Sustainability-related website product disclosure: Nordic Alpha Partners Fund II

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This document has been made and released in order to comply with Article 10 (1) of Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial services sector ("SFDR"). The disclosure has been prepared based on the legislative guidance currently available in relation to SFDR. It may be subject to changes following the publication of any further legislation, guidance and recommendations concerning the SFDR by the EU Commission or the Danish or EU supervisory authorities.

The financial product to which the disclosures pursuant to Article 10 of the SFDR are applied, refers to Nordic Alpha Partners Fund II K/S, company registration number (CVR no.) 42613983 (the "Fund II"), managed by Nordic Alpha Partners II ApS, company registration number (CVR no.) 42795968 ("NAP"). Fund II has sustainable investments as its objective and qualifies as an Article 9 product in the classification of the SFDR.

Update

The website disclosure has been updated following the first version (see version history at the end). The following sections have been updated to sharpen and reflect the existing processes of NAP II: 1) Summary; 2) No significant harm to the sustainable investment objective; 3) Sustainable investment objective of the financial product; 4) Investment strategy; 4) Proportion of investments; 5) Monitoring of sustainable investment objective; 5) Methodologies and 5) Data sources and processing.

Summary

- Fund II's objective is to invest in high growth Sustainability Technology companies that contribute to environmentally sustainable objectives.
- The sustainability indicators of Fund II are: 1) EU Taxonomy alignment degree; 2) Estimated CO_2e emissions avoided; and 3) Contribution to Sustainable Development Goals (SDGs)
- Fund II will have a minimum proportion of 100% sustainable investments. Fund II's sustainable investments will be in:
    - economic activities with an environmental objective that qualify as environmentally sustainable under the EU Taxonomy

    - economic activities with an environmental objective that do not qualify as environmentally sustainable under the EU Taxonomy but qualifies as environmentally sustainable under SFDR.
- The company's SFDR alignment will be a pre-condition for all of the investment from Fund II and EU Taxonomy-alignment will also be a precondition for minimum 60 % of the investments
- Fund II takes Principal Adverse Impacts of investment decisions into account.
- NAP has assessed the sustainability risks likely to have an impact on the returns of the Fund II, and NAP believes there is a low to minimal risk to the returns due to those sustainability risks.

<u>No significant harm to the sustainable investment objective</u>

Fund II has relevant policies and procedures (*General ESG Framework, ESG Policy, Investment Policy and Investment Process Manual*) in place in order to ensure ESG considerations are integrated into investment processes and decision making. The sustainable investment objective of Fund II is integrated in Fund II's investment process. The objective of doing no significant harm to the sustainable investment objectives are evaluated at relevant points in time during the investment sourcing, evaluation and investment decision as further described below.

<u>ESG in the Sourcing phase:</u>

Relevant ESG-data and considerations are included in sourcing activities. This entails a commitment to ensure that investments are environmentally and socially responsible, i.e., Do No Significant Harm to environmental and/or social objectives, and that investments are characterized by good governance, high ethical standards, integrity, and accountability.

<u>ESG in the Screening phase:</u>

NAP carefully considers the environmental impacts of potential investments. Environmental impacts are assessed using key performance indicators, including energy use, share of renewable energy, greenhouse gas emissions, impact on the circular economy etc.

The screening phase includes a screening of the potential investment (which can be done externally or internally) regarding Fund II's classification as a sustainable investment fund under SFDR Article 9. The screening provides an initial assessment of the investment in question is EU Taxonomy eligible or, if that is not the case, can be considered a sustainable investment under the SFDR Article 2 (17) definition of a sustainable investment.

Subsequently a full EU Taxonomy alignment analysis will be conducted in the final due diligence phase.

The screening is designed to early in the process identify if certain barriers of investment exist and how such barriers can be mitigated to avoid bottlenecks later in the investment process.

ESG in the Evaluation and Conversion Phase:

The evaluation phase has the purpose of establishing and analysing the hypothesis that will provide the desired value increase in the company, making a decision whether to invest or not (conditional upon satisfactory due diligence), reaching a conditional agreement with the company and any co-investors regarding terms of investment.

This phase results in a Term Sheet that, among other, includes a description of ESG-reporting requirements.

The procedure is implemented in its entirety for new investments and partially for follow-up investments.

ESG in the Strategy and Due Diligence Phase:

The Strategy and Due diligence phases are initiated after signing the term sheet and the Partner Group's approval.

The due diligence phase has the purpose of:

- Verifying significant information that the investment in the company is based upon.
- Ensuring that there are no other conditions inside or outside the company that could make investment in the company decidedly less attractive.
- Verifying essential conditions for value creation in the company in the future – including an initial test of the hypotheses and mapping of any obstacles to testing the general investment hypotheses.
- Verifying ESG compliance and EU Taxonomy alignment under the SFDR framework.

During the strategy phase NAP will develop/have developed a framework for ESG initiatives and plan the due diligence, incl. on ESG. During the ESG due diligence the purpose, business model, policies, and procedures of the target company, including any issues declared by the company or identified through independent research are assessed. See further description of due diligence in the section "Due diligence".

Any post-closing recommendations or workstreams deriving from the ESG due diligence will be presented in the due diligence report and included in the investment documents and/or post-closing activity plan. Critical findings must be mitigated before closing whereas non-critical recommendations can be postponed to after closing, if time or resources do not allow for pre-closing mitigation. Actions to mitigate risks identified in the ESG due diligence process are integrated in negotiations and pre- and post-closing action plans.

ESG in the Deal, Closing and Tranches Phase:

The deal, closing and tranches phase has the purpose of documenting the agreement between the company/portfolio company and Fund II, and to pay the first tranche. The investment documents will sometimes (if deemed relevant) include wording on ESG initiatives based on the above due diligence phase, an example being the insertion of "an annual wheel" in the rules of procedure for the Board of Directors to ensure that ESG, diversity & inclusion, code of conduct etc., are being reviewed and discussed on an on-going basis.

Further, the sustainable investment objective of Fund II is to the extent possible reflected in the contracts with all relevant counterparties.

<u>ESG in the Value Creation and Growth Phase (post investment):</u>

NAP's active ownership supports the portfolio companies on material ESG matters, incl. diversity and inclusion and has a focus on supporting them to scale and grow via NAP's post-closing value creation ESG toolbox.

The process aims to ensure that NAP's priorities for the development of the company will be addressed in the company, and that the company has control over the documentation.

The process is two-fold, as the work with the companies is carried out both in the Board of Directors and in the company's daily operations.

Further, in this phase NAP Board Representatives shall ensure that the Board of Directors of the company at least annually include a discussion of UN Global Compact and CSR strategy and ESG initiatives, including diversity and inclusion.

<u>ESG in the Monitoring Phase:</u>

Following Closing, the portfolio companies are onboarded to an ESG data reporting platform for performing the quarterly and annual reporting on the selected PAI indicators and sustainability indicators of Fund II.

<u>Ongoing ESG-related monitoring of portfolio companies:</u>

NAP requires all portfolio companies to have a clear position on ESG issues and ensures that the Rules of Procedure for investee company boards include periodic review of ESG issues as part of the board agenda. Internally, NAP reviews ESG issues, status, and policies during the semi-annual review of the portfolio.

NAP reports key ESG information to investors on a quarterly basis. This includes Fund II's share of sustainable investments; impact quantification (i.e., avoided emissions); portfolio companies' SDG contributions; selected PAI indicators; other ESG-related post-closing actions.

The reporting is validated in cooperation with a third-party advisor and calculation methodology is revised on an annual basis.

Sustainable investment objective of the financial product

Fund II's objective is to invest in high growth sustainability technology companies that contribute to environmentally sustainable objectives. This can be achieved either via;

1. investments in companies making substantial contribution to the environmental and climate objectives of the EU Taxonomy. These objectives are: Climate Change Mitigation; Climate Change Adaptation; Sustainable Use and Protection of Water and Marine Resources; Transition to a Circular Economy; Pollution Prevention and Control; Protection and Restoration of Biodiversity and Ecosystems.

2. investments in companies that qualify as a "sustainable investment" as defined by the SFDR Art 2(17). This can for example be environmentally sustainable activities not covered by the EU Taxonomy, but still contributing to an environmental objective as measured by e.g., avoidance of greenhouse gas emissions.

No index has been designated as a reference benchmark for Fund II. The environmental objectives are considered to be attained through Fund II investing according to its investment strategy and applying the sustainability indicators listed below.

On portfolio level the following sustainability indicators are used to measure the attainment of the sustainable investment objective of Fund II. These indicators are monitored and reported on a yearly basis:

1. EU Taxonomy alignment degree
    - All investments are assessed against the EU Taxonomy's technical screening criteria for the relevant economic activity. All EU Taxonomy alignment assessments are reviewed and updated yearly.
    - Alignment with the EU Taxonomy requires that the activity:
      1. Makes a Substantial Contribution to one of the 6 environmental objectives
      2. Does No Significant Harm to the other 5 objectives
      3. Meets the Minimum Safeguards (on an entity level).

3. Estimated CO_2e emissions avoided

   - The avoided emissions impact is estimated for all investee companies. The estimations are performed in accordance with NAP's defined methodology for analysing avoided emissions. The estimation is based on review of company materials, Q&A sessions, external sources and desktop research. The company specific assessments of avoided emissions are reviewed and updated yearly.

4. Contribution to Sustainable Development Goals (SDGs)

   - Fund II is focused on contributions to 4 specific UN Sustainable Development Goals ("SDGs") within environment and recycling, namely SDG 3: Good Health and Well-being, SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure and SDG 12: Responsible Consumption and Production. The assessment of the individual company's contribution to these SDGs is based on company data on SFDR Principal Adverse Impact ("PAI") indicators and sub-indicators. The following data points are used for the assessment:
     - Total energy consumption, incl. renewable energy
     - Total energy production, incl. renewable energy
     - Total energy production enabled for customers
     - Scope 1, 2 and 3 emissions
     - Investee companies with a net zero GHG target by 2050 or sooner
     - Hazardous waste generation
     - Investee companies with a supplier code of conduct

Investment strategy

Fund II will invest in Sustainability Technology companies seeking equity financing, typically between €10 million and €20 million and with initial enterprise values of less than €50 million.

Fund II has sustainable investment as its objective and will make investments in high growth Sustainability Technology companies that contribute to environmentally sustainable objectives as defined by the EU Taxonomy. All potential investments will be analysed against EU Taxonomy criteria as an integrated part of Fund II's investment process. Fund II can also invest in environmentally sustainable activities that are not yet covered by the EU Taxonomy as long as they otherwise qualify as a "sustainable investment" within the meaning of SFDR art. 2(17).

The megatrend of green transformation creates a significant market opportunity for NAP's investment strategy which focuses on businesses at the intersection of Digitalization and Sustainability (the 'Twin Transformers'). NAP targets high growth technology companies utilising Industry 4.0 & Advanced Tech to enable sustainable applications. These businesses are addressing the significant global demand for clean energy and low carbon processes that will enable economies worldwide to achieve carbon net zero targets over the next three decades and is estimated to require almost €30 trillion of investment by 2050.

NAP believes that the global leaderships in Technology and Sustainability, open economies, stable currencies, innovative business models, strong governance and highly developed private equity and venture capital markets make the Nordic countries and Germany highly attractive regions for NAP's investment strategy. These characteristics, combined with the substantial volume of high-quality companies, present an excellent investment environment for NAP as one of the most experienced growth private equity teams focused on Sustainability Technology.

Fund II's strategy and investment process incorporate five inter-related phases, which NAP considers to be the fundamental drivers of returns, representing the logical steps in the value chain for private equity investments. Based on this framework, NAP has developed a systematic approach with detailed programs, processes, and tools, as well as a clear functional ownership structure within the senior partner team, ensuring clear responsibilities, daily execution consistency, performance review and continued improvement to the fund strategy and investment process model.

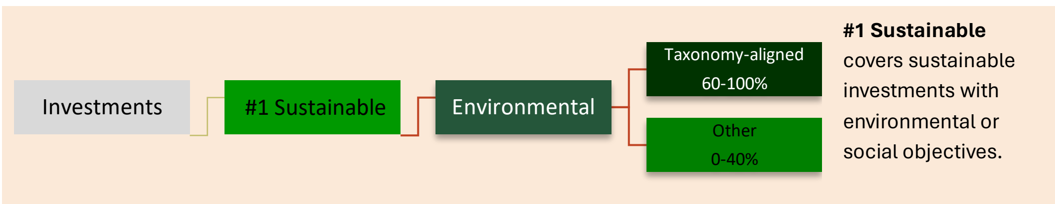
Further, good governance practices are an integrated part of Fund II's ESG due diligence process, where the companies are screened on a number of parameters incl. anti-corruption, tax violations and incidents related to business ethics.

Companies that Fund II invests in must develop a Code of Conduct that specifies governance and conduct requirements to employees, partners and suppliers. Fund II works to ensure good governance of each investment through our ownership role. Fund II monitors the good governance practices as active owners and at board meetings. In the assessment of good governance practices, NAP follows the latest guidance from relevant EU bodies such as Platform on Sustainable Finance and ESMA.

Proportion of investments

Fund II will have a minimum proportion of 100% sustainable investments. Fund II's sustainable investments will be in:

- economic activities that qualify as environmentally sustainable under the EU Taxonomy
- economic activities that are not covered by the EU Taxonomy but qualify as environmentally sustainable under the SFDR art. 2(17)



Fund II will not use derivatives. Fund II will not invest in sovereign bonds.

Fund II will not invest in fossil fuels (incl. gas). Fund II may invest in EU Taxonomy aligned nuclear energy.

When Fund II is fully invested the minimum share of investments with an environmental objective that is aligned with the EU Taxonomy will be 60%. The share of investments that are not covered by the EU Taxonomy but qualify as environmentally sustainable under SFDR will be up to 40%.

Fund II can invest in both transitional and enabling activities under the EU Taxonomy depending on the investment opportunities. The minimum share of transitional and enabling activities, respectively, are thus 0%. The actual EU Taxonomy alignment and share of investments in transitional and enabling activities will be reported in the periodic reporting of Fund II.

Fund II does not target investments with a social objective, although the companies Fund II invests in may also have social characteristics. The minimum share of investments with a social objective is therefore 0%.

Monitoring of sustainable investment objective

The sustainable investment objectives are monitored throughout the lifetime of the investments.

During the lifetime of the investments the sustainability indicators are monitored on an ongoing basis through quarterly reporting. Fund II's reporting is based on data provided by the investee companies. Data reporting from the companies is subject to data checks.

The attainment of the sustainable investment objective is monitored and followed-up on as a part of Fund II's active ownership role in the individual investee companies.

Methodologies

The methodology applied to calculating the EU Taxonomy alignment degree includes an initial screening of a potential investment case to assess EU Taxonomy eligibility. The initial screening is conducted "outside-in" and consists of a mapping of a company's activities against the EU Taxonomy to identify if the activities are covered. If the activity is not covered by the EU Taxonomy it is assessed if it can constitute a sustainable investment within the definition of SFDR art. 2(17).

Subsequently, a full EU Taxonomy alignment analysis will be conducted in the final due diligence phase based on documentation from companies. The EU Taxonomy alignment degree will be measured by turnover and/or capital expenditure, depending on the companies' maturity. Some of the companies that the Fund II will invest in may initially have very limited turnover and significant capital expenditure. In those instances, the EU Taxonomy alignment degree will typically be calculated based on capex. Other companies that the Fund II will invest in may have both significant turnover and significant capex. In those instances, the EU Taxonomy alignment degree will be calculated based on both turnover and capex, subject to data availability. Finally, some of the companies that the Fund II will invest in may have significant turnover and limited capital expenditure. In those instances, the EU Taxonomy alignment degree will be calculated based on turnover.

For activities not covered by the EU Taxonomy an alignment analysis is conducted to establish if the activity is aligned with the definition of sustainable investments under SFDR. Compliance of the investments with the SFDR is subject to review by a third-party advisor.

The estimated CO_2e emissions avoided are calculated based on an Avoided Emissions Model that is used to analyse avoided GHG emissions per invested DKK million is calculated for new investments for NAP's Fund II and compare with relevant benchmarks. The estimated CO_2e emissions avoided will be monitored and reported upon on an ongoing basis in the periodic reporting of Fund II.

The SDG contribution is analyzed as part of the ESG due diligence phase and continuously followed up on as part of the periodic reporting of Fund II.

The reporting is validated in cooperation with a third-party advisor and calculation methodology is revised on an annual basis.

Data sources and processing

The data sources used to attain the sustainable investment objective of the financial product are primarily based on data reporting from the companies as well as a Q&A process and dialogue during the ESG due diligence and asset management phase.

The data provided by the companies is subject to checks by a third-party advisor.

The data is processed and managed by NAP through the use of a ESG data reporting platform.

It is expected that a part of the data will be estimated. The amount of data that will be estimated is expected to vary significantly between the companies. During the investment period it is NAP's expectation that the proportion of reported data will increase for the companies.

Limitations to methodologies and data

The primary limitation to assessing the sustainability performance of Fund II's investments will be data availability from the investee companies and ensuring the quality of the data provided by the investee companies. NAP intends to address this limitation through an active dialogue with the companies and by including data reporting obligations in the individual investment agreements. Investments will be conditional upon access to sufficient data and insights in order to be able to conduct and conclude the analysis described in the section "Methodologies". The data reported to NAP will be stored in a dedicated data management structure designed to facilitate correct and timely ESG reporting. Given these measures the limitations mentioned above will not affect the attainment of the sustainable investment objective.

Due diligence

NAP carries out thorough due diligence on every investment it makes, incl. ESG due diligence. The ESG due diligence will in particular focus on Fund II's sustainability indicators. The ESG due diligence process will consist of data collection via questionnaires, Q&A with management as well as independent research.

An ESG and EU Taxonomy/SFDR alignment analysis will be conducted in the full due diligence phase. This comprises a detailed questionnaire and company assessment to analyse sustainability impact and alignment with EU Taxonomy or SFDR's definition of sustainable investments.

The EU Taxonomy alignment analysis consists of three parts:

1) Analysis of a company's performance against Substantial Contribution criteria;
2) Analysis of a company's performance against Do No Significant Harm criteria;
3) Analysis of a Company's performance against Minimum Social Safeguard criteria.

The SFDR alignment analysis consists of three parts:

1) Analysis of a company's performance against environmental contribution criteria;
2) Analysis of the company's performance against the SFDR's DNSH;
3) Analysis of the company's performance against the SFDR's good governance criteria.

NAP will in its due diligence consider the principal adverse impacts of its investment decision on sustainability factors by taking into account the mandatory and selected optional indicators.

The estimated CO2e emissions avoided are calculated based on an Avoided Emissions Model that is used to analyse avoided GHG emissions per invested DKK million is calculated for new investments for NAP's Fund II and compared with relevant benchmarks.

The SDG contribution is analyzed as part of the ESG due diligence phase.

The ESG due diligence is performed by an external third-party advisor in collaboration with the NAP investment team.

Engagement policies

NAP believes that the key to managing risk at a portfolio level is to develop a plan with management that is measurable and achievable. NAP typically has a board seat in investee companies. NAP maintains constant dialogue with management to ensure the plan is being implemented and amended if and when needed. NAP has a structured portfolio management monitoring process using issue tracking protocols, weekly internal status reporting, key performance indicators ("KPIs") and monthly reporting meetings in addition to ordinary board meeting. This means that NAP can respond rapidly if any portfolio issues or opportunities arise.

Attainment of the sustainable investment objective

Fund II does not follow an index to meet the sustainable investment objective of the Fund. The sustainable investment objective is achieved based on the investment strategy and the elements described in this disclosure, incl. the listed sustainability indicators.

Version history

Version	Date
Version 1	09 December 2022
Version 2	18 June 2024