentives for responsible business conduct. At SDG Invest, we monitor these developments closely to ensure that our portfolio companies are prepared to meet evolving disclosure and due diligence requirements.

As a financial market participant, we also comply with investor-specific regulations such as the Sustainable Finance Disclosure Regulation (SFDR), which governs how we report on ESG risks, sustainability impact, and governance practices across our investment decisions.

COMPLIANCE AND REGULATORY ALIGNMENT

As outlined earlier, SDG Invest's strategy is grounded in compliance with key European regulations, including the Sustainable Finance Disclosure Regulation (SFDR), the EU Taxonomy, and the Corporate Sustainability Reporting Directive (CSRD). These frameworks shape how we evaluate ESG risks, principal adverse impacts (PAIs), and Do No Significant Harm (DNSH) safeguards.

At this stage of the investment process, we assess whether companies meet disclosure and governance standards under these frameworks, including taxonomy-aligned revenue, verified climate targets, and sound governance practices as defined in SFDR Article 2(17).

LOOKING AHEAD

The regulatory landscape for sustainable finance is advancing rapidly. In the coming years, we anticipate stricter enforcement of greenwashing rules, broader accountability for human rights and biodiversity impacts, and more rigorous scrutiny of supply chain practices and governance standards.

As these expectations evolve, we will assess whether companies are aligning with the European Sustainability Reporting Standards (ESRS), implementing the Do No Significant Harm (DNSH) principle, and disclosing Principal Adverse Impacts (PAIs) with greater precision. We also expect clearer evidence of climate target setting, nature-related disclosures, and robust due diligence processes aligned with upcoming EU regulations.

Our forward strategy focuses on verifying that companies demonstrate measurable alignment with Article 9 criteria, including sustainability impact, data-driven disclosures, and long-term ESG risk integration.

CASE STUDY **STRENGTHENING SUPPLY CHAIN RESPONSIBILITY THROUGH SUPPLIER ENGAGEMENT**

Infosys Ltd., a global leader in digital services and consulting, has established a robust supply chain governance framework to promote ethical sourcing, transparency, and accountability across its supplier network. The company's Responsible Supply Chain and Supplier Diversity Policy outlines expectations around human rights, environmental protection, and fair labour practices, ensuring that its procurement activities are aligned with internationally recognised standards.

As a signatory to the United Nations Global Compact, Infosys integrates key principles related to labour, environment, and anti-corruption into its supplier policies. These expectations apply across all supplier categories—people, services, and goods—with a focus on partnering with vendors that meet high ESG performance benchmarks.

To reinforce compliance, Infosys has implemented a comprehensive Supplier Code of Conduct, inspired by frameworks such as ISO 26000, GRI, UNHRC, and the Ethical Trading Initiative. Vendors must formally accept this code during onboarding, and their adherence is regularly monitored.

In 2024, Infosys onboarded 2,404 new suppliers, of which 68.4% processed through online channels were screened for ESG risks using third-party tools. It also completed in-depth ESG assessments for 328 of its most critical suppliers, focusing on issues such as labour rights, environmental impact, and ethical conduct.

To support long-term supplier development, Infosys facilitates ESG engagement through initiatives like 'Sambandh,' a biannual dialogue platform on sustainable procurement. In parallel, the company provides suppliers with ESG training and capacity-building resources via its Springboard platform, helping them improve performance and align with best practices.

Infosys

IMPACT 7
SUSTAINABILITY STRATEGY AND REPORTING

THIS IMPACT AREA AIMS TO HIGHLIGHT
the extent to which SDG Invest portfolio companies provide expansive, credible, and reliable reporting on their ESG strategies. Reporting on sustainability urges companies to evaluate their own objectives, and investors are also dependent on the reporting to assess the ambitions of the companies. This impact area covers SDGs: 12 – *Responsible Consumption and Production,* and 13 – *Climate Action.*

Transparent, accurate, and comprehensive sustainability reporting is a cornerstone of sustainable investing. In a world where greenwashing and inadequate disclosures undermine trust, the ability to measure, track, and communicate sustainability performance is essential.

At SDG Invest, we prioritise investments in companies that uphold the highest standards of ESG reporting and risk transparency, ensuring that sustainability commitments translate into measurable action.

With the rapid evolution of regulatory requirements and investor expectations, businesses must adopt clear, verifiable, and standardised reporting frameworks to assess their environmental and social impact. Our role as investors is to ensure that portfolio companies not only meet compliance requirements but also demonstrate leadership in sustainability strategy and disclosure.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

ENHANCING CORPORATE SUSTAINABILITY DISCLOSURES

Corporate sustainability disclosures have transitioned from voluntary commitments to mandatory regulatory requirements. Investors, regulators, and consumers are demanding greater clarity, comparability, and accountability in ESG reporting. Companies that fail to disclose material sustainability risks not only expose themselves to reputational and financial risks but also risk losing investor confidence.

To ensure high-quality sustainability reporting, we evaluate whether portfolio companies:

- Align ESG disclosures with international standards, including the European Sustainability Reporting Standards (ESRS) under the CSRD, which define mandatory disclosure requirements for topics such as climate change, resource use, workforce diversity, and business conduct. We also consider alignment with the Global Reporting Initiative (GRI) and the IFRS Sustainability Disclosure Standards (ISSB Standards), which build on the former SASB framework.
- Provide clear, verifiable data on carbon emissions, resource usage, and climate impact.
- Establish dedicated sustainability committees or assign ESG oversight responsibilities to the board or a designated executive, ensuring accountability at the highest levels.
- Engage in third-party verification and audits to ensure accuracy.

Regulations such as the CSRD are transforming corporate reporting by requiring businesses to disclose standardised, audited sustainability data, ensuring that ESG claims are substantiated, comparable, and decision-useful for investors.

84%

of the companies in the SDG Invest portfolio obtain third-party limited ,assurance on their sustainability reporting

»At SDG Invest, we prioritise investments in companies that uphold the highest standards of ESG reporting and risk transparency, ensuring that sustainability commitments translate into measurable action.«

STRENGTHENING CLIMATE AND ESG RISK REPORTING

High-quality ESG reporting is essential for understanding how companies manage long-term financial and sustainability risks. We assess how portfolio companies disclose and address material risks related to climate change, governance, and supply chains.

As part of our investment process, we require companies to meet minimum climate risk reporting criteria. We screen for alignment with the Greenhouse Gas Protocol (GHG-P) for Scope 1, 2, and 3 emissions as a prerequisite for inclusion in our portfolio, and assess whether companies:

- Integrate climate risk assessments into financial disclosures
- Disclose climate-related risks and oversight structures in line with the TCFD
- Are beginning to develop climate transition plans, with the aim of aligning with science-based targets over time

Poor ESG risk reporting can result in mispriced assets, regulatory penalties, and reputational damage.

By setting clear expectations for ESG disclosures and monitoring companies' progress, we strengthen the financial and environmental resilience of our portfolio.

COMPLIANCE AND REGULATORY ALIGNMENT

To uphold the highest standards in sustainability strategy and reporting, we assess whether portfolio companies comply with mandatory regulatory frameworks, including:

- **Corporate Sustainability Reporting Directive (CSRD):** As large entities, our portfolio companies are required to adhere to the CSRD, which mandates standardised ESG disclosures, third-party verification, and the integration of sustainability risks into financial reporting.

- **Greenhouse Gas Protocol (GHG-P):** Establishes a comprehensive global framework for measuring and managing corporate greenhouse gas emissions, ensuring that companies provide transparent carbon accounting.

These frameworks not only enforce corporate accountability but also provide investors with consistent, comparable data to guide sustainability-aligned investment decisions.

Limited Assurance Achieved for Multiple Sustainability KPIs

By 2027, 100% of companies in the portfolio must obtain external verification (limited assurance) of their reported sustainability information.

LOOKING AHEAD

We expect sustainability reporting to be shaped by stricter legal enforcement and rising investor scrutiny. The implementation of the Corporate Sustainability Reporting Directive (CSRD) will compel companies to disclose standardised, externally assured ESG data—shifting the focus from voluntary communication to regulatory compliance.

In the coming period, we will expand our ESG assessment framework to integrate these new reporting obligations, ensuring our portfolio companies meet baseline disclosure expectations across climate risk, social impact, and governance. Particular attention will be given to climate-related financial data, value chain emissions, and minimum safeguards. We will also track the rollout of sector-specific ESRS standards to evaluate how companies adapt to evolving requirements and investor expectations.

1) In 2018, the percentage is high as we included portfolio companies that had only conducted limited assurance on GHG emissions. From 2019 and on, we only include companies with assurance on all published ESG data.

CASE **COMPANIES TRANSITIONING TO CSRD-ALIGNED SUSTAINABILITY REPORTING**

Xylem Inc., a global water technology leader, has demonstrated a proactive approach to aligning with the European Union's CSRD. In its 2023 Sustainability Report, the company integrates the ESRS into its reporting framework, ensuring comprehensive disclosures across ESG dimensions.

Xylem's sustainability strategy is structured around three strategic pillars: decarbonising the water sector, accelerating corporate water stewardship, and advancing water, sanitation, and hygiene (WASH) access. The company has set ambitious 2030 goals, including enabling customers to reduce global water demand by at least 2 billion cubic meters, reducing its own water intensity by 30%, and expanding WASH access to an additional 80 million people in under-resourced communities.

Operationally, Xylem has made significant strides in sustainability. As of 2023, 19 of its 22 major facilities operate on 100% renewable energy, 17 have achieved 100% process water recycling, and 17 contribute zero waste to landfills.

These achievements reflect Xylem's commitment to reducing its environmental footprint and enhancing resource efficiency.

By aligning its reporting practices with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), Xylem has expanded its environmental disclosures with greater detail and structure. The company reports that 19 of its 22 major facilities now operate on 100% renewable electricity and 17 have achieved full process water recycling. While waste-to-landfill has been largely eliminated at key sites, Xylem now faces growing expectations to shift further toward waste prevention and circular material flows.

Xylem has also reported challenges in fully mapping its Scope 3 emissions and improving supplier-level transparency — both of which remain critical areas of focus as it moves toward its 2025 and 2030 sustainability targets.

xylem

»By aligning its reporting practices with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), Xylem has expanded its environmental disclosures with greater detail and structure.«

IMPACT 8
GOVERNANCE, ETHICS AND CORPORATE RESPONSIBILITY

THIS IMPACT AREA AIMS TO HIGHLIGHT
the importance of companies implementing good governance principles and engaging in ethical and responsible behaviour. Companies need to act in a way that supports the achievement of the SDGs. We will explore two key ways that companies can show that their behaviour is aligned with sustainable development: adopting a responsible approach to tax, and integrating sustainability in remuneration. This impact area is related to SDG 16 – *Peace, Justice, and Strong Institutions.*

Strong corporate governance, ethical business practices, and accountability are fundamental to long-term financial and sustainability performance. As an Article 9 fund, SDG Invest is required to invest in companies that meet good governance practices as defined under SFDR Article 2(17), including sound management structures, responsible employee relations, tax compliance, and fair remuneration. These requirements also reflect our commitment to the Principal Adverse Impact (PAI) indicators and the Minimum Safeguards under the EU regulation, ensuring that our portfolio companies adhere to internationally recognised standards of responsible business conduct.

We believe that well-governed companies are better positioned to manage risk, build stakeholder trust, and create long-term value. With regulatory scrutiny on corporate governance intensifying, investors, regulators, and the public are demanding greater board accountability, anti-corruption safeguards, and transparency in executive decision-making.

We evaluate portfolio companies on a range of governance criteria, including board independence, executive remuneration practices, anti-bribery policies aligned with the OECD Anti-Bribery Convention, public tax transparency, and whistleblower protections. Where governance risks are identified, we engage directly with companies and may flag concerns in our ESG scorecard or escalate through further engagement measures. These efforts support our obligation under SFDR to ensure that our investments align with high standards of integrity and corporate accountability.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

STRENGTHENING CORPORATE GOVERNANCE AND ANTI-CORRUPTION POLICIE

Effective governance is both a regulatory requirement under SFDR and a key factor in managing principal adverse impacts (PAIs). As an Article 9 fund, SDG Invest is required to invest in companies that demonstrate good governance practices, including strong management structures, anti-corruption measures, and compliance with international standards. Companies that fail in these areas face elevated regulatory, financial, and reputational risks.

- Ensure independent, diverse, and well-functioning boards that provide effective oversight
- Implement and enforce anti-bribery and corruption policies aligned with UNGC, the OECD Anti-Bribery Convention and the UN Convention Against Corruption (UNCAC)
- Disclose governance structures, internal controls, and decision-making processes, as evidenced through annual reports, ESG disclosures, or third-party governance ratings
- Conduct regular audits and risk assessments to identify and mitigate corporate governance risks

We engage with portfolio companies by assessing the quality and scope of their publicly disclosed anti-corruption policies. This includes evaluating whether they provide details on implementation mechanisms such as employee training, whistleblower protection systems, and enforcement procedures. Where we identify shortcomings, we initiate direct dialogue and encourage alignment with international standards such as UNGC, the OECD Anti-Bribery Convention and the UN Convention Against Corruption.

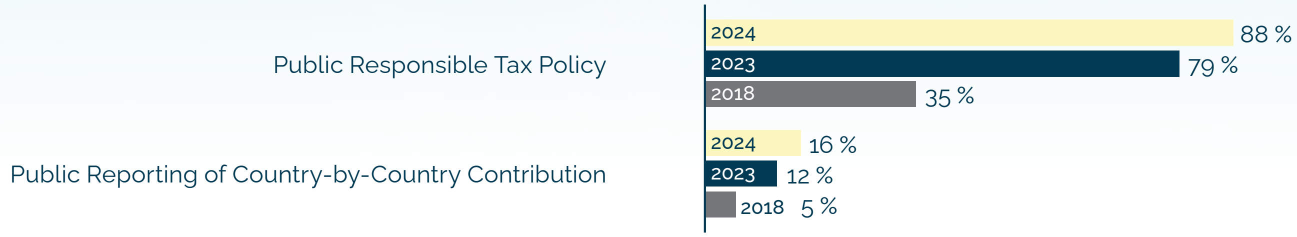
RESPONSIBLE TAX PRACTICES

Establishing equitable and transparent compensation policies is a crucial aspect of effective governance. However, remuneration goes beyond governance and can significantly contribute to corporate sustainability goals.

Executive compensation acts as a catalyst for promoting sustainable business practices. When senior leadership's rewards are tied to sustainability targets, companies are more motivated to achieve them. These objectives include reducing carbon emissions, implementing circular economy initiatives, and enhancing gender diversity in managerial roles. Integrating remuneration with sustainability goals showcases a commitment to both financial performance and sustainability.

This approach fosters long-term, sustainable growth. At SDG Invest, we see this alignment as a mark of exceptional leadership.

The sustainability agenda has gained increased importance for many companies and we are pleased to see more companies in our portfolio making sustainability a part of the determining factor of remuneration. 69% of companies now have integrated sustainability in remuneration efforts. This shows that senior leadership in the companies are taking ownership over sustainability progress. Over half of the companies in the SDG Invest portfolio have sustainability as a partially determining factor of remuneration in 2023. That is an increase of 11% since 2022 which we hope to see as a continuing trend moving forward.



By 2030, all companies in the portfolio must have a publicly available policy outlining their approach to responsible taxation.

TRANSPARENT EXECUTIVE COMPENSATION AND ACCOUNTABILITY

Executive compensation and corporate accountability are increasingly under scrutiny. Companies that fail to align executive pay with performance and sustainability goals may face growing scrutiny from investors and regulators. To ensure fair and transparent compensation structures, we assess whether companies:

- Disclose executive remuneration structures in a transparent manner
- Link compensation to long-term financial performance and ESG metrics

Regulations such as the EU Whistleblower Protection Directive and the SFDR's good governance requirements (Article 2(17)) reinforce the importance of corporate accountability. Companies must establish clear mechanisms for reporting ethical concerns, protect whistleblowers from retaliation, and demonstrate transparent governance practices as part of a sound management structure.

COMPLIANCE & REGULATORY ALIGNMENT

To uphold the highest standards of governance and ethical business practices, we assess whether portfolio companies align with the following international frameworks:

- **UN Global Compact Network:** Principle 10 on companies combatting corruption.
- **OECD Anti-Bribery Convention:** Establishes global anti-corruption standards, requiring companies to implement strict anti-bribery policies and ethical business practices.
- **EU Whistleblower Protection Directive:** Mandates that companies provide secure, anonymous channels for reporting misconduct and protect whistleblowers from retaliation.
- **UN Convention Against Corruption (UNCAC):** Requires companies to combat corruption, enforce transparency in financial transactions, and maintain ethical business standards.
- **OECD Base Erosion and Profit Shifting (BEPS) Action Plan:** Establishes international guidelines to prevent tax avoidance by multinational companies and improve transparency through Country-by-Country Reporting (CbCR), helping ensure fair tax contributions and responsible corporate conduct.

LOOKING AHEAD

As governance regulations evolve and investor expectations increase, companies are under growing pressure to demonstrate transparency, ethical leadership, and board-level accountability. Weak governance structures expose businesses to compliance failures, stakeholder scrutiny, and long-term financial risk.

As an Article 9 fund under the SFDR, SDG Invest is required to invest in companies that uphold strong governance standards. We integrate governance criteria into our investment decisions, assess alignment with international frameworks, and engage on key issues such as board diversity, anti-corruption policies, and executive remuneration.

By supporting companies that demonstrate responsible leadership and ethical practices, we help safeguard long-term value for our investors and contribute to more stable and accountable markets.

In parallel, our ESG monitoring system flagged multiple breach cases related to human rights, labour standards, and environmental compliance. These triggered targeted engagement letters, including 50 active ownership letters and 23 specific to U.S. DEI concerns. Responses are now under review to inform next steps.

CASE STUDY **SIEMENS BEST PRACTICES IN WHISTLEBLOWER PROTECTION AND CORPORATE TRANSPARENCY**

Siemens AG, a global leader in industrial technology, exemplifies best practices in governance, ethics, and corporate responsibility through its comprehensive whistleblower protection and corporate transparency initiatives. The company has established robust mechanisms to ensure that employees and external stakeholders can report potential violations securely and confidentially.

Central to Siemens' commitment to ethical conduct is its "Tell Us" platform, an accessible reporting channel that allows individuals to raise concerns about possible compliance violations. This system is complemented by the "Ombudsperson" program, which provides an independent and confidential avenue for reporting, ensuring that whistleblowers are protected and their reports are handled with the utmost integrity.

Siemens' whistleblower protection systems are part of a broader effort to rebuild trust following its involvement in one of the largest corporate corruption cases in history. In 2008, the company agreed to pay over €1 billion in fines after admitting to systematic bribery across multiple countries. Since then, Siemens has made significant reforms to its compliance framework, with transparent reporting procedures and independent oversight mechanisms forming a core part of its governance model.

While no system can eliminate risk entirely, Siemens' ongoing efforts to strengthen whistleblower protections and promote open reporting channels represent a meaningful step towards improved corporate accountability. The company's compliance infrastructure now serves as a reference point for others in the sector seeking to restore credibility and uphold ethical standards after reputational damage.

THE FUTURE OF SUSTAINABILITY AND COMPLIANCE

Each year, SDG Invest offers insights into the evolving trends of sustainability that we anticipate will influence the future agenda.

The landscape of sustainable investing and corporate accountability is evolving rapidly. As regulatory frameworks become more stringent and stakeholder expectations grow, businesses must adapt to new compliance requirements, enhanced transparency measures, and emerging sustainability risks. At SDG Invest, we are committed to staying ahead of these developments, ensuring that our portfolio companies meet evolving regulatory requirements and demonstrate strong ESG performance in line with international standards.

The coming years will be shaped by evolving due diligence requirements, increased enforcement against greenwashing, and the integration of AI-driven tools to monitor regulatory compliance. Investors will play a key role by engaging with companies on best practices and allocating capital toward businesses with credible, long-term sustainability commitments.

REGULATORY TRENDS IN 2025

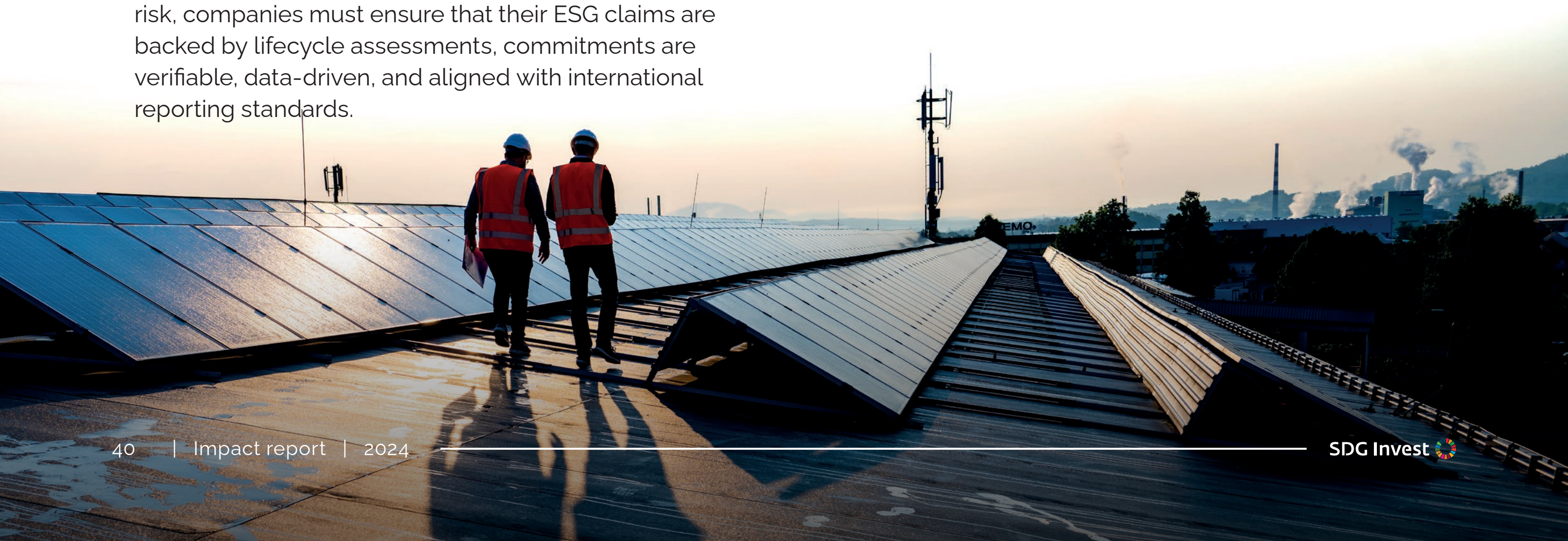
As we look to the future, several key regulatory trends will influence the global sustainability landscape:

- **Evolving Due Diligence Requirements:** Governments and regulators are continuing to develop frameworks to increase corporate accountability on human rights, environmental impact, and supply chain responsibility. While approaches vary across jurisdictions, the direction of travel is clear: companies are expected to identify and manage sustainability risks as part of their core business operations. This shift is gradually turning sustainability risk management from a voluntary practice into a legal and financial responsibility.

- **Strengthening Enforcement of Greenwashing Regulations:** Regulators are intensifying their efforts to combat misleading sustainability claims. As greenwashing becomes a greater legal and reputational risk, companies must ensure that their ESG claims are backed by lifecycle assessments, commitments are verifiable, data-driven, and aligned with international reporting standards.

  The EU Green Claims Directive and CSRD requirements will tighten oversight on corporate sustainability disclosures, ensuring that companies back their claims with credible evidence and third-party verification.

- **AI's Role in Sustainability Reporting and Compliance Monitoring:** The adoption of artificial intelligence and data analytics is transforming ESG reporting and compliance monitoring. AI-driven tools are increasingly used to analyse sustainability data, detect non-compliance risks, and enhance transparency in ESG reporting. Companies that leverage AI for real-time risk assessment, supply chain audits, and regulatory alignment will gain a competitive advantage in navigating the complexities of sustainability compliance.



SDG INVEST'S COMMITMENTS FOR 2025 AND BEYOND

As these trends reshape the sustainable finance landscape, SDG Invest remains committed to driving impact, ensuring compliance, and holding businesses accountable for their ESG responsibilities. In 2025 and beyond, we will focus on:

- **Tracking and reducing portfolio emissions:** We aim to achieve an annual 7% reduction in Scope 1 and 2 emissions across our portfolio. This target reflects our commitment to measurable climate action and supports our broader strategy to align investment decisions with long-term decarbonisation goals.

- **Strengthening Supply Chain Due Diligence Practices:** We will continue to assess whether portfolio companies have robust due diligence processes in place to identify, prevent, and mitigate ESG risks across their operations and supply chains. While the Corporate Sustainability Due Diligence Directive (CSDDD) is not yet in force, we monitor its development closely and use its underlying principles to guide our expectations for responsible business conduct.

- **Strengthening Biodiversity & Nature-Related Disclosures:** We will expand our assessment of nature-related risks by referencing frameworks such as the TNFD and the Science Based Targets Network for Nature (SBTN). We will also assess whether companies apply the Do No Significant Harm (DNSH) principle and integrate biodiversity into their wider ESG risk management. Where relevant, we will encourage alignment with the Partnership for Carbon Accounting Financials (PCAF) standards for financed emissions and impact accounting.

As sustainability frameworks evolve, SDG Invest will continue to embed new technical standards into our ESG assessment model. We will focus on aligning with nature- and climate-related disclosure frameworks, ensuring that our portfolio reflects high-impact, compliant, and future-fit business models. This approach supports our commitment to responsible investing under Article 9 and ensures that we allocate capital to companies contributing meaningfully to long-term environmental and social goals.

CONCLUSION AND CALL TO ACTION

As regulatory standards evolve and sustainability risks become more material, the role of investors is shifting from passive observers to active stewards of long-term value. The focus is no longer on setting commitments but on verifying outcomes, enforcing compliance, and driving measurable change through investment decisions.

At SDG Invest, we are committed to ensuring that our investments meet the highest standards of ESG performance, regulatory alignment, and real-world impact. Through rigorous screening, ongoing engagement, and clear accountability mechanisms, we support companies that contribute to a more resilient, transparent, and inclusive global economy.

A CALL TO ACTION FOR INVESTORS AND BUSINESSES

The challenges we face: climate change, social inequality, biodiversity loss, and corporate governance failures; require collective action. Investors, businesses, regulators, and stakeholders must work together to ensure that sustainability is not just a corporate initiative but an integral part of the global economic system.

To companies, we urge you to strengthen your sustainability strategies, enhance transparency, and align with the Paris Agreement. Most of all, we encourage you to ensure you have science-based targets in place through the SBTi. If you do not yet have them, take steps to set them. This also means mapping your emissions and making meaningful reductions in CO_2 across all scopes. Compliance is evolving into a standard of leadership based on integrity, accountability, and long-term impact.

To investors, we call upon you to demand more from the companies you support. Use your influence and financial power to push for higher standards, advocate for sustainable investment policies, and direct capital toward businesses that prioritise sustainability and ethical governance. The power of capital can drive systemic change, ensuring that the global financial system aligns with sustainable development goals and climate resilience.

The pace and scale of today's sustainability challenges require measurable action, not general commitments.

As we look ahead, our focus will remain on applying stringent ESG criteria, aligning with regulatory requirements, and using ownership as a tool to strengthen accountability. We will continue to assess, engage, and act to ensure that capital is directed toward companies that have mapped their carbon emissions, set verified targets aligned with the Paris Agreement, and are taking measurable steps to reduce CO_2 emissions across their value chains.

PRINCIPAL ADVERSE IMPACT STATEMENT
SUMMARY AND SCOPE

Financial Market Participant
Name: StockRate Forvaltning A/S
LEI code: 549300H6RZT8HQH9ML17

SUMMARY

StockRate Forvaltning takes into account the principal adverse impacts of investment decisions on sustainability factors in its management of investment funds, in accordance with the policies, statutes, and prospectuses adopted by each fund, and in line with applicable legislation.

This statement is a consolidated declaration covering the management of the following investment fund:

- Kapitalforeningen SDG Invest

Other AIFs under management are not included in this declaration, as they are classified as Article 6 products under the SFDR and therefore do not consider principal adverse impacts on sustainability factors.

This statement is updated at least once annually.

The statement has been prepared in accordance with Article 4 of the Sustainable Finance Disclosure Regulation (SFDR) and the applicable Regulatory Technical Standards (RTS).

This principal adverse impact statement covers the reference period from 1 January 2024 to 31 December 2024.

DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

The following report presents data on the principal adverse impacts on sustainability factors identified by StockRate Forvaltning for the year 2024. Reporting includes 18 mandatory indicators and 4 additional (voluntary) opt-in indicators. These additional indicators have been selected based on their relevance to the respective portfolios and the availability of sufficiently reliable data.

Summary			
Indicators applicable to investee companies			
Adverse Sustainability Indicator		Metric	Impact year 2024
GHG Emissions	GHG Emissions [1.1]	Scope 1 GHG Emissions	2069.52 ton
		Scope 2 GHG Emissions	722.36
		Scope 3 GHG Emissions	88533.46
		Total GHG Emissions	91324.48
	Carbon Footprint [1.2]	Carbon Footprint	1126.86
	GHG Intensity [1.3]	GHG Intensity of investee companies	3363.05
	Exposure to companies active in the fossil fuel sector [1.4]	Share of investments in companies active in the fossil fuel sector	0.00 %
	Share of nonrenewable energy consumption and production [1.5]	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	61.39 %
	Energy consumption intensity per high impact climate sector [1.6]	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	*Industry:* 0.0022 *Construction:* 0.00 *Transport and storage:* 0.000014 GWh/mn €

Summary			
Indicators applicable to investee companies			
Adverse Sustainability Indicator		**Metric**	**Impact year 2024**
Bio-diversity	Activities negatively affecting biodiversitysensitive areas [1.7]	Share of investments in investee companies with sites/operation s located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	Missing data
Water	Emissions to Water [1.8]	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	0.0051 t/mn €
Waste	Hazardous waste and radioactive waste ratio [1.9]	Tonnes of hazardous waste and radioactiv e waste generated by investee companies per million EUR invested, expressed as a weighted average	0.022 t/mn €
Social and Employee Matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises [1.10]	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multi-national Enterprises	6.80 %
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises [1.11]	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00 %
	Unadjusted gender pay gap [1.12]	Average unadjusted gender pay gap of investee companies	Missing data
	Board gender diversity [1.13]	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	39.20 %
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) [1.14]	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00 %
Indicators applicable to investments in sovereigns and supranationals			
Adverse Sustainability Indicator		**Metric**	**Impact year 2024**
Environ-ment	GHG Intensity [1.15]	GHG intensity of investee countries	0.00 %
	Investee countries subject to social violations [1.16]	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00 %
Fossil Fuels	Exposure to fossil fuels through real estate assets [1.17]	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00 %
Energy Efficiency	Exposure to energy-inefficient real estate assets [1.18]	Share of investments in energy-inefficient real estate assets	0.00 %
Emissions	Investment in companies without carbon reduction initiatives aimed at aligning with the Paris agreement [2.4]	Share of investments in investee companies without carbon emis-sion reduction initiatives aimed at aligning with the Paris Agreement	0.00 %
Social and Employee Matters	Lack of Code of Conduct for suppliers [3.1]	Share of investments in companies without a supplier code of conduct (covering unsafe working conditions, precarious employ-ment, child labour, and forced labour)	0.00 %
Human rights	Lack of human rights policy [3.2]	Share of investments in entities without a human rights policy	0.00 %
	Lack of due diligence [3.3]	Share of investments in entities without a due diligence procedure to identify, prevent, mitigate, and address adverse impacts on human rights	18.00 %
Anti-cor-ruption and brib-ery	Lack of anti-corruption and bribery policies and procedures [4.1]	Share of investments in companies withouth an anti-corruption and bribery policy and procedure aligned with the UN's Convention against Corruption	0.00 %

POLICIES FOR IDENTIFYING AND PRIORITISING PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

StockRate Forvaltning's policy for identifying and prioritising principal adverse impacts on sustainability factors is based on the sustainability risk integration policy of Kapitalforeningen SDG Invest, as approved by the board in May 2024. This policy is reviewed on an ongoing basis and updated at least annually.

The executive management of StockRate Forvaltning is responsible for ensuring the policy is implemented in daily operations.

Each fund's sustainability-related policies are integrated into the delegated portfolio management processes. StockRate Forvaltning monitors that the portfolios comply with the investment restrictions set out in the funds' policies and prospectuses, including requirements related to sustainability factors. Portfolio managers are expected to integrate sustainability considerations into investment decisions wherever relevant and where data availability permits an adequate assessment.

StockRate Forvaltning sources data from the research providers Sustainalytics and Bloomberg to analyse the sustainability-related impacts of each fund's investments. Data related to principal adverse impacts is used to identify and monitor sustainability risks in the portfolios and to assess whether portfolio adjustments are necessary to minimise such risks. Where data from Sustainalytics and Bloomberg is insufficient for certain indicators, StockRate Forvaltning supplements this with data from CDP or from direct company disclosures.

The boards of the respective funds regularly evaluate whether the companies in the portfolios meet the requirements outlined in the policies on sustainability risk integration and corporate responsibility.

These policies also describe how sustainability impacts are considered in day-to-day portfolio management.

Kapitalforeningen SDG Invest has additionally implemented a Corporate Responsibility and Ethics Policy, a Minimum Sustainability Standards Policy, and an Active Ownership Policy. These policies govern the fund's dialogue and engagement with portfolio companies and provide a framework for identifying and prioritising action to influence company behaviour and strategy based on sustainability considerations.

The Active Ownership Policy includes information on how SDG Invest engages in direct dialogue with companies and participates in investor collaborations to minimise negative impacts on sustainability factors.

In 2024, adjustments were made to the Corporate Responsibility and Ethics Policy and the Active Ownership Policy. These were primarily editorial updates intended to better reflect the board's framework for investment decisions and to accommodate the specific investment universes of the fund's various sub-funds.

HISTORICAL COMPARISON

Companies have improved their sustainability reporting, which explains increases in reported indicators in some areas. SDG Invest expects this trend to stabilise in the coming years, after which the figures are expected to decrease. Additionally, the ability to estimate impacts has improved in the current reporting year due to access to data directly from the companies and their verified climate accounts and sustainability reports. It is expected that companies will further improve their reporting on negative impacts, enabling more complete and precise reporting across all indicators in the future.

Table 1: Indicators applicable to investments in investee companies						
Climate and other environment related indicators						
	Adverse Sustainability Indicator	Metric	Impact year 2024	Impact year 2023	Explanation	Implications
GHG Emissions	GHG Emissions [1.1]	Scope 1 GHG Emissions	2069.52 ton	1599.58 ton	The SDG Invest portfolios report Scope 1, 2, and 3 emissions for all companies. The data shows that the majority of emissions in portfolio companies fall under Scope 3, but there has been a significant effort by the companies to reduce Scope 1 emissions. The increase in reported emissions is explained by the companies' intensified efforts to collect and measure Scope 3 data, which is where most of the emissions typically occur. The fact that all companies report their CO_2 emissions demonstrates that they are prepared to implement reduction measures and that they are aware of their impact on the climate.	SDG Invest's sustainable investment objective is to build a portfolio aligned with the Paris Agreement and thereby contribute to reducing CO_2 emissions accordingly. To achieve this objective, active ownership and direct engagement with companies – as well as collaboration with other investors – are essential. For example, SDG Invest regularly participates in initiatives such as the CDP Disclosure Project and the Science-Based Targets Campaign, which aim to enhance corporate reporting and target-setting. Through our engagement activities, we encourage companies to develop strategies to reduce CO_2 emissions and to set targets that are verified by the Science-Based Targets Network. It is SDG Invest's ambition that 100% of portfolio companies have Science-Based Targets in place by the end of 2025.
		Scope 2 GHG Emissions	722.36 ton	893.60 ton		
		Scope 3 GHG Emissions	88533.46 ton	40379.55 ton		
		Total GHG Emissions	91324.48 ton	42639 ton	The methodology has been improved which is why the numbers may differ from previously.	
	Carbon Footprint [1.2]	Carbon Footprint	1126.86 t/mn €	486.62 t/mn €		
	GHG Intensity [1.3]	GHG Intensity of investee companies	3363.05 t/mn €	970.62 t/mn €		
	Exposure to companies active in the fossil fuel sector [1.4]	Share of investments in companies active in the fossil fuel sector	0.00 %	0.00 %	SDG Invest has zero tolerance for companies active in the fossil fuel sector, including those that generate revenue from the extraction or production of fossil fuels.	SDG Invest has adopted minimum sustainability standards. These standards include an exclusion list of sectors that are not allowed in the SDG Invest portfolios, including fossil fuels. All potential portfolio candidates are screened against these standards.
	Share of non-renewable energy consumption and production [1.5]	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	61.39 %	62.56 %	Data in this area is still developing, and the available data is currently considered to be limited. There is a continued focus on reducing this going forward, and it remains a key priority in our active ownership efforts	SDG Invest annually sends active ownership letters to companies in our portfolios. In these letters, the companies' CO_2 emissions – including their consumption and production of renewable energy – are key topics of engagement.
	Energy consumption intensity per high impact climate sector [1.6]	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	*Industry:* 0.0022 *Construction:* 0.00 *Transport and storage:* 0.000014 GWh/mn €	*Industry:* 0.0013 *Construction:* 0.000015 *Transport and storage:* 0.000013 GWh/mn €	SDG Invest has very limited exposure in its portfolios to the three sectors defined by the EU as having a significant impact on the climate. SDG Invest has no exposure to the remaining high-impact sectors.	n.a.
Biodiversity	Activities negatively affecting biodiversity sensitive areas [1.7]	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.00 %	0.00 %	There is continued limited data, as almost no companies have disclosed data in this area. Data shows that 23% of the companies have facilities or operations in or near biodiversity-sensitive areas compared to 21% last year. Among the companies with activities or facilities in or near such areas, none have reported whether their operations have a negative impact on these areas.	Through active ownership, SDG Invest encourages its portfolio companies to increase their focus on biodiversity,to report on how they impact biodiversity-sensitive areas, and to develop biodiversity strategies.

Table 1: Indicators applicable to investments in investee companies						
Climate and other environment related indicators						
	Adverse Sustainability Indicator	Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Water	Emissions to Water [1.8]	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	0.0054 t/mn €	0.0017 t/mn €	The methodology and data used to measure water emissions have improved, which has led to an increase in PAI 8 compared to last year. It should be noted that the calculated indicator is based on limited data. As data availability increases and the CSRD is implemented, the indicator is expected to rise in the coming years.	Through active ownership, SDG Invest encourages its portfolio companies to report in this area. However, data has improved compared to last year, and therefore we have set 2023 as the baseline for measuring water-related indicators.
Waste	Hazardous waste and radioactive waste ratio [1.9]	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.022 t/mn €	0.041 t/mn €	The methodology and data used to measure hazardous and radioactive waste have improved, resulting in an increase in PAI 9 compared to last year. It should be noted that the calculated indicator is based on limited data. As data availability improves and the CSRD is implemented, the indicator is expected to increase further in the coming years.	SDG Invest has collaborated with other stakeholders to improve data quality in this area. As this indicator is part of the CSRD, data quality is expected to improve significantly in the coming years.
Indicators for social and employeee, respect for human rights, anti-corruption and anti-bribery matters						
	Adverse Sustainability Indicator	Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises [1.10]	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	6.80 %	10.44 %	SDG Invest continuously monitors cases involving portfolio companies that may indicate sustainability risks. It is important to SDG Invest that companies act with transparency when such cases arise, respond to inquiries from authorities, media, and investors, and implement changes or initiatives that directly address the weaknesses that led to the case. The reported figure includes both ongoing cases that are being tracked on a watchlist and closed cases where appropriate measures have been taken afterward.	SDG Invest has a process for handling such cases. This process often involves reaching out to the company to gain a deeper understanding of how the case is being managed and what actions are being taken to prevent similar incidents in the future. This is a key element of SDG Invest's active ownership approach. The process may lead to divestment, which has been the case in the past reporting period.
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises [1.11]	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00 %	0.00 %	All companies in the SDG Invest portfolios have processes and policies in place for how they address the UNGC principles and OECD Guidelines. These processes and policies are often integrated into human rights policies, (Supplier) Codes of Conduct, and due diligence procedures. This is based on SDG Invest's own data regarding whether the companies are committed to Science Based Targets, have human rights due diligence processes, and have whistleblower mechanisms in place. Our screening shows that all companies have processes to ensure human rights due diligence and have implemented whistleblower schemes. The results of our screening also show that 8,7% of the portfolio lacks a commitment to Science Based Targets.	Responsible conduct, including compliance with key international standards, is a central part of the annual analysis conducted on SDG Invest portfolios. SDG Invest does not invest in companies with significant sustainability risks unless they have compliance mechanisms in place.
	Unadjusted gender pay gap [1.12]	Average unadjusted gender pay gap of investee companies	0	0	There is limited data in this area, as fewer than 21% of companies report on it. In the SDG Invest portfolios, 81% of the companies have implemented policies aimed at reducing the gender pay gap.	Through active ownership, SDG Invest encourages its portfolio companies to report in this area.

Table 1: Indicators applicable to investments in investee companies						
Indicators for social and employeee, respect for human rights, anti-corruption and anti-bribery matters						
Adverse Sustainability Indicator		Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Social and employee matters	Board gender diversity [1.13]	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	39.20 %	37.21 %	Companies in the SDG Invest portfolios have boards composed, on average, of 38,2% women. There has been a slight increase compared to the previous year, almost reaching our target of at least 40% representation of the underrepresented gender.	Through active ownership, SDG Invest encourages its portfolio companies to set targets for diversity at the board level and across other management layers. We recommend a target of at least 40% representation of the underrepresented gender.
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) [1.14]	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00 %	0.00 %	SDG Invest has zero tolerance for companies that generate revenue from any form of weapons, including controversial weapons.	SDG Invest has adopted minimum sustainability standards. These include an exclusion list of sectors that are not permitted in SDG Invest, including weapons. All potential portfolio candidates are screened against these standards.
Table 1: Indicators applicable to investments in Sovereigns and Supranationals						
Adverse Sustainability Indicator		Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Environment	GHG Intensity [1.15]	GHG intensity of investee countries	0.00 %	0.00 %	SDG Invest does not invest in Sovereigns and Supranationals	n.a.
	Investee countries subject to social violations [1.16]	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.00 %	0.00 %	SDG Invest does not invest in Sovereigns and Supranationals	n.a.
Table 1: Indicators applicable to investments in real estate						
Adverse Sustainability Indicator		Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Fossil Fuels	Exposure to fossil fuels through real estate assets [1.17]	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00 %	0.00 %	SDG Invest does not invest in real estate	n.a.
Energy Efficiency	Exposure to energy-inefficient real estate assets [1.18]	Share of investments in energy-inefficient real estate assets	0.00 %	0.00 %	SDG Invest does not invest in real estate	n.a.
Table 2: Additional Indicators for Climate						
Indicators applicable to investments in investee companies						
Adverse Sustainability Indicator		Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Emissions	Investment in companies without carbon reduction initiatives aimed at aligning with the Paris agreement [2.4]	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	0.00 %	0.00 %	All companies in the SDG Invest portfolios share the sustainable investment objective of reducing CO_2 emissions. Our portfolios are composed of companies that support SDG Invest's objective of aligning with the Paris Agreement.	As part of SDG Invest's active ownership activities, we encourage companies to develop strategies for reducing CO_2 emissions and to set targets that are verified by the Science-Based Targets Network. It is SDG Invest's goal that 100% of the companies in the portfolio have Science-Based Targets in place by the end of 2025.

Table 3: Additional Indicators for Social and employees, respect for human rights, anti-corruption and anti-bribery matters						
Indicators applicable to investments in investee companies						
	Adverse Sustainability Indicator	Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Social and Employee Matters	Lack of Code of Conduct for suppliers [3.1]	Share of investments in companies without a supplier code of conduct (covering unsafe working conditions, precarious employment, child labour, and forced labour)	0.00 %	0.00 %	All companies in the SDG Invest portfolios have a Supplier Code of Conduct or an equivalent document that sets out expectations for responsible conduct among their suppliers.	A Supplier Code of Conduct is an essential tool when a company works with responsible supply chain management and helps uphold human and labour rights. Therefore, SDG Invest expects all companies to have a Supplier Code of Conduct in place – especially where there are risks in the supply chain.
Human rights	Lack of human rights policy [3.2]	Share of investments in entities without a human rights policy	0.00 %	0.00 %	All companies in the SDG Invest portfolios have a human rights policy, either as a standalone document or integrated into a broader sustainability policy.	A human rights policy is essential, as it demonstrates that the company acknowledges and addresses potential negative impacts. If there are human rights risks and the company does not have a human rights policy in place, SDG Invest will not invest in that company.
	Lack of due diligence [3.3]	Share of investments in entities without a due diligence procedure to identify, prevent, mitigate, and address adverse impacts on human rights	18.00 %	24.90 %	As part of SDG Invest's company screening, an assessment is made of whether companies have due diligence procedures in place to identify, prevent, mitigate, and address negative impacts on human rights. The data has been collected from Bloomberg and our own scorecard. Whereas some companies lack thorough descriptions of their procedure to prevent and mititgate, they all have due diligence procedures.	Due diligence processes are a central part of the analysis SDG Invest conducts on all potential and existing portfolio companies. SDG Invest assesses whether due diligence processes are in place, evaluates the quality of those processes, and examines how transparent the companies are regarding the steps taken and the outcomes of these processes.

Table 3: Additional Indicators for Social and employees, respect for human rights, anti-corruption and anti-bribery matters						
Indicators applicable to investments in sovereings and supranationals						
	Adverse Sustainability Indicator	Metric	Impact year 2024	Impact year 2023	Explanation	Implications
Anti-Corruption and Bribery	Lack of anti-corruption and bribery policies and procedures [4.1]	Share of investments in companies withouth an anti-corruption and bribery policy and procedure aligned with the UN's Convention against Corruption	0.00 %	0.00 %	All companies in the SDG Invest portfolios have a policy on anti-corruption and bribery, either as a standalone document or integrated into a Code of Conduct.	A policy on anti-corruption and bribery is fundamental to an ethically responsible company. SDG Invest always analyses a company's ethics, accountability, and governance before making an investment.

REFERENCES TO INTERNATIONAL STANDARDS (SFDR RTS ANNEX I, TABLE 1)

SDG Invest's approach to sustainable investments is firmly grounded in internationally recognised standards and principles for responsible investing. Our strategy for managing Principal Adverse Impacts (PAIs) builds on these standards, and we continuously align with evolving best practices in sustainable finance and stewardship.

We apply international standards in alignment with the requirements under SFDR Article 9 and RTS Annex I, Table 1, and disclose the following:

STANDARDS AND FRAMEWORKS

We adhere to or assess alignment with the following international standards and initiatives:

- UN Global Compact (UNGC) – 10 principles on human rights, labour, environment, and anti-corruption
- UN Guiding Principles on Business and Human Rights
- (UNGP)
- OECD Guidelines for Multinational Enterprises
- ILO Core Conventions
- United Nations Convention against Corruption (UNCAC) – addressed through Principle 10 of the UNGC
- Paris Agreement – commitment to 1.5°C climate target
- Science Based Targets initiative (SBTi)
- Task Force on Climate-related Financial Disclosures (TCFD)
- CDP (Carbon Disclosure Project)
- UN Sustainable Development Goals (SDGs)

INDICATORS AND ALIGNMENT WITH STANDARDS

We use the following indicators to assess companies' alignment with international standards and the Paris Agreement:

- PAI 1–6 (GHG emissions, fossil fuel exposure): Alignment with Paris Agreement, SBTi, TCFD
- PAI 7–9 (biodiversity, water, waste): OECD Guidelines, SDGs 6, 12, 14, 15
- PAI 10–14 (human rights, governance): UNGC, ILO Conventions, UNGP, OECD
- Opt-in 2.1 (environmental emissions): negative screening, own data
- Opt-in 3.1 (supplier code of conduct): UNGC, UNGP
- Opt-in 3.2 (human rights policy): UNGP
- Opt-in 3.3 (due diligence procedures): UNGP, OECD
- Opt-in 4.1 (anti-corruption): UNGC (Principle 10), UNCAC

METHODS AND DATA USED

We apply a consistent method across the portfolio to assess companies' compliance with international standards:

Methodology:

- Screening for presence of relevant policies (e.g. human rights, anti-corruption)
- Review of company disclosures and sustainability reports (e.g. GRI, CDP)
- Monitoring through AI-driven controversy detection and red-flag reporting
- Internal evaluation using our Sustainability Scorecard
- Engagement with companies on current affairs (eg. DEI-policies), improvements, gaps or controversies

Data Sources:

- MSCI, Bloomberg, CDP, GRI, company websites, and direct engagement
- Internal analysis based on Sustainability Scorecard
- AI tools for tracking controversies and non-compliance risks

CLIMATE SCENARIO DISCLOSURE

At present, SDG Invest does not apply a forward-looking climate scenario in its methodology. This is due to the current investment strategy not being dependent on scenario modelling, which is considered too speculative for the purpose of investment decisions. However, we continuously evaluate the relevance of such tools in line with future strategy development and regulatory expectations.

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FEEDBACK

We are looking forward to your feedback.
Please provide us with your feedback
at info@sdginvest.dk.

PARTNERSHIPS FOR SUSTAINABILITY

INVESTOR ALLIANCE FOR HUMAN RIGHTS
AN INITIATIVE OF ICCR

PRI Principles for Responsible Investment

KNOWTHECHAIN

Climate Action 100+
Global Investors Driving Business Transition

CDP INVESTOR SIGNATORY

Methodology/disclaimer
Data is derived from the companies' publicly available material, unless otherwise specified. The analysis is based on company reports from FY 2023 and FY 2024. Base year is 2018. If data from 2018 is not available, base year is 2019 instead.