

Alfa Framtak

Reponsible Investment Policy



ALFA FRAMTAK

Content

Responsible Investment Policy

01

Purpose and scope

02

Responsible investments

03

Sustainability risk

04

Integrating ESG and sustainability into investment process and holding period

05

Principal Adverse Impact on sustainability factors

06

Annex

1. Purpose and scope



Responsible Investment Policy

Alfa Framtak aims to create a positive reputation and achieve excellent results through responsible investments and actions with long-term positive impact. This involves operating in harmony and collaboration with stakeholders, including shareholders, employees, suppliers, regulatory bodies and the society. The core values that guide Alfa Framtak are results, reputation, and relationships.

Alfa Framtak's policy on responsible investments includes the firm's environmental, social, and governance (ESG) criteria as well as sustainability risk in investment decisions and during ownership. The policy is outlined in accordance with Article 3 of EU regulation no. 2019/2088, adopted in Icelandic legislation according to law no. 25/2023, on integrating sustainability risks in the investment decision process ("SFDR Regulation" or "SFDR").

Alfa Framtak's policy on responsible investments applies to funds managed by the company. Further information on how the policy complies with the SFDR regulation can be found in Alfa Framtak's Remuneration Policy and in the disclosure regarding Principal Adverse Impact on sustainability factors (PAI) below.

Alfa Framtak's Board of Directors will review the policy on responsible investments annually. The changes take effect following publication on the firm's website. The managing director is responsible for reviewing the policy and ensuring that employees and other stakeholders are informed about the company's approach on responsible investment and how to adhere to it. Alfa Framtak will also inform investors and other stakeholders about the company's performance and actions in ESG matters.

2. Responsible Investments



Responsible Investment Policy

Alfa Framtak believes that responsible investments enhance the overall welfare of society, reduce risks and contribute to long-term benefits. Instead of solely focusing on factors that maximize direct financial benefits, the company is committed to considering environmental, social, and governance factors when making investment decisions for the funds it manages.

Alfa Framtak is a signatory of the UN Principles for Responsible Investment (UN PRI) and has publicly committed to implementing and enforcing the PRI's principles on responsible investment, including when evaluating investment options, during the ownership period and for information disclosure to investors. Alfa Framtak's employees believe in open communication and transparency in disclosures, aiming to keep shareholders and stakeholders informed about the performance of portfolio companies in terms of environmental and social aspects. As a UN PRI signatory, the company submits an annual report in accordance with the organization's principles. Alfa Framtak strives to improve its rating every year and aspires to be a leading force in responsible investments in Iceland. The company also aims to inform investors about key actions through semi-annual reports to shareholders.

3. Sustainability Risk



Responsible Investment Policy

According to Article 6 of the SFDR Regulation, financial market participants must disclose how sustainability risks are integrated into the company's investment decisions. Sustainability risk is defined in the regulation as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Sustainability risk can weigh differently between asset classes, so the company's aim is to focus on risks that require special attention at any given time when making investment decisions and during ownership period.

4. Integrating ESG and sustainability risks into investment process and holding period



Responsible Investment Policy

During the investment decision process, risk factors are identified that could potentially have a negative impact, on the firm's operations, and on the other hand the environment and society. Sustainability risk is not separated from traditional risk management but intertwined with the company's decision-making process. The investment manager is responsible for integrating ESG factors and sustainability risks into the investment process. The significance of risk factors are assessed, and countermeasures are taken to minimize the likelihood of such risks materializing. ESG factors are also considered when identifying potential opportunities throughout the ownership period. Companies are not necessarily excluded based on environmental and social factors but instead proposed that relevant measures are taken to improve in those areas. Alfa Framtak applies negative screening in certain cases and excludes companies involved in controversial industries such as arm manufacturers, tobacco productions and operations where human rights are not respected.

4. Integrating ESG and sustainability risks into investment process and holding period



Responsible Investment Policy

Due diligence

Embodied in the investment process is an ESG due diligence assessment. The focus and scope of the ESG due diligence depends on the sector and size of the company. The process sheds light on the company's status at the beginning of the ownership period and identifies the aspects that need improvement during the period. Alfa Framtak considers it essential that the company's investments do not cause any significant harm in any area. Therefore, various categories are examined in conjunction to evaluate potential harms across one or more categories. Examples of Alfa Framtak's emphasis during the due diligence assessment can be found in the policy appendix.

Oversight process

At the beginning of the ownership period, it is ascertained that the minimum standards for environmental, social and governance factors are met within the respective portfolio companies. The primary goal of Alfa Framtak is to contribute to its portfolio companies success through actions taken within the companies. Alfa Framtak's portfolio manager is responsible for the oversight process during said period, where both financial and ESG aspects are considered. Following the investment, Alfa Framtak advocates for actions through strategic planning and board membership.

Ownership policy

Alfa Framtak puts an emphasis on aligning vision and goals with management to maximize benefits for all stakeholders and act as an impact investor. By supporting portfolio companies' executives and carefully selecting the composition of the board, it is possible to ensure that the vision is implemented, and that success is achieved through identified actions.

5. Principal Adverse Impact on sustainability factors (PAI)



Responsible Investment Policy

According to Article 6 of the SFDR Regulation, financial market participants must explain how negative effects on sustainability factors are considered in investment decisions. The sustainability indicators in the regulation focus on environmental and social aspects, personnel issues as well as respect for human rights and measures against corruption and bribery. Thus far, Alfa Framtak does not consider the adverse impact of investment decisions on sustainability factors (PAI) in accordance with Article 4 of the SFDR. However, the company makes efforts to identify the aforementioned factors during the investment decision process and ownership period and applies appropriate countermeasures if deemed necessary. Current processes and emphasis on sustainability risks are under constant review, and the firm focuses on improving them based on its own experience and requirements set by investors and regulators.

6. Annex



ALFA FRAMTAK

Responsible Investment Policy

The following questions provide stakeholders an idea of what Alfa Framtak puts emphasis on during the due diligence process and assessment of the adverse impact of investment decisions on sustainability factors. The lists are not exhaustive.

Governance

- Has the company adopted a policy on social responsibility/or responsible investments? How is it monitored?
- Has the company or board established a code of conduct? Is it available on their website?
- How is the policy on ESG factors implemented in practice?
- Has the board established a policy regarding good governance?
- What is the gender ratio of directors and managers?

Environmental factors

- Has the company adopted an environmental policy? If yes, how is it used in practice?
- Does the company sort its waste?
- Has the company set a policy on energy consumption?
- Does the company measure its environmental footprint in the form of carbon dioxide, electricity or water consumption? If so, what are these metrics?
- Are there any improvement projects underway or completed that relate to environmental issues?

Social factors

- What is the employee turnover at the company?
- What is the gender ratio of employees?
- Have you received equal pay certification or adopted an equal pay policy?
- What is the percentage of freelancers?
- Has the company established an occupational health and safety policy or measured the accident rate?



ALFA FRAMTAK