The Directors of the Company whose names appear in the "Directors of the Company" section of the Prospectus accept responsibility for the information contained in this Annex, the relevant Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Annex and in the relevant Supplement and in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

SFDR Article 8 Annex(the "**Annex**") for Arctic Return (the "**Fund**") a sub-fund of Arctic Funds plc (the "**Company**")

An open-ended umbrella investment company with variable capital and segregated liability between Funds incorporated with limited liability in Ireland under the Companies Acts 2014 with registration number 487003.

5 September 2023

This Annex forms part of and should be read in the context of and in conjunction with the Supplement for the Fund dated 24 November 2022 (the "Supplement") and the Prospectus for the Company dated 24 November 2022 (the "Prospectus").

The Fund meets the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) as amended ("**SFDR**") to qualify as a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and provided that the companies that the Fund invests in follow good governance practices.

This Annex has been prepared for the purpose of meeting the specific financial product level disclosure requirements contained in the SFDR applicable to an Article 8 financial product.

Unless defined herein, all defined terms used in this Annex shall have the same meaning as in the Supplement or the Prospectus, as appropriate.

It is noted that the regulatory technical standards ("**RTS**") to specify the details of the content and presentation of the information to be disclosed under SFDR were delayed and were not issued when the relevant disclosure obligations in SFDR become effective. It is further noted, that some matters of interpretation of SFDR remain open (subject to ongoing exchanges between the European Supervisory Authorities and the European Commission).

It is likely that this Annex will need to be reviewed and updated once further clarification is provided on the open matters of interpretation of SFDR. Such clarifications could require a revised approach to how the Fund seeks to meet the SFDR disclosure obligations. Additionally, disclosures in this Annex may also develop and be subject to change due to ongoing improvements in the data provided to, and obtained by, financial market participants and financial advisers to achieve the objectives of SFDR in order to make sustainability-related information available. Compliance with the SFDR pre-contractual disclosure obligations is therefore made on a best efforts basis and the Company issues this Annex as a means of meeting these obligations.

IMPORTANT: Investors should note that as a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, the Fund may underperform or perform differently relative to other comparable funds that do not promote environmental and/or social characteristics.

The description of the manner in which Sustainability Risks are integrated into the investment decisions for the Fund are contained in this Annex. Investors should also note the risk factors "SFDR - Legal Risk", "ESG Data Reliance" and "Relative Performance" as set out in the Prospectus.

ANNEX II

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: Arctic Return the "Fund", a sub-fund of Arctic Funds plc
Legal entity identifier: 635400O6485KNXO3YN64

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:** ___%	☒ 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 20% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ 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?

The Fund promotes environmental characteristics through some of the direct and indirect investments it makes. Environmental considerations include a company's commitment to reduce its carbon emissions.

A reference benchmark has not been designated for the purpose of attaining the environmental characteristics promoted by the Fund.

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

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

The following factors will be considered in determining whether the Fund is attaining the environmental characteristics it promotes:

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-bribery matters.

- **Allocation to sustainable investments**. A factor contributing to whether the Fund will be considered to be attaining the environmental characteristics it promotes will be an assessment of whether the Fund has successfully and consistently achieved its minimum investment allocation to "sustainable investments" (as defined in SFDR, details of which are set out below).
- **ESG exclusion policy**. A further factor contributing to whether the Fund will be considered to be attaining the environmental characteristics it promotes will be an assessment of whether the Fund has successfully and consistently executed its ESG exclusion policy (details of which are set out below).

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?

In order for an investee company to be considered a sustainable investment, the investee company must: (i) contribute to an environmental objective; (ii) do no significant harm ("DNSH") to any other environmental objective; and (iii) follow good governance practices. An investment with an environmental objective aligned with the SFDR is one which is measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy.

The sustainable investments of the Fund will target an environmental objective. An investment with an environmental objective aligned with the SFDR is considered companies/entities in groups that:

- Have initiatives to reduce their carbon dioxide emissions, through the Science Based Targets initiative (SBTi), or through Net Zero targets, or through Paris-aligned carbon reduction initiatives (as found by our external data providers or own research across the spectrum); and
- Are not in explicit breach of the ten principles of the UN Global Compact on the environment, human rights, labour rights, and anti-corruption (as found by our external data providers or own research across the spectrum).
- Bonds issued under green bond standards shall be considered investments with an environmental objective aligned with SFDR;
- Bonds issued under sustainability-linked bond principles shall be considered investments with an environmental objective aligned with SFDR.

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?

The sustainable investments do no significant harm to any environmental sustainable investment objective by considering a principal adverse impact and aligning with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, considered in further detail below.

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

The Investment Manager's DNSH assessment involves data provided by one or more of the Investment Manager's external data providers. Examples of information used in this assessment includes the following with respect to an investee company: (i) assessment of the company's absolute and relative performance on the Principal

Adverse Impact ("PAI") indicators, when such indicators are available, reliable, and suitable: (ii) evidence of violations of global norms: (iii) a search for ESG controversies: (iv) its business activities: (v) the absolute amount of and development in the company's GHG emissions: (vi) external data providers' classification of the company on DNSH: (vii) the company itself reporting they do no significant harm.

The assessment shall consider data that indicates that it has a principal adverse impact on environmental, social or employee matters, respect for human rights, anti-corruption and anti-bribery matters ("sustainability factors"), with respect to the mandatory PAI indicators provided in Table 1 of Annex 1 of the Commission Delegated Regulation (EU) 2022/1288 (the "RTS").

The Investment Manager takes into account the mandatory PAI indicators on sustainability factors provided in Table 1 of Annex 1 of the RTS as part of the DNSH assessment when such indicators are available, reliable and suitable. Unfortunately, the availability of reliable data for the mandatory PAI indicators varies greatly and some mandatory PAI indicators are not suitable for assessing whether a specific entity significantly harms an environmental objective.

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

The Investment Manager relies on data provided by its external data providers to ensure Sustainable investments in the Fund do not fail to meet the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights.

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

X Yes, the financial product considers principal adverse impacts on sustainability factors. We have Principal Adverse Impact indicators for portfolio holdings from external data providers and internal estimates.

No

What investment strategy does this financial product follow?

The Fund is actively managed and portfolio managers pursue a fundamental, bottom-up investment process.

The investment objective is to achieve capital appreciation through investments in a diversified portfolio of bonds and money market instruments. The Fund invests in bonds and money market instruments listed or traded on Markets in the Nordic countries or other countries in Europe. The main market for the Fund is the Nordic bond market. The Fund pursues a long-only strategy.

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

The Investment Manager uses an internal rating scale. "Investment Grade" means a rating equivalent to AAA to BBB- set by registered or licensed credit rating agencies. Generally the Fund invests at least 70% of its Net Asset Value in cash, bonds (which may be fixed and/or floating rate) and money market instruments which are rated Investment Grade or Investment Grade equivalent at the time of purchase.

The average modified duration of the Fund's portfolio of assets shall be within the range of 0 – 12 months. The Fund carries a moderate credit risk. The Investment Manager seeks to obtain a diversified portfolio.

If the rating of a bond or money market instrument in which the Fund has invested, falls below the required levels, the Fund's position will be redeemed as soon as practicable having regard to the best interests of Shareholders, to the extent it is requisite to bring the portfolio in line with the Investment Policies.

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

In an event that an issuer of bonds held by the Fund is not able to meet its interest and/or amortisation payments, the result will, from time to time, be some form of restructuring of that issuer's debt/equity. Where equities or other instruments are issued to bondholders in these circumstances, the Fund may accept such exchange and hold such instruments for a limited period of time, provided that the Investment Manager deems that this is in the best interest of the investors in order to protect the value of the investments of the Fund.

The Fund may also invest in ancillary liquid assets, and notwithstanding the provisions above and subject to the general application of the UCITS investment restrictions, may also invest up to 10% of its Net Asset Value in unlisted instruments. For the avoidance of doubt, the Fund may not invest in other collective investment schemes.

The Fund seeks to take into account ESG related factors in the asset selection and investment monitoring process.

- ***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?***

  - **Allocation to sustainable investments**. The Fund seeks to include at least 20% of its investment portfolio in Sustainable Investments. This requirement is embedded in the Fund's investment selection process and is therefore a binding element.

  - **ESG exclusion policy**. The Fund applies comprehensive and robust ESG exclusionary screens (set by Norges Bank Investment Management) to prevent the Fund from investing in issuers that do not meet minimum ESG criteria that take into account certain environmental considerations. Specifically, companies which are found to produce products like tobacco, land mines, cluster bombs, and nuclear weapons will be excluded from investment consideration. Exclusions are also given for companies which commit serious human rights abuses, give high risk of future corruption, contribute to severe environmental damage, or contribute to violating the right of individuals in wars or conflicts. Exclusion may also be decided for mining companies and power producers which themselves or through entities they control derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal. It should be noted that the ESG exclusionary screens are not applied to issuers located in Norway. Given the Fund's investment focus geographically is on the Nordics, it is noted that the ESG exclusionary screens may therefore have a lower impact in restricting the Norwegian part of the Fund's investment universe.

  This monitoring and evaluation is embedded into the Fund's investment selection and ongoing monitoring process and is therefore a binding element.

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

  0%. A committed minimum rate of reduction is not a binding element of the investment strategy.

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

  Arctic Asset Management wants companies to follow the principles of corporate governance given by The Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB/NUES).

Following up on the governance practices of portfolio companies is part of portfolio managers' fundamental investment process and their routine dialogue and follow-up with companies in order to ensure that companies that the Fund invests in follow good governance practices. External data provides may also be used in affirming good governance.

Arctic Asset Management has internal guidelines for company engagement and the exercise of voting rights. The policy states engagements should be undertaken in such a way that it contributes to the holders in portfolios manged by AAM achieving the best possible risk-adjusted return, and that tradional corporate governance issues may be an appropriate area for company engagements and voting.

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.

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

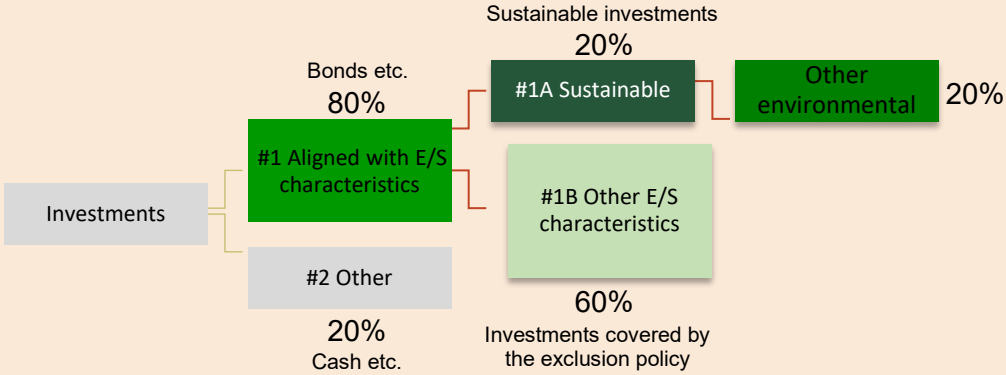
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What is the asset allocation planned for this financial product?

The Fund invests in bonds and money market instruments listed or traded on Markets in the Nordic countries or other countries in Europe, and generally at least 70% of its Net Asset Value in cash, bonds and money market instruments which are rated Investment Grade or Investment Grade equivalent at the time of purchase. The Fund is actively managed and portfolio managers pursue a fundamental, bottom-up investment process.

The Fund will have a minimum proportion of 20% of sustainable investments and will otherwise invest the balance of the invested portion of the portfolio in investments which are aligned with the environmental characteristics promoted by the Fund (investments which follows its exlusion policy).

The proportion of investments in the Fund which are neither aligned with the environmental characteristics promoted by the Fund, nor are qualified as sustainable investments is not expected to exceed 20%, barring exceptional circumstances. This will be cash or other holdings retained for example for liquidity, hedging and/or cash management purposes. No minimum environmental safeguards will be in place in relation to such holdings.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

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

The Fund does not use derivatives specifically for the purpose of attaining the environmental characteristics it promotes. Rather, the Fund may use derivatives for

ordinary purposes, as outlined in the Supplement, that is, for investment purposes and/or for efficient portfolio management purposes and in certain cases this may therefore incidentally relate to Fund attaining the environmental characteristics it promotes.

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

The Fund does not commit to invest any proportion of its assets in environmentally sustainable economic activities aligned with the EU Taxonomy. Accordingly, the level of EU Taxonomy-aligned investments shall be zero per cent (0%).

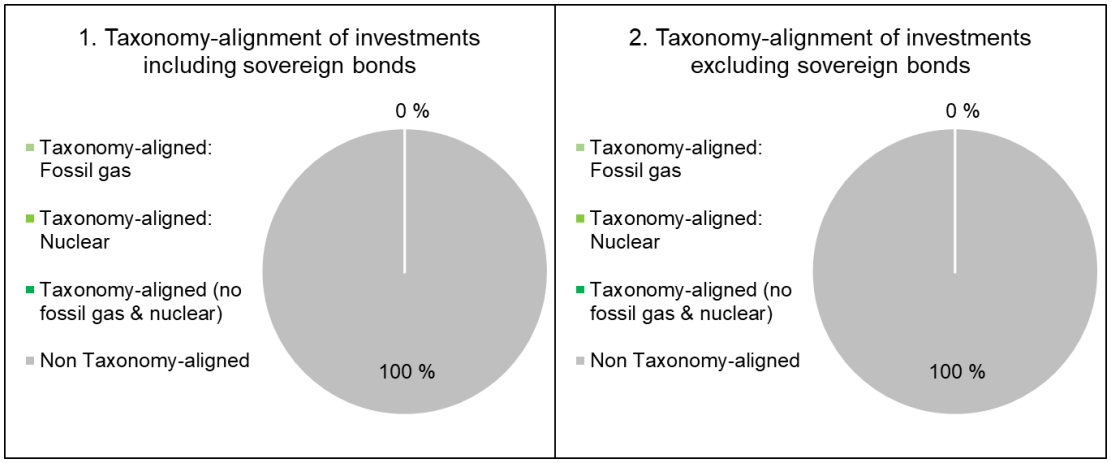
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?**

  Yes

  In fossil gas In nuclear energy

  X No

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



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

  0%. There are zero taxonomy-aligned minimum investments.

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

20% is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

What is the minimum share of socially sustainable investments?

0%. There is zero minimum investment in socially sustainable investments.

[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.

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

The proportion of investments in the Fund which are neither aligned with the environmental characteristics promoted by the Fund (covered by its exclusion policy), nor are qualified as sustainable investments is not expected to exceed 20%, barring exceptional circumstances. This will be cash or other holdings retained for example for liquidity, hedging and/or cash management purposes. No minimum environmental safeguards will be in place in relation to such holdings.

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?

The Fund has not designated a specific index as a reference benchmark to determine whether it is aligned with the environmental characteristics that it promotes.

Where can I find more product specific information online?

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

https://arctic.com/aam/funds