

NCI ADVISORY A/S

Principle Adverse Sustainability Impact Metrics

Article 8 - Light Green fund

Description of the principal adverse impacts on sustainability factors

The term 'principal adverse impact' or the term 'principal adverse sustainability indicators' defines the negative, material, or likely to be material effects on sustainability factors caused, compounded by, or directly linked to investment decisions relating to our funds as defined by the PAI indicators.

NCI Advisory incorporates information about principal adverse impacts on the external environment into the investment process. The negative impact is considered both in investment decisions and investment portfolio optimization, aiming to mitigate the adverse effects and ensure long-term value creation. The approach is specified throughout the investment process in NCI Advisory's Responsible Investment policy and described in further detail in the framework for NCIA Principal Adverse Impact Statement within this document.

1. Description of policies for identification and prioritization of principal adverse impacts

Principal adverse impact is integrated into investment decisions, active and responsible investments, based on considerations of materiality and sustainability which is analysed in relation to the investment type and asset class.

NCIA is utilizing a range of sustainability indicators for both exclusions and monitoring of the investment process. These indicators include, at a minimum:

- Exclusion of producers of controversial weapons covered by conventions: cluster munitions, landmines, biological weapons, chemical weapons, ammunition with depleted uranium, and non-compliant nuclear weapons under the non-proliferation treaty.
- Adherence to international guidelines and norms: UN Global Compact's 10 principles, OECD Guidelines for Multinational Enterprises, and associated UN principles for human rights.
- Climate footprint: Total CO₂e emissions; carbon intensity, carbon footprint per million invested, and Weighted Average Carbon Intensity.
- Exposure to fossil fuels.
- Companies which do not operate within laws and regulations as well as moral and ethical standards i.e., do not practice free religion, equality thinking or tolerate racism.

2. Description of Principal Adverse Impacts (PAI) and planned or already implemented initiatives related to PAI

The statement on principal adverse impacts on sustainability factors covers the reference period of 1st of January 2022 to 31st of December 2022. It is the first reference period where NCI advisory has started to measure and report on the principal adverse indicators. This entails that a comparison to the preceding year will not be outlined or published prior to the fiscal year 2024.

NCI Advisory expects to report on the 14 mandatory PAI indicators for all products, to the extent possible. NCIA relies on MSCI Europe Climate Change Index as a reference benchmark, specifically the MSCI ESG Ratings index including the MSCI industry materiality map to achieve its sustainable investment goals.

MSCI as benchmark provides external and overall market data, and is supported by the raw data collected through the issuers own reporting which is supplied by analyses of sustainability risk and opportunities conducted by the management of NCI Advisory.

3. Description of actions to address principal adverse impacts

NCI Advisory has a governance structure for addressing sustainability considerations. In cases where companies or issuers fail to meet the general sustainability standards, a dialogue is initiated with the company and in extreme cases, the company will be excluded from the portfolio, based on a board decision. The issuers are evaluated and rated by the management in terms of prioritization of principal adverse impacts.

As an investment management, NCIA is aware of the objective 'do no significant harm' (DNSH) and considers the factors of compliance regarding sustainable investments that contribute to an environmental or social objective. These includes:

- It is an investment in an economic activity that contributes to an environmental or social objective.
- The investment does not significantly harm any social or environmental objectives.
- The investee companies follow good governance practices.

These indicators relate to investments in investee companies (issuers). The table summarizes the reported adverse impacts against these indicators with guidance on where to obtain further information within the reporting in the Principal Adverse Impact table (PAI table).

Reporting against 'all investments' implies that certain indicators are reported with a significantly lower value, than had the calculation focused on the exposure relevant to the specific indicator category. To enhance transparency and a further understanding of the figures, the reported PAIs in the 'impact' column of the PAI table are therefore complemented by ratios and measured impacts with data coverage in the 'definition' column.

4. Methodologies and data used to assess each principal adverse impact

ESG Safeguards

The framework for responsible investments also comprises a baseline integration of ESG ratings. The ESG safeguards consist of norm-based screening and exclusions, implemented across NCIA's product range to ensure the portfolio meets a minimum standard irrespective of the individual portfolio's ESG profile.

Furthermore, a growing part of NCIA's investment portfolio includes additional ESG features. Depending on the investment strategy and the issuer, the portfolio could for example exclude certain sectors, select securities with higher ESG standards or apply a focused investment strategy.

NCI Advisory maintains a monitoring system and thereby identifies cases for further ESG analysis, in the potential action at entity level and where relevant. Furthermore, PAI is an input to NCI Advisory's internal ESG scoring methodology which is applied to all companies in the portfolio. Finally, PAI data is used by NCIA's internal investment team and as a direct input into the investment process.

PAI Monitoring

The framework for PAI monitoring applies a risk-based approach. First, the investment case's performance is assessed and ranked based on their overall PAI indicators. The output of the total assessment and ranking, results in a mark indicating the performance of each issuer. The issuers' marked for poor performance, either overall or on certain metrics are then ranked with a low score in NCIA's internal point system from 1 to 4, where 4 is the highest indicator of best performance.

The range of possible actions includes the following:

Engagement: the issuer is identified as a candidate for an engagement case. This can be due to various reasons such as the issuer's PAI performance, either overall or on certain indicators in the metrics, or low data coverage for the issuer compared to the benchmark. NCI Advisory's management team engages with the issuer and tracks performance after the engagement based on relevant PAI rating.

Exclusion: The issuer is deemed not eligible for investments in our portfolio and is added to NCI Advisory's exclusion list.

No action: The PAI indicator level of the issuer is deemed acceptable or evaluated not to reflect the actual ongoing performance of the issuer and no further action is needed. The issuer will continue to be assessed on an ongoing basis.

In deciding the appropriate action, the management considers along with the ESG ratings, the severity and scope of individual adverse impacts, and the probability of occurrence and severity of adverse impacts, including their potentially irremediable characteristics.

Indicators applicable to management and investments in investee companies

Adverse sustainability indicator	Metric	Impact NCIA 2022	Impact NCI/NCIC [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	11,8 tonnes Co2e	5.492 tonnes Co2e	Scope 1: PAI data coverage 23%	It is NCIA's experience there is still significant uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase
		Scope 2 GHG emissions	1,86 tonnes Co2e	7.707 tonnes Co2e	Scope 2: PAI data coverage 23%	
		Scope 3 GHG emissions	24,3 tonnes Co2e	1.042.826 tonnes Co2e	Scope 3: PAI data coverage 20%	
		Total GHG emissions	38.0 tonnes Co2e	1.056.025 tonnes Co2e		
	2. Carbon footprint	Carbon footprint	17.117.731,85 tonnes Co2e	Insufficient data coverage	The PAI coverage for this indicator is 10%	It is NCIA's experience there is still significant uncertainty in the market

						among issuers on how to measure and report on this PAI. It is expected that data on this will increase
3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	Due to data availability this PAI is non applicable	It is NCIA's expectation that more issuers will report on Scope 1,2 & 3 in order to measure Co2 emmissions and GHG	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	NCIA is not active in fossil fuel sector	77% not active in fossil fuel sector. 23% is active in the fossil fuel sector.	This PAI is identified by Yes/No assesment, whether issuers are active in fossil fuel sector The PAI coverage for this indicator is 43%		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	100% has no share of non renewable energy consumption and production. Data is based on 2 out of 30 investments.	The PAI coverage for this indicator is 7%	It is NCIA's experience there is still significant uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase Subject to data availability Co2 emissions is limited	
6. Energy consumption intensity per high impact	Energy consumption in GWh per	N/A	100% has no energy consumption	The PAI coverage for this indicator is 7%	It is NCIA's experience there is still significant	

	climate sector	million EUR of revenue of investee companies, per high impact climate sector		intensity per high impact climate sector. Data is based on 2 out of 30 investments.		uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	NCIA finds it doesn't face significant risk relating to biodiversity and ecosystem preservation	20% has activities negatively affecting biodiversity sensitive areas. 80% has no activities negatively affecting biodiversity sensitive areas.	It is NCIA's experience there is still significant uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase The PAI coverage for this indicator is 17%	Data is based on companies that have been linked/identified to having caused negative impacts on biodiversity sensitive areas. As there can be companies causing negative impacts that have not been identified or ambiguity concerning the effects, there can be a degree of uncertainty in the data provided. Negative impacts on biodiversity sensitive areas carries multiple negative effects, including the planets reduced capacity to sequester carbon, and harming local fauna and wildlife that could be endangered. As such the effects

						are to be considered severe. Certain negative biodiversity impacts can be remediated over time, but the direct and immediate effects consider to be irretrievable.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	86m3	Insufficient data coverage	The PAI coverage for this indicator is 10%	It is NCI's experience there is still significant uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	Data is based on only 2 out of 30 investments. 100% of respondents has hazardous waste or radioactive waste.	The PAI coverage for this indicator is 7%	It is NCI's experience there is still significant uncertainty in the market among issuers on how to measure and report on this PAI. It is expected that data on this will increase

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

<p>Social and employee matters</p>	<p>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	<p>NCIA did not report any violations of OECD Guidelines</p>	<p>0% has violations of OECD guidelines.</p>	<p>The methodology for this PAI for issuers is a yes/no assesment, whether the issuer reported any violations of OECD Guidelines. The coverage for this PAI indicator is 50%</p>	<p>If an issuer is identified to be a violator of OECD Guidelines, NCIA will conduct measurements and actions will be taken based on the responsible investment policy</p>
	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	<p>NCIA follows the guidelines of OECD and principles of UN Global Compact</p>	<p>0% has lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>The methodology for this PAI for issuers is a yes/no assesment, whether the issuer has policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises The coverage for this PAI indicator is 50%</p>	<p>It is expected that more issuers will report on this indicator on the future.</p>

12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	It is NCIA's experience that issuers do not report on gender pay gap but rather gender diversity The coverage for this PAI indicator is 30%	Subject to data availability, NCIA considers this PAI as whether the issuers report on pay gap disclosure
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Board Members 100% male	100% has board gender diversity.	It is NCIA's experience that issuers do not report on ratio but rather on gender diversity The coverage for this PAI indicator is 33%	Subject to data availability, NCIA considers this PAI indicator as whether the issuers have taken steps to integrate diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	NCIA did not have any exposure to controversial weapons	0% has exposure to controversial weapons.	This PAI is identified by Yes/No assesment, whether issuers are involved with or selling of controversial weapons The coverage for this PAI indicator is 43%	NCIA excludes companies that engage in controversial weapons in relation to our responsible investments strategy. This means that no direct investment is made in these matters.

Social and employee matters	1. Lack of a workplace accident prevention policy	Investments in companies without workplace accident prevention policies	NCIA had no workplace accidents	93% has workplace policies on accident prevention	This PAI is identified by Yes/No assesment, whether issuers have workplace policies. The coverage for this PAI indicator is 47%	It is expected that more issuers will report on this indicator in the future.
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	NCIA had no employee fatalities or accidents	71% has no rate of accidents. 2 out of 30 investments have rate of accidents	This PAI is identified by Yes/No assesment, whether issuers have workplace policies. The coverage for this PAI indicator is 23%	It is NCIA experience that issuers do not report on weighted average but rather if they had accidents. It is expected that more issuers will report on this indicator.
	3. Number of days lost for injuries, accidents, fatalities, illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	N/A	40% has reports on compliance to monitor accidents. 5 out of 30 investments have no reports on compliance.	The coverage for this PAI indicator is 17%	It is NCIA experience that issuers do not report on weighted average but rather if they had accidents. It is expected that more issuers will report on this indicator.

	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	N/A	100% has a supplier code of conduct	The coverage for this PAI indicator is 47%	
	5. Lack of grievance/ complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	N/A	100% has grievance/ complaints handling mechanism related to employee matters	The coverage for this PAI indicator is 37%	
	6. Lack of whistleblower protection	Share of investments in investee companies without policies on the protection of whistleblowers	NCIA follows the general guidelines of the sector	82% has whistle - blower policy	The coverage for this PAI indicator is 37%	
	7. Incidents of discrimination	Number of incidents of discrimination Number of discriminations leading to sanctions	NCIA did not report any incidents of discrimination or sanctions	0% has incidents of discrimination	The coverage for this PAI indicator is 57%	

	1. Excessive CEO pay ration	Average ratio of the annual total compensation for the highest compensated individual	N/A	100% has excessive CEO pay ratio. 3 out of 30 investments has excessive CEO pay ratio	The coverage for this PAI indicator is 10%	It is NCI's experience that issuers do not report on this PAI of pay ratio
Human rights	2. Lack of a human rights policy	Share of investments in investee companies without a human rights policy	N/A	100% has human rights policy indicating.	The coverage for this PAI indicator is 40%	
	3. Lack of due diligence on Human Rights	Share of investments in investee companies without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	N/A	100% has due diligence on Human Rights.	The coverage for this PAI indicator is 37%	
	4. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings	N/A	100% has processes and measures for preventing trafficking in human beings	The coverage for this PAI indicator is 37%	
	5. Operations and suppliers at significant risk of incidents of child labor	Share of investments in investee companies exposed to operations and suppliers at significant risk of	N/A	0% has exposure to child labor indicating.	The coverage for this PAI indicator is 33%	

		incidents of child labour in terms of geographic areas or type of operation				
	6. Operations and suppliers at significant risk of incidents of forced or compulsory labor	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation	N/A	0% has significant risk of incidents of forced or compulsory labor	The coverage for this PAI indicator is 37%	
	7. Number and nature of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	N/A	0% has cases of severe human rights issues indicating	The coverage for this PAI indicator is 33%	
Anti-corruption and anti-bribery	8. Lack of anti-corruption and anti-bribery policies	Share of investments in investee companies without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	NCIA follows the guidelines for anti-corruption and anti-bribery	93% follows guidelines for anti-corruption and anti-bribery policies.	The coverage for this PAI indicator is 47%	

	<p>9. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery</p>	<p>Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery</p>	<p>NCIA had no identified breaches and insufficiencies</p>	<p>91% has no cases of h insufficient action taken to address breaches of standards of anti-corruption and anti-bribery</p>	<p>The coverage for this PAI indicator is 37%</p>	
	<p>1. Number of convictions and level of fines for violation of anti-corruption and anti-bribery laws</p>	<p>Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies</p>	<p>NCIA did not experience any convictions or violations with anti-corruption or anti-bribery</p>	<p>89% has no convictions. 1 out of 30 investments has a case.</p>	<p>The coverage for this PAI indicator is 30%</p>	