CORE SUSTAINABILITY CAPITAL

Core Sustainability Capital

2023 Impact Report

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2023 Impact Report

Core Sustainability Capital at a Glance

Bringing Impact to Life

Core Sustainability Capital ("CS Capital") is a Danish Alternative Investment Fund Manager ("AIFM") founded on the belief that capital should enable impact. We consider impact investing[1] as the activity of generating both competitive risk-adjusted returns and positive societal outcomes. In our view, both should be present for an investment to be a success and these are the opportunities we invest in.

Our mission is "Bringing Impact to Life". We hope for an entire investment industry that does the same. We aim to support this through our responsible investment activity, sharing knowledge and scaling impact management.

[1]Impact investing is defined as investments in companies or projects that are expected to create measurable positive environmental, governance and/or social outcomes alongside financial returns.

Impact Themes

- Renewable Energy and Energy Efficiency
- Resource Optimisation
- Societal Health

Investment Strategy

- Impact Investing
- Private Equity and Private Credit

Founded
2022

Number of funds
1

Committed capital in Fund I
DKK 5bn

Article 9

The fund has sustainable investment as its objective, within the meaning of Article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on Sustainability-related disclosures.

Impact Highlights from 2023

A snapshot of our activities and the impact we contributed to in 2023

53,621 tonnes

total recovered materials by our portfolio company Scanmetals

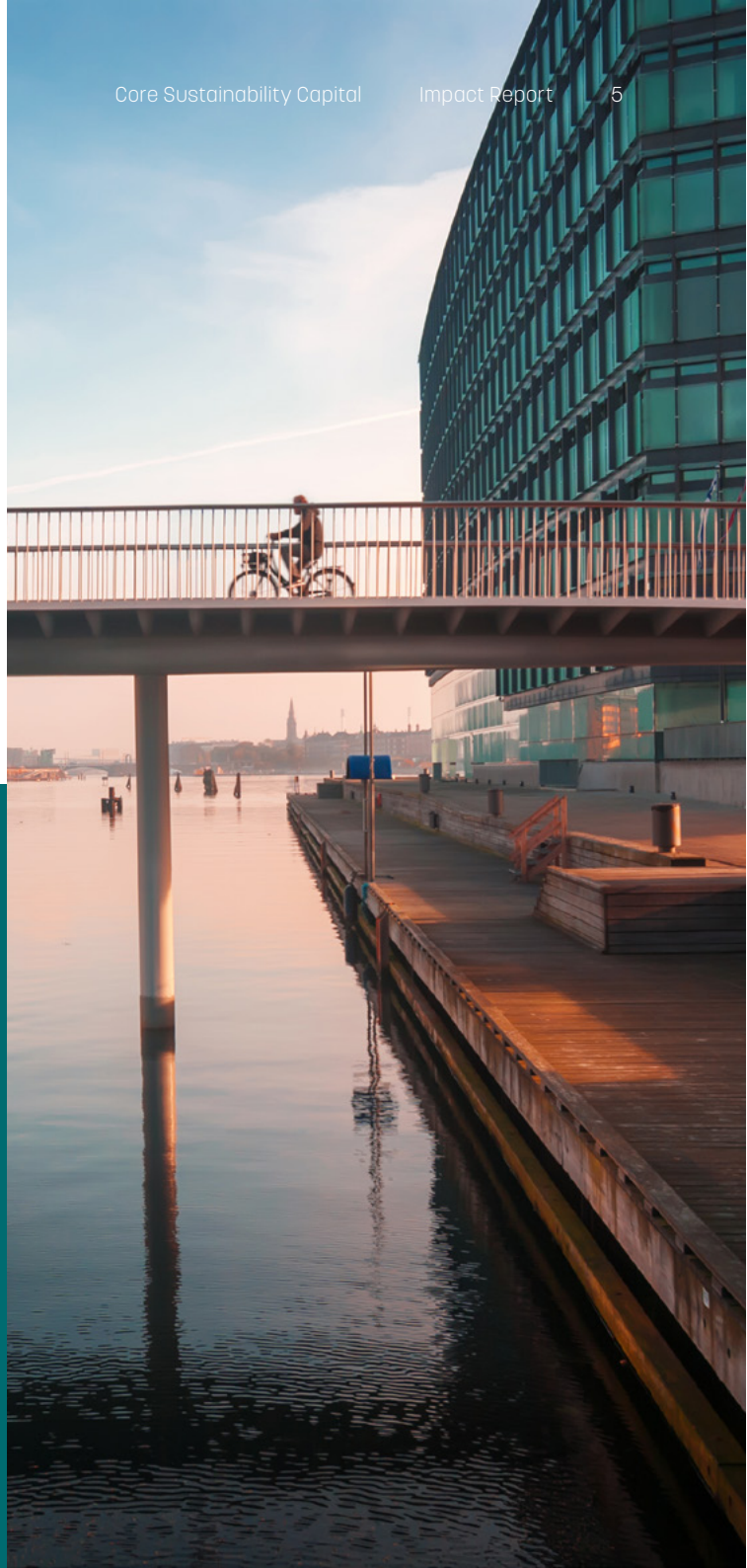
632 megawatts

total restored wind power by our portfolio company ZITON

215,987 tonnes

avoided CO2e[2] attributed to CS Capital's Fund I

[2]CO2-equivalents



2023 Impact Report

Letter from our Managing Partner

We are proud to present CS Capital's first Impact Report

We are proud to present CS Capital's first Impact Report. It reflects our commitment to drive sustainable development through impact investing. Our ambition is bold and far from easy to achieve, but we believe that capital in general needs to flow and function differently if we are to change the current trajectory of our world.

Now, less than two years after CS Capital was founded, we are very pleased with the reception we have had in the market. We are thrilled that our vision is shared by so many forward-looking companies, trusted advisors, investors and a growing team of dedicated employees at CS Capital.

We are "Bringing Impact to Life" in collaboration with visionary companies, aiming to improve their financial and sustainability performance. For us, it is all about deploying our financial resources and operational capabilities into our portfolio companies.

Unlike a traditional investment paradigm where the success of an investment is primarily measured by the size of the returns it has created, the impact investment space does not yet enjoy broad industry consensus in measurements and definitions. That is why it is important for us to stay continuously up to date with international standards and sustainability-related disclosures, such as the United Nation's Principles for Responsible Investment and the SFDR, while drawing inspiration from leading impact management organisations.

In 2023, we brought impact to life. As owners of Scanmetals, we are proud to have been part of increasing the supply of recycled metals on the global market, aiming to drive down demand for carbon-intensive raw material extraction. As lending partners to ZITON, we are pleased to have played our part in keeping offshore wind turbines turning, aiming to reduce our dependency on fossil fuels. These companies avoided approximately 874,690 tonnes of CO_2e[3] in 2023, through the recovery of 53,621 tonnes of metal and 632 megawatts of restored wind power.

With these two investments completed in 2023, more in the pipeline and a team made up of the best talent in the industry, we are very optimistic about the future.

We extend our warmest thanks to our employees, investors and portfolio companies for their dedication and belief in our mission. Together, we are bringing impact to life.

We invite you to explore our first Impact Report to learn more about our impact investment strategy, approach and portfolio companies.

Per Frederiksen
Managing Partner

[3]This is the total amount of avoided CO2e by the two portfolio companies. Read more about the impact attributed to CSF Fund I under 'Impact Measurement and Accounting'

2023 Impact Report

Bringing Impact to Life

Capital is key to solving some of the world's most pressing environmental and social challenges, and according to recent estimates, a significant amount is needed; DKK 25.5tn if we are to meet the UN's Sustainable Development Goals (DKK 10.3tn more than in 2015[4]). Furthermore, the UN Intergovernmental Panel on Climate Change points out that "green" financing needs to triple, as a minimum, if we are to stay below the 1.5-degree threshold of the Paris Climate Agreement.

At CS Capital, we believe that capital should flow and function differently and needs to be accompanied by operational capabilities. It was this idea that led Per Frederiksen to create CS Capital in 2022 supported by the Danish pension fund Velliv Pension & Livsforsikring A/S ("Velliv"). They saw an immense need for the investment industry to do something substantially different and work not only to generate competitive returns, but also to ensure that capital is a catalyst for positive societal and environmental contributions. That is why our mission is "bringing impact to life".

[4]UNCTAD, "SDG investment is growing, but too slowly": https://unctad.org/publication/sdg-investment-trends-monitor-issue-4

Bringing Impact to Life

CS Capital's Investment Approach

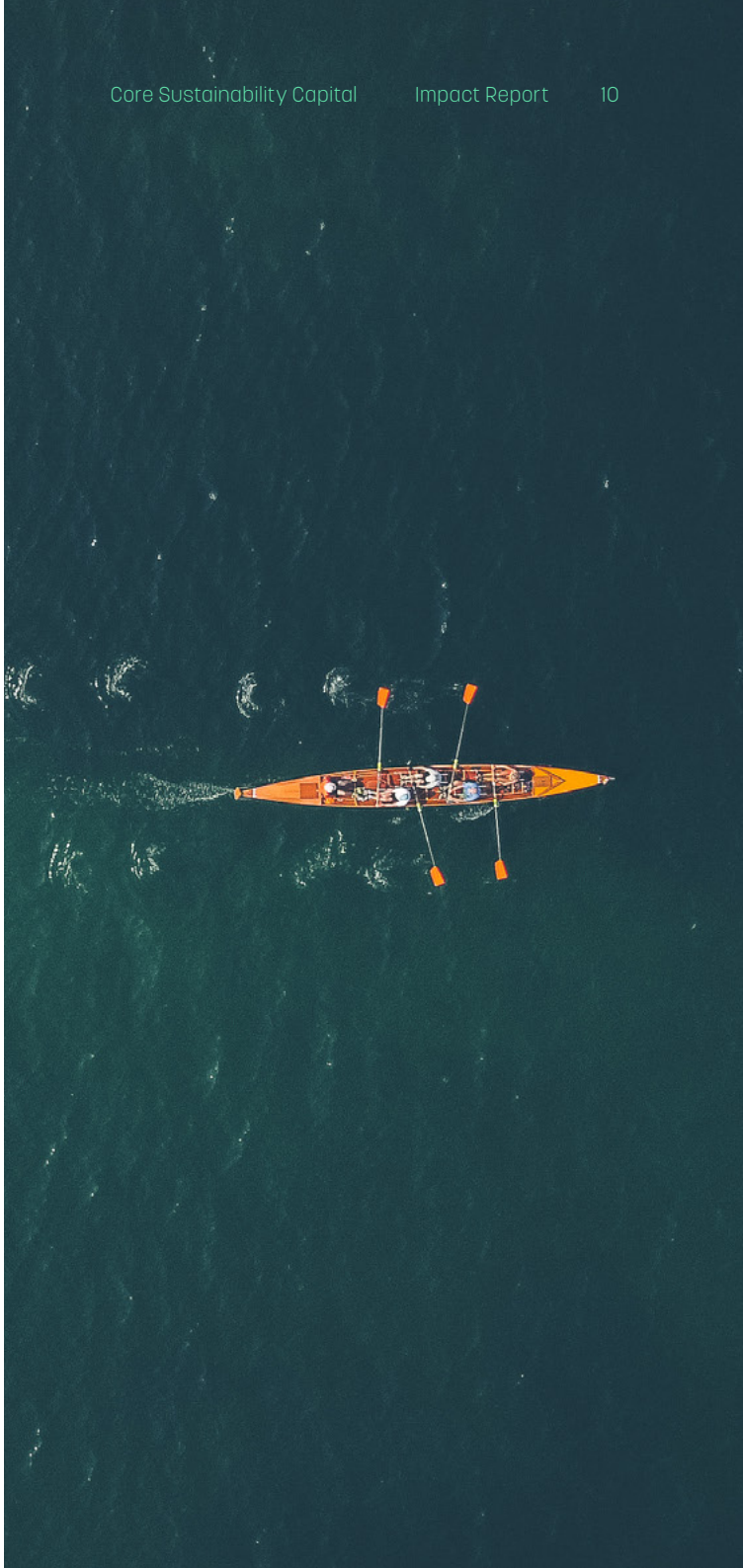
Together with forward-looking investors, we seek to deliver on our mission through a private equity and credit strategy based on four fundamental elements.

High-Impact areas:
We focus on sectors areas critical to a more sustainable society, including renewable energy and energy efficiency, resource optimisation, and societal health. These are our impact themes, which are explained in more detail on page 8. Within these areas, we engage with companies which require capital and support to scale their impact.

Nordic Global Outlook:
We are based on the values of promoting active ownership, collaboration and innovation which have also helped cement the Nordic region as a powerhouse for the green transition, exporting solutions globally. To reflect these values in our first fund, we focused on companies and projects based in the Nordics.

Flexible Capital:
We direct our capital and capabilities to where we believe they can create impact while ensuring competitive returns, regardless of asset class: equity, credit or both. This allows us to offer solutions that can support the varying needs of our portfolio companies.

Active Ownership:
We engage closely with our portfolio companies, providing strategic guidance and operational support to enhance their impact potential. We leverage our team and trusted advisors' expertise in business development and impact management to help companies improve financial performance, implement best practices, and achieve their impact goals.



Core Sustainability Fund I

Core Sustainability Fund I has sustainable investments as its objective, within the meaning of Article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on Sustainability-related disclosures. For an investment to be considered sustainable under this definition, it needs to meet a set of criteria. The first one is that the investment should contribute to environmental or social objectives. Secondly, the investment should not significantly harm any other environmental or social objectives. Thirdly, the company or project that is being invested in should follow good governance practices, meaning it should have in place sound management structures, employee relations, remuneration of staff, and tax compliance. All investments in the fund currently qualify as sustainable investments.

2023 Portfolio Snapshot

Scanmetals A/S

Scanmetals is a Danish metal recycling company which has developed a unique process to recover non-ferrous metals from incinerator bottom ash generated by energy-from-waste facilities and metal scrap. As an active minority owner, CS Capital has supported Scanmetals in increasing its metal recycling capacity and ensured sustainability-related initiatives are strategically prioritized.

(Learn more about Scanmetals and CS Capital's engagement with the companies in the portfolio impact section of this report on page 20).

ZITON A/S

ZITON is a market-leading service provider within offshore wind operations and maintenance for major component replacements. CS Capital engaged with ZITON by providing an ESG-linked loan – incentivising an increased focus on sustainability measures in the company by linking it to terms of debt.

(Learn more about ZITON and CS Capital's engagement with the companies in the portfolio impact section of this report on page 25).

2023 Impact Report

Our Approach to Impact Investing

Impact Themes

CS Capital invests to address some of the world's most pressing environmental and social challenges. Recognising that these challenges are complex and interconnected, we do not limit our investment universe to specific industries but have selected three primary impact themes.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

Companies or projects which support renewable energy production and energy efficiency to accelerate the green transition.

About 80 percent of the world still runs on fossil fuels[5]. The global energy transition is a monumental challenge that requires substantial investments. According to The International Energy Agency's Net Zero Roadmap, limiting global warming to 1.5 degrees is still possible, but it will require significant global investments in clean energy.[6]

CS Capital seeks to invest in companies that help propel the energy transition, reduce fossil fuel dependency, and reduce greenhouse gas ("GHG") emissions.

80%

of the world's energy relies on fossil fuels (coal, oil and natural gas)

SDG alignment

[5]ESSI, "Fossil Fuels"; https://www.eesi.org/topics/fossil-fuels/description#:~:text=Fossil%20fuels—including%20coal%2C%20oil,percent%20of%20the%20world's%20energy.
[6]Weforum: "IEA", 2023: https://www.weforum.org/agenda/2023/09/iea-clean-energy-investment-global-warming/#:~:text=IEA's%20Net%20Zero%20Roadmap%20says,technologies%20and%20more%20nuclear%20power.

RESOURCE OPTIMISATION

Companies or projects which reduce waste, improve the efficient use of resources and promote circular supply chains.

With the global population increasing by roughly 83 million people each year[7], global resource use and waste generation will inevitably increase in the coming years[8,9]. Already, the current and largely linear "take, make, dispose" consumption patterns are stretching our planet beyond its boundaries, using resources 1.7 times faster than they can regenerate.[10] Clearly, if the world's current population is to create a sustainable future for coming generations, we need to make better use of our resources, reduce waste and prolong the lives of products and materials.

CS Capital seeks to back companies that promote resource efficiency and circular economy practices.

Humanity is currently using resources **1.7 times faster** than the Earth can regenerate

SDG alignment

[7]UN, "World population projected to reach 9.8 billion in 2050, and 11.2 billion in 2100", 2017: https://www.un.org/en/desa/world-population-projected-reach-98-billion-2050-and-112-billion-2100
[8]World Bank, "WHAT A WASTE 2.0": https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html
[9]EMF, "The circular economy", 2023: https://www.ellenmacarthurfoundation.org/articles/the-circular-economy-a-missing-piece-in-city-climate-action-plans
[10]Earth Overshoot Day, "How many Earths? How many countries?"; https://overshoot.footprintnetwork.org/how-many-earths-or-countries-do-we-need/

1 billion people are estimated to live with mental, neurological, and substance use disorders.[12]

SDG alignment

SOCIETAL HEALTH[11]

Companies or projects which promote social health and wellbeing for a sustainable society.

We believe a sustainable society is a healthy society, and we must address both physical and mental wellbeing worldwide by providing adequate access to healthcare for all income groups. We are committed to addressing a broad range of issues, including social care, chronic and infectious diseases, nutritional deficiencies and mental health disorders. Our focus on societal health also extends to promoting healthy lifestyles, ensuring food security and quality, and enhancing overall well-being.

Our approach aims to ensure that we can tackle the interconnected aspects of societal health, creating a sustainable and equitable future for all.

[11]No investments were made in this impact theme in 2023.
[12]WHO, "World Mental Health Day 2023", 2023: https://www.emro.who.int/media/news/world-mental-health-day-2023-mental-health-is-a-basic-human-right.html

Risk Management Approach

Identifying and mitigating potential risks is a central aspect of our investment approach. We have implemented a risk management system with governance outlining processes, roles and responsibilities. This system ensures that sustainability risks[13] are assessed and monitored throughout the entire investment process. Through our systematic approach, each investment is carefully evaluated to ensure it does not violate any of our investment criteria and risk management policies.

Examples of our sustainability risk management activities include:

- Applying clear investment criteria
- Conducting thorough due diligence
- Monitoring and tracking key performance indicators ("KPIs") and including explicit ESG and impact KPIs

Our TCFD disclosure on page 31 details how we integrate guidelines on climate-related risks into our investment strategy.

[13]A sustainability risk refers to an environmental, social or governance event that could negatively impact the value of an investment.

Impact Management Framework

As a fund manager, we seek to create impact through the investments we make. Consequently, through our funding and operational support, we help improve our portfolio companies' ability to create impact and deliver an increased positive contribution to society.

We approach this through our impact management framework, which covers four phases of workflows across an entire investment lifecycle. It adheres to international best practices and incorporates robust processes for integrating ESG considerations and risk management.

Phase 1
Deal Sourcing

When identifying relevant investment opportunities, our investment team engages with companies and projects which align with our investment strategy and impact themes. Only investment cases which demonstrate potential for competitive risk-adjusted returns in combination with impact opportunities and can live up to the criteria of 'sustainable investments' (SFDR Art. 2(17)) are pursued. In addition to financial due diligence, in this phase, we place a detailed focus on impact considerations and assess the ESG profile of prospective companies with a particular focus on evaluating both the positive and negative impacts of their activities.

Phase 2
Investment Decision

Ahead of an actual investment decision, CS Capital works to design and bring to life a value creation plan to assure active ownership in the holding period. These considerations are embedded in our transaction terms, to ensure that impact management becomes a contractual element of our portfolio company relationship. This includes initiatives for impact creation and mitigating actions to reduce negative impact. As part of this process, we invest time in strategic conversations with management teams to confirm that the envisioned impact journey is feasible and can create value for the company.

Phase 3
Active Ownership

During the ownership period, CS Capital deploys resources into the portfolio to provide strategic and operational support. This includes target setting, defining effective governance and execution workstreams, strengthening organisational capabilities, and continuously monitoring and reporting on progress.

Phase 4
Exit

In the final stages of an investment, CS Capital will document the impact achieved during ownership and include considerations for continuous impact improvements after exit.

Impact Measurement and Accounting

In this report, we measure the most significant positive impacts[14] for each company by considering alternative societal scenarios if these positive impacts did not occur.

By this logic, ZITON's impact is focused on avoided GHG emissions because of the displaced fossil fuel used for power generation. Because of the nature of its business, Scanmetals has a a wider impact in more categories, namely avoidance of GHG emissions (through lower energy-intensive processes compared to virgin material extraction), human health (through the avoided exposure to harmful substances associated with metal mining and refining processes) and circularity (through the avoided depletion of natural resources).

Our impact measurement is based on a life cycle assessment (LCA)[15] approach and follows guidelines from the World Resource Institute[16].

Our avoided emissions estimations are based on an attributional approach[17], comparing emissions from likely alternative scenarios to current outcomes. Avoided emissions can be defined as "potential effect on GHG emission that occurs outside the boundaries of the organisation but arising through the use of its products or services, outside Scope 1, 2, 3 emissions"[18]. Avoided emissions are not equivalent to changes in the amount of GHGs emitted into the atmosphere. We acknowledge that the avoided GHG emissions reported are the outcome of a collective effort across the value chain.

While we strive to be as comprehensive as possible in categorising our impact, some aspects are not accounted for and can be difficult to accurately attribute to a specific location, company and share of ownership. See the technical appendix for additional information on the measurements and assumptions of the impact results.

[14]Adverse impacts are reported as Principal Adverse Impacts in line with the SFDR in the Reporting Frameworks section
[15]LCA data for our impact measurement in 2023 is compiled using data from Ecoinvent 10 and the end-point impact indicators of the ReCiPe 2016 Hierarchist method (one of the most commonly used life cycle assessment approaches globally)
[16]Estimating and reporting the comparative emissions of products
[17]An attributional approach focuses on measuring the impact, such as GHG emissions, between two products, such as recycled materials and virgin raw materials, in a system assumed to be constant with no changes.
[18]Following ISO IWA42:2022

Impact Attributed to Core Sustainability Fund I

We focus on measuring the impact that can be attributed to the Fund, as a reflection of our ownership stake or investment size.

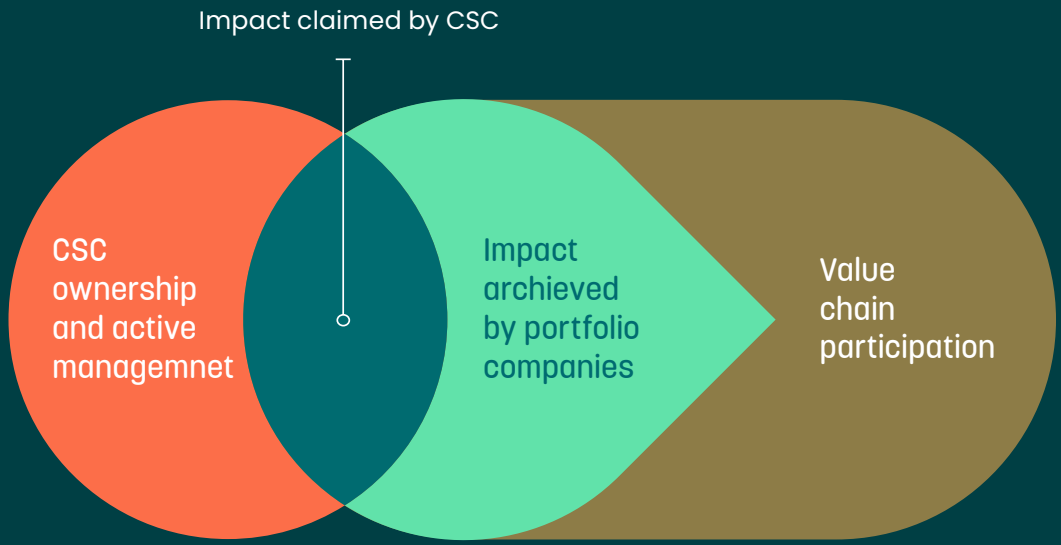
We recognise that the impact achieved is first and foremost a result of the efforts of our portfolio companies, as well as their stakeholders and wider value chains. The figure on the right illustrates how we ascribe only a fraction of the total impact to the Fund, which our portfolio companies create together with their value chain. Our financial participation is used to determine that fraction.[19]

In addition to GHG emissions, we keep track of a range of negative impacts potentially created by our investments. These are visible in our Principal Adverse Impact indicators on page 32.

Assessing, tracking, and managing the negative footprint of our portfolio companies is a key focus of our due diligence process and active ownership. We strive to offer our companies strategic and operational support to help them address their negative impacts.

[19]Impact attribution is performed on the basis of the capital invested in the portfolio companies. Please see the technical appendix for more information.

Impact Attribution



Key Impact Results

215,987
tonnes
avoided CO2e
attributed to CS Capital's Fund I

19,893
tonnes
emitted CO2e
attributed to CS Capital's Fund I

2023 Impact Report

Portfolio Impact

Scanmetals

Leading Low-Carbon Metal Recovery for a Circular Economy

As demand for more sustainably sourced materials grows, Danish metal recycling company Scanmetals has taken a leading role by offering recycled metals through its innovative recycling process. As an owner, CS Capital has supported Scanmetals in expanding its capacity for metal recycling and strengthening its ESG performance.

Metals play a key part in any society. They have propelled developments in everything from consumer products to buildings and driven entire industries forward. However, extracting and producing metals often comes at a high environmental cost, such as habitat destruction and intense energy consumption. With increasing demands for metals in solar panels, wind turbines, electric cars and electronic devices, the need for metal recycling has never been greater.

In the EU alone, over 94 million tonnes of scrap metal are being recycled each year, but experts claim that this figure needs to increase as we move towards a more efficient circular economy model which keeps existing metals in use[20].

[20]Business Waste, "Metal Recycling Facts and Statistics": https://www.businesswaste.co.uk/your-waste/metal-waste-recycling/metal-recycling-facts-and-statistics/ EURIC, "Metal Recycling Factsheet": https://circulareconomy.europa.eu/platform/sites/default/files/euric_metal_recycling_factsheet.pdf

A History of Innovation

The Danish specialist metals recycling company Scanmetals is centre stage of this challenge. Building on a history of innovation since 2009, the company has developed a “dry” process that outputs high-quality non-ferrous recycled metals from consumer waste incineration processes. It does this with a substantially lower environmental footprint compared to traditional recycling processes which rely on large volumes of water and chemicals - hence the “dry” process[21]. Additionally, Scanmetals' products have been certified as “End-of-waste,” which refers to the status of a waste material that meets requirements to be classified as a resource for new production processes, and thereby circular in nature.

The founder and CEO of Scanmetals, Ejvind Pedersen, identified a gap in the market and an industry that lagged behind on its environmental performance:

“Years ago, I was fascinated by the metals hidden within the ash from incineration plants. The common practice of extracting these using chemicals and water struck me as fundamentally flawed. This led me to find the right partner to develop the first machine that could extract metals from ash without these methods - an innovation never seen before. Today, it is the same commitment - to send metals back to the economy in a low-carbon, circular manner - that drives us” says Ejvind Pedersen, CEO and founder of Scanmetals.

Scanmetals today serves more than 150 customers globally with a lower carbon alternative – which is in increasing demand as industries decarbonise their operations. As an example, the carbon intensity of a tonne of aluminium from Scanmetals comes in at ~0.9 tonnes of CO2e, compared to 8.6 tons of CO2e in virgin aluminium.

[21]Scanmetals recovers non-ferrous metal from IBA (Incinerator Bottom Ash) which is the remains of residual waste incinerated in Energy-from-Waste (EfW facilities). Scanmetals also extracts non-ferrous metal (mainly aluminium) from Zorba (shredded non-ferrous scrap metal from end-of-life vehicle scrap, household appliances, and municipal waste)

“Years ago, I was fascinated by the metals hidden within the ash from incineration plants. The common practice of extracting these using chemicals and water struck me as fundamentally flawed”

Ejvind Pedersen, CEO and founder of Scanmetals

Founded in

2009

Kirke Stillinge, Denmark

Employees

250

53,621 tonnes

of metal recycled in 2023

Five production sites

Denmark, Germany, the UK, and Spain (under development)

1/3

ownership by Core Sustainability Fund I

Partnership to Expand Operations While Driving ESG

In 2022, when Scanmetals needed to restructure its ownership, Ejvind Pedersen and his team were in search of partners committed to carrying the company's legacy forward - active owners with an understanding of Scanmetals' industry, its opportunities and its challenges.

"This partnership with CS Capital was, and still is, a step forward for us. It is crucial for us to partner with an owner that is not just in it for a quick profit, but truly understands our business and roots. They challenge us, but in a good way that helps us stay ambitious on the ESG agenda," Ejvind Pedersen remarks.

CS Capital holds 1/3 ownership of Scanmetals and has helped the company increase its capacity to meet rising demand, including a new factory in Spain set to be operational in 2025, and expanding the capacity at existing facilities. In 2023, CS Capital has also worked to ensure that Scanmetals engaged in activities to improve its ESG maturity, with a focus on identifying key ESG issues and establishing robust reporting mechanisms.

"The new dynamics within the partnership challenges us in a positive way - they move us forward. By working together, we aim to lead the way for low-carbon circular materials," concludes Ejvind Pedersen.

Scanmetals' Impact

We define the impact created by Scanmetals as avoided raw material extraction (e.g. mining for new aluminium). We base this impact definition on the assumption that Scanmetals' operations increase the volume of recycled metals on the market which in turn can decrease the demand for virgin raw materials.[22]

This is a positive outcome seeing that a number of negative consequences from extracting raw materials are avoided. These include a higher carbon footprint compared to recycling and the potential depletion of a finite resource. Additionally, a lesser known, yet still important, consequence of raw material extraction relates to human health. This is because metal extraction and mining is a process involving a substantial amount of substances which are harmful to human health (WHO). The table below outlines the logic of how Scanmetals creates impact.

Inputs	**Activities**	**Outputs**	**Outcomes**	**Impact**
Resources going into Scanmetals	*The actions the company takes*	*The results of these actions*	*The measurable benefits of these actions*	*The societal goals Scanmetals helps achieve*
Waste metal (Incinerator bottom ashes, other scrap metal)	Mechanical waste processing	Mass of high-quality metal fractions are available for smelting (e.g., aluminium, copper, zinc)	Increased metal recovery and material circularity	Avoided raw material extraction

Table: Scanmetals Theory of Change

[22]We use a so-called attributional approach to impact measurement which focuses on the increased availability of recycled metal rather than proving a direct reduction in virgin material demand.

Key Impact Results

Avoided material extraction:

Scanmetals recycled

53,621 tonnes of metal fractions

in 2023 which benefits society by reducing the need for raw material extraction

Avoided impact on human health:

Using disability-adjusted life years ("DALY") as a proxy for the measure of human health, we estimate that Scanmetals' benefit to society for avoided negative impact on human health amounts to

5,126 DALY in 2023

Avoided GHG emissions:

Using emissions factors for the extraction of virgin metals, we find that Scanmetals net avoided

624,515 tonnes of CO2e

in 2023. Scanmetals' own emissions have been subtracted from this value

See the technical appendix for additional information on the measurements and assumptions of the impact results

Scanmetals' Sustainability Profile

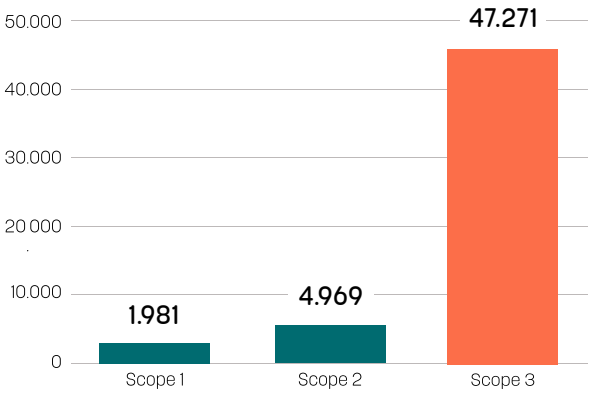
Scanmetals 2023 ESG accomplishments:

- Double Materiality Assessment conducted in alignment with ESRS
- Complete Scope 1-3 inventory for 2022 and 2023 developed
- Physical Climate Risk assessment conducted
- ISO 14001 certification (Environmental management systems)
- ISO 45001 certification (Occupational health and safety systems)
- ISO 9001 certification (Quality management systems)
- Human Rights Saliency Assessment conducted
- Code of Conduct formulated
- Whistle-blower protection policy implemented

For the purpose of this report, the footprint of Scanmetals' operations is expressed as GHG emissions. While we recognise the importance of other relevant impact metrics, such as employee well-being or biodiversity, we believe that focusing on climate change impact provides a robust starting point for tracking Scanmetals' performance.

As shown in the figure, scope 3 emissions constitute the majority of total emissions. This is primarily due to the energy-intensive smelting process carried out by Scanmetals' customers. In contrast, Scanmetals' own operations (scopes 1 and 2) have a relatively low carbon intensity[23]. The company has implemented several initiatives to further reduce its carbon footprint, such as electrifying forklifts and installing solar panels.

Scanmetals' emissions



[23]Scope 1-3 emissions have been calculated in alignment with the GHG Protocol requirements with support from external consultants.

ZITON

Keeping Turbines Spinning for the Energy Transition

Wind power plays a crucial part in the global energy transition and with the growing importance of this energy source, operational stability of the turbines is crucial for society. Danish ZITON is a market-leading service provider within offshore wind turbine operations and maintenance for major component replacements. CS Capital engaged with ZITON by providing an ESG-linked loan.

Offshore wind is expected to grow rapidly in the coming years, powering the energy transition towards net zero in 2050 (IEA). Offshore turbines are highly efficient as they leverage the natural benefits of the high wind speeds at sea.

However, this advantage also comes with challenges. Due to the higher wind speeds and harsh maritime weather conditions, offshore turbines experience significant wear and tear which increases the need for maintenance.

As global demand for renewable energy increases dramatically, operational downtime is not only slowing down the green transition, but also a costly affair for offshore wind operators. An offshore wind turbine is, on average, out of operation for one year when it malfunctions.

“We are proud to play our part in energy transition and provide a valuable service to our customers. The more we help increase uptime and efficiency, the more renewable energy is put on the grid and the less dependent we become on fossil fuels”

Thorsten Jalk, CEO of ZITON

Rapid Response “Ambulance” for Offshore Wind

The Danish offshore service company, ZITON, has chosen to tackle this challenge head-on by providing offshore maintenance services and turnkey solutions to offshore wind operators across Northern Europe. The company currently operates five Operation & Maintenance (O&M) jack-up vessels, a vessel type that uses “legs“ to elevate itself above sea level, which provides safer and more stable operation. The vessels are retrofitted decommissioned offshore construction vessels which vary in size and are quick to deploy for different types of assignments when needed. In an industry where every second of downtime counts, being “light and nimble” is crucial.

“Our customers rely on us to mobilise quickly to minimise downtime. That is exactly what they need - for us to respond swiftly, almost like an ambulance, to fix what needs fixing so they can continue operations without delay,” says Thorsten Jalk, CEO of ZITON and continues:

“We are proud to play our part in energy transition and provide a valuable service to our customers. The more we help increase uptime and efficiency, the more renewable energy is put on the grid and the less dependent we become on fossil fuels.”

Thorsten and his team of more than 240 employees estimate their market share is 52% of the Northern European market. As the deployment of renewable energy accelerates, ZITON expects market demand to increase in the coming years, with major component replacement needs projected by ZITON to rise by 68% from 2023 to 2028.

Engaging to Finance Growth and Strengthen ZITON's ESG Commitment

CS Capital's engagement with ZITON began in 2023, in connection with a company refinancing event which included a tailored ESG-linked financing solution of DKK 745m. The investment enabled ZITON to acquire another vessel, increasing their operational capacity to meet the increasing demand for offshore wind turbine component replacements.

"We were looking to raise capital for a new vessel to meet increasing demand. It was crucial for us to find 'smart capital' with partners who are committed to and understand what we do. Core Sustainability Capital ticked all the boxes for us", says Thorsten Jalk.

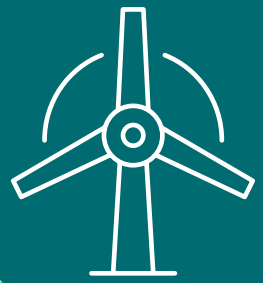
CS Capital's investment brought more than just financial backing; the investment intends to strengthen ZITON's ESG commitment as the margin on the loan is also dependent on ZITON's own ESG performance.

"The loan from Core Sustainability Capital is a breath of fresh air in the loan market because it has introduced a new dimension to our operations, with requirements that streamline our work with ESG standards. It is not just about financial support; it is about enhancing our approach to ESG which traditional loans typically don't address," Thorsten Jalk concludes.

Founded in

2007

and headquartered in Horsens, Denmark



1,650 interventions

at 72 wind farms across seven countries since inception

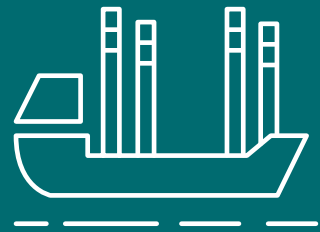
Employees

249

Five O&M jack-up vessels

DKK 745 m

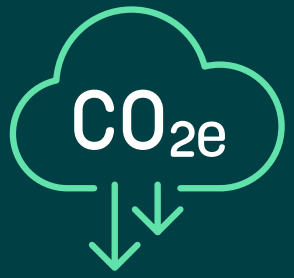
ESG-linked loan from CS Capital



Key Impact Results

Avoided GHG emissions:
Using grid emission factors for the estimated longer downtime of wind turbines without ZITON's interventions, we estimate that ZITON enabled 250,174 tonnes of CO2e in 2023. As ZITON enables increased power generation for its customers, we note that this value is shared with the efforts and output of the offshore wind farms and the broader value chain.

See the technical appendix for additional information on the measurements and assumptions of the impact results.



Avoided GHG emissions

250,174 tonnes CO2e

ZITON's Impact

ZITON's impact is defined as the avoided power generation from fossil fuels and the GHG emissions associated with this process, as a consequence of the increased operational efficiency of ZITON's customers' offshore wind farms. The table below outlines the logic of how ZITON creates impact.

Inputs	Activities	Outputs	Outcomes	Impact
Resources going into ZITON	*The actions the company takes*	*The results of these actions*	*The measurable benefits of these actions*	*The societal goals ZITON helps achieve*
Decommis-sioned offshore construction vessels ret-rofitted for responsive maintenance operations	Component replacement on offshore wind turbines	Number and power rating of serviced offshore wind turbines	Wind turbines become operational again and generate renewable power	Avoided electricity generation from fossil fuels

Table: ZITON's Theory of Change

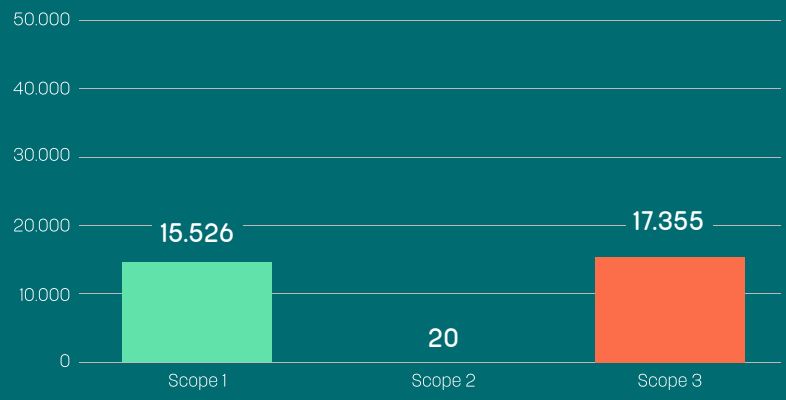
ZITON's Sustainability Profile

ZITON 2023 ESG accomplishments:

- Reported progress according to the ESG targets that were defined in the ESG-linked loan by CS Capital
- Double Materiality Assessment conducted in alignment with ESRS
- Complete Scope 1-3 inventory for 2022 and 2023 developed
- Multi-year ESG strategy approved by the Board of Directors
- Code of Conduct issued and under implementation
- Established methodologies for measuring impact KPIs
- Whistle-blower protection policy implemented
- Total Recordable Incident Rate of 1.5 - well below the industry average of 3.6

ZITON's emissions are driven by its scope 1, as the vessels run on conventional maritime fuels. The company is however working actively on optimising its GHG footprint. This includes initiatives such as installing batteries onboard vessels, planning routes efficiently to bundle operational deployment when possible, offshore bunkering, or the use of biofuels. Moreover, the company had a 75% share of renewable energy powering its offices in 2023.

ZITON's emissions



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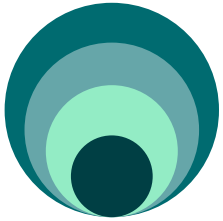
Reporting Frameworks

How We Work with the Taskforce on Climate-Related Financial Disclosures

TCFD Disclosure

We have integrated the guidelines provided by taskforce on climate-related disclosures (TCFD) to support our investment strategy. In this report, we use the TCFD implementation guide from British Private Equity & Venture Capital Association (BPEVA) in order to provide a summary of how we work with TCFD guidelines and briefly present how each of the four pillars are considered by CS Capial.



Governance
Strategy
Risk management
Metrics and targets

Governance	Board oversight	Given CS Capital's strategic focus on sustainable investments, considerations of climate-related risks and opportunities are covered in board meetings. Climate-related details of investment decisions are systematically covered prior to an investment decision.
	Management's role in assessing and managing climate-related risks and opportunities	CS Capital's management is heavily involved in assessing and managing climate-related risks and opportunities for all investments. This involvement starts upstream in the investment process where climate-related considerations are an integral part of the investment screening process.
Strategy	Identification of climate-related risks and opportunities	Identifying strategic risks and opportunities related to climate has been substantial to our work since the inception of CS Capital. Our three impact pillars embody the opportunities we have identified: renewable energy and energy efficiency, resource optimisation and societal health. We have an explicit focus of working with companies that capitalise on business opportunities in the climate agenda.
	Impact of climate-related risks and opportunities on business planning	Opportunities and risks are screened and assessed systematically at enterprise level. We perform a high-level assessment of risks through an ESG due diligence before investing, and during our ownership period, we encourage the performance of climate risk assessments. We also disclose and monitor key climate-related impacts using e.g., the PAI indicators. We engage actively with portfolio companies on climate change opportunities and risks and are influencing them to act more sustainably.
	Resilience of the organisation's strategy, taking into consideration different climate scenarios	We encourage our portfolio companies to develop an understanding of their climate resilience. Scanmetals performed a physical risk assessment on all the businesses' locations using two IPCC-aligned scenarios for short-term, mid-term and long-term impacts. We strive to understand and integrate climate resilience in our strategic planning.
Risk management	Process for identifying and assessing climate-related risks	Climate risk assessment is part of our ESG due diligence assessment. Climate-related regulations are monitored both internally and through third-party advisors.
	Processes and approach for mitigating climate-related risks	We engage with portfolio companies to encourage them to develop climate risk mitigation plans where relevant. ZITON is closely monitoring the evolution of lifting equipment to operate in wider weather windows and has emergency response plans and procedures in place.
	How climate change is incorporated into overall risk management	Climate risk is embedded in our wider risk management function.
Metrics and targets	Static/historical metrics and targets	We monitor an array of climate-related metrics. This includes the GHG emissions of our portfolio companies across all scopes, their carbon intensity and their energy intensity. These metrics are aggregated across our portfolio with a view of financed emissions. We also keep track of avoided GHG emissions as an impact indicator. We have not set forward-looking indicators or targets.

Principal Adverse Impact Indicators

Scope 1 GHG emissions	2.667 tCO2e
Scope 2 GHG emissions	1.339 tCO2e
Scope 3 GHG emissions	15.095 tCO2e
Total GHG emissions	19.101 tCO2e
Carbon footprint	144,54 tCO2e/mEUR
GHG intensity of investee companies	403,26 tCO2e/mEUR
Exposure to companies active in the fossil fuel sector	0%
Share of non-renewable energy consumption	99.89%
Share of non-renewable energy production	0%
Energy consumption intensity per high-impact climate sector	0.48 GWh/mEUR in Sector E: Waste Management 2.45 GWh/mEUR in Sector H: Transport and Storage
Activities negatively affecting biodiversity-sensitive areas	0%
Emissions to water	0%
Hazardous waste and radioactive waste ratio	0.0042 tonnes/mEUR
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-national Enterprises	0%
Lack of processes and compliance mecha-nisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	0%
Unadjusted gender pay gap	9.01%[24]
Board gender diversity	7.14%
Exposure to controversial weapons	0%
Investments in companies without carbon emission reduction initiatives	0%
Lack of human rights policy	0%

The full 'Statement on principal adverse impacts of investment decisions on sustainability factors' can be found on CS Capital's website

Statement on EU Taxonomy Alignment

In 2023, the share of investments with an environmental objective that were aligned with the EU Taxonomy was reported as 0%. CS Capital uses the criteria under Art. 2(17) to screen, assess, and monitor investments to align with the SFDR's definition of "sustainable investments". We will work to conduct complete EU Taxonomy assessments for our assets in the future.

[24]Data coverage for 'Unadjusted gender pay gap' applies to only one of the two investee companies

Deloitte has acted as advisor to CS Capital in the development of the Impact Report 2023.

During the process Deloitte has provided advice and guidance to CS Capital in order to support that the content of the report meets the requirements and expectations under article 9 of the sustainable finance disclosure regulation, and that the methods applied are consistent with the recommended practice. Deloitte has assessed the PAI indicators and other metrics presented in the report, including the quality and reliability of the data collected by CS Capital, and conducted the estimation and valuation of the impact indictors.

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Technical Appendix

Please note that the most important elements of the appendix have already been mentioned under 'Impact Measurement and Accounting'.

Attribution calculations:
When we report the impact created by our investments, we do not claim the entirety of the impact achieved by our portfolio companies. We claim only a fraction of this impact. The attribution key used in the calculation of that fraction is based on the ratio of capital invested to enterprise value. That ratio is then adjusted for our effective holding period throughout the year.

Establishing Impact Volume Indicators and Consolidating Impact Data Across Impact Categories

Our impact is primarily measured through life cycle assessment (LCA) data and models and follows guidelines from the World Resource Institute (Estimating and reporting the comparative emissions of products) where possible (we follow an attributional approach). LCA data for our impact measurement is compiled using data from Ecoinvent 3.10 and the end-point impact indicators of the ReCiPe 2016 Hierarchist method (one of the most commonly used life cycle assessment approach globally).

Life cycle impact assessment ("LCIA") results are typically split between midpoint and endpoint indicators. Midpoint indicators focus on specific environmental processes (like climate change or acidification), while endpoint indicators measure the overall impact of these processes on areas such as human health, ecosystems, and resource depletion. When considering our impact, we tend to focus on endpoint indicators (e.g., the use of DALY for human health or ASCP for material circularity, cf. below) because they allow for a more holistic approach. However, GHG emissions, which we use for avoided emissions, are typically used as a measure of global warming potential which is a midpoint indicator.

Scanmetals has several material impacts, this required a consolidation of midpoint (GHG emissions) and endpoint (DALY, ASCP results) indicators. Our portfolio companies report their avoided GHG emissions using emission factors ("EF") sourced on an ad-hoc basis from LCA databases or reputable data providers. However, this data cannot always be directly linked to the datasets used in the endpoint impact measurement performed by CS Capital as a manager. This stems mainly from three factors: different data sources, different versions of the same data sources (LCA data is updated continuously) or different LCIA methods. To maintain consistency in our carbon reporting, the avoided GHG emissions we claim are based on Scanmetals' own reporting (i.e., using a set of ad hoc EFs and EFs sourced from Ecoinvent). In order to create transparency on the variations introduced by the use of varying sources, datasets and LCIA methods, the table below lists the data sets used for each material processed by Scanmetals.

Used for endpoint impact data				**Used for avoided emissions**		
Material	Dataset	Source	LCIA	Dataset	Source	LCIA
Aluminum	Primary aluminum, IAI Area, EU27 & EFTA (market)	Ecoinvent 3.10	ReCiPe 2016 Hierarchist 1.09	Primary aluminum market, Global (IAI 2022)	IAI 2022	n/a
Copper	Copper production, cathode, solvent extraction and electrowinning process	Ecoinvent 3.10	ReCiPe 2016 Hierarchist 1.09	Same (Ecoinvent 3.9.1)	Ecoinvent 3.9.1	IPCC 2021
Brass	Brass production, RoW	Ecoinvent 3.10	ReCiPe 2016 Hierarchist 1.09	Same (Ecoinvent 3.9.1)	Ecoinvent 3.9.1	IPCC 2021
Zinc	Gold mine operation and refining[25]	Ecoinvent 3.10	ReCiPe 2016 Hierarchist 1.09	Same (Ecoinvent 3.9.1)	Ecoinvent 3.9.1	IPCC 2021
Stainless steel	Steel, chromium steel 18/8, RoW	Ecoinvent 3.10	ReCiPe 2016 Hier-archist 1.09	Stainless steel, 30% scrap	World stainless, 2023	n/a

[25]Under Ecoinvent's guidance, gold mining and refining is used as a proxy for the production of zinc as zinc is often a coproduct of gold production

About Avoided GHG Emissions

When accounting for avoided emissions, we have reviewed and applied guidelines from the World Resource Institute (WRI) / GHG Protocol, the International Organisation for Standardisation (ISO), the Net Zero Initiative and the World Business Council for Sustainable Development (WBCSD). We note that following ISO IWA42:2022, avoided emissions can be defined as "potential effect on GHG emission that occurs outside the boundaries of the organization but arising through the use of its products or services, outside Scope 1 emissions, Scope 2 emissions and Scope 3 emissions". We also note that following the WRI, avoided emissions can be used interchangeably with terms such as "environmental load reduction potential," "enabling effects," "positive impacts" and "contribution to societal reductions". Avoided emissions are not equivalent to changes in the amount of GHGs emitted into the atmosphere.

When assessing avoided emissions, we have applied the following accounting principles:

- We have followed an attributional approach, as the large majority of disclosed avoided emissions. A consequential approach is preferable to fully account for system-wide effects of avoided emissions. However, a consequential approach poses important methodological challenges that are particularly difficult to address across our portfolio.
- We acknowledge that the avoided GHG emissions reported are the outcome of a collective effort across the value chain.
- To the extent possible, we have strived to meet the accounting principles laid out in the WRI's working paper on estimating and reporting the comparative emissions impact (2019).

On the following pages, there is an overview of the key assumptions used in calculating avoided GHG emissions for each company. Following recommendations from the GHG Protocol product standard and the GHG Protocol working paper on comparative emissions, we also provide an evaluation of the quality of the data supporting the assessment of avoided GHG emissions against five quality indicators: technological representativeness, geographical representativeness, temporal representativeness, completeness and reliability.

Avoided GHG Emissions by ZITON

ZITON key assumptions and data points	
Turbine down-time	We assume that without ZITON's intervention wind turbines could be down for six months on average due to the low availability of vessels for component replacement. Downtime assumptions are particularly difficult to establish as market operators do not communicate openly on the matter. ZITON's management assumes that twelve months of down-time is a representative assumption of what would happen in the absence of the company's activities. In our calculations, we choose a conservative as-sumption of six-month average downtime.
Capacity factor	ZITON assumes a standard capacity factor of 40% across offshore wind tur-bines. This is in line with the available measurements.
Grid emission factors	Due to the unavailability of consistent marginal grid emission factors, average grid emission factors are used. In most cases, the use of average factors yields more conservative emission savings estimates.

ZITON key formula for avoided emissions	
Avoided emissions	WTG power rating (MW)*Timeframe (hrs)*Turbine downtime (days)*Assumed capacity factor (%)*National Grid Emission Factor (TCO2e/MWh)

○ Requires attention ◔ Poor ◑ Fair ◕ Good ● Excellent

ZITON data quality assessment	
● Technological representativeness	The main technological consideration is the power rating of the turbines which ZITON intervenes on. The data is tracked rigorously by the company and the assessment is performed at turbine-level.
◕ Geographical representativeness	For each turbine, the geographical grid is tracked by ZITON. The assessment is therefore performed at national grid level. Increased granularity could be found by using sub-national grids and marginal emission factors rather than average emissions factors in each grid.
◑ Temporal representativeness	Grid emission factors are from the year 2022 (latest available). A standard assumption of a half year (182.5 days) is used for estimat-ing downtime in the alternative scenario. This assumption seems conservative considering industry practices and market feedback but remains difficult to substantiate.
● Completeness	Robust data tracking processes at ZITON provide a platform for an assessment performed on all the interventions of the company.
● Reliability	Robust accounting policy and controls at ZITON provide reliable data streams to use in the assessment.

Avoided GHG Emissions by Scanmetals

Scanmetals key assumptions and datapoints	
Virgin raw materials	The impact of Scanmetals is assessed against the provision of virgin raw materials and the contribution to an increased supply of recycled metals to the market.
Metal recovery method	Scanmetals uses mechanical processes to perform the metal recovery process. This is more environmentally friendly than chemically based recovery techniques used by most suppliers of recovered metals in the market. This aspect of Scanmetals' impact has not been accounted for in our impact assessment.
Emission factors	Emission factors have been sourced on an ad hoc basis, for each type of metal that Scanmetals recovers and sell to its customers. Emission factors correspond to the production of virgin raw materials. Scanmetals' own emissions associated with the recovery process have been subtracted from the considered emission factors to get to the net impact of Scanmetals.

Scanmetals key formula for avoided emissions	
Avoided emissions	Material recovered, per type of metal [tonne]*(virgin raw material production emission factor [TCO2e/tonne] – Scanmetals production emissions [TCO2e/tonne])

○ Requires attention ◔ Poor ◑ Fair ◕ Good ● Excellent

Scanmetals data quality assessment	
◑ Technological representativeness	Virgin metal extraction and refining is performed through a wide variety of methods. The most common technologies are being considered for each type of metal processed by Scanmetals.
◑ Geographical representativeness	The geographical origin of virgin raw materials is deemed to be well reflected for the European market in some of the selected emission factors, but it is likely not well reflected in some others.
◕ Temporal representativeness	All the emission factors used are from recently updated datasets (i.e., oldest update is 2022). However, due to the nature of LCA datasets, some datapoints are likely to rest on assumptions that are not up to date with latest market data and production practices.
◑ Completeness	Some of the emissions factors used do not allow for a full disentanglement of different production process stages and place potential limitations on data completeness.
● Reliability	The tonnage of processes material is reliably tracked by Scanmetals. Emission factors are sourced from well-established, authoritative and reliable sources.

CORE
SUSTAINABILITY
CAPITAL

Our Mission:
Bringing Impact to Life

We hope for an entire investment industry that does the same. We aim to support this through our responsible investment activity, sharing knowledge and scaling impact management.