# Castik Capital

# Article 10 (SFDR) Website disclosure for an Article 8 fund

# EPIC III Fund SLP (“EPIC III”)

| Version | Date of publication | Date of update (if any) | Explanation (if any) |
|---|---|---|---|
| 1.00 | 10/04/2024 | – | – |

# Contents



# A. Summary

## No sustainable investment objective

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

## Environmental or social characteristics of the financial product

EPIC III invests in companies that meet the following environmental and/or social characteristics:

- Companies that are not operating in the worst performing sectors in terms of ESG defined according to the Manager's Exclusion List (further described in the investment strategy section below);
- Companies that are not associated with any severe ESG controversies;
- Companies that commit to have a pre-defined list of ESG-related policies within the first 18 months post investing in the company; and
- Companies that are not associated with bad governance practices.

## Investment strategy

The Manager preliminary screens out certain environmental and socially harmful sectors from the broader investment universe. Given the nature of the investment focus of the EPIC III, the Manager will not consider companies whose primary activities are in any of the following economic sectors/activities as presented in the Exclusion List (described in further details under section D below).

Potential portfolio companies identified as a result of the first layer of exclusions undergo an initial ESG due diligence. After the identification of companies that are deemed eligible for investing based on the results of the preliminary screening and the ESG due diligence, a second layer of exclusions is implemented (described in further details under section D below). Once the investment decision is made, an active engagement strategy with the portfolio companies is implemented. EPIC III only invests in those companies that successfully pass the preliminary exclusions and the ESG due diligence phase, including the second layer of exclusions. Once the investment decision is made, an active engagement strategy with the portfolio companies is implemented.

## Proportion of Investments

EPIC III commits to allocate 100% of its invested capital to investments that are (#1) aligned with the E/S characteristics promoted.

Given the nature of the investment strategy of EPIC III, it may temporarily hold cash.

EPIC III will not hold (#2) other investments that are not aligned with the environmental and social characteristics.

## Monitoring of environmental or social characteristics

The sustainability indicators used to measure the attainment of the enviromental and social characterisitcs promoted by EPIC III are:

- Share of investments with exposures to any of the economic activities/sectors set out in the Exclusion List
- Share of investments in companies that are associated with any severe ESG controversies
- Share of investments in companies identified as associated with bad governance practices
- Share of investee companies that did not implement the list of ESG policies (further defined in the investmet stratgy section below) within 18 months of investment
- The number of companies excluded from the investment universe as a result of the application of the exclusion policy.

## Methodologies

Castik uses sustainability indicators based on KPI collected from the portfolio companies expressed as a percentage of the invested capital at the product level invested in portfolio companies not meeting the binding elements of the ESG investment strategy.

## Data sources and processing

Castik relies on data obtained directly from investee companies through the same sustainability reporting tool via an established procedure.

## Limitations to methodologies and data

The main limitations to the methodologies and data sources are that data is self-reported and it is not audited by third party.

## Due diligence

Before an investment decision is made, we perform an ESG due diligence that enables us to identify and prioritize Principal Adverse Impact („PAIs“) and indicators. In the due diligence process, we use the SASB framework to identify and prioritize the PAI indicators that are relevant to the contemplated investee companies

## Engagement policies

Castik encourages portfolio companies to improve their ESG performance by actively engaging with those companies and creating a liaison between the more advanced portfolio companies and those still further at the beginning of their ESG journey, to help the latter establish similar policies.

## Designated reference benchmark

EPIC III has not a designated specific index as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes.

# B. No sustainable investment objective

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

# C. Environmental or social characteristics of the financial product

## What environmental and/or social characteristics are promoted by this financial product?

EPIC III invests in companies that promote environmental or social characteristics and that follow good governance principles, alongside other non-ESG traits.

In order to do this, EPIC III invests in companies that meet the following environmental and/or social characteristics:

- Companies that are not operating in the worst performing sectors in terms of ESG defined according to the Manager's Exclusion List (further described in the investment strategy section below);
- Companies that are not associated with any severe ESG controversies;
- Companies that commit to have a pre-defined list of ESG-related policies within the first 18 months post investing in the company; and
- Companies that are not associated with bad governance practices.

Such promotion is achieved through multi-layered exclusion criteria. During the first layer of exclusions, the Manager screens out certain environmental and socially harmful sectors from the broader investment universe as described in the investment strategy section.

This first screen is strengthened by the fact that the Fund's main investment focus will be on sectors that are not considered too harmful from an ESG perspective, those sectors include but are not limited to Technology-enabled Business Services, Software/Internet platforms, Specialist Healthcare, and Industrial Technology & automation.

The second layer of exclusions only starts after the identification of companies that are eligible for investment based on the results of the first screening. During the second layer of exclusions, the Manager screens out companies that are associated with any severe ESG controversies and/or deemed to follow bad governance practices.

In addition, the Manager encourages companies to improve their ESG performance by actively engaging with the portfolio companies and creating a liaison between the more advanced companies and those still further at the beginning of their ESG journey, to help the latter to establish similar policies. Furthermore, the Manager supports, whenever applicable and feasible, ESG training opportunities to the staff of the portfolio companies to help better their ESG knowledge and ambitions.

Due to the nature of the investment strategy and lack of comparable index, EPIC III has not a designated specific index as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes.

# D. Investment strategy

## What investment strategy does this financial product follow?

## ESG strategy

### 1. Preliminary exclusions

The Manager preliminary screens out certain environmental and socially harmful sectors from the broader investment universe. Given the nature of the investment focus of the EPIC III, the Manager will not consider companies whose primary activities are in any of the following economic sectors/activities as presented in the Exclusion List below:

**CLIMATE AND OTHER ENVIRONMENT**

- Coal
- Fired Coal power generation
- Oil and gas (conventional / unconventional)
- Fossil fuel transportation
- Fossil fuel supply chain and services
- Fossil fuel reserves
- Petroleum products from bituminous sands
- Projects with impacts on Ramsar-designated wetlands
- Projects with impacts and UNESCO-designated World Heritage site
- Operations that violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

**SOCIAL AND ETHICAL**

- Gambling
- Alcohol
- Pornography
- Uranium
- Nuclear power
- Weapons
- Munitions-related key components
- Live animal exports
- Tobacco
- Prisons

### 2. ESG due diligence

Potential portfolio companies identified as a result of the first layer of exclusions undergo an initial ESG due diligence via an ESG Due Diligence Questionnaire that is filled for each potential investee company in order help the Investment Committee identify major ESG issues that could deem a company eligible for investing. The results of the ESG Due Diligence Questionnaire are taken into consideration by the Investment Committee prior to making an investment decision. A separate ESG report is commissioned during due diligence by an outside professional services provider, prior to making the investment decision.

After the identification of companies that are deemed eligible for investing based on the results of the preliminary screening and the ESG due diligence, a second layer of exclusions is implemented. During the second layer of exclusions, the Manager screens out the following companies:

- Companies that are associated with any severe ESG controversies;
- Companies that do not commit to have a pre-defined list of ESG-related policies within the first 18 months post investing in the company; and
- Companies that are associate with bad governance practices.

The identification of those screened out companies is done by the Manager through various means, including but not limited to, desk research, due diligence and interviews with the assessed companies.

EPIC III only invests in those companies that successfully pass steps 1 and 2 as detailed above.

## 3. Engagement and active stewardship

Once the investment decision is made, an active engagement strategy with the portfolio companies is implemented. The Manager encourages portfolio companies to improve their ESG performance by actively engaging with those companies and creating a liaison between the more advanced portfolio companies and those still further at the beginning of their ESG journey, to help the latter establish similar policies. As part of the engagement efforts, the Manager requires portfolio companies to have in place within 18 months post-investment all of the following policies as a minimum:

- Environmental policy,
- Diversity policy,
- Code of Conduct / Ethics,
- Anti-corruption policy/procedure,
- Health and safety policy, and
- Corporate governance policy.

In addition, and as part of the Manager's commitment to active stewardship, the Manager organises ESG Round Tables on a quarterly basis where all the portfolio companies participate to share and exchange on best market practices and discuss regulatory updates. The ESG Round Tables also serve as an opportunity for the investee companies newer to ESG to learn from the more ESG-mature portfolio companies.

Furthermore, the Manager supports ESG training opportunities to the staff of the portfolio companies to help improve their ESG knowledge and ambitions with the aim to help portfolio companies deal with ESG data constraints and set ESG targets for themselves.

## What are the binding elements of the investment strategy used to select the investments to attain each of the environmental and/or social characteristics promoted by this financial product?

The binding elements of the investment strategy used to select the investments to attain each of the environmental and social characteristics promoted by EPIC III are as follows:

- The Fund will not invest in companies whose primary activities are in the worst performing sectors in terms of ESG as defined according to the Manager's Exclusion List (further described in the investment strategy section above);
- The Fund will not invest in companies that are associated with any severe ESG controversies;
- The Fund will not invest in companies identified as associated with bad governance practices;
- The Fund will require investee companies to implement, minimum, the list of ESG polices (further defined in the investment strategy section above) within 18 months of investment.

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

As part of the preliminary ESG due-diligence process, companies are screened against governance factors including sound management structures, employee relations, and remuneration of staff, which are taken into consideration by the Investment Committee prior to making a decision. As part of the additional screening criteria, the Manager excludes companies identified as associated with bad governance practices from investment. In addition, after investment, all investee companies are required to set up (if not already set up) a list of the-related policies, including at least a diversity policy, code of conduct / ethics, anti-corruption policy / procedure, and corporate governance policy within 18 months after investment.

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

Not applicable.

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

☐ Yes, ______

☒ No

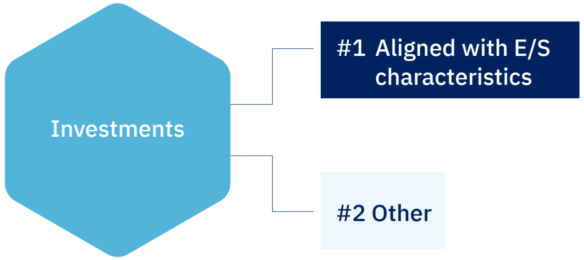
# E. Proportion of investments

## What is the asset allocation planned for this financial product?

EPIC III commits to allocate 100% of its invested capital to investments that are (#1) aligned with the E/S characteristics promoted.

Given the nature of the investment strategy of EPIC III, it may temporarily hold cash .

EPIC III will not hold (#2) other investments that are not aligned with the environmental and social characteristics.




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

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

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

Not applicable.

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

EPIC III does not currently commit to invest in any sustainable investment within the meaning of the EU Taxonomy. However, the position will be kept under review as the underlying rules are finalised and the availability of reliable data increases over time.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU Criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Any other sustainable investments must also not significantly harm any environmental or social objectives.**

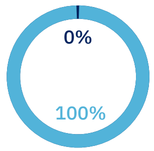
## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

- [ ] Yes:
  - [ ] In fossil gas
  - [ ] In nuclear energy
- [x] No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

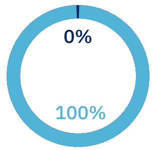
**1. TAXONOMY-ALIGNMENT OF INVESTMENTS INCLUDING SOVEREIGN BONDS***

- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned




**2. TAXONOMY-ALIGNMENT OF INVESTMENTS EXCLUDING SOVEREIGN BONDS***

- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned




This graph represents 100% of the total investments

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

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

As EPIC III does not commit to invest any sustainable investment within the meaning of the EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.

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

EPIC IIII promotes environmental and social characteristics but does not commit to making any sustainable investments. As a consequence, the financial product does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.

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

Not applicable.

1 Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

# F. Monitoring of environmental or social characteristics

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

The sustainability indicators used to measure the attainment of the enviromental and social characterisitcs promoted by EPIC III are:

- Share of investments with exposures to any of the economic activities/sectors set out in the Exclusion List
- Share of investments in companies that are associated with any severe ESG controversies
- Share of investments in companies identified as associated with bad governance practices
- Share of investee companies that did not implement the list of ESG policies (further defined in the investmet stratgy section below) within 18 months of investment
- The number of companies excluded from the investment universe as a result of the application of the exclusion policy.

## How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product?

The sustainability indicators chosen to measure the attainment of the environmental and social characteristics promoted by the financial product are monitored by the Board of Managers of Castik Capital Sàrl (“Castik”) throughout the lifecycle of the product through quarterly KPI reports and checklists. The data is gathered from and reported by the responsible person at every portfolio company with a four-eye policy upheld. It is then reviewed for consistency and quality internally by the responsible at Castik before it is being reported to the board.

# G. Methodologies

## What are the methodologies used to measure the attainment of the environmental or social characteristics promoted by the financial product?

For the indicators expressed as a share of investment as listed below, Castik applies the following methodologies to measure the attainment of the environmental or social characteristics promoted. KPI's from the portfolio companies are used to calculate the sustainability indicators which are expressed as a percentage of the invested capital at the product level. Invested capital is defined as the sum of porfolio companies acquisition cost including transactions costs. ESG controversies are defined as a company activity that generates undesirable social or environmental effects Environmental or social characteristics will be deemed to be attained when those indicators are at 0% of share of investments.

### List of indicators concerned

- Share of investments with exposures to any of the economic activities/sectors set out in the Exclusion List
- Share of investments in companies that are associated with any severe ESG controversies
- Share of investments in companies identified as associated with bad governance practices
- Share of investee companies that did not implement the list of ESG policies (further defined in the investmet stratgy section below) within 18 months of investment

For the indicator expressed as number of companies excluded from the investment universe, Castik keeps record of companies reasonnably considered in the investment universe and excluded as a result of the application of the exclusion policy. Environmental or social characteristics will be deemed to be attained when the number of excluded companies represents a material number of the total number the companies considered.

# H. Data sources and processing

## What are the data sources used to attain each of the environmental or social characteristics?

Castik relies on data obtained directly from investee companies through the same sustainability reporting tool via an established procedure. Portfolio companies apply four eyes principle before submitting data to Castik ESG manager who then review for consistency and quality. Castik, in principle doesn't use estimate but real data.

# I. Limitations to methodologies and data

## What are the limitations to the methodologies and data sources?

The main limitations to the methodologies and data sources are that data is self-reported and it is not audited by third party. However given the nature of the environmental or social characteristics promoted by the financial product, it is not expected that such limitations would affect how those characteristics promoted by the financial product are met.

# J. Due diligence

## What is the due diligence carried out on the underlying assets?

Before an investment decision is made, we perform an ESG due diligence that enables us to identify and prioritize PAIs and indicators. In the due diligence process, we use the SASB framework to identify and prioritize the PAI indicators that are relevant to the contemplated investee companies. Specifically, the SASB Materiality Finder allows us to identify for a sector out of 26 relevant business issues, the one that are most likely to impact enterprise value of company in that sector. The due diligence will also include an analysis of key sustainability risks and opportunities along the value chain of the contemplated investee company and a maturity assessment of the company. This due diligence methodology allows us to identify the main material adverse impacts on sustainability factors and to select the relevant PAI indicators to monitor.

# K. Engagement policies

### Is engagement part of the environmental or social investment strategy?

- [x] Yes, ______________________
- [ ] No

### What are the engagement policies?

Once the investment decision is made, an active engagement strategy with the portfolio companies is implemented. The Manager encourages portfolio companies to improve their ESG performance by actively engaging with those companies and creating a liaison between the more advanced portfolio companies and those still further at the beginning of their ESG journey, to help the latter establish similar policies. As part of the engagement efforts, the Manager requires portfolio companies to have in place within 18 months post-investment all of the following policies as a minimum:

- Environmental policy,
- Diversity policy,
- Code of Conduct / Ethics,
- Anti-corruption policy/procedure,
- Health and safety policy, and
- Corporate governance policy.

In addition, and as part of the Manager's commitment to active stewardship, the Manager organises ESG Round Tables on a quarterly basis where all the portfolio companies participate to share and exchange on best market practices and discuss regulatory updates. The ESG Round Tables also serve as an opportunity for the investee companies newer to ESG to learn from the more ESG-mature portfolio companies.

Furthermore, the Manager supports ESG training opportunities to the staff of the portfolio companies to help improve their ESG knowledge and ambitions with the aim to help portfolio companies deal with ESG data constraints and set ESG targets for themselves.

# L. Reference benchmark

Has a specific index designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product?

- [ ] Yes, ______________________
- [x] No

### Where can more product-specific information be found?

More product-specific information can be found in the periodic reports:

Open document on click