

## SUSTAINABILITY-RELATED DISCLOSURES

**Product name:** Core Sustainability Fund I K/S

**Legal entity identifier:** Company registration nr.: 43063707

**Date:** 30/10/2024

### Summary

Core Sustainability Fund I K/S (the "**Fund**") promotes the following environmental and social characteristics: 1) renewable energy and energy efficiency, 2) resource optimization, and 3) societal health. Each investment must contribute to a measurable positive impact on one or more of the United Nation's Sustainable Development Goals ("**UN SDGs**"), while at the same time not doing significant harm to any of the UN SDGs.

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. While the Fund does not have as its objective sustainable investment, it will have a minimum proportion of 60% of sustainable investments. No reference benchmark has been designated for the purpose of attaining the sustainable investment objective. The Fund has policies and processes in place to ensure that its investments do not cause any significant harm to the sustainable investment objectives. Good governance is assessed as a part of the Fund's Environmental, Social and Governance ("**ESG**") due diligence and ongoing during the holding period.

The attainment of the social and environmental characteristics promoted by the Fund is also reflected in four sustainability indicators:

- Greenhouse gas ("**GHG**") intensity of investee companies (Scope 1-3 GHG emissions)
- Estimated GHG emissions avoided or sequestered (estimation of GHG reduction compared to alternative solutions)
- Recycled materials (waste processed into secondary materials)
- Share of investments with a social characteristic

The data on the performance of the sustainability indicators is collected from the Investee Companies by the Fund. It is the responsibility of the Investee Companies to collect data from their supply chain. The Fund will work with the Investee Companies as an active owner to ensure sufficient data coverage and quality. Data quality is subject to review by specialized ESG competencies to ensure an assessment of the sources, performance levels, documentation etc.

ESG due diligence is conducted prior to all investments in the Fund. The purpose of this is to ensure that all relevant and material ESG risks and opportunities are considered prior to investment decisions. The Fund will typically have a role as a significant investor in the Investee Companies, normally with Board representation in the companies that the Fund invests in. This position will be used to promote sustainability-related opportunities and to attempt to resolve or mitigate any material sustainability-related risks or controversies in the Investee Companies. For credit investments, the Fund will promote sustainability-related opportunities through terms in the loan agreement.

## Opsummering (dansk)

Core Sustainability Fund I K/S ("**Fonden**") fremmer følgende miljømæssige og sociale karakteristika: 1) vedvarende energi og energieffektivitet, 2) ressourceoptimering og 3) social balance. Hver investering skal bidrage til en målbar positiv indvirkning på et eller flere af FN's mål for bæredygtig udvikling ("**FN's SDG'er**"), samtidig med at den ikke gør væsentlig skade på nogen af FN's SDG'er.

Dette finansielle produkt fremmer miljømæssige eller sociale karakteristika, men har ikke som mål at investere bæredygtigt. Selvom Fonden ikke har bæredygtige investeringer som formål, vil den have en minimumsandel på 60% af bæredygtige investeringer. Der er ikke udpeget noget referencebenchmark med henblik på at nå målet om bæredygtig investering. Fonden har politikker og processer på plads for at sikre, at dens investeringer ikke forårsager nogen væsentlig skade på de bæredygtige investeringsmål. God ledelsespraksis vurderes som en del af Fondens miljømæssige, sociale og ledelsesmæssige ("**ESG**") due diligence og løbende i løbet af investeringsperioden.

Opnåelsen af de sociale og miljømæssige karakteristika, som fonden fremmer, afspejles også i fire bæredygtighedsindikatorer:

- Drivhusgasintensiteten i de virksomheder, der investeres i (Scope 1-3 GHG-emissioner)
- Estimeret undgået drivhusgasemissioner (estimering af drivhusgasreduktion sammenlignet med alternative løsninger)
- Genanvendte materialer (affald bearbejdet til sekundære materialer)
- Andel af investeringer med et socialt karakteristika

Fonden indsamler data om resultaterne af bæredygtighedsindikatorerne fra de selskaber, der investeres i. Det er porteføljeselskabernes ansvar at indsamle data fra deres forsyningskæde. Fonden vil samarbejde med porteføljeselskaber som en aktiv ejer for at sikre tilstrækkelig datadækning og -kvalitet. Datakvaliteten gennemgås af specialiserede ESG-kompetencer for at sikre en vurdering af kilder, præstationsniveauer, dokumentation osv.

ESG-due diligence gennemføres forud for alle investeringer i Fonden. Formålet med dette er at sikre, at alle relevante og væsentlige ESG-risici og -muligheder overvejes forud for investeringsbeslutninger. Fonden vil typisk have en rolle som en betydelig investor i de virksomheder, der investeres i, normalt med bestyrelsesrepræsentation. Denne position vil blive brugt til at fremme bæredygtighedsrelaterede muligheder og til at forsøge at løse eller afbøde eventuelle væsentlige bæredygtighedsrelaterede risici eller kontroverser i porteføljeselskaberne. For kreditinvesteringer vil Fonden fremme bæredygtighedsrelaterede muligheder gennem vilkår i låneaftalen.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have sustainable investment as its objective.

While the Fund does not have as its objective sustainable investment, it will have a minimum proportion of 60% of sustainable investments.

The Fund has policies and processes in place to ensure that the sustainable investments the Fund partially intends to make do not cause any significant harm to any environmental or social objectives.

The Fund is committed to make responsible investments in accordance with its overall Responsible Investment Policy. This entails that the Fund shall take a comprehensive approach to investment analysis, investment decision-making, and ongoing portfolio management. The investment strategy of the Fund and the general portfolio management practices of Core Sustainability Capital ("**CS Capital**" or the "**Manager**") are designed to ensure that all current, future, and past investments are aligned with, and contribute positively to, the objectives of the Fund and in relation to the Fund's proportion of sustainable investments that such investments do not cause significant harm to any other sustainable investment objectives.

In relation to any sustainable investment of the Fund to ensure that such investment does not cause significant harm to any other sustainable investment objectives, the Manager shall take the necessary measures including carrying out:

- an ESG screening and/or due diligence with a focus on identifying, mitigating, and avoiding significant harm to any environmental or social objectives;
- integration of actions to mitigate any risks identified in the ESG due diligence process into negotiations as well as in pre- and post-closing action plans; and
- periodic reporting from Investee Companies on ESG-related risks and continuously work to improve its monitoring processes.

Furthermore, the Manager will pursue the steps outlined below during the due diligence and may continue to pursue such steps following a final investment decision, as appropriate in the context of each Investee Company.

- **Incorporation of Principal Adverse Impact Indicators**

The Fund shall consider principal adverse impact indicators ("**PAI Indicators**") as defined in the Regulatory Technical Standards (the "**RTS**") for the Disclosure Regulation. PAI Indicators are measured, considered, monitored, mitigated and managed by the Manager. This is done in the following steps:

1. Data on PAI Indicators shall be collected for all Investee Companies. Where data is not available or the data quality is assessed to be low, the Manager may make assumptions and estimations, with input from external advisors, if relevant, and a plan shall be developed together with the respective Investee Company for how the relevant data can be obtained and/or improved for future collections with assistance from external advisors, if necessary.
2. The Manager shall carry out a pre-investment screening and due diligence in which available PAI Indicators shall be assessed with assistance from external advisors, if relevant.
3. To the extent PAI Indicators are unavailable, the Manager shall, together with the Investee Company and with assistance from external advisors, if relevant, establish necessary procedures for gathering relevant data to calculate the PAI Indicators.
4. Where PAI Indicators are assessed to be of material risk, either at the time of the investment or during the holding period through management reports, the Manager shall, together with the Investee Company and with assistance from external advisors, if necessary, ensure that mitigating and/or action plans are established and executed. The Fund's objective for mitigating and/or action plans is to ensure that PAI Indicators of material risk are mitigated or managed to a satisfying degree.
5. Performance of the PAI Indicators will be reported annually by the Manager in the 'Principal adverse sustainability impacts statement' by 30th June.

The Fund will report on the following 16 PAI metrics, to the extent such data is available:

- Table 1: The 14 mandatory indicators applicable to investments in Investee Companies.
- Table 2: #4. Investments in companies without carbon emission reduction initiatives.
- Table 3: #9. Lack of a human rights policy.

Where the Manager identifies principal adverse impacts, it shall seek to incorporate steps to address, mitigate and/or manage, in cooperation with the respective Investee Company and with assistance from external advisors, if necessary, such impacts during its holding period but cannot guarantee performance in respect of addressing, mitigating and/or managing such adverse impacts. The Manager may, at its discretion, add or change the PAI indicators to report on during the life of the Fund.

At the time of the final investment decision, if data is limited, the Manager shall base its PAI assessment on a set of selected PAI Indicators. The remaining PAI Indicators will be evaluated on a best-effort basis, using assumptions or estimations if available. The annual PAI assessment shall include an assessment of all mandatory PAI Indicators, as well as the two chosen voluntary PAI Indicators for the Fund as data is expected available within the first year following final investment decision.

- **Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights**

The Fund's investments must fully comply with the minimum safeguards set forth in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as described in the Manager's Responsible Investment Policy. The alignment shall be assessed in the due diligence phase, after which mitigating measures and/or actions will be taken, if necessary, during the holding period to ensure full alignment. Data on the alignment is continuously monitored by the Manager and reported on.

### **Environmental or social characteristics of the financial product**

The objective of the Fund is to make investments that contribute to one or more of the following thematic pillars: 1) renewable energy and energy efficiency, 2) resource optimization, and 3) societal health, with the intention to promote positive environmental and/or social characteristics alongside financial returns.

The attainment of the social and environmental characteristics promoted by the Fund is also reflected in four sustainability indicators:

1. GHG intensity of Investee Companies (Scope 1-3 GHG emissions):
  - GHG intensity represents the Fund's adverse impact on the climate and applies to all investments across the three thematic pillars: 1) renewable energy and energy efficiency, 2) resource optimization, and 3) societal health.
  - The Fund will promote the reduction of this indicator by supporting its Investee Companies to define and execute carbon emission reduction initiatives in order to reduce their Scope 1-3 GHG emissions. No specific reduction target is currently in place, but the Fund aims to reduce the carbon footprint year-on-year at an Investee Company-level, while the absolute emissions at Fund-level are expected to increase as new investments are made until the investment period has terminated.
2. Estimated GHG emissions avoided or sequestered (estimation of GHG reduction compared to alternative solutions):
  - Estimated GHG emissions avoided or sequestered represent the positive environmental impact primarily for pillar 1) renewable energy and energy efficiency, and pillar 2) resource optimization.
  - The Fund will promote this indicator by supporting its Investee Companies to measure and report on their estimated avoided GHG emissions and will seek to increase this indicator over time, where feasible. No specific target has been chosen for this indicator.
3. Recycled materials (waste processed into secondary materials):
  - Recycled materials represent the positive environmental impact primarily for pillar 2) resource optimization.

- The Fund will promote this indicator by supporting its Investee Companies engaged with recycled materials to measure, report, and, where feasible, increase the amount of recycled materials processed. No specific target has been chosen for this indicator.

#### 4. Share of investments with a social characteristic:

- Share of investments with social characteristics represent the positive social impact primarily for pillar 3) societal health. Investments with a social investment characteristic may promote a broad range of social characteristics, including adequate access to healthcare and social care, chronic and infectious diseases, nutritional deficiencies, mental health disorders, promoting healthy lifestyles, ensuring food security and quality, and enhancing overall well-being.
- The Fund will promote this indicator by committing a minimum of 10% of the Fund towards investments with social characteristics.

The Fund will maintain the right to add additional sustainability indicators as relevant.

Each investment must contribute to a measurable positive impact on one or more of the following UN SDGs: (i) SDG 3 – Good Health and Well-being, (ii) SDG 6 – Clean Water and Sanitation, (iii) SDG 7 – Affordable and Clean Energy, (iv) SDG 8 – Decent Work and Economic Growth, (v) SDG 9 – Industry, Innovation and Infrastructure, (vi) SDG 10 – Reduced Inequalities, (vii) SDG 11 – Sustainable Cities and Communities, (viii) SDG 12 – Responsible Consumption and Production, (ix) SDG 13 – Climate Action, and (x) SDG 17 – Partnership for the Goals.

### **Investment strategy**

- **Investment strategy used to meet the environmental or social characteristics promoted**

The investment strategy focuses on investments in unlisted asset classes, i.e., private equity, illiquid credit and infrastructure. The geographical focus area is primarily Denmark and secondly in the rest of the Nordic countries with a regional breakdown of industries and sectors.

The investments will in terms of financial return as well as the promotion of social and environmental characteristics aim to achieve the best possible financial return at a given risk. The financial return will be the determining factor for the composition of the portfolio of investments with no specific allocation requirements for each UN SDG as mentioned above.

- **Policy to assess good governance practices of the Investee Companies**

Through its engagement activities, such as board representation in the Investee Companies, the Fund encourages Investee Companies to establish appropriate procedures to ensure compliance with the United Nations Global Compact Principles (the "**UNGC Principles**") and the OECD Guidelines for Multinational Enterprises. This includes a focus on sound management structures, employee relations, remuneration of staff and tax compliance.

The Fund gathers data on any legal proceedings or complaints of breaches of the UNGC Principles or the OECD Guidelines for Multinational Enterprises, where such data is available. In the event of any such breaches, the Fund shall, together with the respective Investee Company and with the assistance of external advisors, if necessary, implement and execute an action plan to manage such breach, and establish new measures to mitigate any risk of recurrence.

Good governance is assessed as a part of the Fund's due diligence phase before an investment is made with support from external advisors, after which relevant actions will be taken, if necessary, to ensure full alignment with the UNGC Principles and the OECD Guidelines on Multinational Enterprises. Additionally, the tax policy of the Fund will be observed at all times in relation to any investment of the Fund. Data on the alignment will continuously be monitored and reported as part of the Fund's annual PAI reporting.

### **Proportion of investments**

The Fund only makes direct investments. 100% of the Fund's investments will be used to meet the environmental and/or social characteristics promoted by the Fund, in accordance with the binding elements of the investment strategy.

In addition, the Fund will also make a minimum of 60% of its investments in sustainable investments as defined in article 2(17) of the Disclosure Regulation.

### **Monitoring of environmental or social characteristics**

The sustainability indicators are assessed in the due diligence phase for each investment and shall be monitored on an annual basis to ensure that such environmental and social characteristics are promoted. The progress shall be reported through the Fund's periodic reporting. In the event, that certain sustainability indicators are not progressing as expected, the Manager shall use its engagement to encourage the Investee Company to take action and actively provide guidance and collaborate with the Investee Companies to improve performance on such indicators for future years. The Manager may engage external advisors for assistance, if necessary.

### **Methodologies for environmental or social characteristics**

All the investments of the Fund shall in general promote environmental and/or social characteristics. The attainment of the environmental and social characteristics promoted by the Fund will be measured by the amount the Fund's investments contribute to each of three thematic pillars: 1) renewable energy and energy efficiency, 2) resource optimization, and 3) societal health, as well as which of the UN SDGs the investments are intended to contribute to.

The Fund shall also apply the exclusions criteria from the EU's Paris Aligned Benchmark (the "PAB") to ensure that environmental and social characteristics promoted by the Fund are met. The exclusions criteria being:

- a) companies involved in any activities related to controversial weapons;
- b) companies involved in the cultivation and production of tobacco;
- c) companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;

- d) companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- e) companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- f) companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- g) companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

The Fund shall under no circumstances make any investments in companies listed on the PAB's exclusion list.

In addition to the PAB's exclusion criteria above, no investments shall be made deriving more than 5% of its revenue from either (i) alcohol, (ii) gambling or (iii) pornography.

The attainment of the social and environmental characteristics promoted by the Fund is also reflected in four sustainability indicators using the following methodologies:

1. GHG intensity of Investee Companies (Scope 1-3 GHG emissions) is calculated in accordance with the following formula:

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

- *Not all scope 3 emission data is expected to be available, and the calculations will be associated with some uncertainty. When disclosing calculations on GHG intensity of Investee Companies the Fund will describe limitations to data.*
2. Estimated GHG emissions avoided or sequestered (estimation of GHG reduction compared to alternative solutions) is calculated as the difference between the estimated GHG emissions from the investment in question and the average emissions from the relevant alternative solution. Not all scope 3 emission data is expected to be available, and the calculations will be associated with some uncertainty. When disclosing calculations on estimated emissions avoided the Fund will describe limitations to data. More information is available on the [Manager's website](#) regarding the principles and guidelines followed in the assessment of avoided GHG emissions.
  3. Recycled materials (waste processed into secondary materials) are calculated as the conversion rate, in terms of weight, of the processed non-hazardous waste into secondary raw materials suitable for the substitution of virgin materials in production processes. Not all information on waste weight may be available. When disclosing calculations on recycled materials the Fund will describe limitations to data.
  4. Share of investments that contribute to a social characteristic is calculated in accordance with the following formula:

$$\sum_n^i \frac{\text{current value of investments with social characteristics (€M)}_i}{\text{current value of all investments (€M)}}$$



## **Data sources and processing**

The data on the performance of the sustainability indicators is collected from the Investee Companies by the Fund. It is the responsibility of the Investee Companies to collect the necessary data from their supply chain. However, the Fund will work with the Investee Companies as an active owner to ensure sufficient data coverage and quality. Data quality is subject to review by specialized ESG competencies to ensure an assessment of the sources, performance levels and documentation etc.

Data is processed by the Fund in a dedicated ESG data management structure and workflow.

The Fund aims at as high a degree of reported data as possible and will only use estimated data where a sound and credible method for the estimation can be established. Should the Fund use estimated data the methodology underlying these estimates will be described in detail in the Fund's reporting.

## **Limitations to methodologies and data**

The Fund is dependent on receiving data from the Investee Companies. Data availability and coverage will vary from company to company. The Fund does not assess that this will have any significant negative impact on how the environmental or social characteristics promoted by the Fund are met.

## **Due diligence**

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 may have on social and environmental indicators. An ESG due diligence is conducted by the investment team, in cooperation with external advisors when required. The results of the ESG due diligence are presented to the Investment Committee prior to any investment decision.

The ESG due diligence process ensures that relevant and material ESG risks and PAI Indicators are identified, if available, their impacts analysed, and the risks mitigated and/or managed, if necessary. 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.

The ESG due diligence workstream is carried out alongside other due diligence workstreams carried out on investment opportunities, such as commercial, financial and legal due diligence.

## **Engagement policies**

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

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

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

**Designated reference benchmark**

The Fund does not use a reference benchmark to determine whether the Fund is aligned with the environmental and social characteristics that it promotes.