

**SustainAX - Policy for ESG research and ESG rating**



This policy is adopted to ensure that SustainAX AB is following the ICMA Code of Conduct for ESG ratings and data products providers. References to the ICMA code of conduct are in parentheses in the following.

The policy is relevant of all employees of SustainAX AB and must be read and understood with receipt to the team leader at implementation and whenever it changes.

The policy is complementing the SustainAX code of conduct, available on our website: <https://www.sustainax.com/wp-content/uploads/2022/10/SustainAX-Code-of-Conduct-signed-BOD-2022-10.pdf>

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## SustainAX - Introduction



SustainAX is a Swedish fundamental ESG research company issuing ESG risk ratings and ESG research data to its subscribers only. The proportionality principle (4.13) is important when applying the ICMA Code of Conduct for ESG ratings and data products providers as the company is small.

SustainAX is focussing on the segment not covered by the large global ESG risk rating providers and most of the coverage is for private (non-listed) credit issuers and micro-cap companies.

SustainAX provides fundamental ESG risk research reports and ESG risk ratings. In addition to this the company also provides ESG raw data, PAI data and Screening data (Sector, Activity and Practice). SustainAX is both an ESG data product and ESG rating/score provider.

SustainAX also offers:

- The researched entities a paid access to the already published (to subscribers) ESG risk research, including a meeting explaining the ESG risk report and the conclusion. There is no element of consultancy service in this area.
- Training in ESG risk integration as this is the core of the company knowledge and that many investors struggle to get the mandatory ESG risk integration process going. There is no element of consultancy service in this area.
- Advisory services for EU SFDR implementation, mainly through DDs of pre-contractual and periodic reporting obligations. There can be some elements of consultancy service included here.
- Access to the proprietary AI assisted ESG research platform (SaaS), that SustainAX is using, for clients wishing to do their own ESG research and ESG ratings. There is no element of consultancy service in this area.

### **Principle on Good Governance**

(1.4) The organisational structure of SustainAX AB is very flat due to the small size of the company, but as the company grows an appropriate governance structure will be put in place. All full time employees are practising ESG risk analysts, but where the team leader also do other tasks required by the activities of the company. Non-full time employees are not involved in the ESG research or in the ESG rating determination.

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## Principle on Securing Quality (Systems and Controls)

It is very important that we ensure high quality in the ESG research and ESG data we deliver to our clients. This policy is meant to guide us to a “state of the art” level for the ESG research and ESG data provider industry.

### (2.4) Public data sources

We only work with publicly disclosed data from the entities we research. There are some exceptions, and one of them is for non-listed first-time issuers where we may get access to investor presentations and annual reports not published on their websites for instance.

Publicly disclosed data carry a higher degree of commitment from the companies, particularly when it comes to legally required and audited data, while privately disclosed data carry less commitment, particularly if transmitted orally.

IMPORTANT: Private (non-publicly disclosed) ESG relevant information should be considered as insider information and not be accepted. Should you receive this kind of information, contact immediately your supervisor to ensure the information is properly contained.

(2.5) We are transparent on our ESG research and ESG rating methodology and publish detailed information on this on our website. As our product is available only for subscribers, the public information shall be limited to a required level. The information to the subscribers is at a more detailed level.

The sustainAX ESG research and ESG ratings are “point in time” products considering factors that are both historic, but also factors that can indicate how well a researched entity is equipped to handle ESG risks in the future.

Information on our ESG research methodology can be found here:

<https://www.sustainax.com/index.php/sustainax-esg-research-methodology/>

Information on our ESG research processes can be found here:

<https://www.sustainax.com/index.php/our-esg-rating-methodology-processes>

(2.6) The SustainAX ESG risk research and ESG data gathering methodology that has been developed over many years is to be respected in all ESG research processes at any time. At the moment of creation for this policy, we are working with version 6. If you are unsure on how to apply the process, contact your supervisor to complement the mandatory initial training.

(2.8) The SustainAX ESG research methodology is updated annually and is based on inputs and suggestions gathered throughout the preceding 12 month from the ESG risk analysts, clients and other discussion partners with ESG matter knowledge. The ESG

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research is conducted annually, following the publication of relevant information by the entities researched.

(2.9) SustainAX has a web page that is specifying the changes for each version of the ESG research methodology included expected impacts on ESG ratings:  
<https://www.sustainax.com/index.php/sustainax-esg-research-methodology-version-updates/>

(2.10) All historic ESG research data is stored in a cloud-based data base that is regularly backed up onsite for security reasons. It includes the relevant period for the information researched, the ESG analyst having done the research and the date of completion.

(2.11) We shall always ensure we have the technical capacities and personnel to consistently apply the SustainAX methodology for ESG research at a high quality. Each year a thorough review of the ESG research process is done based partially on the inputs and ideas that are gathered since last update. Each ESG research is passing through a 4 eyes review with a second ESG analyst before the ESG research and the ESG rating is published.

(2.12) All SustainAX ESG research analyst shall have training in ESG risk research, either through formal education or training on the job. The SustainAX code of conduct, a strict hiring process and internal specialist training shall ensure that only personnel that are professional with high competency and high integrity are involved in determination, publication and oversights of ESG risk ratings and ESG data.

(2.13) All SustainAX ESG risk ratings and ESG data points are provided to clients in a machine-readable format, today in Excel or csv format. We are working on an API solution.

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## Principle on Conflicts of Interest

(3.5) The SustainAX Code of Conduct is highlighting the two most potent conflicts of interest and how to deal with these;

(i) clients paying for a licence and asking for coverage of holdings in portfolios may wish to see "good" ESG risk ratings, that is ESG ratings showing low risk and

(ii) entities paying for access to the ESG risk research and ESG risk rating for their company may wish to see "good" ESG risk ratings, that is ESG ratings showing low risk.

Other potential conflicts of interest can occur when SustainAX conducts other services to a client also having purchased a licence to ESG research, ESG data and ESG risk ratings.

The SustainAX code of conduct also forbids corruption and deals with and limits the possibility to receive gifts from clients and suppliers.

(3.6) Should such conflicts of interest occur, SustainAX will disclose them including management measures on a no-name basis.

The SustainAX code of conduct can be found here: <https://www.sustainax.com/wp-content/uploads/2022/10/SustainAX-Code-of-Conduct-signed-BOD-2022-10.pdf>

(3.8) The SustainAX staff has no limitation with regards to trading in the entities that are ESG researched. We do not see that the combination of our market share, the public character of the input we use and the currently low focus on ESG risk integration among investors to give us any power to move market prices. This is likely to change, therefore we are considering implementing limits to personal trading in names that are being researched until publication to our clients.

(3.9 and 3.10) As we currently have no variable remuneration, the rationale for an employee to engage in illicit activity or breaching the guidelines for potential conflicts of interest is limited. All team members report to the same team leader.

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## Principle on Transparency

(4.4) SustainAX does not publish the ESG risk ratings as this is what our clients pay for, but we publish an ESG risk library with explanations (<https://www.sustainax.com/index.php/different-types-of-esg-risks/>) and inform about our ESG risk research process that is the base for ESG risk research, ESG data and ESG risk ratings. SustainAX also publishes indications for ESG, E, S and G risk ranges and the E, S and G risk weights in the ESG risk range indication.

(4.5) Our ESG risk ratings and ESG data, and their intended purpose and measurement objective are clearly described on our home page.

Home page: <https://www.sustainax.com/index.php/esg-research/>

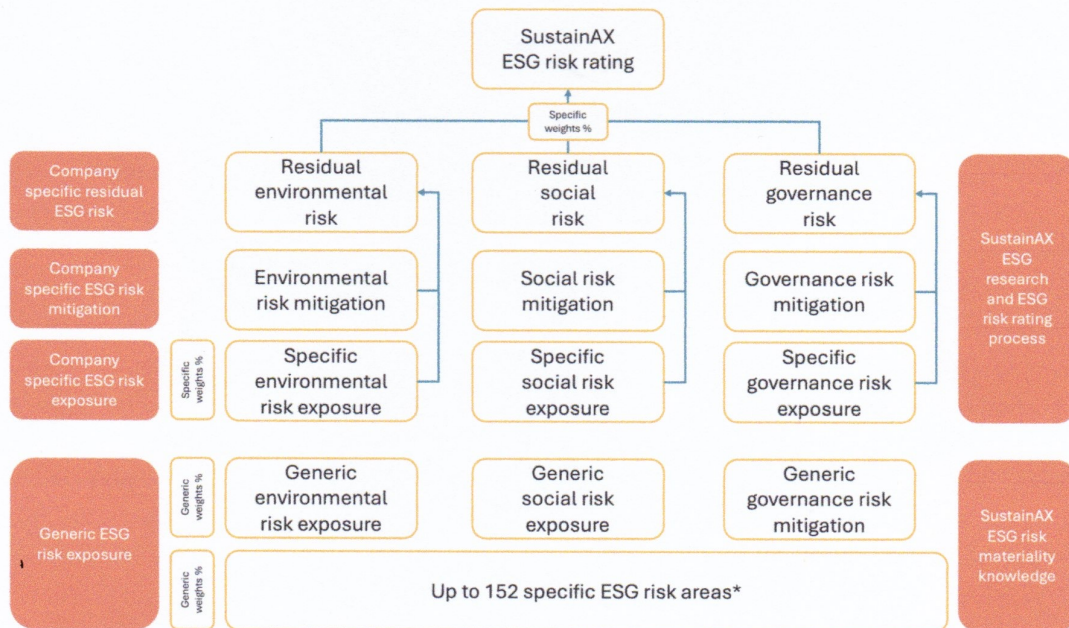
(4.6) Our ESG research methodology is described on our web site:

<https://www.sustainax.com/index.php/sustainax-esg-research-methodology/>

(4.8) The measurement objective of our ESG ratings are clearly described on our home page,

see here: <https://www.sustainax.com/index.php/our-esg-rating-methodology-processes>

Figure 1 – Overview of the measurement objective of SustainAX ESG risk ratings



Source: SustainAX, July 2024 \*Some ESG risk areas are sector specific and not relevant for all sectors.

(4.9 – 4.11) SustainAX does not publish to all stakeholders all detailed criteria, KPIs or weights. Our clients get more information on these points in the ESG risk research reports of course, albeit on an aggregated level for ESG, E, S and G subcategories with the respective weights. Clients can buy ESG raw data and licence in our materiality framework containing the weights

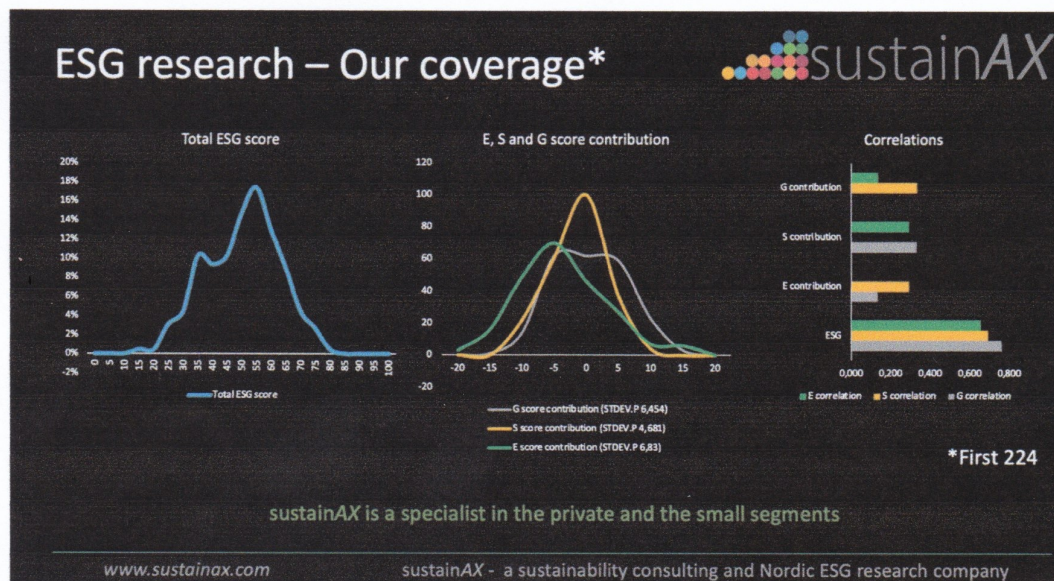
for each ESG criteria based on materiality considerations per sector. Not all criteria is assessed on KPIs, this is a misunderstanding as the ESG risk analyst assesses many narratives as well and these are not always accompanied by KPIs even if it is recommended.

(4.12) The ESG research of SustainAX covers the business scope of entities as reported, i.e. following standard consolidation and up- and down-stream value chain risks, while keeping an eye on other exposures like minority stakes in other companies. When holding structures are ESG researched we look at the real activity exposure and this can be several companies down in the hierarchy. For holding companies invested in many companies in different sectors, we do not ESG research each of them, but consider the holding company as an investment fund, i.e. a Financial company.

(4.13) The sustainAX ESG risk research is looking at historic performance, but most of the criteria are about how the company is preparing and what the company is doing through programs to reduce risk in the future (forward looking). Promises about the future like transition plans is only taken into account for what is already delivered. We do not estimation of data, neither through industry averages or own estimations, with one exception for SFDR PAI data that is so obvious that the companies do not publish them. Absent information can not be treated like anything else than an uncertainty for an investor, leading to high risk on that specific criteria.

(4.16) The sustainAX ESG risk research methodology is regularly assessed with a statistical approach where we assess the distributions, standard deviations and correlations for and among ESG, E, S and G ratings. This is to ensure the calibration of our rating methodology remains consistent over time.

Figure 2 – Statistical study of ESG, E, S and G risk rating outcomes per end February 2024:



Source: SustainAX, July 2024

*Handwritten initials: MDM and a signature*



**Principle of Confidentiality (System and Controls)**

(5.3) SustainAX only work with public information, so this point is not relevant.

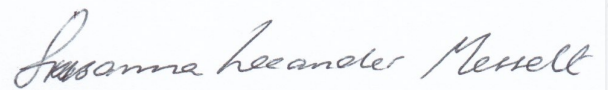
**Principle On Engagement**

(6.4) SustainAX does not collect information from covered entities on bilateral basis, so this is not overall relevant.

**Approved by the SustainAX AB Board of directors on 15 June 2024**



Dag A.D. Messelt



Susanna Lecander Messelt