

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Incentive Active Value Long Only Fund
Legal entity identifier: 635400KRIZMC1N3TGN87

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☒ ☒ ☐ Yes	☐ ☐ ☒ No
☐ It will make a minimum of sustainable investments with an environmental objective: ____% ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ It will make a minimum of sustainable investments with a social objective: ____%	☒ It promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

Incentive Active Value Long Only Fund invests substantially all of its assets in Incentive Active Value Long Only Master Fund, which is categorised as an Article 8 Fund. Accordingly, for the purposes of SFDR, Incentive Active Value Long Only Fund is similarly categorised as an Article 8 Fund.

For the purposes of this Appendix II, "**Fund**" shall mean Incentive Active Value Long Only Fund through its investment in the Incentive Active Value Long Only Master Fund.

As part of the investment process, the AIFM considers a broad range of material environmental and social characteristics. Sustainability is essential to the investment and portfolio management processes and is integrated into the AIFM's bottom-up research process.

The environmental and social characteristics promoted by the Fund include, but are not limited to:

Environmental characteristics:

- ***Environmental and climate impact*** – The AIFM invests in companies with a responsible approach to the environment. The AIFM considers the full environmental impact of a company across the global value chain, even where the impact is very difficult to quantify rather than just the direct environmental footprint of the company.
- ***Carbon emissions reduction*** – The AIFM supports companies to reduce their carbon emissions. The AIFM engages with the management of the companies to encourage them to set emission reduction targets through signing the Science-Based Target initiative, which the AIFM believes is a sensible way for corporates to work towards cutting CO2 emissions based on their individual starting points.
- ***Water and waste management*** – for relevant sectors, water and waste footprint is considered. Pollution and waste, including both toxic emissions and operational waste at either the company or supply chain level can be disqualifying factors. The AIFM supports limiting emissions and waste, and assess the company's implementations of environmental measures.

Social characteristics:

- ***Labour rights*** – responsible employers that are not involved in forced labour, child labour or discrimination in the workplace. The AIFM will consider the track record of investee companies in relation to the treatment of workers and the local community in order to assess their suitability for capital allocation.
- ***Human rights*** – avoiding companies implicated with human rights abuses and investing in companies that support and respect international human rights standards.
- ***Anti-corruption*** – The AIFM does not invest in companies where management have a history of corruption, extortion, or bribery.

The promotion of environmental and/or social characteristics is integrated into the Fund's sustainability approach by the AIFM through the following:

- 1) investment in companies with high sustainability standards which identify and manage their sustainability risks and impact on the environmental, society, and people in line with the expectations of society;
- 2) undertaking an assessment of the key sustainability characteristics that are material to the company and industry in which the relevant company operates in using the AIFM's proprietary research and analysis;
- 3) engaging with the management of the companies in order to mitigate the risks and improve sustainability performance, to encourage them to align their business models, set emission reduction targets and disclose the appropriate information regarding material climate risk and opportunities and other sustainability issues; and
- 4) using proxy voting to drive positive change

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

As part of the investment process, the AIFM uses a range of both quantitative and qualitative sustainability indicators in order to determine the environmental and social impact of each investment within the Fund.

The sustainability indicators being considered by the AIFM are:

- 1) All Principal Adverse Impact (PAI) indicators which are material to the company, specifically GHG emissions, carbon footprint, GHG intensity, waste reduction policies, water policies, environmental disclosures and climate risk and opportunities assessment.
- 2) Social – Violations of UN Global Compact and OECD Guidelines for Multinational Enterprises, human rights policies and Health and Safety policies, anti-corruption and anti-bribery policies, business ethics policies, employee protection/ whistle blower policies, child labour laws.
- 3) The proportion of companies that have set, or have committed to set, a science-based target for greenhouse gas emissions reductions.

The AIFM has integrated these sustainability indicators into its fundamental research, investment decision-making, portfolio construction and trading and compliance processes.

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable – the Fund does not hold Sustainable Investments

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-

Not applicable – the Fund does not hold Sustainable Investments

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?



Yes

The AIFM considers the principal adverse impacts ("PAI") listed below in all its investments:

- GHG – scope 1, 2 and 3
- Energy consumption intensity
- Carbon footprint
- GHG intensity
- Emissions to water
- Hazardous waste
- Violations of UN Global Compact
- Board gender diversity
- Exposure to controversial weapons

The AIFM assesses the specific climate-related and other sustainability-related risks and opportunities faced by individual companies as part of its stock selection process, which integrates these considerations. The AIFM also exercises judgment in weighing the full impact of the company on the environment and society.

The AIFM uses multiple sources of ESG information and believes it is the investors who are best placed to filter this information and interpret its impact on a company's financial performance, sustainability footprint and valuation. ESG-related disclosure by companies may be limited, unverified and non-standardized. While noting the availability of reliable data for PAI indicators may vary, the AIFM intends to report on PAI indicators to the best of its ability and based on the most recent available data.



What investment strategy does this financial product follow?

As noted above, the Incentive Active Value Long Only Fund shall invest substantially all of its assets in the Incentive Active Value Long Only Master Fund.

The investment strategies are based on the fundamental research skills, portfolio management skills and risk management of the AIFM.

The Fund's portfolio is expected, under normal circumstances, to hold 10 to 20 investments at any given time. The AIFM believes that this number of investments will allow for sufficient diversification in the portfolio and at the same time enable the AIFM to dedicate a substantial amount of time to each of its investments. The AIFM intends to engage with the management teams, board members and other stakeholders of its underlying portfolio companies when it believes that such engagement can positively influence any processes aimed at enhancing the value of an investment.

The AIFM will often seek out investment opportunities that have been overlooked by many other investors. For instance, these could be situations where perhaps the complexity of factors surrounding the company or the industry in general, causes the company to be out-of favour or misunderstood by "the market" at the time. The AIFM believes, that such circumstances where its own investment view differs from that of

The investment strategy guides investment decisions based on factors such as investment objectives and risk

the consensus view in the market, often represents the very best investment opportunities.

The AIFM expects to generate high quality investment leads through a combination of (i) regular screening of European markets for opportunities where there is a substantial gap between market price and estimated intrinsic value, (ii) interaction with its extensive network of business and capital markets contacts across Europe, including management teams, board members, financial advisors, other institutional investors, controlling shareholders and other relevant market participants, and (iii) in depth analysis of specific situations that merits further work following initial assessment.

Investment ideas will be evaluated on the basis of extensive, fundamental value oriented research that includes analysis of business specific factors such as; profitability, financial strength, competitive positioning and growth prospects as well as wider industry dynamics such as; industry structure, nature of competition, relative strength vs. suppliers and customers, concentration level of customers and suppliers, risk of the company's products or services becoming obsolescent and risk of technology shifts.

The investment analysis also typically includes an assessment of the complexity of the situation at hand and the likelihood of significant value drivers materialising within a reasonable time frame, corporate governance related matters, liquidity characteristics and ultimately potential exit strategies.

The assessment of risk will be an integral part of the due diligence process carried out in conjunction with each investment in the portfolio. Typically, the AIFM will seek to minimise the Fund's exposure to companies where future profitability is difficult to assess, including investments in situations where a company's business model relies upon the adoption of new and unproven technologies and business concepts. When assessing the level of risk associated with each investment, the AIFM will focus much more of its efforts on understanding the risk for a permanent loss in the investment rather than trying to estimate the risk for short term fluctuations in the pricing of the investment.

Furthermore, the AIFM intends to monitor aggregate risk parameters such as overall portfolio exposure and liquidity characteristics, industry and capitalisation biases across the portfolio, exposure to situations with likely binary outcomes and overall portfolio exposure to broader market events such as significant fluctuations in commodity prices, foreign exchange rates or interest rates.

Once the AIFM's thorough due diligence process has revealed a compelling investment opportunity, the Fund will seek to make an investment through open market purchases, participation in private placements and initial public offerings, block trades and occasionally through privately negotiated transactions.

The AIFM expects that the Fund will hold most of its investments over several years and as a result of that, new investments will be initiated relatively infrequently.

Investments will be sold when their attractiveness, in the AIFM's opinion no longer is compelling enough to warrant continued exposure. Typically, this happens as (i) the AIFM's investment thesis proves correct and the price of the security converges to a level around assessed fair value, (ii) other even more compelling investment opportunities arise, causing a reallocation of capital away from some of the least attractive investments in the portfolio, or (iii) circumstances change in a way that is detrimental to the original investment thesis.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The AIFM is committed to integrate sustainability into its investment process. By making sustainability analysis an integral part of a core process, the AIFM will be better positioned to make informed investment decisions and push portfolio companies to mitigate risks and capture opportunities.

The binding elements of the Fund's investment strategy are as follows:

(i) Exclusion List

The Fund applies the Norges Bank (NBIM) observation and exclusion of companies list (the "**Exclusion List**"). The AIFM believes that compliance with the Exclusion List prevents investment in companies that breach environmental and/or social minimum standards and ensures that the Fund can successfully promote its environmental and social characteristics.

The Exclusion list can be found at <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/>.

(ii) The Six Principles for Responsible Investment (the "RI Principles")

The AIFM has committed to the following RI Principles:

1. The AIFM will incorporate ESG issues into investment analysis and decision-making process;
2. The AIFM will be an active owner and incorporate ESG issues into its ownership policies and practices;
3. The AIFM will seek appropriate disclosure on ESG issues by the entities in which the AIFM invests;
4. The AIFM will promote acceptance and implementation of the RI Principles within the investment industry;
5. The AIFM will together with investee companies to enhance its effectiveness in implementing the RI Principles; and
6. The AIFM will report on its activities and progress towards implementing the RI Principles.

(iii) *The AIFM's proprietary research and ESG analysis*

In addition to integrating the aforementioned Exclusion List and RI Principles into the portfolio construction process, the AIFM measures all portfolio companies by looking at the inherent sustainability risks of a company. Furthermore, the AIFM also looks at the sustainability governance of the investee company to see how they mitigate the inherent risks. Finally the AIFM considers the sector and countries the investee company operates.

By combining these together, the AIFM allocates a specific rank (low risk, medium risk or high risk) to each company. If the company in question receives a "high risk" ranking, the AIFM will not invest in the company.

For any investee companies that receive "medium risk" or "low risk" rankings, the AIFM will actively engage with the management of the companies and use proxy voting to manage risk and drive positive changes.

The AIFM's long-term investment horizon highlights the importance of ESG analysis because as long-term investors the sustainability of profits is critical to its valuation approach. The AIFM combines both qualitative and quantitative ESG factors into its overall analysis of a company using a long-term time horizon.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

The assessment of good governance factors, including sound management structures, employee relations, remuneration of staff and tax compliance, is an important component of the Fund's investment process and a part of the AIFM's due diligence process and analysis.

Long-term profitability is intrinsically linked to the responsible management of a company's impact on the environment and society. Based on the Fund's investment strategy, the AIFM considers the following additional governance factors to be of particular relevance:

- ***Board Independence and Quality*** – The AIFM believes firms with stronger board independence enjoy more effective governance through improved oversight and increased accountability. Investee companies need directors with specific skillsets that can grow key functions and build stakeholder value.
- ***Diversity of board & management team*** – A diverse board of directors can help companies enhance their reputations as responsible and aware corporations. The AIFM sees board diversity as a critical factor in business resiliency, sustainability and long-term financial performance.
- ***Accountability and transparency*** – The AIFM sees transparency as a crucial element to gaining credibility and trust among stakeholders. It is important to the AIFM that a company is transparent in respect of its record in management of governance matters, outstanding lawsuits or negative financial exposures and historic misbehaviours.

The AIFM believes that the engagement of environmental, social and governance factors enhance the long term sustainability of a business, which is of critical importance to the AIFM's

approach to stock selection. Such shareholder engagement is primarily exercised by attending and voting and investee companies' general meetings.

During the investment process, the AIFM considers how the company can reduce the residual risks further by making improvements to the company's sustainability governance framework and engages with the relevant investee company to share its views.

The AIFM may interact directly with management teams of the investee companies through in person meetings and conference calls. This allows the AIFM to engage with investee companies on ESG matters and assess good corporate governance practices at those investee companies.



What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

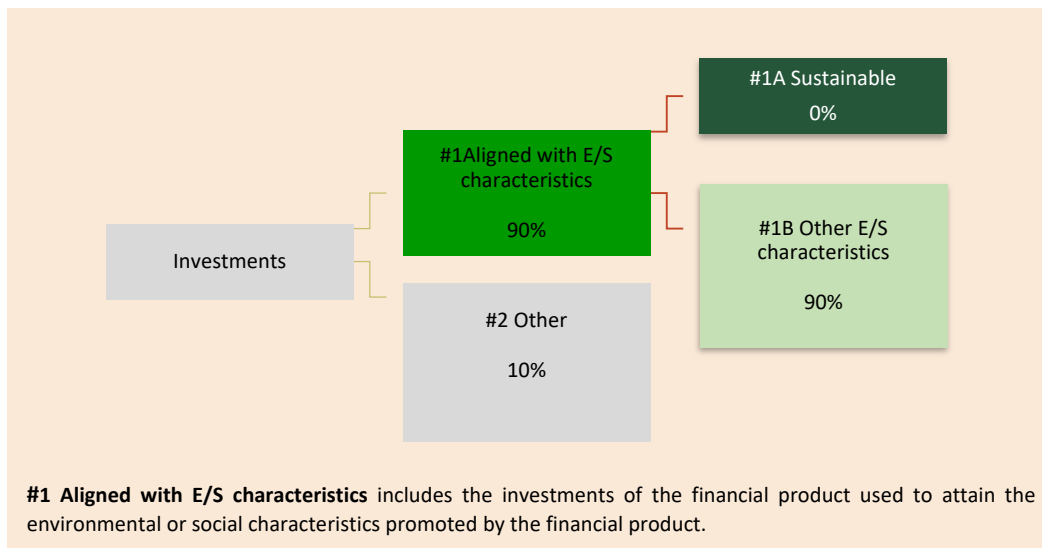
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The Fund aims to hold a minimum of 90% investments that are aligned with the environmental or social characteristics promoted by the Fund. The Fund does not hold sustainable investments.

The Fund aims to hold a maximum of 10% investments that are not aligned with the environmental or social characteristics promoted by the Fund and are not sustainable investments, and which fall into the "Other" section of the Fund (further details of which are set out below).

Please note that while the AIFM aims to achieve the asset allocation outlined above, these figures may fluctuate during the investment period and ultimately, as with any investment target, may not be attained.

The exact asset allocation of this Fund will be reported in the Fund's mandatory periodic report SFDR template, for the relevant reference period.



How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable - the Fund will not use derivatives to promote environmental or social characteristics.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund's investments are not Taxonomy-aligned. Accordingly, the minimum proportion of investments that contribute to environmentally sustainable economic activities for the purposes of the Taxonomy Regulation is 0%.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?



Yes:



In fossil gas

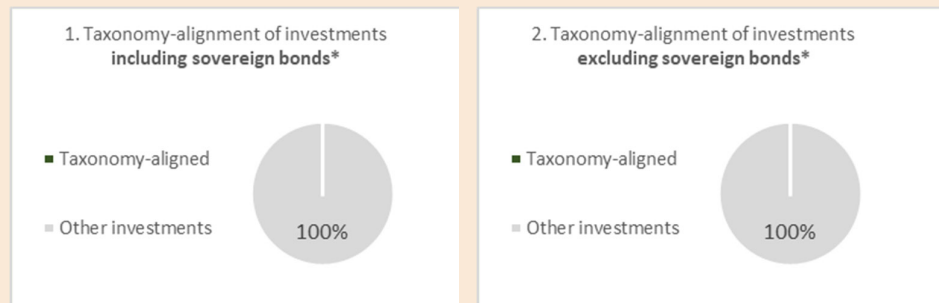


In nuclear energy

No



The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



What is the minimum share of investments in transitional and enabling activities

Not applicable

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable

What is the minimum share of socially sustainable investments?

Not applicable



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

“Other” includes the remaining holdings of the Fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

This “Other” section in the Fund might include (i) certain holdings and (ii) cash and/or cash equivalents, that have been retained for liquidity, hedging and/or cash management purposes.

As noted above, the Fund will be invested in compliance with the Exclusion List, on a continuous basis. The AIFM believes that compliance with the Exclusion List prevents investment in companies that breach environmental and/or social minimum standards and ensures that the Fund can successfully promote its environmental and social characteristics. The above steps ensure that robust environmental and social safeguards are in place.

No minimum environmental or social safeguards will be in place in respect of (i) certain holdings and (ii) cash and/or cash equivalents.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Not applicable.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

Not applicable.

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

Not applicable.

● ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***
Not applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.incentive.com/sustainability-related-disclosures/>