



Version 1
Approved: 29th February 2024
Approved by: Board of Directors
Responsible: Chief Executive Officer

RESPONSIBLE INVESTMENT POLICY FOR CORE SUSTAINABILITY CAPITAL A/S

1. INTRODUCTION AND BACKGROUND

- 1.1 Core Sustainability Capital A/S' ("**CS Capital**") is an Alternative Investment Fund Manager ("**AIFM/Manager**") located in Copenhagen, Denmark. CS Capital was established with the objective to create value to its investors and the surrounding environment and society by linking environmental and social impact to financial performance. CS Capital includes impact factors in its portfolio, striving for a balance between impact and financial investment objectives on behalf of the Alternative Investment Funds ("**AIF/Fund**") under management.
- 1.2 The Board of Directors of CS Capital has issued this Responsible Investment Policy (the "**Policy**") to describe CS Capital's approach when investing and managing investments on behalf of the funds under management to ensure that any sustainability requirement is complied with in a trustworthy and reliable way satisfactory to the investors of the funds under management.
- This Policy is not intended to affect the application of laws and regulations or documentation governing funds under management, but instead aims to support any requirement which the fund under management is subject to in the context of sustainable investments and achieving a positive environmental or social impact. CS Capital is at all times obliged to adhere to the requirements of the partnership(s) Limited Partnership Agreements ("**LPA**") and the Management Agreements between the fund and CS Capital.
- 1.3 This Policy describes CS Capital's approach to support the ambition and commitment towards sustainability and Environmental, Social and Governance initiatives and activities, including by describing how sustainability risks are integrated in the investment decisions-making process and the asset management of the funds under management by CS Capital.
- 1.4 CS Capital must always follow the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and may utilize for guidance the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investments ("**EU Taxonomy**") and the Directive (EU) 2022/2464 on corporate sustainability reporting ("**CSRD**") for the portfolio companies of the funds under management.
- 1.5 CS Capital is a signatory of the United Nations Principles for Responsible Investments ("**UNPRI**") and will on an ongoing basis evaluate whether it should become a signatory of other principles or networks in respect of the current applied investment strategies and whether the fund, CS Capital or both should become signatories.
- 1.6 This Policy shall be the principal guidance on responsible investments made by CS Capital throughout its investment and asset management phases and create a standard practice that accommodates all relevant requirements and expectations. The Policy furthermore covers how impact considerations and sustainability risks are an integral part of CS Capital's principles, processes, and guidelines. The majority of requirements in this Policy will be implemented in CS Capital's additional Policies and Procedures governing various activities in relation to investments and asset management to ensure a wholesome approach and naturally embed sustainability and ESG requirements and impact management in all activity based workstreams.

2. DEFINITIONS & ABBREVIATIONS

"AIFM Act"	Danish Act on Alternative Investment Fund Manager's
"AIFM Regulation"	Delegated Regulation (EU) 231/2013 on Alternative Investment Fund Manager's
"AIF/FUND"	Alternative Investment Fund
"AIFM/Manager"	Alternative Investment Fund Manager, Core Sustainability Capital A/S, company registration number: 43060937
"Asset"	Investments of an AIF under management
"CCO"	Chief Compliance Officer
"CEO"	Chief Executive Officer
"CIO"	Chief Investment Officer
"CRO"	Chief Risk Officer
"COI"	Conflicts of Interest
"CSRD"	Directive (EU) 2022/2464 on corporate sustainability reporting
"ESG"	Environmental, Social & Governance
"EU Taxonomy"	Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment
"IC"	Investment Committee of CS Capital
"Impact considerations"	Considerations related to the achievement of measured positive social or environmental impacts.
"LPA"	Limited Partnership Agreement
"LPAC"	Limited Partnership Advisory Committee
"Management"	Executive management of CS Capital appointed by the Board of Directors, currently the CEO
"PAIs"	Principal Adverse Impact indicators
"SFDR"	Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector
"UNPRI"	United Nations Principles for Responsible Investments
"Sustainable Investment"	The SFDR defines sustainable investment as "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".

3. OBJECTIVE

- 3.1 CS Capital's investment objective on behalf of the AIFs under management shall have the potential to generate positive societal and environmental effects, alongside the traditional financial metrics. This objective will be achieved by focusing on elements such as strategic long-term risk-based allocation, exposure to particularly attractive sources of return and having an effective partnership and collaboration strategy. The return of the portfolio will mainly be driven by traditional sources such as private equity, infrastructure, and credit in accordance with each AIFs under management respective investment strategies outlined in the Limited Partnership Agreement ("LPA") of the AIFs under management by CS Capital. The common denominator for investments is that there must be a sustainable objective within the thematic areas of the underlying funds.

- 3.2 CS Capital must ensure that impact considerations are addressed throughout the entire fund life cycle beginning with (i) fund formation, (ii) investing, (iii) asset management, (iv) divestment and (v) termination of the partnership. The management of CS Capital must ensure that any disclosure or reporting requirement is communicated fairly, balanced and not misleading. Furthermore, the performance of active ownership related to assets of the funds under management is a principal part of CS Capital's services to the funds and all requirements must be handled in a manner which reflects this level of interaction with portfolio assets of the fund.
- 3.3 CS Capital has currently signed the UN Principles for Responsible Investments ("**UN PRI**"), in 2022 the same year which the Manager was founded, which covers a set of guidelines and responsibilities on ESG topics for professional investors. Based on the individual characteristics of an AIF under management, the Board of Directors can decide to apply other relevant standards if required by limited partnership if it assessed that these would improve the positive impact of the AIF.

Furthermore, CS Capital is founding its practice on the principles and guidelines mentioned below and it prefers that its portfolio companies adhere to:

- The UN's Global Compact
- The UN's Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The Paris Agreement

- 3.4 CS Capital will not make investments in companies which deliberately and repeatedly violate the rules laid down by the national authorities. Nor will CS Capital support companies which do not abide by the rules, norms and standards originating from conventions and other international agreements ratified by Denmark. Further, CS Capital will not invest in companies located in countries subject to a trade embargo imposed by the UN or the EU.

4. GOVERNANCE OF SUSTAINABILITY RISKS

- 4.1 A sustainability risk refers to an Environmental, Social and Governance ("**ESG**") event or circumstance that, if it occurs, might influence, but not necessarily determine, the value of the investment.
- 4.2 The Board of Directors assess the sustainability and ESG risk in CS Capital to be medium-high risk for CS Capital based requirements in the funds LPA and the potential impact on the valuation of the asset under management. The most apparent ESG related risks identified by the Board of Directors is (i) negative financial impact arising from negative ESG performance, (ii) non-compliance with regulatory requirements including marketing efforts, (iii) operational risks, and (iv) reputational risk.
- 4.3 The Board of Directors ultimately reserves the right to at any time review and if necessary, reverse any decisions or activity performed by CS Capital, which is not aligned with the requirements of this Policy. All business procedures established by the Management shall create a clear process for handling all requirements and ensuring an escalation path for any decisions, which may be controversial to the intentions or requirements in this Policy, and which eventually allows the Board, Investment Committee ("**IC**") or Limited Partners Advisory Committee ("**LPAC**") to address their concerns related to the management of ESG risks at a point in time where the decision may be changed. Additionally, it is the duty of any employee of CS Capital to without hesitation escalate and inform the Board of any concern regarding non-compliant activities.
- 4.4 The Management of CS Capital must ensure that the requirements of this Policy are upheld throughout the activities performed on behalf of the AIFs under management. The Management must furthermore ensure that any reporting to the Board of Directors when relevant encompasses the necessary ESG risk considerations

and that the Board in accordance with their Annual Wheel of the Board of Directors receive a full status on conditions for ESG risks.

- 4.5 The Chief Investment Officer (“**CIO**”) is appointed by the Management of CS Capital as the risk owner of sustainability and ESG and is responsible for ensuring that ESG risks are embedded as an integral part of the investment and asset management processes and that all duties are described to enable the performance of the ESG related tasks. The CIO is furthermore responsible for elaborating the requirements to all employees in the investment and asset management departments and ensuring that all employees comply with the procedures established by the Management. The CIO shall be responsible for proposing updates of any relevant procedures to the Management. At least annually the CIO shall perform an annual awareness training for all employees.
- 4.6 Any employee of CS Capital which becomes aware that a potential or actual ESG risk has materialized must report it immediately to the employee’s line manager. The line manager and the employee must investigate the incident and without undue delay report it to the CIO. The CIO determines based on the outcome whether to escalate the incident to Management. All incidents must be logged and the ESG Risk log must be part of the annual reporting to the Board of Directors. In any circumstances the Chief Risk Officer (“**CRO**”) shall be informed about any materialized risk regardless of whether the risk has been handled and resolved satisfactorily.
- 4.7 The CIO must develop a risk methodology and terminology for the handling of ESG risks. All identified ESG risks defined as high risk must be reported to the Management without any undue delay. The report to the Management must include a proposed action plan to mitigate the risk, which the Management must approve before the proposed action plan is initiated.
- 4.8 The Risk Management function and the Compliance function must support the Management and CIO in their efforts to mitigate ESG risks and both functions must define ESG risks as a separate risk category and include it in their annual risk assessment to ongoingly evaluate the need of monitoring control design related to the ESG risks.
- 4.9 To obtain the best possible handling of ESG risks CS Capital must, when deemed necessary, engage external advisors to verify their approach to the subject and, if necessary, engage external support on behalf of the funds under management.
- 4.10 Any Conflict of Interest arising from the ESG requirements must be identified handled or mitigated satisfactory to the requirements and the expectations of investors in the AIFs under management.
- 4.11 As a consequence of the potential conflict of interest between financial performance and handling of ESG risks and to ensure the necessary attention to ESG requirements CS Capital’s Remuneration Policy has been updated to include ESG consideration when determining employee’s applicability to variable salary. The beforementioned situation shall be included in CS Capitals Conflict of Interest register.

5. SYSTEMATIC APPROACH

5.1 Fund formation

- 5.1.1 In accordance with the policy on product development all new AIF’s must be pre-approved by the Board of Directors. When presenting a new AIF to the Board of Directors, the presentation must include a clear description of the AIF’s classification in accordance with the SFDR and to what extent the AIF utilizes the EU Taxonomy. Furthermore, the presentation must contain an assessment of the requirements on the AIF in relation to

the chosen sustainable investment strategies and ESG-related considerations. The presentation shall outline how the AIF shall be managed to fulfil these requirements, including how the reporting and the verification of data quality will be ensured.

- 5.1.2 When initiating fundraising CS Capital must ensure that all marketing material is aligned with applicable marketing rules. The marketing material must always present the requirements assessment of the fund in a fair, balanced and not misleading way disclosing any ESG-related risks embedded in the AIF's strategy.
- 5.1.3 All pre-contractual documents must be shared with any potential investor before signing the subscription agreement. The pre-contractual disclosure shall be approved by the Management in advance of any potential investor receiving it.

5.2 **Investing responsibly**

- 5.2.1 To systemize the performance of responsible investments, as described in the beginning of this Policy, CS Capital will integrate the Manager's obligation of managing the fund to ensure a positive environmental or social impact through its investments.
- 5.2.2 CS Capital shall design and implement a framework in connection with the assessment, measurement and/or verification of the environmental and social impacts, both positive and negative, of the managed funds. CS Capital's impact management framework shall be designed around a collection of recognized consensus-building tools and frameworks to reflect the Manager's ambitions for impact management.
- 5.2.3 Investments opportunities shall be screened through relevant tools and frameworks using the agreed methodology to evaluate the actual and potential level of impact a prospective portfolio company has on society and the environment. An initial impact case shall be established, followed by an ESG and impact due diligence, after which the results will be presented to the IC and LPAC. The purpose of this is to ensure that all relevant and material ESG risks and impact opportunities are considered prior to investment decisions. An ESG due diligence is conducted by the investment team, in cooperation with external expertise when required. The ESG due diligence process ensures that relevant and material ESG risks are identified, their impacts are analysed, and the risks are treated or mitigated where required. The ESG workstream runs alongside other relevant workstreams such as commercial, financial, and legal etc.

5.3 **Asset Management**

- 5.3.1 To optimize portfolio management of investments, the Fund will typically have a role as a major investor in the portfolio Assets. This position will be used to promote impact-related opportunities and to attempt to resolve or mitigate any material ESG-related risks or controversies in the portfolio companies.
- 5.3.2 The Fund actively engages with stakeholders across the Assets as well as with co-investors and other relevant stakeholders. The purpose of the Fund's engagement is to actively promote relevant opportunities to enhance positive impacts on people and the environment and improve financial returns as well as mitigating adverse impacts on people and environment and financial sustainability risks. The Fund will ensure the data quality in its reporting is reliable and will only use estimated data where a sound and credible method for the estimation can be established. In case the Fund uses estimated data, the methodology used to calculate these estimates will be described in detail in the Fund's reporting. The Fund is dependent on receiving data from the Assets and will strive to limit any discrepancy relating to the data received from various Assets. In case discrepancies in data quality between Assets cannot be avoided the Fund will ensure alignment between the data in its reporting.

- 5.3.3 To support the investment, monitoring and reporting requirements of the AIF, CS Capital must during the investment period create a risk assessment tool based on predetermined methodology and taxonomy to assess the ESG-risks applicable to the individual AIF in a conform way. This risk assessment forms the basis for a risk-based approach by which CS Capital must assure that all sustainable investment requirements are performed according to the LPA.

5.4 **Divesting**

- 5.4.1 In addition to the divestment requirements outlined in its portfolio management policy, CS Capital must also create a plan to ensure that the necessary ESG-related risks and impact performance considerations associated with the asset have been subject to the necessary assurance in due time prior to the divestment. This assurance shall consider how the impact performance is influenced by the divestment both in relation to timing, structure, process and future ownership of the asset.

5.5 **Termination of an AIF**

- 5.5.1 Before the termination of an AIF the Management of CS Capital must present the Board of Directors with a conclusion of the AIF's total impact performance from inception of the fund to the termination. The presentation should also include a summary of the AIF's obligations and how the Manager has fulfilled them.
- 5.5.2 Any unresolved impact performance issues shall be followed up by the Management's suggestions on mitigating actions. Before termination of the partnership the Manager must receive the Board's approval, they assess all liabilities associated with the AIF's ESG risk reasonably accounted for.

6. **INTEGRATION OF SUSTAINABILITY RISKS**

- 6.1 CS Capital aims to ensure that sustainability risks are considered alongside other factors in the investment process as ESG considerations should be integrated with all investment cases and investment decisions.

- 6.2 The identified sustainability risks for CS Capital are the following:

Environmental sustainability risks may include (but are not limited to): Climate change vulnerability, natural resource scarcity and depletion, biodiversity and habitat/ecosystem degradation, water scarcity and quality, air pollution (including greenhouse gas emissions), non-air pollution and contamination, waste management, environmental accidents and disasters, regulatory and policy risks, supply chain risks, etc.

Social sustainability risks may include (but are not limited to): (Compliance with) recognized labour rights and standards, (compliance with) employment safety and health protection, working conditions, diversity, equity and inclusion (DEI), employee well-being, employee retention and turnover rates, stakeholder engagement and community relations, supply chain transparency, product safety, consumer/customer protection/welfare, data privacy and cyber security, community health and safety, local economic development, etc.

Governance sustainability risks may include (but are not limited to): •Board composition and independence, remuneration and incentives, shareholder rights, stakeholder engagement, anti-corruption and bribery, risk management and internal controls, business continuity management, legal and regulatory compliance, ethics and corporate culture, data privacy and cybersecurity, transparency and disclosure practices (including of ESG policies and risks), related-party transactions, etc.

- 6.3 CS Capital considers Principal Adverse Impact indicators ("PAIs") as well as social and environmental issues in assessing sustainability factors during investment decisions. The indicators for adverse impacts are taken

into account as a performance measure for the “do not significantly harm” principle. The mandatory PAIs will be tracked and monitored continuously and reported yearly. If the PAIs demonstrate negative progress, the Fund will work with the portfolio companies to rectify the causes of the negative progress through a corrective strategy.

The Principal Adverse Indicators as set out in the EU Commission’s delegated regulation supplementing Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation).

7. SUSTAINABLE INVESTMENT REPORTING AND REPORTING ON BREACHES

7.1 Assets must always comply with the reporting requirements of CS Capitals' funds and, if relevant for the reporting, distinguish between minority stakes, 50/50 joint ventures and majority control investments.

7.2 CS Capital's Management performs a review of the progress on ESG-related risks and impact considerations in relation to the funds, which should be included in periodic reports (e.g., quarterly, annually) to Limited Partners if deemed relevant.

7.3 The CIO of CS Capital is overall responsible for ensuring the reporting is performed as planned.

The Manager shall include ESG and impact considerations in its annual report to the Investor, subject to data availability and relevance. This should include a description of:

- i) any material changes to the implementation of the Manager’s Responsible Investment Policy, including any new initiatives relating to responsible investment matters; and
- ii) the implementation of the considerations contained in the Responsible Investment Policy along with Investment case studies, including examples showing the extent to which the Manager has been successful in encouraging Portfolio Companies to adopt compliance and/or reporting obligations relating to responsible investment Matters and highlighting the progress as against previous years or the initial investment date of such Portfolio Company, as applicable.

The General Partner and the Manager acknowledge that the Investor has disclosure obligations due to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) as well as Regulation (EU) 2020/852 (Taxonomy regulation). The Manager shall provide any mandatory reporting to the Investor in such form and with such frequency as the Investor reasonably requests.

8. ANNUAL REVIEW FOR THE POLICY

8.1 This Responsible Investment Policy shall be reviewed at least once a year by the Board of Directors.

8.2 Any changes to the policy must be adopted by the Board of Directors, and the compliance function will be responsible for incorporating the changes.

8.3 The following change log must be used for an overview and shall be used when changes have been implemented.

Change log:		
Version	Date	Description of changes
