

## SFDR Website disclosure

### *Summary*

NCP's strategy to promote ESG characteristics covers all AUM with the conviction that by integrating sustainability into our investment's thesis, we will benefit our long-term investors and contribute to the development of sustainability in society at large.

The ESG characteristics the fund promotes are both industry specific ESG issues based on SASB's Industry Standards, as well as company specific ESG issues that have been identified through research by our ESG specialist.

The NCP methodology to measure the attainment of the ESG characteristics that the fund promotes, entails qualitative analysis of the issuer's or portfolio company's management systems and integration of consideration to ESG characteristics and risks in the operational practices. The company needs to be able to demonstrate that it has a strong understanding and mitigation of its exposure to these risks and its impact on the environment and society.

The sources that we use to attain information are the issuer themselves, any third-party verification or opinion as well as semi-annual in-depth screening from an external data provider covering compliance with the UN Global Compact as well as product involvement.

### *No sustainable investment objective*

This financial product promotes environmental, social and good governance characteristics but does not have as its objective a sustainable investment.

### *Environmental or social characteristics of the financial product*

Below you can find a list of environmental and social characteristics that the Funds promotes through ensuring portfolio companies' solid management approach on the listed characteristics. The identification of the characteristics is based on SASB's Industry Standards as well as research by our sustainability specialist. As we focus on what characteristics are material for each company this list is continuously growing.

#### Environmental characteristics

- Reduction of Greenhouse gas Emissions
- Improvement of Air Quality
- Energy management
- Water management
- Waste management
- Sustainable Materials sourcing
- Mitigation of Product Lifecycle Environmental impacts
- Reduction of Impacts on biodiversity
- Climate Change Adaptation

#### Social characteristics

- Diversity and inclusion
- Good Labour practices
- Human Rights
- Employee health and Safety
- Customer health and safety

- Data privacy
- Data Security
- Ethical Marketing & selling practices
- Animal Welfare

### *Investment strategy*

NCP has two different strategies when investing responsibly. We either target issuers that have a mature sustainability strategy that is aligned with their business model, and issuers that do not meet our minimum ESG thresholds will not be invested in regardless of financial performance. The second strategy entails investing in issuers with an immature sustainability strategy but with a commitment to develop a clear, ambitious, and quantitative action plan to transition into a sustainable company. This strategy includes NCP being an active partner and support to the company in their advancement.

The policy and strategy for assessing a company's good governance practices is thoroughly integrated in the overall investment strategy and includes scrutinizing issuers' management of, or approach to management and board structures, anti-corruption, anti-competitive behaviour, executive pay, tax, employee relations, remuneration, and transparency.

We exclude investments in companies operating in specific sectors or business areas that are deemed to meet major sustainability challenges or engage in activities that violate international guidelines and conventions. All NCP funds comply with our basic sustainability criteria and therefore do not invest in companies that are active within oil and gas, the weapon industry, pornography, tobacco, gambling, have more than 10 percent from alcohol sales or is in violation of international norms and standards.

If we receive signals that a company does not live up to our expectations, we encourage and support the company to develop measures to meet our expectations and thus impacting the market to become more sustainable.

### *Proportion of investments /fund*

#### *Fund: Nordic Credit Opportunities Sustainable return*

All NCP funds invest in companies with strong cash flows and historical financials, solid balance sheet as well as well-experienced management and owners. We invest across most sectors in the Nordic region but refrain from investing in companies that are dependent on one single exogenous factor.

Each investment is evaluated on its own merits, but we also consider the total portfolio composition to make sure we have a strong diversification with regards to sectors, geographies, markets and risk level. Each investment requires a unanimous approval from the investment committee.

The Sustainable Return fund was launched in June 2020 and seeks long-term capital appreciation through investing in a diversified portfolio of Nordic high yield bonds. The fund aims to have a diversified portfolio across sectors and the Nordic countries.

NCP's strategy to promote ESG characteristics covers all AUM with the conviction that by integrating sustainability into our investment's thesis, we will benefit our long-term investors and contribute to the development of sustainability in society at large.

All investments constitute direct exposure in investee entities.

#### *Monitoring of environmental or social characteristics*

All issuers agree to provide ESG reporting during the tenor of the bond and the companies we invest in are typically in the small to midcap segment and as such we can have a direct access to management and keep an ongoing dialogue. NCP also has more formal quarterly management meetings with all portfolio companies where ESG developments are discussed as well as semi-annual in-depth screening to identify any issues from an ESG perspective.

#### *Methodologies for environmental or social characteristics*

The NCP methodology to measure the attainment of the ESG characteristics that the fund promotes, entails continuous qualitative analysis of the portfolio company's management systems and integration of ESG characteristics and risks in the operational practices. This includes an ESG disclosure list, outlining industry and company specific issues as well as broad ESG issues on which the issuers need to agree to provide reporting on during the tenor of the bond.

The indicators of attainment of the ESG characteristics includes, but is not limited to, that the companies demonstrate that they have developed sophisticated and comprehensive management strategies of its specific material ESG issues as well as setting clear and ambitious targets to reduce negative impact on the environment and society.

#### *Data sources and processing*

The data sources used to attain each of the ESG characteristics promoted in the funds are reporting from the issuer themselves, any third-party verification or opinion, a semi-annual in-depth screening from an external research provider covering compliance with the UN Global Compact as well as product involvement. The data is then processed through qualitative analysis, NCP Due Diligence and monitoring processes. No data is estimated.

#### *Limitations to methodologies and data*

The limitations to the NCP methodologies for assessing and measuring the attainment of the ESG characteristics promoted by the fund includes the restricted capacity to analyse a larger number of quantitative indicators as we are an investment team of 3 people with only one portfolio manager dedicated to ESG analysis. Instead, NCP has developed its methodology with focus on the quality of the companies' management systems of its material ESG characteristics as a proxy of the quantitative indicators.

#### *Due diligence*

NCP has a thorough Due Diligence process including requiring all issuers to respond to a set of ESG questions, outlining industry and company specific issues as well as broad ESG issues, and agree to provide ESG reporting during the tenor of the bond. The industry specific ESG issues are based on SASB's Industry Standards and the company specific ESG issues are identified through research by our ESG specialist. These material ESG issues also constitutes the main sustainability risks for each company and the company needs to be able to demonstrate that it has a strong understanding of its exposure to these risks and its impact on the environment and society. This includes, but is not

limited to, having a solid approach to identifying, managing, and monitoring its specific material ESG issues as well as setting clear and ambitious targets to reduce negative impact on the environment and society.

We exclude investments in companies operating in specific sectors or business areas that are deemed to meet major sustainability challenges or engage in activities that violate international guidelines and conventions. All NCP funds comply with our basic sustainability criteria and therefore do not invest in companies that are active within oil and gas, the weapon industry, pornography, tobacco, gambling, have more than 10 percent from alcohol sales or is in violation of international norms and standards.

We adhere to the UN Global Compact principles in our investment process as we do not invest in companies breaching internal norms. To ensure compliance with UN Global Compact and other international conventions we use an external research provider. The same provider also provides screens for a range of sectors on our portfolio companies, based on coverage. For sectors with limited sector coverage, we also do manual research.

#### *Engagement policies*

We believe in active ownership and view every investment as a partnership. As a credit investor we contribute to the development of leading and sustainable enterprises and act as a constructive partner to shareholders, management, and employees.

Through our role as an active investor, we strive to encourage companies in their sustainability advancements, thereby encouraging change and safeguarding the interests of our investors as well as promoting sustainable business.

The companies we invest in are typically in the small to midcap segment and as such we can have a direct access to management, and we choose to limit the number of holdings as much as possible without increasing the concentration risk significantly. This allows us to spend more time analyzing each credit, both before investment and through the monitoring phase and gives us a better chance of staying one step ahead of the rest of the market.

As an active manager, NCP takes a position on sustainability issues. This is done partly in the portfolio managers' ongoing work, partly in the Board and Investment Committee and in the dialogue with our industry advisors. The Board and Investment Committee regularly discusses sustainability issues and quality assures the managers' sustainability analysis. It is the responsibility of the Head of Sustainable Investing to keep the managers well educated on these issues.

Beyond the ongoing dialogue NCP has formal quarterly management meetings with all portfolio companies as well as semi-annual in-depth screening to identify any issues from an ESG perspective.

If we receive signals that the company does not live up to our expectations, following process is initiated:

1. Portfolio manager looks for more information
2. Portfolio manager contacts the company to gain further information
3. Head of sustainable investing analyses the information to determine if formal engagement should be initiated
4. Portfolio manager discusses the holding with the investment committee.
5. NCP's CEO makes a more formal contact with the company's CEO or chairman of the board.

6. Consult with other owners for a joint ownership dialogue.

Engagement thresholds:

- Beyond the continuous dialogue with portfolio companies, a formal engagement is to be defined as step 5.
- Formal engagement should be initiated if NCP determines that the company; has failed to deliver on promised development, is alleged to have violated international norms and standards or, is involved in any of the activities on our exclusion list
- The ambition with the engagement is to influence and support the company to take measures to meet our expectations

We see an exit as a last resort when the company repeatedly and for a longer period of time shows inability or unwillingness to change its procedures.

*Designated reference benchmark*

Not applicable