



PAI Statement 2022

Statement of Principal Adverse Impacts on sustainability factors

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 (“2022”)
Date of statement:	30 June 2023
Version:	Version 2 (30 June 2023)

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Disclaimer

We attempt to gather all data directly from each of our portfolio companies and it is provided on a 'best effort' basis and it is not audited or reviewed. To be able to provide a complete set of company level data for the indicators, we have at Polaris Management A/S made estimates of any missing data points. This is noted where relevant. There might also be uncertainties related to the interpretations of the regulations related to the various indicators and their calculations. The data might consequently contain errors and misrepresentations. The data gathered in this statement is for informational purposes only and is not intended to be, and should not be taken as, a definitive accurate statement or declaration. The data, assessments, statistics, projections, surveys, analyses, and quantitative information used in the preparation of this statement may involve subjective assessments for which Polaris Management may not be held liable. The contents of this statement may not be comprehensive or up-to-date and material aspects of the descriptions and data contained herein may change materially over time. This statement and the data contained in it has not been approved by a regulatory body or independent auditor. Polaris Management shall not be responsible for updating any information contained within this statement. We have taken care to try to ensure the quality of the data, however, due to the uncertainties created by lacking or uncertain industry standards, lacking or potentially misleading data and early stages of regulatory guidance within this area, there is no representation, warranty, guarantee or endorsement (expressed or implied) made as to the accuracy, reliability, adequacy or completeness of any data contained herein. Polaris Management expressly disclaims any and all liability that may be based on such information, errors therein or omissions there from.

Consideration of Principle Adverse Impacts on sustainability factors

Polaris considers the principal adverse impact on sustainability factors (“PAIs” or PAI Indicators”) 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 PAIs 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 publicly and at the level of each individual fund managed by Polaris (communicated to investors only).

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

Included investments

Polaris managed three funds¹ in two investment strategies at the end of the Reference Period which are included in the calculations of the PAIs for Polaris Management A/S:

Funds managed under the Polaris Private Equity strategy (“PPE”)

- PPE IV (Polaris Private Equity IV K/S): SFDR – Article 8
- PPE V (Polaris Private Equity V K/S) and co-investment vehicle Polaris V F&F Co-invest K/S: SFDR – Article 8

Fund managed under Polaris Flexible Capital strategy (“PFC”)

- PFC I (Polaris Flexible Capital I K/S) and investment vehicle PFC I Debt ApS: SFDR – Article 8

The funds included in the PAI calculations include a total fifteen investments in fourteen unlisted portfolio companies².

Indicators included

When considering PAI indicators, we 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 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 this PAI statement, we are required to report on the PAI indicators in Table 1 and at least two additional indicators selected from the Table 2 and/or Table 3 for the reference period. We have chosen to report on the following three voluntary indicators from Table 3 – Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters:

- Social and employee matters: 4. Lack of Supplier Code of Conduct
- Human Rights: 9. Lack of Human Rights Policy
- Human Rights: 10. Lack of due diligence

¹ Excluding the two co-investments vehicles related to PPE V and PFC I

² The funds PPE V and PFC I have both invested separately in the same portfolio company

PAI data for the reference period

Adverse sustainability indicator	Description	Impact year 2022	Impact year 2021	Explanation	Actions taken, actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO2e)	7,720	n.a.	Our GHG emissions and resulting Carbon footprint and GHG intensity are mainly driven by our investments in logistics and transportation and manufacturing.	We work to ensure all companies develop and execute plans to reduce their CO2e emissions continuously and we encourage and support them to set individual Science Based Targets. Our target is to reduce our emissions year-on-year in absolute and/or relative terms as suitable.
		Scope 2 GHG emissions (tCO2e)	1,370	n.a.		
		Scope 3 GHG emissions (tCO2e)	38,851	n.a.		
		Total GHG emissions (tCO2e)	47,941	n.a.		
	2. Carbon footprint	Carbon footprint (tCO2e/EURm invested)	100	n.a.		
	3. GHG intensity of investee companies	GHG intensity of investee companies (tCO2e/EURm revenue)	110	n.a.		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.0%	n.a.		
5. Share of non-renewable energy consumption and production	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	64.3%	n.a.	Some of companies have yet to restructure their energy sourcing towards renewable sources.	Our companies are increasingly launching initiatives to restructure their energy sourcing to leverage renewable sources. Our objective is to continuously improve this indicator year on year.	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector (GWh/EURm revenue)	0.053	n.a.	A bit more than 40% of our investment value at the end of the period was in high impact climate sectors.	Limiting energy use is part of our companies plans to limit their climate impact. We have no specific targets for energy use but we will monitor the development of this indicator continuously.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	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	0.0%	n.a.	No companies reported any activities with a negative impact on biodiversity.	We will continue to monitor our impact on biodiversity, water and hazardous waste and work to improve our competence in these fields and ensure that they are handled responsibly together with our portfolio companies. No specific targets have been set.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (tonnes/EURm invested)	0.000	n.a.	No companies reported any emissions to water.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average (tonnes/EURm invested)	0.002	n.a.	Three companies reported a total of 2.0 tonnes of hazardous waste generated.	

Adverse sustainability indicator		Description	Impact year 2022	Impact year 2021	Explanation	Actions taken, actions planned and targets set for the next reference period
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.0%	n.a.	We follow-up on violations quarterly with all our companies. No incidents were reported in the period.	We will continue to follow-up on potential incidents on a quarterly basis with all our portfolio companies and our ambition is to avoid any violations and support our companies in addressing any that might occur.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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	21.2%	n.a.	Our target is to onboard all portfolio companies on the UNGC/OECD principles to address this responsibly.	Only five companies had yet to be on-boarded on this process at the end of the period. One of these was exited in June 2023 and we target to onboard three of the remaining four during 2023.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	22.9%	n.a.	Average of positive gender pay gaps where the two companies in our portfolio who reported negative values have been set to zero.	This indicator is significantly impacted by the structure and organization of each individual company and we will continue to work with, and follow-up on this indicator as part of our efforts to improve diversity and inclusion. No targets have yet been set.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	12.3%	n.a.	Summary of all board members at the end of the year.	We work continuously to broaden our network of potential female advisors and board members to increase the share of female board members towards our long-term target of at least 40% of each gender.
	14. Exposure to controversial weapons	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	n.a.	No companies reported any involvement	We will continue to not invest in these areas.
ADDITIONAL INDICATOR FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS (TABLE 3)						
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labor and forced labor)	18.7%	n.a.	Our target is to onboard all portfolio companies on the UNGC/OECD principles which includes establishing supplier codes of conduct, human rights policy and due diligence processes	The companies that still lack a supplier code of conduct, human right policy and due diligence process will get this in place as they are onboarded on the UNGC/OECD principles. Only five companies had yet to be on-boarded on this process at the end of the period. One of these was exited in June 2023 and we target to onboard three of the remaining four during 2023.
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	11.4%	n.a.		
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	15.9%	n.a.		

Methodology for the calculations of the PAI statement

Reporting timing and frequency

- The first full PAI Statement is published for the period 1 January to 31 December 2022. Data for the included PAI indicators for previous periods will not be provided in this first report as the data is incomplete.
- 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, ownership shares) are based on the data communicated at the end of the reporting period 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, if not otherwise noted, 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 might be done through benchmarking 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 the appendix to this 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 to minimize risks and actual adverse impacts. We have no thresholds for the acceptable margin of error in the data.
















Calculation methodology

- In order to calculate the PAI Indicators we have employed the guidelines in the SFDR and also used the guidance provided in the Joint Consultation Paper published on 12 April 2023 ([JC 2023 09 Joint Consultation Paper on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures \(europa.eu\)](#)).

Scope

- The PAI Statement is provided publicly for Polaris Management A/S and to our investors for each of the underlying investment strategies and funds managed by Polaris on their behalf and for the individual investments included in the respective funds.

- The funds included are those that had active investments (“portfolio companies”) per 31 Dec in the reference period.
- The PAI Statement includes the portfolio companies that were not sold (counting from the closing date) on the 31st of December in the reference period and portfolio companies that were acquired (counting from the closing date) on or after the 1st of January of the reference period might not be included. 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. To the extent possible, portfolio companies acquired during the reference period will be included. In this PAI Statement, all of the fourteen companies held by Polaris active funds per 31.12.2022, as listed below, were included:

Transaction	Country	Sector	Entry	Sales (EURm)	Geography
Polaris Private Equity IV					
	Denmark	High tech receptors and distributors	2015-	59	Global
	Denmark	Enterprise configuration software	2016-	19	Global
	Sweden	Plastic surgery and aesthetic treatments	2016-	46	Scandinavian
	Denmark	Safety and survival training services	2018-	117	Global
	Sweden	Administration of pension and savings	2018-	100	Swedish
	Denmark	Express logistics	2019-	129	Scandinavian
	Sweden	Dental treatments	2020-	47	Swedish
	Denmark	Coach operator	2021-	145	Danish
Polaris Private Equity V					
	Denmark	Financial advisory consultancy	2021-	28	Danish
	Denmark	Ergonomic pointing devices	2021-	30	Global
	Denmark	E-commerce business focused on sex toys	2021-	49	Scandinavian
	Sweden	E-commerce business focused on athleisure wear for women	2021-	27	Global
	Denmark	Niche areas of the maritime equipment industry	2021-	59	Global
	Denmark	Photo editing and marketing services for real estate	2022-	43	Global
Polaris Flexible Capital I					
	Denmark	Niche areas of the maritime equipment industry	2021-	59	Global

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 (PAIs). 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 Policy which is publicly available on our web page.

Appendix - Notes to the calculations of the PAI statement

- Carbon emissions (Table 1, Indicators 1-3)
 - Carbon emissions were calculated by each individual portfolio company according to the GHG protocol except for Triax, Distriktstandvården and Vikingbus whose emissions were estimated by Polaris:
 - Triax's emissions were estimated based on the carbon emission intensity for Contour Design.
 - Distriktstandvården's emissions were estimated using carbon emission data per dental procedure from NHS.
 - Vikingbus' Scope 1 and 2 emissions were estimated based on data on fuel consumption and energy costs and Scope 3 emissions were estimated based on carbon emission intensity of National Express Group.
 - Estimation of carbon emissions is challenging and often uncertain. All portfolio companies strive to continuously improve their annual measurements by adding additional categories and by moving from cost based, to activity based and to supplier provided emission data within the different categories. Companies might also be impacted by acquisitions and divestments. Carbon emission estimates are provided on a 'best-efforts' basis and they might consequently be incomplete and contain significant uncertainty which might both over and under-estimate a company's emissions. Specifically, we would like to note the following with regards to the carbon emission measurements for the reference period:
 - Futur Pension: The emissions related to Scope 3 Category 15 "Investments" has not been included as the emission data of their investments is still largely incomplete and uncertain and the investment assets on their balance sheet are also owned and controlled by their customers.
 - RelyOn Nutec: The carbon emissions related to Scope 3 Categories 1, 2, 5 and 7 were not included in the calculations due to complexities in data collection related to the company's decentralized infrastructure. The company aim to also include these categories in the carbon emission estimates over time.
- Share of non-renewable energy (Table 1, Indicator 5) and Energy consumption per high climate impact climate sector (Table 1, Indicator 6)
 - Triax energy consumption was estimated to be in-line with Contour Design and their share of non-renewable energy conservatively assumed to be 100%
 - Vikingbus energy use estimated based on fuel consumption and energy costs and share of renewable energy based on average for electricity and heating in Denmark.
- Impact on biodiversity, emissions to water and hazardous waste (Table 1, Indicators 7-9)
 - Triax not assumed to have a negative impact on biodiversity and not assumed to generate any emissions to water or hazardous waste
- Unadjusted gender pay gap (Table 1, indicator 13)
 - Triax Unadjusted Gender Pay Gap assumed to be in-line with the median of the 13 other portfolio companies of 21.8%

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. Published on Polaris web page: www.polarisequity.dk
2	MBL	30.6.2023	Second version Principle Adverse Impact (PAI) Statement including portfolio data.

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