Sustainable Finance Disclosure Regulation, (EU) 2019/2088, "SFDR"

Mandatory disclosures under the European Parliament and the Council

1 Sustainability Risks

J12 Partners AB (together with affiliated entities or managed funds, "J12") takes sustainability risks into account in its investment decision-making process, and assesses the potential impacts of these on funds managed by J12. Sustainability risks are divided into the three categories environmental, social or governance (ESG) and the investment manager/lead should consider ESG factors prior to any investment in a potential prospect. This is considered in an initial screening and due diligence process, and if any issues are encountered the investment lead will inform the entrepreneur/startup of these and together assess potential solutions to the encountered issues. A list of reference criteria is used to conduct this assessment phase. J12 should act in the best long-term interests of its beneficiaries, and believes that ESG factors can affect the performance of the portfolio, and might furthermore align investors with broader objectives of society and produce higher returns. J12 remains free to refrain from investment on the basis of the carried out ESG due diligence, or invest despite encountered sustainability risks. In the latter case, J12 will advise the investment prospect on solving or reducing the issues.

2 Principle Adverse Sustainability Impacts (PAIs)

Given that J12 pursues a venture capital strategy mainly investing in early stage technology startups, adverse sustainability impacts are rarely encountered. Thus, no official strategy is in place on how J12 continuously deals with PAIs. Nevertheless, should any PAIs be detected during the investment process, these will be evaluated and J12 may refrain from investment should the outcome from this evaluation be negative.

3 Introduction of New Principles

SFDR and the Regulatory Technical Standards ("RTS") are newly introduced legislative acts, and thus almost no practical experience or practical examples as to how to apply these provisions exist. Legal uncertainties still remain when J12 applies their strategies in accordance with these provisions. J12 will actively monitor the developments in this regard and reevaluate should these uncertainties be resolved and an administrative practice evolve. Nevertheless, J12 should always stick to best practices and promote effective risk management in regards to sustainability risks, and never encourage any excessive risk-taking by any of the funds managed by J12 or any of the underlying portfolio companies.

4 Product-level Disclosures

J12 states no clear target objective relating to sustainability for the overall funds under management. Although sustainability is considered in the investment decision-making process,

and sustainable startups may be invested in, no sustainable investment objective applies as defined by Article 9, SFDR.
The existing ESG policy states that J12 excludes and does not invest in companies directly or indirectly involved with alcohol, tobacco, weapons, commercial gambling or pornography. Furthermore, it clearly lays out that a screening of a potential investment from an ESG perspective is made, as part of the investment decision. Here, factors such as preventing pollution, reducing emissions, promoting health and safety, protecting human rights, encouraging labor-management relations are taken into account, among others. Following the general interpretation of and in compliance with Article 8, SFDR, J12 takes environmental and/or social characteristics into account with regards to its investment decisions.

Such environmental characteristics include (but are not limited to) not having actual or potential negative impact on air, land, water, ecosystems and human health. Managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure are characteristics assessed for a potential prospectus in the investment decision-making process. Positive outcomes include avoiding or minimizing environmental liabilities, lowering costs and increasing profitability through energy and other efficiencies, and reducing regulatory, litigation and reputational risk.

Social characteristics include (but are not limited to) company social activities such as promoting health and safety, encouraging labor-management relations, respecting consumer rights, protecting human rights and focusing on product integrity. Positive outcomes include increasing productivity and morale, reducing turnover and absenteeism, and improving brand loyalty.

Governance characteristics include (but are not limited to) corporate brand independence and diversity, corporate risk management and excessive executive compensation, through company governance activities such as increasing diversity and accountability of the board, protecting shareholders and their rights, and reporting and disclosing information. Positive outcomes include aligning interests of shareholders and management, and avoiding unpleasant financial surprises.

Screening and due diligence are performed by J12 on an investment opportunity prior to investment decision. Particular attention is paid to any potentially unethical or harmful behavior towards consumers, compliance to regulation and laws, fair remuneration and terms for employees, transparency, and balance of power/ownership within the organisation.

One or several of the following four strategies will be implemented by J12:

1) Positive selection: actively selecting companies by applying the best-in-class method when comparing prospects
2) Activism: strategic voting by J12 as a shareholder/board representative in support of a particular issue, or to bring about change in the governance of the company
3) Engagement: monitoring ESG performance of all portfolio companies and leading constructive shareholder engagement dialogues with each company to ensure progress
4) Exclusion: the removal of certain sectors or companies from consideration based on ESG specific criteria

All information provided by the portfolio companies on an ongoing basis is screened by J12 to determine whether further actions are needed to address any detected issues or PAIs.

The list of reference criteria is used in the investment decision-making process and further to evaluate the progress of the company/prospect. As of now, no generalised quantitative measure is used to measure environmental/social characteristics.

On a regular basis, J12 assesses and works together with its portfolio companies on issues relating to ESG factors, in a manner tailored to the company's industry and operations. J12 analyses reported information with the intent to make sure the company operates and develops in a responsible manner. If any signs of inappropriate development are detected, J12 will act by communicating potential issues to the company. On a case-by-case basis J12 can decide to implement ESG monitoring by integrating adapted ESG questions into the regularly scheduled reporting. The aim of implementing ESG related reporting is to identify negative breaches of ESG, and promote proactive steps towards improving ESG factors early on

Any serious breach of ESG factors will lead to J12 requiring immediate rectification of the issue(s) by the portfolio company.