Humle Fonder

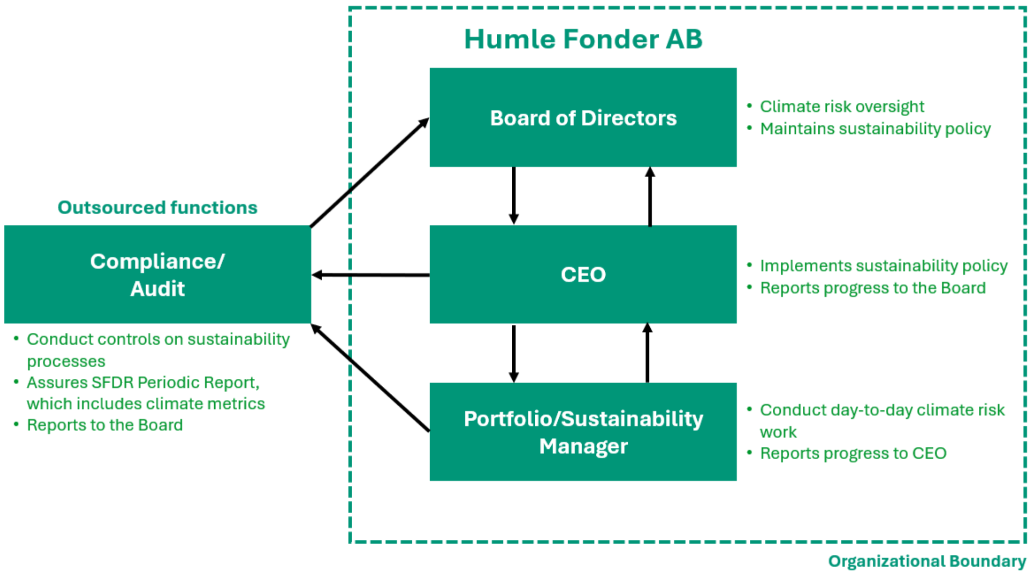
TCFD Report 2024

This report provides an overview of how climate-related risks are managed within Humle Fonder and its investment portfolios. The report aligns with core recommendations from the *Task Force on Climate-Related Financial Disclosures* (TCFD), with its scope tailored to reflect the relatively small scale of our operations.

Climate Governance

Humle Fonder AB is a Swedish securities company that provides discretionary portfolio management for two mutual funds, Humle Småbolagsfond and Humle Sverigefond. Our climate-related risks are contained within these funds and therefore this report focuses on their investment strategy and governance.

Humle's Board of Directors oversees risk management, including climate-related risks. Climate-related risks are addressed through a Sustainability Policy, which the Board reviews at least once per year. The CEO is responsible for implementing the Sustainability Policy. The Portfolio Manager and the Sustainability Manager assess sustainability risks as part of their portfolio management activities, based on delegation from the CEO. An external compliance function conducts controls on the Sustainability Policy and processes, and the external auditor assures our annual sustainability reporting (SFDR Periodic Reporting). The Sustainability Policy and SFDR Periodic Reports are available online.



The Board considers sustainability risk management when determining variable remuneration. This is meant to keep employee financial interests aligned with good risk management practices. Breaches of the Sustainability Policy may be regarded as poor risk management, potentially leading the Board to reduce or withhold variable remuneration. Humle's Remuneration Policy is available online.

Strategy

Humle has low climate-related risks due to its investment strategy and the geographic limits of its investment universe. We classify climate-related risks into two categories:

- **Transition Risks:** Impacts associated with transitioning towards a lower-carbon economy - one which is greener and less polluting. According to the *Paris Agreement Capital Transition Assessment*, the most relevant sectors are electrical generation, coal mining, oil & gas production, auto manufacturing, cement, steel, and aviation, which are difficult to decarbonize and collectively account for 75% of global greenhouse gas emissions (PACTA 2022). Humle excludes or otherwise does not invest in these sectors, and hence has limited exposure to transition risks.

- **Physical Risks:** Impacts of climate change, such as extreme weather events and long-term shifts in climate patterns. According to Germanwatch's Climate Risk Index, Sweden and the other Nordic countries are among the least exposed globally to physical climate risks (Climate Risk Index 2025). Humle's focus on Swedish and Nordic companies limits its physical climate risk compared to strategies that focus on higher risk regions like the United States or India.

We believe our approach is resilient to climate risks. This is illustrated by the fact that the widely used *Paris Agreement Capital Transition Assessment* climate scenario analysis cannot be applied to our portfolios because we lack exposure to industries with significant climate-related risks (PACTA 2022). We have pursued an alternate approach that considers a scenario where a 1,500 SEK tax is applied to each tonne of direct greenhouse gas emissions (Scope 1). This price comes from the International Energy Association's Net Zero Emissions by 2050 Scenario (IEA 2024). We also assumed that the market return is 10% per year. We calculated the implied profit growth rate from a Gordon growth model, with the capital structure irrelevance principle as a key assumption (Grinold & Kahn 2000). We then adjusted the implied growth rate based on the hypothetical carbon tax (higher emissions reduces the profit growth rate), and then calculated the expected share price based on this adjusted growth rate. We were able to complete these calculations for 32 of the 41 Småbolagsfond portfolio companies. Our analysis indicates that the median share price decline under this scenario would be $<1\%$. The analysis revealed only one company with substantial risk under this scenario (-25% change in share price). This company comprises $<3\%$ of the fund's assets. We did not evaluate the Sverigefond portfolio because it comprises $<6\%$ of the total assets under management.

Our analysis focuses on short-term response to a large, sudden change. This is appropriate for our investment horizon, which is 3 to 5 years. Over longer periods, increasing carbon taxes implied by the scenario could be partially offset by the emission reduction commitments made by the companies. We did not consider potential changes in electrical or material costs, changes in product demand, or opportunities related to increased demand or technological development in a greener economy. It is possible to conduct a more comprehensive analysis, but this is a resource intensive process and we see little benefit for our clients at this point given our generally low risk, the additional costs involved, and the fact that most risks are already priced into the shares because listed Swedish companies proactively identify risks and conduct materiality assessments, which are made publicly available to the market. We will re-evaluate this position on an annual basis.

The primary climate-related risks we see revolve around increased regulation and standards for climate-related reporting. We support transparency and consumer protection, but do not believe that current reporting requirements are always effective in the sense that they are not easily understandable or decision relevant to the typical end-customer. Hence, it is reasonable to believe that additional reporting requirements could increase costs for clients without adding value. This may lead to client attrition or reduced investment capital, as resources are diverted from investment analysis and stewardship to compliance with new reporting obligations.

Risk Management

Humle's climate-related risks are contained within its investment portfolios and are managed as part of portfolio risk management. Relavent risk management activities are described in the table below.

Method	Description	Latest Actions
Negative Screening	We limit transition risks by excluding companies active in the fossil fuel sector.	The exclusion list was most recently updated in January 2025. 11 companies are currently excluded due to activities in the fossil fuel sector.
Active Weighting	The portfolio manager integrates climate-related risks and opportunities into their decision qualitatively when determining active weights.	Active weights are continuously revised as new information becomes available and market conditions change.
Active Ownership	We seek dialogues with investee companies to identify unmanaged risks.	We actively encourage companies without emission reduction commitments to set targets.
Policy	Sustainability Policy	Humle's Sustainability Policy was updated in 2024 and 2025, demonstrating continued Board oversight.

Targets and Metrics

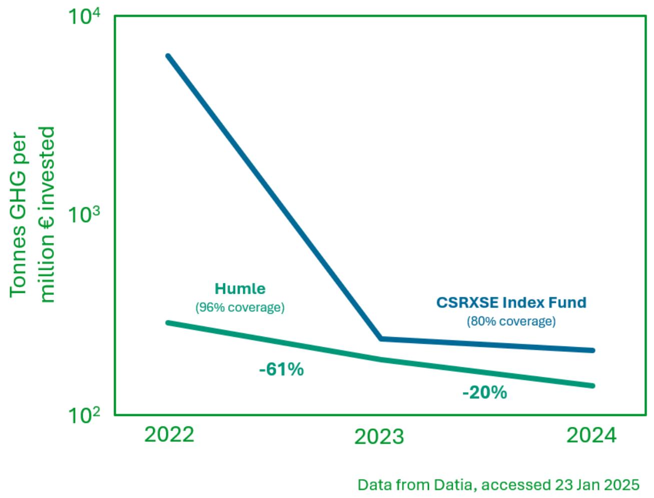
We believe that all well-managed companies should seek to reduce their carbon dioxide emissions. We measure and report the number of companies in the portfolio with emission reduction plans and the relative and absolute emissions attributable to the portfolio. Our overall targets are:

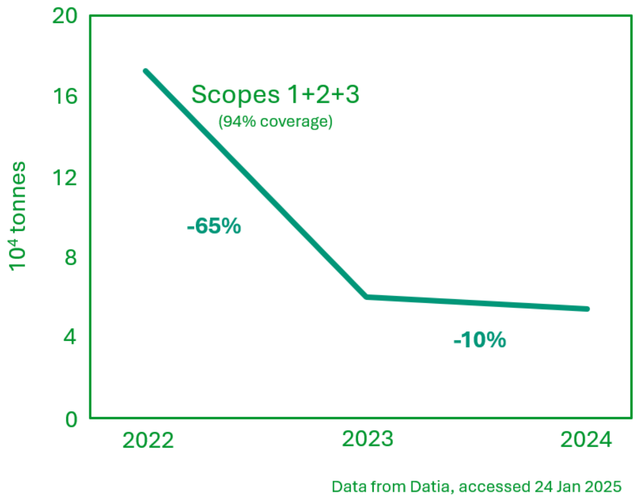
- The proportion of portfolio companies with emission reduction plans should increase to 100%,
- Relative carbon emissions attributed to the portfolio (tonnes GHG emitted per M€ invested) should be lower than the benchmark index, and
- Absolute carbon emissions attributed to the portfolio should decrease.

However, we do not make investment decisions based specifically on these characteristics. Rather, we evaluate companies holistically and expect to achieve these targets with disciplined investments in well-managed companies. The emissions attributed to Humle Småbolagsfond in 2024 are provided in the table below.

Pathway	Emissions (tonnes CO_2-eq)
Direct (Scope 1)	1,637
Indirect (Scope 2)	1,051
Value Chain (Scope 3)	62,466
Scope 1+2+3 / M€	190

Over the past three years, Humle Småbolagsfond has consistently maintained a lower carbon footprint than the benchmark index while continuing to reduce its absolute emissions. As of Q4 2024, 85% of investee companies had set emissions reduction targets, covering 89% of the Småbolagsfond's invested assets. Looking forward, our ability to decrease absolute emissions will be challenged by the fund's growing assets under management.





References

Climate Risk Index (2025) *Climate Risk Index 2025: Who suffers most from extreme weather events?*, Germanwatch.

Grinold, R. & Kahn, R. (2000) *Active Portfolio Management*, McGraw-Hill.

IEA (2024) *Global Energy and Climate Model: Documentation - 2024*, International Energy Agency.

PACTA (2022) *PACTA for Investors Methodology Document: Climate Scenario Analysis for Investment Portfolios*, Paris Agreement Capital Transition Assessment.