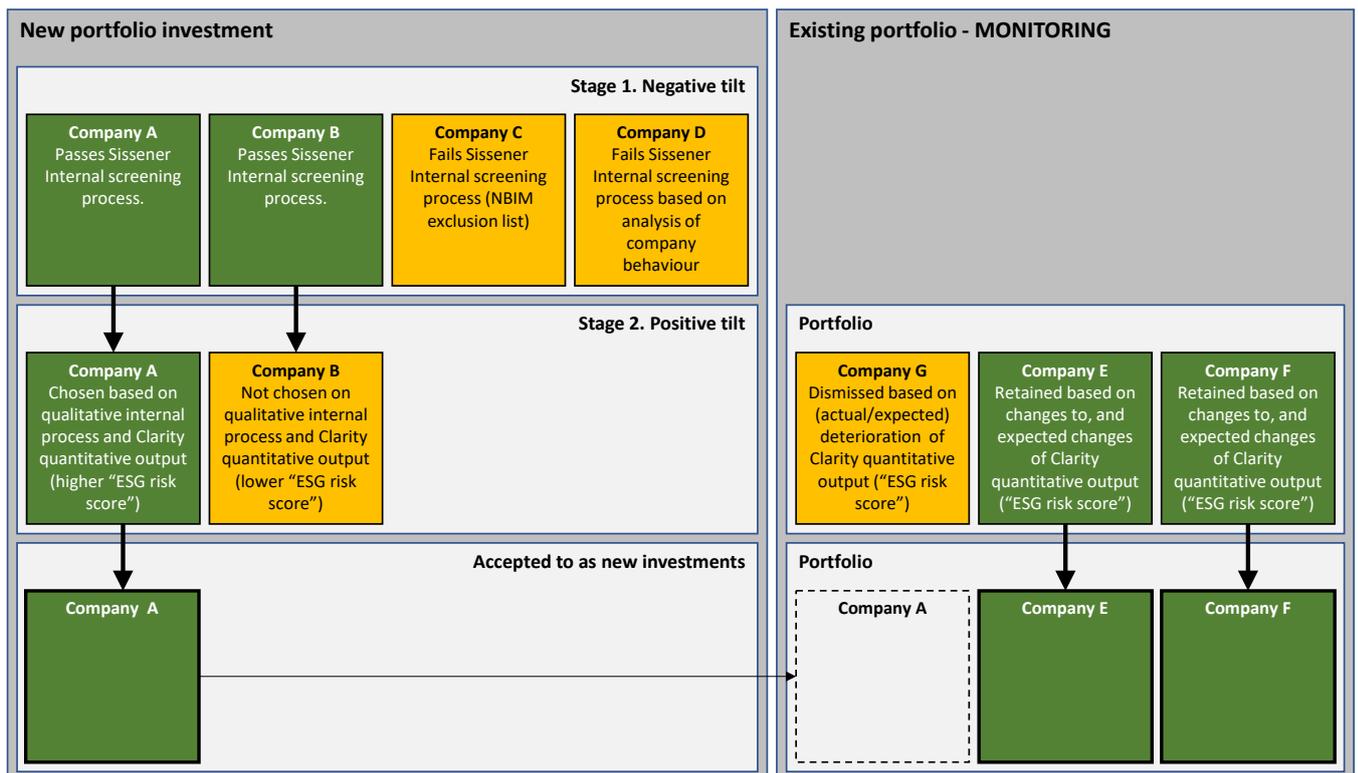


Sissener AS – ESG investment policy

This document describes how the investment team at Sissener AS (Investment Management company) applies Environmental, Social and Governance (ESG) factors into the investment process of our two UCITS funds, *Sissener Canopus* and *Sissener Corporate Bond Fund*. Our two funds are registered in Luxembourg under Sissener SICAV umbrella, under the management of Fundrock Management Company S.A.



Source: Sissener

1. EU Sustainable Finance Disclosure Regulation (SFDR) – Article 8 compliant

The funds do not have sustainable investments as their objective but promote environmental or social characteristics and will make ESG considerations when selecting investment opportunities. In other

words, with respect to a potential investment target, the Fund will consider ESG aspects as an integral part of its due diligence process.

Sissener Canopus and *Sissener Corporate Bond Fund*, are compliant with Article 8, “light green”, according to the Regulation (EU) 2019/2088 (SFDR). More information about SFDR and Article 8 is listed in our fund prospectus which can be found on our website www.sissener.no.

2. Our objective

Our general objective is to deliver the best possible risk adjusted return to our shareholders. Our investment management strategy and style is based on being an active investment manager, emphasizing fundamental analysis on company and macro level. We believe that incorporating ESG factors into our analysis can enhance fund returns and is thereby in the best interest of our shareholders.

We follow the six *Principles for Responsible Investments (PRI)* as guidance for our general ESG approach:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

3. Addressing ESG issues in our investment strategy

ESG analysis is a fully integrated part of our overall investment process. The investment team incorporates ESG data alongside financial and operational analysis, where each input contributes to the overall view of a company/sector/market.

The Fund’s investment policy contains broad ESG goals such as environmental considerations, stakeholder awareness, and recognized standards for good corporate governance. These goals are integrated into the Fund’s investment strategy to better manage risk, generate sustainable long-term returns, and promote environmental, social and governance characteristics.

How sustainability risks are integrated into the investment decisions

Sustainability risks are integrated into investment decision making and risk monitoring to the extent that they represent potential or actual material risks and/or opportunities for maximizing the long-term risk-adjusted returns. Sustainability risks are considered as part a broader analysis of potential investments and the factors considered will vary depending on the security in question, but typically include ownership structure, board structure, capital allocation track record, management incentives, labor relations and equality history. In addition to climate and environmental risks, and sector specific regulatory risks.

Companies we invest in, or target to invest in, might be subject to partial or total loss of value because of the occurrence of sustainability risks. Sustainability risks cover a vast range of risks and the target of the analysis is to find out whether a company will struggle to meet the ESG demands in the market. Analyzing sustainability risks in a potential investment case will provide an indication of the next steps to focus on in further analysis. Some of the sustainability risks that we may take into consideration in our investment process are:

Environmental

- *Impact on environment* – Use of water, waste handling, pollution, carbon footprint etc.
- *Physical threats* – Company location at risk of experiencing extreme weather, lack of water supply etc.
- *Sector specific* – Which sector/industry does the company operate in. Are there any general constraints in this specific sector?
- *Regulations* – Upcoming laws or regulations (for instance emission restrictions) that will trigger changes that can impact the company/sector negatively etc.

Social

- *Labor safety* – The company's safety measures for the workforce, working conditions etc.
- *Labor rights* – Possibilities to organize, access to healthcare etc.
- *Equality and social rights* – Gender composition of the company, balance in promotional opportunities for the work force, equal pay etc.

Governance

- *Management and BoD* – Who are the management and the Board of Directors of the company, their track-record, skill sets, gender composition etc.
- *Active ownership and proxy voting* – How does the company interact with shareholders and handle shareholders rights etc.
- *Physical damage* – Protection against cyber-attacks, risk of damage on assets such as factory/machines etc.

The impacts of sustainability risks on the returns of the Fund

Due to the nature of the Fund's investment strategy and types of securities it holds, the Fund is exposed to varied Sustainability Risks which include, but are not limited to:

- Corporate governance malpractices (e.g. board structure, executive remuneration);
- Shareholder rights (e.g. election of the likely directors, capital amendments);
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes);
- Physical threats (e.g. extreme weather, climate change, water shortages);
- Brand and reputational issues (e.g. poor health & safety records, cyber security breaches);
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labor relations);
- Work practices (e.g. observation of health, safety and human rights provisions); and
- Equality rights (e.g. gender, cultural and social background)

Assets held by the Fund may be subject to partial or total loss of value because of the occurrence of a sustainability risk due to fines, reduction of demand in the asset's products or services, physical

damage to the asset or its capital, supply chain disruption, increased operating costs, inability to obtain additional capital, or reputational damage.

A sustainability risk event may arise and impact a specific investment or may have a broader impact on an economic sector, geographical or political region or country which may impact the portfolio of the Fund in its entirety.

Several ESG considerations are taken into account, e.g. environmental objective such as renewable energy, raw materials, water and land preservation and protection, the production of waste, and greenhouse gas emissions, and impact on biodiversity. Additionally, the Investment Manager will consider impact on the circular economy, and whether investments have an impact on economic activities that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities.

Investment Strategies used to fulfil the Fund’s ESG considerations

The Investment Strategy used to fulfil the Fund’s ESG considerations is integral to the overall investment strategy of the fund. The Fund’s portfolio will be managed in accordance with an active investment strategy with an emphasis on fundamental analysis at company and macro level of the companies issuing the instruments in which the Fund intends to invest. As part of this fundamental analysis the ESG-related risks and/or opportunities such as listed above will be assessed. The materiality of these ESG-related risks and/or opportunities will be assessed in fundamental analysis based on the principles described under *Positive Tilt* below. Third party support for ESG-related data and information will be included, to fulfil the Investment Strategy.

	Sissener analysis	Clarity (“ESG risk score”)	Clarity (Taxonomy alignment)	Clarity (PAI)
Analysis	Qualitative	Quantitative	Quantitative	Quantitative
Application	Primary stock selection	Secondary stock selection	Reporting requirements (EU Taxonomy)	Reporting requirements (SFDR)
Application area	New investments: <ul style="list-style-type: none"> • Stage 1 (negative tilt) • Stage 2 (positive tilt) Existing investments (monitoring)	New investments: <ul style="list-style-type: none"> • Stage 2 (positive tilt) Existing investments (monitoring)		
Advantages	Proprietary analysis Application to all companies	Covers all sectors Wide company coverage	Strong focus on ESG direction	Covers all sectors Wide company coverage
Disadvantages	Ignores ESG direction – i.e. if company is improving	Ignores ESG direction – i.e. if company is improving	Several sectors excluded from EU taxonomy	
Typical output	Company passes or is rejected from negative tilt analysis based on NBIM exclusion list or other ESG concerns.	“ESG risk score” (0-100) which determines whether a company passes/fails (new investments) or is retained/rejected (existing investments/monitoring).	Fund taxonomy Eligibility (%) and Alignment (%)	Qualitative output on 14 compulsory PAIs, one of 22 optional environmental indicators and one of 24 social and governance indicators.

Source: Sissener

Negative Screening

We have defined two approaches to exclusion and negative screening:

- Ethical exclusion of companies based on “what they do” i.e. the nature of their core business. The Fund’s policy with regard to ethical exclusion is based on complying with the exclusion list as defined by Norges Bank Investment Management (NBIM). NBIM excludes companies that contribute to violations of fundamental ethical norms, manufacture certain types of weapon, base their operations on coal, or produce tobacco. The Ministry of Finance has issued guidelines and set up an independent Council on Ethics to assess companies and make recommendations on exclusion and observation. The portfolio management team and risk operations have continual oversight and monitor companies excluded from the investment universe. These guidelines will also apply to companies not included in the exclusion list as defined by NBIM.
- Risk based exclusion of companies based on “*company behaviour*”. We will exclude companies where ESG-related risks are deemed to be of a significant potential detrimental character. This is explained in more detail under “Monitoring of E/S characteristics”, below.
- Since the NBIM exclusion list does not include Norwegian companies, we employ the same exclusion principals inside Norway.

Norges Bank exclusion categories

Conduct based exclusion	Product based exclusion
<ul style="list-style-type: none"> • Serious violations of individuals' rights in situations of war or conflict • Severe environmental damage • Sales of weapons to states in armed conflicts, where the weapons are used in ways that constitute breaches of the international rules on the conduct of hostilities. • Gross corruption • Unacceptable greenhouse gas emissions • Other particularly serious violations of fundamental ethical norms • Violation of human rights 	<ul style="list-style-type: none"> • Production of coal or coal-based energy • Production of nuclear weapons • Production of tobacco • Production of cannabis • Production of cluster munitions

Source: NBIM

The initial screening process is carried out using independent analysis by the investment team. This is particularly relevant for analysis of the company behaviour, which is very qualitative in nature, and often relies on a good fundamental knowledge of the business, and the sector within which it operates.

Positive Tilt

Companies that embrace change by seizing opportunities and by managing risks are likely to enhance their competitive position. Seizing opportunities and/or managing risks better than peers should lead to higher return on invested capital and/or lower financing costs. Shareholder value is a function of both Return On Invested Capital (ROIC) and the Weighted Average Cost of Capital (WACC).

By focusing on how companies engage on ESG related risks and opportunities and trying to assess how these flows through to the financial parameters of ROIC, WACC and FCF (Free Cash Flow) to the firm, the portfolio management team seek to identify investments opportunities with a positive tilt. This

positive tilt analysis is integrated into the financial analysis of the company. For instance, when we conduct a discounted cash flow valuation analysis of a company, we try to reflect a company's ESG standard relative to peer companies by weighting ESG in the discount factor (WACC) used when discounting future cash flows. A company with a perceived higher ESG standard vs. peers will have a lower WACC and thus a higher net present value of future cash flows.

4. Active ownership & influence

Sissener AS has a history of using its voice as a share-/bondholder through media channels since the company was launched in 2009. We use our shareholder right to vote in general assemblies and corporate actions. We will initiate direct dialogue with companies where we believe we can impact the company in a positive direction. We can also use media to raise publicity in regard to transactions and corporate events where we believe that suggested proposals are not in the best interest of shareholders. This is either done individually or in collaboration with other share/bondholders.

5. Monitoring of E/S characteristics

In addition to carrying out our own proprietary analysis, we also employ a third-party sustainability platform in order to provide quantitative ESG analysis for all investments, and to actively monitor alignment with wide ranging ESG performance metrics at both a company and aggregated portfolio level. This platform is primarily quantitative in nature, and thus offers a valuable tool in monitoring ESG performance over time.

More specifically, we focus on three primary methodologies. Data and performance metrics related to each of these are included in the third-party platform we employ. These are:

- **ESG risk analysis**, which provides a quantitative ESG score for each company, calculated by considering each company's performance relative to comparable peers, and based on measurements of ESG material factors that are deemed to drive long-term financial value. These scores can then be aggregated to provide an ESG score for the Fund.
- **EU taxonomy alignment** of the Fund, based on the eligibility of each company, and the alignment of eligible companies based on meeting ESG performance thresholds.
- **Principal Adverse Impact Indicators (PAI)** for the Fund, where values can be compared to international benchmarks. This methodology will also be incorporated into the report for Sustainable Finance Disclosure.

We note that the quality of our analysis, relies heavily on the quality of the data drawn from third party platforms, much of which we do not have the capacity to validate. We also note the alignment of the timing of EU Taxonomy disclosure obligations for large companies and financial market participants. This means that in some cases the disclosure of ESG data by companies has not occurred in time to be included in ESG analysis. This is particularly relevant to the quantitative input data (e.g. proportion of turnover, CapEx or Opex that is Taxonomy aligned) that is typically required to calculate Taxonomy alignment for a given company.

In the ESG risk analysis, each of the three categories are measured on three separate data type (see below).

Data type	Description	Metric type	Example
Structured quantitative data	Indicators measuring statistics and business activities that can be numerically quantified. The quantitative metric score is calculated by considering each organization's performance relative to other organizations.	Quantitative	Tons of Scope 1 CO2 emissions
Structured qualitative data	Policies, targets and other information that allow evaluation of observable commitments. Policy scores equal 1 when the policy is not implemented and 100 if it is implemented. The calculation of policy scores does not depend on the peer group of reference described for quantitative metrics.	Policy	Board gender diversity policy
Unstructured data	Open text news and reports that allow evaluation of incidents of controversial behaviour by companies. Controversies derive from corporate behavior and the company's reputation as perceived by consumers, investors and society as a whole.	Controversy	Labor rights incidents

When we say “actively monitor” we mean that we will frequently update (at a once every three months) the scores on a company and fund level. This monitoring will aim to address how the Fund’s ESG score evolves over time, based on how (i) scores for individual companies, and (ii) the composition of the fund (i.e. the weighting of individual companies in the Fund), may change over time. Thus, for example, our investment management process includes an analysis of (i) how an investment in a new company can change the Fund’s overall score, and (ii) our expectations for how the scores for individual companies may evolve over time.

Our willingness to invest in companies will thus be impacted by the change it makes to the Fund’s overall score. We aim for the Fund’s ESG score to improve over time driven by (i) increases in the Fund’s exposure to companies which have ESG metrics which score favorably on the methodologies outlined above, and (ii) investments in companies where we expect their ESG scores to increase over time. We acknowledge that the latter driver is more difficult to identify, and likely to be a less significant driver for improvements in the Fund’s ESG score over time.

We aim for an “ESG risk score” above 50, which means that on average companies are ranked in the upper half of their sector peer universe, based on a quantitative comparison of a company’s ESG characteristics. These characteristics include (but are not limited to) resource use, emissions, labor rights, working conditions, business ethics and board composition.

We highlight that the ESG approach we take is well aligned with an Article 8 – i.e. the approach promotes environmental or social characteristics of the investment, either alone or in combination with other characteristics (as opposed to having sustainable investment as their objective). More specifically, our positive tilt strategy promotes companies that have positive ESG characteristics relative to other companies in their sector, as opposed to promoting sectors. For example, a retail company whose overall score is dragged down by a weak social risk score (based on working conditions or employee satisfaction) may score weaker than an oil company, which has favorable ESG characteristics relative to other oil companies.

There are major discrepancies between the three qualitative ESG methodologies we employ. In particular EU Taxonomy scores will typically be very low on an aggregate portfolio level, since many sectors are excluded on the basis that they do not have the potential to make a substantial contribution to climate change mitigation or climate change adaptation (i.e. irrespective of their ESG performance relative to peers).

6. Methodologies

The Clarity ESG Risk Score is an assessment of the financial materiality of Environmental, Social and Governance issues related to how companies and governments operate. ESG Risk Scores consider Environmental, Social and Governance factors at the company and government level and how these ESG issues could potentially affect future financial performance. ESG Risk Scores range from 1 to 100, with 1 being a poor score that denotes high ESG risk and 100 an excellent score that means low ESG risk.

The SFDR Regulatory Technical Standards establishes the obligation to evaluate the adverse impact of investments through the analysis of a set of metrics called “Principal Adverse Indicators” (PAIs). The regulation has defined 18 compulsory PAIs and two lists of optional indicators, one with 22 environmental indicators, and another with 24 social and governance indicators. To comply with the SFDR it is necessary to consider at least one indicator from each of the optional tables. The optional environmental indicator we use is “Emissions of air pollutants”. The optional social and governance indicator we use is “Number of identified cases of severe human rights issues and incidents”.

7. ESG related memberships:

Sisener AS is a member of the following groups/organizations:

- Norsif - Norwegian association for responsible and sustainable investments (as of 23.03.2020)
- PRI Signatory (as of 05.09.2023)