

'Sustainability-related disclosures'

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

The methodology that NCP employs to measure the attainment of the ESG characteristics promoted by the fund involves qualitative analysis of the issuer's or portfolio company's management systems and integration of ESG characteristics and ESG risks in the operational practices. The company needs to be able to demonstrate that it has a strong understanding of its exposure to ESG risks as well as understand its impact on the environment and the society. In addition to this, the company must have a strong mitigation strategy in place to reduce its exposure to risks and possible adverse impact on sustainability factors.

We attain information from various sources. These 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 is a list of environmental and social characteristics that the Fund promotes through ensuring portfolio companies' solid management approach on the listed characteristics. All characteristics are not applicable for each investment. Instead, the characteristics applicable for a certain investment are selected using the materiality-principle. We are constantly developing our approach and adding characteristics to the list.

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 strategies when investing responsibly. The first strategy involves targeting issuers that have a mature sustainability strategy that is aligned with their business model. Under this strategy, we will not invest in issuers that do not meet our minimum ESG thresholds, regardless of their financial performance. The second strategy entails investing in issuers with a less mature sustainability strategy but with a commitment to develop a clear, ambitious, and quantitative action plan to transition into a sustainable company. This transition bond strategy involves NCP as an active partner and a support to the company in their advancement.

The strategy for assessing a company's governance practices is thoroughly integrated in the overall investment strategy. The investment decision-making process involves scrutinizing issuers' management of, or approach to, board structure, anti-corruption, anti-competitive behaviour, executive pay, tax, and transparency.

We exclude investments in companies operating in specific sectors or business areas that are deemed to meet major sustainability challenges. We also refrain from investing in companies engaged 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. In that way we can impact the market to become more sustainable.

You can find more information about our investment strategy for products that promote environmental or social characteristics [here](#).

Proportion of investments

NCP's investment strategy is focused on companies with strong cash flows, solid balance sheets, experienced management team and professional owners. We invest across most sectors in the Nordic region but refrain from investing in companies that are dependent on one single exogenous factor such as oil & gas.

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

Fund: NCP III

The fund primarily invests in Nordic high yield bonds. NCP III have a closed-end structure, which means that it does not take in any new capital, or that investors can withdraw capital, until the

maturity of the fund in December 2022. NCP III started December 2017 and have a bond portfolio of c. SEK 1,500m, with a return target of 7-9% p.a. to investors.

Fund: Sustainable Corporate Bond

NCP Sustainable Corporate Bond invest in Nordic high yield bonds across sectors in companies that are based in, or have a strong link to, the Nordic region. Sustainable Corporate Bond and Sustainable Corporate Bond 2XL are open for subscriptions on a monthly basis and redemptions on a quarterly basis and are the only NCP funds that are evergreen. Sustainable Corporate Bond 2XL have 50% leverage. The Sustainable Corporate Bond offer distributing and accumulating share classes and are available in SEK, EUR and NOK.

Fund: Sustainable return

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. Investor subscriptions are open until December 2021.

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

Methodologies

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 ESG risks in the operational practices. This process requires the issuer to report according to the NCP ESG disclosure list, outlining industry and company specific factors as well as broad ESG factors. The issuer needs to provide this reporting during the tenor of the bond.

The indicators used to measure the attainment of the ESG characteristics include that the companies have developed sophisticated and comprehensive management strategies for their specific material ESG factors as well as having set 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 our funds consists of reports 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 and NCP Due Diligence and monitoring processes. No data is estimated. We currently rely on the good data quality of our data providers.

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 due to our small team. We are an investment team of three people with one portfolio manager dedicated to ESG analysis. Instead, NCP has developed its methodology based on the quality of the companies' management systems of the material ESG characteristics as a proxy for the quantitative indicators.

Due diligence

NCP employs a thorough Due Diligence process for integrating sustainability risks into the investment decision-making process. The process requires all issuers to respond to a set of ESG questions on industry and company specific factors and broad ESG factors as well as agreeing to provide ESG reporting during the tenor of the bond. The industry specific ESG factors are based on SASB's Industry Standards and the company specific ESG factors are identified through research by our ESG specialist. These material ESG factors also constitute the main sustainability risks for each company. 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 the company's specific material ESG factors as well as setting clear and ambitious targets to reduce negative impact on the environment and society.

All NCP funds comply with our basic sustainability criteria and therefore do not invest in companies engaged in activities that violate international guidelines and conventions or companies that are active within oil and gas, the weapon industry, pornography, tobacco, gambling, or have more than 10 percent from alcohol sales.

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. As a result, 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 analysing each credit both before investment and through the monitoring phase, which 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 factors. 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, the Investment Committee as well as the

Sustainability Council regularly discusses sustainability factors 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 matters.

NCP also has quarterly management meetings with all portfolio companies as well as semi-annual in-depth screenings to identify any issues from an ESG perspective.

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

1. Portfolio manager seeks more information
2. Portfolio manager contacts the company to gain further information
3. Head of sustainable investing analyses the information to determine if a 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. Consultation with other owners for a joint ownership dialogue