

## TIND Discovery Fund - Sustainability Policy and Disclosure

### Sustainable Finance Disclosure Regulation (SFDR 2019/2088)

The European Commissioner's ambition that the European Union ("EU") shall become the first climate-neutral continent by 2050 necessitates significant private investments in sustainable activities. To support this objective, the Commissioner has adopted the European Green Deal, a comprehensive policy framework aimed at enhancing transparency around corporate sustainability efforts. Among these initiatives is the Sustainable Finance Disclosure Regulation 2019/2088 ("SFDR"), which seeks to provide greater transparency on sustainability risks and impacts, prevent greenwashing and provide a common language on the sustainable attributes of financial products and services.

The SFDR mandates financial market participants to publicly disclose:

- How sustainability risks are integrated on entity- and product level, and into the remuneration policy
- How principal adverse impacts are handled on entity- and product level

According to SFDR, all financial products (i.e., alternative investment funds, portfolio management, UCIT funds, etc.) shall be categorized based on how sustainability is integrated into the investment strategy:

- *Article 6:* the financial product does not promote environmental or social characteristics nor have a sustainable investment objective
- *Article 8:* the financial product promotes environmental and/ or social characteristics, and invests in companies that follow good governance practice
- *Article 9:* the financial product has a sustainable investment objective and invests in sustainable investments that do no significant harm to other environmental/ social objectives, with good governance practices

Financial market participants shall publish pre-contractual product disclosures and annual periodic disclosures of the performance relative to the product's commitments.

TIND Asset Management AS ("TIND") is the alternative investment fund manager ("AIFM") for TIND Discovery Fund ("The Fund"), which is disclosed under SFDR Article 8, the category promoting environmental and/ or social characteristics. The Fund does not have sustainable investment as an objective but seeks to take long positions in companies who demonstrate a commitment to transitioning to a lower carbon economy and fostering social well-being.

## **TIND Discovery Fund - Product level disclosures (SFDR 2019/2088, Article 10)**

According to SFDR Article 10, financial market participants providing Article 8 or 9 products shall publish information on the environmental and/or social characteristics, and the objective of sustainable investments. Additionally, the participants shall disclose methods for assessing, measuring and monitoring the environmental/social characteristics, or the impact of the sustainable investment's objective for the product. The disclosure should be in accordance with SFDR 2022/1288 Article 23 to 49.

### **1. Summary**

TIND Discovery Fund («Fondet») har som mål å oppnå attraktiv avkastning på lang sikt gjennom fundamental bottom-up analyse av bransjer og selskaper. Selv om Fondet ikke har bærekraft som sitt primære investeringsmål, fremmer det likevel miljømessige og sosiale hensyn.

For å fremme miljømessige og samfunnsmessige investeringer unngå Fondet langsiktige posisjoner i selskaper eller bransjer som står på Norges Banks utelukkelsesliste. I tillegg investerer Fondet langsiktig i selskaper som viser en tydelig forpliktelse til overgangen mot et lavutslippssamfunn, blant annet ved å tilpasse seg målene i Parisavtalen under FNs klimakonvensjon, og selskaper som utarbeider klare mål og strategier for reduksjon av avfall. Fondet tar også hensyn til selskaper som fremmer grunnleggende menneskerettigheter og arbeidsforhold i egen operasjon og verdikjede.

AIFM-en tar hensyn til bærekraftsrisiko i sine investeringsbeslutninger og unngår investeringer der bærekraftsrisiko vil forårsake en faktisk eller potensiell vesentlig negativ påvirkning på verdien av en investering.

Fondet vil generelt ha en long biased og porteføljen vil generelt være konsentrert. AIFM-en kan imidlertid dra nytte av scenarier der det har identifisert et selskap som overvurdert og ta shortposisjoner deretter.

Det er ikke utpekt noen referansereferanseindeks med sikte på å oppnå de miljømessige eller sosiale egenskapene som fondet fremmer.

Fondet har forpliktet seg til å rapportere Principal Adverse Impacts (PAI) for første gang i 2026.

## **2. No sustainable investment Objective**

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

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

The Fund promotes environmental and social characteristics by seeking to avoid taking long positions in companies or industries which TIND deems not to be socially or environmentally beneficial.

Before making an investment decision, every long position is pre-screened against the exclusions list maintained by Norges Bank in the context of its management of the Norwegian Government Pension Fund Global (the "Exclusion List"). The relevant company is then screened against the Exclusion List again, through the Order Execution Management System, after the investment decision is made.

The Exclusion List used by the Fund may deviate on a case-by-case. However, the TIND will ensure that at all times at least 90% of the Fund's long investments will comply with the Exclusion List. More information about the Exclusion List maintained by Norges Bank can be found on the website of Norges Bank Investment Management.

The Fund also promotes environmental characteristics through seeking to take long-term positions in companies who demonstrate a commitment to transitioning to a lower-carbon economy, by aligning with the goals of the Paris Agreement adopted 2015 under the United Nations Framework Convention on Climate Change requirements (the "Paris Agreement") and/or have established targets and plans for waste reduction. In pursuing these characteristics, the AIFM will seek to take an active ownership approach to its long investments and will proactively engage with companies without such targets and strategies, encourage them to establish and publicly disclose a net zero target and a waste reduction target, along with an implementation plan.

To promote social and governance characteristics, the Fund also uses an active ownership approach to encourage companies that lack adequate plans and compliance mechanisms needed to mitigate adverse impacts on human rights and working conditions across their operations and value chains. The AIFM will encourage these companies to develop and implement robust strategies and compliance frameworks aligned with key international frameworks (e.g., the UN Declaration and Convention on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises).

## **3 Investment strategy**

The Fund deploys a long/short equity strategy, where the long positions in Nordic companies are expected to be the dominant part of the strategy over time. The short book, consisting of single name short positions, will predominantly be executed through the use of derivatives. The portion of short positions within the portfolio will vary depending on market opportunities. For the avoidance of doubt, the short positions will not be used to achieve the environmental and social characteristics promoted by the Fund.

The Fund aims to identify broader market factors that might affect valuations. On a single stock level this may involve estimating a company's future revenue and margin potential, current and future value of pipeline assets, in addition to the value of the company's intellectual property. The Fund may also focus on other factors that might affect the price of equities. Such factors may be, but are not limited

to, broader market factors, such as macro environment or sentiment, factors that are more thematic in nature, or company specific factors such as earnings momentum and liquidity or susceptibility to sustainability risks.

The AIFM aims to cultivate investment ideas through both independent research and collaborative efforts. Additionally, the AIFM may also seek to understand key trends in the companies' strategy and whether these trends fit with how the relevant markets are developing.

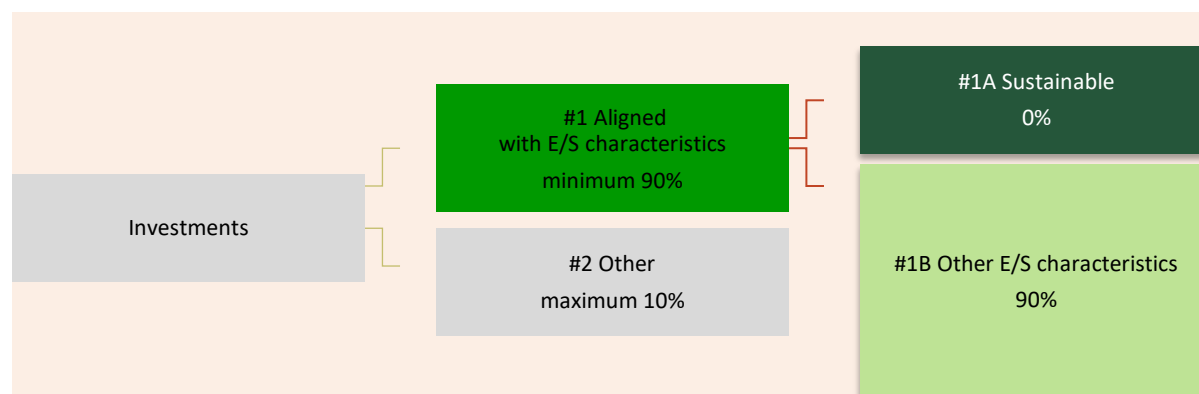
In the process of identifying companies to invest in, the AIFM will strive to understand the potential downside risks and will look to determine the true value of the target company independent of the current share price and sell-side views.

The Fund will in general have a long bias and will generally seek to have a concentrated portfolio of assets. However, the AIFM may seek to take advantage of scenarios where it has identified a company as being overvalued and take short positions accordingly.

The AIFM actively engages with companies and stakeholders during the research phase and throughout the life of the investments to ensure a thorough assessment of governance practices. The AIFM will not take long positions in companies that violate, or lack adequate mechanisms for monitoring and complying with, international norms and conventions related to sound management structures, taxation, workers' rights, compensation, ownership structures, and issues of corruption and bribery.

For more information about the Fund's investment strategy, please refer to the prospectus and supplement.

## 4. Proportion of Investments



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

The Fund commits to ensuring that at least 90% of the Fund's long investments comply with the Exclusions List

Additionally, active ownership practices will be employed to engage with portfolio companies, focusing on reducing carbon emissions, improving social practices, and enhancing governance structures.

The remaining 10 % under " #2 Other " are liquid assets (such as fixed income securities (which may be government or corporate, fixed or floating and/or rated of unrated) and/or cash and cash equivalents (including money market funds, passive, index tracking ETFs, and cash deposits and near cash instruments, such as bank certificates of deposit or bank deposits with credit institutions) and/or derivatives which are not subject to environmental and/or social screening or any minimum environmental or social safeguards. These assets are not included in the environmental and social screening.

The Fund's investment strategy is primarily focused on equity securities, which generally offer greater transparency in environmental and social matters, as well as stronger opportunities for issuer engagement. Accordingly, the core environmental and social screening is applied exclusively to equities.

While the excluded assets may be held for purposes such as diversification and risk management, they represent a limited portion of the portfolio. Their exclusion from the screening process does not compromise the Fund's ability to promote its environmental and social characteristics.

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

To ensure that the Fund's environmental and social characteristics are maintained throughout its life cycle, the methodologies below are applied and subject to ongoing monitoring. For all prospective and existing long positions, the AIFM conducts pre- and post-investment screening against the Exclusion List to ensure that issuers failing to comply are not held as long positions (see sections 9.2.1 and 9.2.2). Post-investment screening is performed periodically and, at a minimum, annually. Holdings that cease to meet the Exclusion List criteria may be retained for no longer than 12 months from the date of non-compliance.

The AIFM also assesses long-term positions (i.e., long positions held for more than six consecutive months and representing a portfolio weight of at least 1%) that have set targets and disclosed data on the sustainability indicators promoted by the Fund. For companies lacking such targets or disclosures, the AIFM actively encourages the establishment of appropriate targets and the publication of corresponding information.

The AIFM will engage with companies lacking data or underperforming on the sustainability indicators promoted by the Fund at least twice a year, after the 30<sup>th</sup> of June and after the 31<sup>st</sup> of December, encouraging them to report, prepare and publish data with an associated strategy or plan.

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

This section describes the different methods and steps to assess the environmental and social characteristics promoted by the Fund.

### *6.1 Exclusion list on long-term positions*

Before any investment decision, all prospective long positions are screened against the Exclusion List. If the investment decision is to proceed, the issuer is screened again against the Exclusion List via the Order Execution Management System as a pre-trade control prior to order execution and is subsequently subjected to post-execution screening at least annually. The Exclusion List is sourced through Bloomberg and is updated promptly for material changes and, at least quarterly.

### *6.2 Active ownership of long-term positions*

The AIFM evaluates the proportion of long portfolio companies that have set targets and discloses data on the sustainability indicators promoted by the Fund.

Please note that the active ownership approach applies only to long positions held for more than six consecutive months at the reporting windows and representing a portfolio weight of at least 1%. TIND will review the portfolio twice a year, after June 30 and December 31, to identify the portfolio companies subject to assessment and to evaluate their performance against the sustainability indicators promoted by the Fund. For companies that lack relevant targets or disclosures, the AIFM will actively encourage the establishment of appropriate sustainability targets and the publication of corresponding information.

*Sustainability indicators promoted by the Fund:*

- Established net zero targets and trajectory plans aligned with the Paris agreement
- Established waste reduction targets and plans

- Established processes, plans and compliance mechanisms to reduce impacts on human rights and working conditions in own operations and in the value chain, aligned with key international frameworks (i.e., the UN Declaration and Convention on Human Rights, the ILO Declaration on Fundamental Principles

Below is a description of how TIND assesses the portfolio companies' disclosures on the sustainability indicators promoted by the Fund.

### ***Net zero target and trajectory plans***

TIND evaluates long-term companies' commitment to net zero targets, and trajectory plans by identifying if companies have set targets that are aligned with the Paris agreement (e.g., have validated their targets with the Science Based Target Initiative ("SBTi") both on short- and long term) and have created dedicated action plans to reach their targets (such action plans should include dedicated KPIs).

### ***Waste reduction targets and plans***

TIND evaluates long-term position companies' commitment to waste reduction targets. This includes determining whether companies have established specific targets to reduce waste within their own operations as well as throughout their supply chains (Short and/or long-term targets).

While the AIFM acknowledges that waste reduction targets contribute to broader net-zero emissions objectives, it also considers waste reduction to be a key indicator of a company's alignment with the transition to a low-carbon economy.

### ***Processes, plans and compliance mechanisms to mitigate risk of adverse social impacts***

Assessment of whether long-term position companies' has implemented processes, plans and compliance mechanisms to mitigate the risk of adverse impacts on fundamental human rights and working conditions or not, is based on a review of the companies' engagements policies, whether these are aligned with key international frameworks (e.g., the UN Declaration and Convention on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises) or not.

The AIFM primarily relies on publicly available information when assessing whether portfolio companies are aligned with the sustainability indicators promoted by the Fund or not.

## **7. Data sources and processing**

In the data collection process, the AIFM conducts thorough research by directly accessing companies' reports and may engage in communication with company management through questionnaires or dialogues, as needed. Additionally, the AIFM may supplement its research by including third-party research on companies' environmental and social attributes when available. These third-party sources may include Bloomberg, Sustainalytics and ISS.

The AIFM processes data by screening internal research, third-party data, and the Exclusion List. Other data sources are internal research done through engagement and public voting information.

## **8. Limitations to methodologies and data**

The methodologies and data sources outlined above may have limitations that could affect conclusions drawn regarding potential investments due to constraints in disclosure levels and data quality. There may be lack of corporate disclosure and coverage or frequency of update of data. Third-party data sources may apply different models and may contain inaccurate or incomplete data. In case of insufficient data, external data providers may rely on estimations based on internal subjective metrics. These methodologies may differ across providers. As the AIFM may rely on external data when making investment decisions, it might have a negative impact on the performance of the Fund. However, engaging with investee companies could mitigate these challenges. The AIFM does not expect that these constraints will hinder the Fund's ability to attain its environmental or social characteristics.

## **9. Due diligence**

All investment decisions are based on financial and environmental, social and governance (ESG) due diligence. The process has two stages: pre-investment, which includes pre- screening against the Exclusion List, fundamental analysis and risk assessment; and post-execution, which entails environmental and social assessment, post-investment screening, and the assessment of principal adverse impacts.

### *9.1 Responsibilities*

The investment team is responsible for performing the due diligence pre-investment execution and ongoing monitoring of the company after the investment execution.

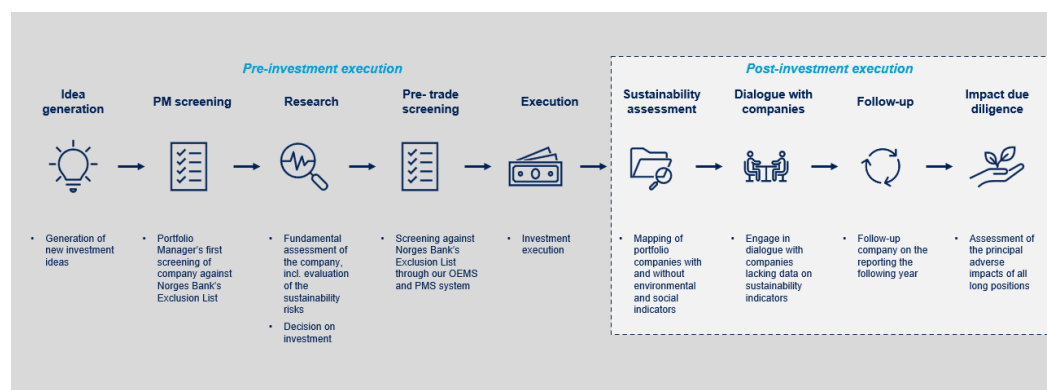
The operational team is responsible for mapping companies with and without the environmental and social indicators promoted by the Fund, engaging in dialogue with the relevant companies, and assessing the adverse impacts of the investments.

### *9.2 Process overview*

The table below illustrates how sustainability is integrated into the investment decision process. The sustainability due diligence is conducted both before and after investment execution.



## — SUSTAINABILITY IS AN INTEGRATED PART OF TIND'S INVESTMENT CYCLE



### 9.2.1 Due diligence pre-investment execution

The investment process starts with an idea generation of a potential company to invest in. The portfolio manager ("PM") performs the first screening against the Exclusion List to ensure that the company is not restricted, before performing a fundamental research-intensive approach. This phase includes understanding the company, valuation levels, potential earnings, actual or potential risks including sustainability risks. The fundamental analysis is based on publicly available annual and quarterly reports and presentations, company meetings, media coverage, etc. Based on the analysis, the PM will make a decision on investment or not. If investment decision is made, the company will be screened against the Exclusion List in the Order Execution Management Software system before the order is executed.

### 9.2.2 Post investment execution

After the investment is executed, the operational team will on a semiannually basis (after the 30<sup>th</sup> of June and 31<sup>st</sup> of December) assess whether the long-term investee company supports the environmental and social indicators promoted by the Fund or not. For long-term companies not supporting the environmental and social indicators, TIND will engage in dialogue with those companies and follow up with the portfolio companies still in the portfolio the following year.

The Fund is also assessing the principal adverse impacts of all long positions. This assessment is based on PAIs 1 - 14 as they appear in Table 1 of Annex 1 of the SFDR Delegated Regulation. In this regard, the Fund collects key metrics, including amongst others GHG emissions, board diversity and gender pay gap at the outset of a new long position investment. PAI data is primarily sourced from publicly available information but may also be supplemented with data from third-party providers (e.g., Bloomberg, Sustainalytics and ISS). Where specific PAI figures are unavailable, the Fund may use industry-average values to ensure complete reporting.

### *9.3 External controls*

The product governance committee reviews the investment universe, the selected sustainability indicators and available data, ensuring they are consistently aligned with the Fund's strategy.

## **10. Engagement Policies**

The AIFM has a sustainability policy and has established a process of actively engaging with companies to fully understand the business and the risk associated with their operations. Engagement typically includes meetings with management or investor relations. After the 30<sup>th</sup> of June and 31<sup>st</sup> of December, TIND will engage with long-term position companies in the Fund lacking data on net zero emission targets, waste reduction targets, and policies and processes in place to reduce the risk of adverse impact on human rights and working conditions.

## **11. Designated Reference Benchmark**

No reference benchmark has been designated for the purposes of attaining the environmental or social characteristics promoted by the Fund.