

TURNSTONE ALTERNATIVE INVESTMENTS AS

INTEGRATION OF SUSTAINABILITY RISK IN INVESTMENT DECISIONS

1. Introduction and scope

Turnstone Alternative Investments AS (**Turnstone**) integrates sustainability risk in its investment decisions in accordance with Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**SFDR**). Sustainability risks mean environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment. Sustainability risk is assessed from an outside-in perspective, concerning how external events or circumstances can negatively affect the investment's return.

The pre-investment process described herein reflects Turnstone's current approach, which has been continuously enhanced since SFDR came into force in Norway on 1 January 2023, and represents the methodology as of the date specified below. Turnstone's approach to integration of sustainability risk is anchored in its internal policies and procedures.

Additional information about Turnstone's approach to sustainability matters, including product-specific sustainability disclosures, is available in the relevant fund documentation and on Turnstone's website.

2. Identification and categorisation of sustainability risks

As a fund-of-funds manager, Turnstone's exposure to sustainability risk is primarily indirect, arising through the underlying portfolio companies held by the portfolio funds in which Turnstone invests. Sustainability risks that materialise at the level of individual portfolio companies can impact the performance of the portfolio funds, which in turn affects the returns of Turnstone's funds. However, the fund-of-funds structure provides inherent risk mitigation through diversification, as Turnstone's funds typically maintain portfolios diversified across multiple portfolio funds, sectors, geographical jurisdictions, and investment strategies. This layered exposure means that whilst Turnstone does not directly control the sustainability risk management of underlying portfolio companies, Turnstone must assess how effectively the portfolio fund managers identify, evaluate, and mitigate sustainability risks within their respective portfolios.

Examples of relevant sustainability risks that could negatively impact the funds' returns if they materialise include (without limitation):

- Physical environmental risks, such as extreme weather events, natural disasters, and climate change impacts that may affect underlying portfolio companies' operations and asset values.
- Climate change transition risks, including regulatory changes such as new environmental legislation, carbon pricing mechanisms, stranded assets that may lose value due to technological shifts, and evolving consumer preferences towards low-carbon alternatives that could impact market demand.
- Social risks, including poor labour practices such as child labour, unsafe working conditions, discrimination, and inadequate employee relations that may lead to operational disruptions and regulatory scrutiny.

- Governance risks, such as poor governance structures, inadequate oversight mechanisms, lack of diverse perspectives in decision-making processes, and corruption including bribery, fraud, and other unethical business practices.

These sustainability risks may lead to business interruption, remediation costs, loss of commercial opportunities, regulatory sanctions, reputational damage, and direct financial losses at the level of the portfolio investments, all of which in turn could negatively impact the performance of funds managed by Turnstone. Consequently, Turnstone evaluates sustainability risk prior to making investment decisions to ensure appropriate risk assessment, valuation, and commercial evaluation of potential investment opportunities.

3. Sustainability risk integration process

Turnstone's approach

Turnstone seeks to identify sustainability risks through its investment process by examining how sustainability risk is managed within the underlying portfolio funds, and whether the mandate of the portfolio funds and/or the existing portfolio indicates elevated sustainability risk exposure. The scope and focus of the information gathering and analysis is tailored to the nature of the investment opportunity, with primary investments emphasising analysis of the portfolio fund's investment mandate and sustainability risk management framework, whilst secondary investments additionally incorporate high-level assessment of the existing portfolio composition and sustainability risk exposure of underlying investments.

Beyond this dual-level assessment of both the portfolio fund manager and the underlying portfolio investments, Turnstone conducts a materiality assessment to determine whether identified sustainability risks are likely to have a material adverse impact on the returns of the funds managed by Turnstone, taking into consideration the risk-mitigating effects of diversification across multiple portfolio funds at the Turnstone fund level.

Information gathering

Turnstone uses external legal advisors in its sustainability risk assessment to assist with information gathering and analysis and assessment of the sustainability risk associated with an investment.

The information gathering process consists of the following elements, as applicable and relevant to each specific investment opportunity:

- The manager's policies and procedures for integrating sustainability risk
- The manager's policies and procedures for the investment process
- Any additional ESG-related policies and procedures
- Limitations in the portfolio funds' mandates relating to investments in sectors or jurisdictions that are considered higher risk (for example, portfolio funds with a mandate that allows investments in high-risk countries)
- Screening and overall assessment of sustainability risk related to key personnel at the manager
- Review of previous/existing investments/funds

The information gathering may also involve external legal counsel asking questions directly to the manager about their investment process, focusing on any unanswered questions or weaknesses identified during the document review.

Analysis and assessment

Based on the information gathered, the external legal advisor provides a report summarising the sustainability risks related to an investment opportunity. The risk analysis includes, amongst others:

- Sector-specific risk assessment based on industry sector (e.g., energy, technology, healthcare)
- Geographical risk assessments that consider jurisdiction-specific regulatory, environmental, and social risk factors
- Manager capability assessment that evaluates the portfolio fund manager's sustainability risk expertise, policies, and track record
- Portfolio composition analysis for secondary investments, examining the sustainability risk profile of existing underlying investments

The assessment process includes a three-stage evaluation:

- Risk categorisation: determining whether inherent sustainability risk exposure is high, medium, or low
- Adequacy analysis: evaluating whether the portfolio fund manager's approach to managing and mitigating sustainability risks is adequate relative to the identified risk level
- Gap analysis: identifying weaknesses or deficiencies in the manager's sustainability risk management processes that may require attention or mitigation measures.

Investment decision-making and compliance verification

The report with the sustainability risk analysis and assessment, including recommendations, is circulated among Turnstone's investment committee before the investment is approved. Turnstone determines whether any areas require additional focus or further deep-dives, or whether sufficient information and transparency exists to proceed with the investment process. This review process enables the investment committee members to evaluate the sustainability risk assessment and conclusions, raise follow-up questions or objections to the assessments or advice received, and allows Turnstone to adjust internal valuations where identified risks warrant such measures.

Based on the sustainability risk assessment, Turnstone applies the following risk tolerance framework to categorise investments:

Unacceptable risk → Decline

- High sustainability risk where the manager's mitigation approach is inadequate
- This will typically be where such risks are deemed likely to materially compromise Turnstone's ability to deliver target returns to investors

Acceptable risk with measures → Proceed with conditions

- Manageable sustainability risk, where specific mitigation measures (e.g., close follow-up, side letter obligations) are sought in order to further reduce risks

Acceptable risk → Proceed

- Low sustainability risk where the manager's approach is deemed adequate

After the investment has been approved by Turnstone’s investment committee, the partner responsible for the investment completes a compliance checklist confirming that sustainability risk has been assessed and the outcome of the assessment. The compliance checklist, as well as the sustainability risk assessment, is presented to Turnstone’s Compliance Committee for review and final approval before the investment can be signed.

4. Post-investment monitoring

Through reporting and dialogue with managers during the ownership period, Turnstone regularly investigates whether there are conditions in the portfolio funds that indicate that the sustainability risk has changed.

Turnstone’s compliance function reports quarterly to the Board of Directors on the sustainability risk exposures for the Turnstone funds, including whether significant risks have been identified, if the current risk is deemed acceptable, any remedial measures deemed necessary, and whether Turnstone has adequate routines, processes and resources to manage sustainability risk.

5. Resources and updates

Turnstone uses internal and external resources in its sustainability risk management, and has established a governance structure around sustainability risk management that includes:

- Engagement of external legal advisors with ESG expertise
- Dedicated compliance function oversight
- Board-level reporting

This disclosure is updated as necessary in accordance with Article 12 of SFDR, and material changes to Turnstone’s approach to sustainability risk integration are explained and documented.

| Date | Amendment |
|------------|---|
| 06.03.2023 | Publication of disclosure |
| 02.05.2024 | Update of disclosure due to name change (merger) |
| 14.10.2025 | Comprehensive revision of disclosure to include a more detailed account of the sustainability risk integration process. |