

PAI Statement – Polaris Management A/S

Financial Market Participant: Polaris Management A/S (“Polaris”) (as an Alternative Investment Fund Manager, AIFM)

Reference period: 1 Jan 2022 – 31 December 2022

Date of statement: 1 January 2023

Version: Version 1. First preliminary version. 19 December 2022. Complete final version to be published by 30 June 2023.

Consideration of Principle Adverse Impacts on sustainability factors

Polaris considers the principal adverse impact on sustainability factors that our investment decisions have. Polaris’ investment process consists of several pre-defined “gates”. The due diligence in the final gate consists of several aspects that are to be investigated for the target company. This includes an analysis of the investment from a sustainability perspective. The process is supported by reputable advisors in the area.

The principal adverse impacts are evaluated alongside all other risks and opportunities of a potential investment in the investment process. If a particular investment fulfills our investment criteria, all risks and opportunities, hereunder sustainability related risks and opportunities, are then fully included in the business plan, the financial forecast and the overall valuation of the company.

In the portfolio management process, we continue to evaluate and follow-up on sustainability-related risks and opportunities for the company hereunder principle adverse impacts.

It is our ambition that our portfolio companies shall, at a minimum, establish governance structures to meet the requirements embedded in our sustainability principles. These principles are founded on the UNGPs and the OECD’s guidelines that consist of a policy commitment to having a sustainability policy, sustainability due diligence processes, and grievance mechanisms. The key objective for Polaris is to create value and build a stronger company by active ownership through a structured value creation process, combined with an effective corporate governance structure. Our governance structure also ensures responsible management of sustainability related risks and opportunities at the company level hereunder also principle adverse impacts on sustainability factors.

Polaris will annually publish a PAI statement which discloses the status and progress of this work at Polaris level and at the level of each individual fund managed by Polaris.

Summary of the Principle Adverse Impacts on sustainability factors

Polaris will publish the final PAI statement for the reference period 1 Jan – 31 Dec 2022 by 30 June 2023. This will include information on the individual PAI indicators and a summary of the development of these.

Policies to identify and prioritise principal adverse impacts on sustainability factors

The consideration of principle adverse impacts on sustainability factors is stipulated in, and governed by, Polaris Responsible Investment Policy (“RIP”) which is publicly available on our web site www.polarisequity.dk. This policy is approved by the board of Polaris Management A/S and reviewed annually. The management team of Polaris Management A/S is responsible for the implementation of the RIP.

PAI indicators

When considering PAI indicators, we will include the indicators in Table 1 in Annex I of the Regulatory Technical Standards (“RTS”) published on 6 April 2022 as a supplement to (EU) 2019/2088 (“SFDR”). We will however also selectively consider, to the extent possible and relevant, the indicators in Table 2 (environmental indicators) and Table 3 (social indicators) of this RTS. This will be done throughout the investment process including in the portfolio management phase.

In the PAI statement, Polaris will report on the PAI indicators in Table 1 and at least two additional indicators selected from the Table 1 and/or Table 2. The additional indicators chosen will be disclosed in the final PAI statement published by 30 June 2023.

Methodology for the calculations of the PAI statement

Scope

- The PAI statement is provided for Polaris Management A/S and each of the underlying investment strategies and funds managed by Polaris and the investments included in these funds.
- The funds included are those that had active investments (“portfolio companies”) per 31 Dec in the reference period.
- The PAI statement for the reference period includes the portfolio companies that were not sold (counting from the closing date) on or before 31st of December in the year in question and portfolio companies that were acquired (counting from the closing date) before the 1st of January of the year in question. The limitations on inclusion of portfolio companies is needed to provide sufficient time for our portfolio companies to provide the necessary information which might not be available at the time of acquisition.

Reporting timing and frequency

- The first full PAI statement will be published for the period 1 Jan to 31 December 2022. Data for the included PAI indicators for previous periods will only be provided if available on a ‘best effort’ basis.
- Data for the PAI statement will only be gathered from the Portfolio Companies annually in a structured data gathering process and the PAI statement will be published before the 30th of June in the following year.

Data sources and quality

- The valuation data used in the calculations of the PAI indicators (equity values, investment values, enterprise values) are the latest data communicated to Polaris investors based on Polaris Fair Market Value (FMV) process which is in-line with the guidelines from Invest Europe (previously EVCA) and annually audited by EY.
- The company specific data is provided by our portfolio companies on a ‘best effort’ basis and are not required to be audited or reviewed.
- Polaris strive to provide actual bottom-up data for each PAI indicator from each portfolio company to include in the PAI statement. In the case a portfolio company has not been able to provide a specific PAI indicator, the indicator has been estimated in an appropriate way. This will be done through benchmark data from other Polaris portfolio companies, other external companies, industry averages or estimated in other ways. For example with the help of industry experts, third party data providers or desktop research. Each estimate used is noted and the methodology for each estimate described in detail in the appendix to the PAI statement.

- Estimated PAI indicators must be expected to have a larger associated margin of error. Polaris will therefore strive to get actual bottom-up data for each PAI indicator from each portfolio company. This is also what most effectively will support the management of related adverse impacts. We have no thresholds for the acceptable margin of error in the data.

Analysis and thresholds

The development of the PAI indicators at portfolio company, fund, strategy and Polaris level will be analyzed, summarized and commented on in the PAI statement as appropriate. Polaris does not impose any standard thresholds, limits or criteria for evaluating the performance of a specific PAI indicator for a specific company or for evaluating the performance of a specific PAI indicator at fund, strategy or Polaris Management A/S level. Polaris fundamentally believes that the development of PAI indicators must be assessed and addressed primarily at the level of the individual company. This also includes the probability of occurrence of related adverse impacts, the severity of these impacts and the potential irremediable character of these impacts.

References to international standards

We will employ international standards where possible and relevant to support the analysis of the development of the PAI indicators. We will specifically seek to employ the following two frameworks across all our investments:

- Science Based Target Initiative (SBTI): We will use these guidelines to help us establish science based targets for the development of the portfolio companies Greenhouse Gas Emissions (GHG). We will encourage and support all our portfolio companies in setting science based target and get these approved by the SBTI.
- UN/OECD guidelines for responsible business conduct: We will support all our portfolio companies in establishing a management system in-line with the UN/OECD guidelines for responsible business conduct (this is what we also refer to as Polaris' "Sustainability Principles") which includes the implementation of regular sustainability due diligence and grievance mechanisms to identify any sustainability related adverse impacts in our portfolio companies.
- Scenario analysis and TCFD: We will only conduct future scenario analysis on a case-by-case basis if deemed relevant for decision making and/or if we believe an indicator might have a material future impact on the risks & opportunities of the specific portfolio company. If a portfolio company is determined to be materially impacted by climate change. We will seek to conduct a TCFD (Task-force for Climate related Financial Disclosures) analysis to analyze the potential future impact of climate change for that specific portfolio company as a supplement to the measurement of the Greenhouse Gas Emissions (GHG).

Engagement policies

Polaris engagement with the portfolio companies throughout our investment process includes the management of sustainability related risks and opportunities and principle adverse impacts on sustainability factors. In the portfolio management phase, we will continuously follow-up on the development of these risks and opportunities, including the PAI indicators, and review their development. The board of directors, and the management team, of each portfolio company is responsible for following-up on and determining any appropriate actions related to their development that are relevant and appropriate for that specific company. How we work with our portfolio companies, the governance process, and the related roles and responsibilities, is detailed in our Responsible Investment Polic which is publicly available on our web page.

Version control

Version no.	Author	Release date	Comments
1	MBL	19.12.2022	First preliminary Principle Adverse Impact (PAI) statement without data. First complete PAI statement to be published with the required data before 30.6.2023.

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