

## Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant:** Core Sustainability Capital A/S

**Legal entity identifier:** Business Registration Number: 43060937

### Summary (English)

Core Sustainability Capital A/S (CS Capital) considers principal adverse impacts (PAI) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of CS Capital.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

In this reference period, CS Capital managed one financial product, Core Sustainability Fund I K/S (Fund I), in which two investments were made. This is the first reference period within which results can be reported, therefore, no results can be reported for the previous reference period.

This statement includes the consolidated impact of CS Capital through its Fund I on fourteen mandatory indicators and two additional voluntary indicators. The additional indicators are i) Investments in portfolio companies without carbon emissions reduction initiatives aimed at aligning with the Paris Agreement, and ii) Investments in entities without a human rights policy.

This is CS Capital's first statement on principal adverse impacts on sustainability factors in which investments were made in Fund I during the first half of 2023. For both investee companies, CS Capital was the first investor to request data on all PAI indicators, meaning that robust reporting practices are still being developed. PAI data is currently collected from investee companies on an annual basis to track impact and progress on sustainability factors.

CS Capital is committed to identifying, prioritising, and assessing principal adverse impacts on sustainability factors during the investment decision-making process, which are continuously monitored through CS Capital's engagement with portfolio companies in its ownership period. PAI indicators are used to measure the negative impact of CS Capital's investments on sustainability factors.

## Opsummering (Danish)

Core Sustainability Capital A/S (CS Capital) tager hensyn til de væsentligste negative indvirkninger (PAI) af sine investeringsbeslutninger på bæredygtighedsfaktorer. Dette er CS Capitals konsoliderede erklæring for de væsentligste negative indvirkninger på bæredygtighedsfaktorer.

Denne erklæring dækker referenceperioden fra 1. januar til 31. december 2023.

I denne referenceperiode forvaltede CS Capital et finansielt produkt, Core Sustainability Fund I K/S (Fund I), hvori der blev foretaget to investeringer. Dette er den første referenceperiode, hvor der kan rapporteres resultater, og derfor kan der ikke rapporteres resultater for den foregående referenceperiode.

Denne erklæring omfatter den konsoliderede indvirkning på bæredygtighedsfaktorer af CS Capital gennem Fund I på 14 obligatoriske indikatorer og to yderligere frivillige indikatorer. De yderligere indikatorer er i) Investeringer i porteføljeselskaber uden initiativer til reduktion af CO<sub>2</sub>-emissioner med henblik på tilpasning til Parisaftalen, og ii) Investeringer i porteføljeselskaber uden en menneskerettighedspolitik.

Dette er CS Capitals første erklæring om de vigtigste negative indvirkninger på bæredygtighedsfaktorer, hvor der blev foretaget investeringer i Fond I i første halvdel af 2023. For begge investeringer var CS Capital den første investor, der anmodede om data om PAI-indikatorer, hvilket betyder, at en robust rapporteringspraksis stadig er ved at blive udviklet hos porteføljeselskaberne. PAI-data indsamles i øjeblikket på årsbasis for at måle indvirkning og fremskridt med hensyn til bæredygtighedsfaktorer.

CS Capital har forpligtet sig til at identificere, prioritere og vurdere de væsentligste negative indvirkninger af sine investeringsbeslutninger på bæredygtighedsfaktorer under investeringsbeslutningsprocessen og overvåges løbende gennem CS Capitals ejerskabsperiode. PAI-indikatorer bruges til at måle den negative indvirkning af CS Capitals investeringer på bæredygtighedsfaktorer.

## Description of the principal adverse impacts on sustainability factors

The table below outlines the 14 mandatory and two additional voluntary PAI indicators that are monitored and addressed by CS Capital, along with the actions taken to avoid and reduce adverse impacts during the investment decision-making process and during CS Capital’s ownership period.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact 2023	Impact 2022 <sup>1</sup>	Explanation <sup>2</sup>	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	2.667 tCO <sub>2</sub> e		Data covers 100% of investments. For the reference period, this refers to the first two investee companies in CS Capital’s Fund I. Note that one of the companies did not include company cars fuel consumption, however, this source is non-material for the total energy consumption. The PAI indicators related to GHG emissions are calculated using the appropriate formulas described in Annex I <sup>3</sup>	CS Capital has worked to ensure that all investee companies have processes in place to measure and report their GHG inventories. In the reference period, both investee companies focused on identifying and calculating their Scope 1, 2 and 3 emission baselines in collaboration with external advisors, marking a significant step towards identifying and implementing emissions reduction initiatives. CS Capital will support its investee companies to define and execute carbon emission reduction initiatives going forward. No specific reduction target is currently in place, but CS Capital aims to reduce the carbon footprint year on year, while absolute emissions are expected to increase as new investments are made
		Scope 2 GHG emissions	1.339 tCO <sub>2</sub> e			
		Scope 3 GHG emissions	15.095 tCO <sub>2</sub> e			
		Total GHG emissions	19.101 tCO <sub>2</sub> e			
	2. Carbon footprint	Carbon footprint	144,54 tCO <sub>2</sub> e/mEUR			
3. GHG intensity of investee companies	GHG intensity of investee companies	403,26 tCO <sub>2</sub> e/mEUR				
4. Exposure to companies active in the	Share of investments in companies active in the fossil fuel sector	0%		Data covers 100% of investments	With the objective of sustainable investments, CS Capital has a target of 0% share of investments in companies active in the fossil fuel sector. This is	

<sup>1</sup> The reference period Jan 1-Dec 31, 2023, is CS Capital’s first reporting period, therefore no values can be provided for the previous reference period. Next year’s reference period (2024) is the first in which a comparison to the previous reference period can be made (2023).

<sup>2</sup> In order to account for the change in Fund I’s investments throughout the reference period, relevant PAI indicators have been periodized using quarterly values of the unrealized fair value of the assets, divided by the unrealized fair value of all assets covered in this statement, where relevant. Future reports may include additional explanations on how PAI indicators have evolved compared to previous reporting periods, when applicable.

<sup>3</sup> Annex I to the Regulation of Commission Delegated Regulation (EU) 2022/1288 supplementing the Sustainable Finance Disclosure Regulation (SFDR - Regulation (EU) 2019/2088)

	fossil fuel sector					addressed in the Exclusions Policy and included in the due diligence process as well as throughout the holding period
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Non-renewable energy consumption: 99,89%  Non-renewable energy production: 0%		Data covers 100% of investments. No investee companies produce non-renewable energy	CS Capital collects data related to the breakdown of energy consumption for each investee company and will encourage them to increase their use of renewable energy when possible. The reference period was the first period in which the companies reported their share of non-renewable energy consumption and production, ensuring insight as to where the companies can work to decrease the use of non-renewable energy consumption in the future
	6. Energy consumption intensity per high-impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector	0,48 GWh/mEUR in Sector E: Waste Management  2,45 GWh/mEUR in Sector H: Transport and Storage		Data covers 100% of investments	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%		Data covers 100% of investments	During the due diligence process and continuous engagement with investee companies, data is collected for sites situated in close proximity to or near biodiversity-sensitive areas. CS Capital will encourage any new industrial sites to conduct an environmental impact assessment to verify that local biodiversity is not adversely affected
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0%		Data covers 100% of investments	CS Capital requests this information from its investee companies where such data is available. Where data is not available or where data quality is assessed to be low, a plan is developed for how the relevant data can be procured. If the emissions of pollutants are noteworthy, CS Capital will collaborate with the specific investee

						company to establish corrective measures and procedures aimed at lowering the emissions to levels that are considered reasonable and have minimal impact
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0,0042 tonnes/mEUR		Data covers 100% of investments. None of the investee companies generate radioactive waste	CS Capital requests this information from its investments where such data is available. Where data is not available or where data quality is assessed to be low, a plan is developed for how the relevant data can be procured. CS Capital aims to ensure that appropriate waste management procedures are in place
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%		Data covers 100% of investments	CS Capital gathers data on any legal proceedings or complaints of breaches of UNGC Principles or OECD Guidelines for Multinational Enterprises, where such data is available. In the event of any wrongdoing, CS Capital will work with the investee companies to implement corrective measures and establish new procedures to prevent a recurrence
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD	0%		Data covers 100% of investments	Through its engagement activities, such as board representation, CS Capital encourages investee companies to establish appropriate procedures to ensure compliance with UNGC principles and OECD Guidelines for Multinational Enterprises

		Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	9,01%		Data coverage applies to only one of the two investee companies for the reference period (~40% of investments in the reference period)	CS Capital will gather data relating to the unadjusted gender pay gap, where such data is available. CS Capital will encourage all investee companies to measure this data and seek to address potential mitigating actions
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	7,14%		Data covers 100% of investments	CS Capital gathers data on board gender diversity for all investments. CS Capital will encourage all investee companies to obtain a balanced board representation
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%		Data covers 100% of investments	With the objective of sustainable investments, CS Capital has a target of 0% share of investments in companies involved in the manufacture or selling of controversial weapons. This is addressed in the Exclusions Policy and included in the due diligence process as well as throughout the holding period
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023<sup>4</sup></b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries				
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and				

<sup>4</sup> No investments made or held in sovereigns and supranationals

		conventions, United Nations principles and, where applicable, national law				
<b>Indicators applicable to investments in real estate assets</b>						
Adverse sustainability indicator		Metric	Impact 2023 <sup>5</sup>	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets				
<b>Other indicators for principal adverse impacts on sustainability factors</b>						
<b>Additional climate and other environment-related indicators<sup>6</sup></b>						
Adverse sustainability indicator		Metric	Impact 2023		Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	0%		Data covers 100% of investments	CS Capital will support investee companies in tracking emissions and driving emission reductions through various initiatives. In the reference period, CS Capital ensured that setting carbon emission reduction initiatives aimed at aligning with the Paris Agreement were included as contractual obligations in the transaction documentation for both investee companies

<sup>5</sup> No investments made or held in real estate assets

<sup>6</sup> From Table 2 in Annex I to the Regulation of Commission Delegated Regulation (EU) 2022/1288 supplementing the Sustainable Finance Disclosure Regulation (SFDR - Regulation (EU) 2019/2088)

Additional indicator for social and employee, respect for human rights, anti-corruption and anti-bribery matters <sup>7</sup>						
Adverse sustainability indicator		Metric	Impact 2023		Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	9. Lack of human rights policy	Share of investments in entities without a human rights policy	0%		Data covers 100% of investments	CS Capital collects data to determine the share of investments without a human rights policy. CS Capital will engage with investee companies lacking such policies and ensure that formalized policies are implemented

### Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Policies for identifying and prioritising principal adverse impacts on sustainability factors are included in relevant internal policies and procedures. The primary policy being CS Capital’s Responsible Investment Policy, which was approved by the Board of Directors on February 29<sup>th</sup>, 2024, and is available on CS Capital’s website. This Policy describes CS Capital’s approach to support the ambition and commitment towards sustainability and Environmental, Social and Governance (ESG) initiatives and activities. This includes a description of how sustainability risks, which include principal adverse impacts on sustainability factors, are integrated in the investment decision-making process and the asset management of the funds under management by CS Capital.

PAI indicators are systematically measured, taken into account, and followed up on by CS Capital. This is done in the following steps:

1. Data on PAI indicators is collected for all investee companies. Where data is not available or where data quality is assessed to be low, a plan is developed for how the relevant data can be procured
2. All investments are assessed against various PAI indicators as part of the ESG due diligence process and on an ongoing basis during the investment period to ensure no significant harm is done
3. Performance of the PAI indicators is a part of CS Capital’s annual reporting

The two additional voluntary indicators, as referenced in the table above, were selected as they are deemed important for all existing and future investments by CS Capital. Carbon emission reductions and ensuring human rights are an integral part of CS Capital’s commitment to responsible investments.

<sup>7</sup> From Table 3 in Annex I to the Regulation of Commission Delegated Regulation (EU) 2022/1288 supplementing the Sustainable Finance Disclosure Regulation (SFDR - Regulation (EU) 2019/2088)



Similar to other risks, principal adverse impacts on sustainability factors are assessed and monitored throughout the entire investment process. Each investment is approached differently in terms of sustainability risk based on its unique circumstances and available data, in which CS Capital seeks to obtain data on principal adverse impacts indicators directly from investee companies whenever possible. CS Capital seeks to ensure that 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 estimated data is used, the methodology used to calculate these estimates will be described. CS Capital is dependent on receiving data from portfolio companies and will strive to limit any discrepancy relating to the data received. Measurements of principal adverse impacts indicators will to some extent be subjective, however, CS Capital will use internal and external review processes where possible to increase reliability of indicators.

The Management of CS Capital must ensure that the requirements of the Responsible Investment Policy are upheld throughout the activities performed on behalf of the funds 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. CS Capital is responsible for identifying and prioritizing the principal adverse impacts of investment decisions, and all members of the investment team and asset management team undergo continuous training to ensure these considerations are included in the investment process.

Investment opportunities are screened through relevant tools and frameworks to evaluate the actual and potential level of positive and negative impacts a prospective investee company has on society and the environment. 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 and principal adverse impacts on sustainability factors are identified if available, their impacts are analysed, and the risks are treated or mitigated where required. CS Capital continuously assesses all potential sustainability risks that could significantly impact the Fund's financial return. Each investment is carefully evaluated to ensure it does not violate any of our investment criteria or policies.

### Engagement policies

The purpose of CS Capital's engagement through its funds under management is to actively promote relevant opportunities to enhance positive impacts on people and the environment and improve financial returns, as well as mitigating principal adverse impacts on sustainability factors.

To optimize portfolio management of investments, CS Capital will through its funds typically have a role as a major investor in the portfolio companies. This position will be used to promote impact-related opportunities and to attempt to resolve or mitigate any principal adverse impacts on sustainability factors and other material ESG-related risks or controversies in the portfolio companies.

CS Capital will conduct an annual review of sustainability-related matters of the portfolio companies, which includes a review and assessment of principal adverse impacts on sustainability factors. The portfolio companies are ultimately held accountable for the progress made to mitigate principal adverse impacts on sustainability factors and improve their overall ESG performance.

## References to international standards

CS Capital's commitment to ESG practices and its consideration of principal adverse impacts are demonstrated through the adherence or reference to responsible business conduct codes and internationally recognized standards. CS Capital is a signatory of the United Nations Principles for Responsible Investment (UN PRI) and implements the guidelines from the Task Force on Climate-related Financial Disclosures (TCFD). CS Capital also integrates the United Nations Sustainable Development Goals (SDGs) into its investment guidelines.

CS Capital seeks to ensure that its portfolio companies implement the principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights. CS Capital further applies the definitions and guidelines by the Greenhouse Gas Protocol when assessing how portfolio companies have measured and reported their carbon emissions. CS Capital seeks to ensure that data used to measure the adherence or alignment to international standards and principal adverse impacts is obtained from the portfolio companies directly.

CS Capital currently does not use a specific forward-looking climate scenario due to a lacking framework applicable to the portfolio companies. However, CS Capital includes this topic as contractual obligations in the transaction documentation with portfolio companies. As an example in the reference period, one of the portfolio companies performed a physical climate risk assessment for present-day conditions, 2030, and 2050, under two IPCC-aligned climate change scenarios, SSP1-2.6 and SSP3-7.0. Adherence to international standards does not ensure that operations are aligned with the 2015 Paris Agreement.

## Historical comparison

This is CS Capital's first Statement on principal adverse impacts of investment decisions on sustainability factors in which data points have been reported from investments. Therefore, the earliest historical comparison will be provided in next year's Statement by June 2025.