



# CLIMATE TRANSPARENCY REPORT 2020

Nordic Capital

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-07810BCB-B70F-44E0-BEB9-DA6605B1247A/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	-	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Nordic Capital
<b>Signatory Category</b>	Mixed Services
<b>Signatory Type</b>	n/a
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	>50% Private Equity Internally Managed
<b>Signed PRI Initiative</b>	2019
<b>Region</b>	Europe
<b>Country</b>	Jersey
<b>Disclosure of Voluntary Indicators</b>	95% from 38 Voluntary indicators

# Nordic Capital

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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We believe the fundamental impact of climate change has the direct impact on global economy. The transition into tackling these climate related risks and opportunities has since 2014, added a new dimension into our way of working and do business. Physical risks due to climate change as well as other macro trends are taken into consideration when screening new businesses and markets. Nordic Capital assess environmental factors and their impact as part of the investment process. Risks and opportunities considered and assessed are for example such as; dependency on natural resources, transports and logistics, heavy energy usage, chemical substances, water use and waste handling as well as identified future risks and opportunities such as the development of environmentally friendly technologies, transformation to renewables and efficiency in logistics and operational processes.

Nordic Capital believes that a company aware of its own environmental impact as well as understanding how the environment impacts their business is better able to manage associated risks and is more likely to have a long-term sustainable business model in place. We have clear requirements in our ESG integration and follow up on portfolio company level as well as in Nordic Capital's own sustainability agenda. The global climate is changing in ways that affect our planning and day to day operations of businesses in our companies. We expect our portfolio companies to support a precautionary approach and encourage companies to ensure energy efficiency, lower greenhouse gas emissions, use water responsibly, reduce waste and chemicals, and choose sustainable materials when sourcing. We encourage our portfolio companies to disclose information on climate change mitigation and/or adaption as well as providing climate related financial risk disclosures.

Nordic Capital is a long-term investor, with an average holding period for realised buyout investments of average 5.4 years. The portfolio companies of the Nordic Capital vehicles are not being considered as high-carbon-intense businesses directly involved in such as the extraction of oil and gas, shipping and raw material industries. However, the transition risk of going into a low-carbon and climate resilient future is challenging every portfolio company indirectly and in different ways. Risks and opportunities depend on geographies, sectors, policy change, shifts in market preferences and norms, technology, time horizons and government and business commitments in limiting global temperatures to rise.

In our mission to deliver superior returns to our investors, Nordic Capital understands that these risks must unceasingly be evaluated and mitigated, and transition opportunities must be captured and capitalised upon on. We believe resource efficiency, capturing new markets and supporting the development of new technologies, products and services is not only crucial developing businesses, but also for the survival of portfolio companies.

Additionally, Nordic Capital is continuously evaluating possible impacts of change in national and international climate policies, directives and regulations.

No

SG 01.7  
CC

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

From a Responsible Investor perspective, portfolio companies' attention to environmental factors is as relevant as their financial performance. When assessing risks and opportunities related to all environmental, social and Governance (ESG) factors, there is no specific timescale mentioned. We believe in building strong, sustainable businesses that consistently generate returns for our investors. It is of highest importance that sustainable values are well managed and developed throughout our investment process as well as after companies have proceeded.

We have strong current and future impact by proactively and selectively sourcing investment opportunities with the potential for substantive value creation and where sustainability is an important key area in this. During the ownership period, we ensure to accelerate potentials from a sustainability perspective and support positive transformative change at the company level. It is crucial that sustainable value is continuously well-managed, also after an exit, for a company's continued potential and growth.

No

SG 01.8  
CC

Indicate whether the organisation publicly supports the TCFD?

Yes

No

Explain the rationale

Nordic Capital has not yet publicly committed to support the TCFD. We understand integrating climate risk into the broader risk management framework requires guidelines to understand and measure potential exposures to climate change. In 2019, we updated one of our three ESG trainings (aimed at portfolio company management teams and board members) with an additional section to inform about TCFD, its relationship to the NFR directive and practical recommendations on integration of the TCFD recommendations. The training also includes disclosure of climate data.

We are also taking the TCFD's recommendations into consideration when developing our policy in 2020. In response to the TCFD recommendations, we need to develop Climate scenario analysis serves as a "what-if" analysis and is a useful tool to quantify the potential exposures of an institution to transition and physical risks.

SG 01.9  
CC

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Screening of potential investments always consists of three measures; financial, legal and sustainable measures. Sustainable measures include climate related risks and opportunities, as well as social aspects and corporate governance and ethics.

In addition to our Responsible Investment policy, Nordic Capital has a clear ambition to both reduce its own environmental footprint and continuously encourage our portfolio companies to do the same. Understanding of a company's greenhouse gas emissions at an early state, not only result in a thorough ESG risk and opportunities assessment, it enables us to plan for further actions to reduce negative climate impact and as part of the full value creation plan.

We expect our portfolio companies to take a precautionary approach and encourage companies to ensure energy efficiency, lower greenhouse gas emissions, use water responsibly, reduce waste and chemicals, and choose sustainable materials when sourcing.

We have increased the focus on climate related data and in 2019, we started to measure and disclose our own carbon footprint (Scope1-3) as well as assessing the climate impact of our portfolio companies (scope 1-2). We are currently conducting the climate report in accordance with the GHG protocol and it will be published in March 2020.

No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

We are currently conducting a climate report showing NC carbon footprint (Scope1-3) and Port Co (scope1-2) in accordance with the GHG protocol.

- We currently do not publish TCFD disclosures

## Governance and human resources

**SG 07 CC**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Descriptive**

**General**

**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues



#### Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### Investor relations

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### Other role, specify (1)

##### Our legal advisory team

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

#### SG 07.6 CC

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Nordic Capital has enhanced this investment assessment process and due diligence by developing sector specific training, templates and tools to better assess risks and opportunities related to different ESG factors. Nordic Capital includes a mandatory assessment of ESG (including climate related) risk and opportunity in all final investment recommendation material that is presented to the GP Board for the investment decision. In addition, Nordic Capital has embedded the standards issued by the Sustainability Accounting Standards Board to further strengthen the investment teams' capabilities in analysing how sustainability factors impact corporate value. These tools are reinforced through our training programmes that are also offered for our GP board members. Nordic Capital is committed to understand and integrate climate risks and actions to reduce our carbon footprint both on firm and portfolio level.

**SG 07.7  
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Sustainability factors (including climate related risks) are fully integrated into all stages of our investment and ownership process from evaluation through to exit. Nordic Capital investment professionals are well placed to address sustainability risks and opportunities with the support of a dedicated in-house Sustainability Team and external advisors. Nordic Capital has an objective to increase focus on assessing climate related risks and opportunities into the investment phase and disclosing climate related data to reduce our carbon footprint both on GP level as well as portfolio level.

The Nordic Capital toolbox includes a clear responsible investment checklist and supporting DDQs to address sustainability (including climate related) factors in the pre-investment phase. This helps us to better understand the current and potential impact that sustainability factors have on the investment's financial performance, operations and reputation. Nordic Capital includes a mandatory assessment of sustainability risk and opportunity in all final investment recommendation material that is presented to the GP Board. Nordic Capital provides sector specific training for its investment teams and is also a member of the Sustainability Accounting Standards Board (SASB).

Nordic Capital actively engages with its portfolio companies during the ownership stage to promote the importance of sustainability and share best practice. It sets out clear expectations for portfolio companies, ensuring that sustainability is addressed appropriately at boardroom level and throughout the organisation. Our portfolio companies have been required to perform a sustainability status review each year-end. Since 2016, we have used a sustainability software platform for non-financial information to systemise and improve the reporting processes. This platform was developed and is maintained by an external provider. The software is of great use to both Nordic Capital and its portfolio companies in the process of collecting, aggregating and analysing status, data and progress in different areas of sustainability, and in total we collect and analyse around 50 different data points. The reporting tool has been further developed in order to improve insights within new relevant areas and to link company reporting to GRI Standards and Sustainable Development Goals. The software also supports portfolio companies in the collection and analysis of sustainability data in order to meet increasing regulatory requirements on non-financial reporting.

In 2019, Nordic Capital further developed its process for structured feedback. Nordic Capital provides a Sustainability Scorecard per portfolio company to clarify requirements at an ownership level and to follow up the progress of each company's sustainability work on a yearly basis. The Sustainability Scorecard is shared with the Board of Directors and Executive management to help the company to better understand the sustainability challenges and opportunities and indicate where we can provide support or follow up on progress.

In addition, we encourage portfolio companies to communicate their sustainability agenda to important stakeholders and disclose key ESG related data in line with international standards and frameworks.

## ESG issues in asset allocation

**SG 13**
**Mandatory**
**Public**
**Descriptive**
**PRI 1**
**SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.3**

Additional information. [OPTIONAL]

ESG analysis, including climate related risks and opportunities, is performed on a case by case basis and in accordance to our responsible investment framework. This includes sector specific topics deemed relevant to the specific investment. Our investment focus covers the Nordic region, selected Northern European sectors and the Global healthcare market. Sustainability factors are fully integrated into all stages of our investment and ownership process from evaluation through to exit. At an early stage - in the sourcing and analysis phase, we are considering potential investments from a broad range of ESG factors, such as the SDGs, industry/sector, geographical spread in markets and operations, etc.

<b>SG 14</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14 CC	Voluntary	Public		General
<b>SG 14.6 CC</b>	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.			

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			tCO2
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			tCO2
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Nordic Capital believes that a company that is aware of its impact on the environment is better able to manage associated risks and is more likely to have a long-term sustainable business model in place		tCO2
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets			AuM for fund Sales in company
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	This holding (0,7% of total AuM) is exposed to the emission intensive fossil fuel market.	0,7%	Of total AuM

**SG 14.8  
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- ⊙ Processes for climate-related risks are integrated into overall risk management

Please describe

Each investment recommendation contains consistent and rigorous analytical information combined with a tailored evaluation approach. Standardised ESG check-lists and templates (including climate related risks and opportunities) are used to ensure consistency, quality and good risk management at each stage of an investment appraisal. The investment framework has been designed to fully leverage the Adviser's proactive sourcing, alpha-driven investment selection, operational capabilities and strong regional and sector networks.

The general partners of the Nordic Capital vehicle consider ESG issues including risk management and compliance and through the work of the Deal Risk Coordinator, based in Jersey the general partners are updated on progress of any deal specific ESG risks which need addressing in due diligence from a fund perspective. Each general partner board of the relevant Nordic Capital vehicle is responsible for managing its own risks and is responsible for ensuring that a consistent approach to ESG is applied to any given situation applicable to its respective Fund.

Nordic Capital has clear expectations that every portfolio company and its board of directors take sustainability matters into consideration and address them appropriately. A part of that responsibility is to identify risks and opportunities related to sustainability, not only related to environmental and climate related factors such as carbon footprint, water scarcity, chemical handling and disposals, but also factors including legal, regulatory, social, and ethical and community aspects.

Processes for climate-related risks are not integrated into overall risk management

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes
- No