

Castik Capital Statement on principal adverse impacts of investment decisions on sustainability factors 2023



CASTIK CAPITAL



Summary

Castik Capital S.à r.l. (“We” or “Castik”) considers principal adverse sustainability impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Castik. This statement on principal adverse impacts on sustainability factors covers the reference period from 1st January 2022 to 31st December 2022.

Principal Adverse Impacts (PAIs) are impacts of investment decisions that result in negative effects on sustainability factors. Sustainability factors mean environmental, social and labour rights, anti-bribery and anti-corruption related matters. Subject to data availability and quality, Castik reports on the PAI indicators set out in Table 1, Annex 1 of the Delegated Regulation (EU) 2022/1288 and on 2 optional PAIs of Table 2 and 3. The relevant disclosures cover approximately 84% of the assets under management as per the end of the reference period. As the year 2022 is the first reference period of the PAI statement, it does not show a comparison of PAI information to the previous reference period.

We consider PAIs at entity level by measuring and monitoring the aggregated PAIs on sustainability factors of our funds’ investments. For our funds, this consideration is performed through:

- **A Due Diligence policy allowing to identify and prioritize adverse impacts on sustainability factors of our investments.**
- **A negative screening excluding companies in breach with social and ethical factors from our investment universe.**
- **Engagement with portfolio companies and the engagement by our portfolio companies to follow the UN Global Compact Principles.**
- **Use of our voting rights to encourage portfolio companies to improve their ESG performance.**



Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021 ¹	Explanation ²	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	23,260 tCO ₂ e ³	N/A	We are signatory to the International Climate Initiative (iCI) and therefore committed to contribute to achieving the objective of the Paris Agreement 'to limit global warming to well-below 2 degrees and to pursue efforts to limit it to 1.5 degrees'.
		Scope 2 GHG emissions	8,994 tCO ₂ e	N/A	
		Scope 3 GHG emissions	68,013 tCO ₂ e	N/A	
		Total GHG emissions	100,267 tCO ₂ e ⁴	N/A	
	2. Carbon footprint	Carbon footprint	5.20 tCO ₂ e/million EUR invested	N/A	We are working with our portfolio companies to understand their GHG emissions footprints and to grow their businesses. Each company has a unique GHG footprint reflective of its processes and structure. GHG emissions intensity measures the level of emissions per unit of value-added and enables us to compare our portfolio companies in a manner that considers the individual nature of each

1 Information on impact compared to previous year will be initially reported by 30 June 2024, and continuously on an annual basis.

2 Explanation of difference in impact reported will be published initially by 30 June 2024, and continuously on an annual basis.

3 tCO₂e means tonnes of carbon dioxide equivalent.

4 Total of Scope 1, Scope 2 and Scope 3 emissions.

DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021 ¹	Explanation ²	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	3. GHG intensity of investee companies	GHG intensity of investee companies	99.69 tCO₂e/ million EUR of owned revenue	N/A	N/A	business. We can then track progress against industry benchmarks.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0% of investments in fossil fuels	N/A	N/A	
	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	96.44% non-renewable energy consumption	N/A	N/A	
	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	0.00 GWh per million EUR	N/A	N/A	N/A
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0% of investments with negative impact on biodiversity sensitive areas	N/A	N/A	N/A

DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021 ¹	Explanation ²	Actions taken, and actions planned and targets set for the next reference period
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	35.76 tonnes/ million EUR invested	N/A	N/A	We encourage our portfolio companies to collect high quality data and to set targets to reduce their emission, and as such impact, to water.
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	0.00 tonnes/ million EUR invested	N/A	N/A	N/A

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation ⁵	Actions taken, and actions planned and targets set for the next reference period
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% of investments involved in violations	N/A	N/A	We adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that we invest into comply with these norms.

⁵ Explanation of difference in impact reported will be published initially by 30 June 2024, and continuously on an annual basis.



DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation ⁵	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	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 Guidelines for Multinational Enterprises	9.36% of investments without policies	N/A	N/A	We adhere to the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises, and our aim is that the investee companies that we invest into comply with these norms.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	3.56% pay gap	N/A	N/A	We consider the average unadjusted gender pay gap of investee companies and encourage them to take actions to increase board gender diversity .
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	10% female directors/total directors	N/A	N/A	We consider the average ratio of female to male board members, expressed as a percentage of all board members in investee companies and encourage companies to take actions to increase board gender diversity.
	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% of investments are involvedw	N/A	N/A	We do not invest in companies with exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			N/A, Castik did not make any investments in sovereigns and supranationals	
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 conventions, United Nations principles and, where applicable, national law			N/A, Castik did not make any investments in sovereigns and supranationals	

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	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			N/A, Castik did not make any investments in real estate assets	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets			N/A, Castik did not make any investments in real estate assets	

DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Additional indicators applicable to investments in investee companies

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water, waste and material emissions	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	49.92 tonnes/ million EUR invested	N/A	N/A	We consider the non-recycled waste generated by investee companies, expressed in tonnes per million EUR invested in investee companies and encourage companies to take actions to decrease their output of non-recycled waste.

ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	12. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation	40.09% without policies	N/A	N/A	We consider the share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forces or compulsory labour and encourage our investees to put policies in place to lower the risk of incidents.



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

To consider the principal adverse impacts of investment decisions on sustainability factors, we have implemented an ESG policy which takes into account PAIs, as follows:

Due diligence

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, including the probability of occurrence, the severity and the potentially irremediable character of those principal adverse impacts. 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 adversely impact sustainability factors. 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.

Exclusion policy

We apply a strict exclusion policy and therefore we 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



Monitoring of PAIs and indicators

We use the key indicators of the Sustainable Finance Disclosure Regulation to monitor and prioritize the principal adverse sustainability impacts of our investment decisions as follows:

- Greenhouse gas emissions (6 indicators)
- Biodiversity (1 indicator)
- Water (2 indicators)
- Waste (1 indicator)
- Social and employee matters (5 indicators)

In addition to those 14 core indicators, we report one additional climate and other environment-related indicators and one indicators for social and employee matters, respect for human rights, anti-corruption and anti-bribery matter which:

- Non-recycled waste ratio
- Operations and suppliers at significant risk of incidents of forced or compulsory labour
- Those additional indicators have been chosen based on priorities set by Castik and availability of data.

The data used to compute the PAI indicators is collected directly from the portfolio companies on a best effort basis. To estimate the carbon intensity for each of our portfolio companies, we use approved data that is calculated based on the GHG Protocol to aggregate their Scope 1, 2 and, where available, 3 emissions. Portfolio companies that started collecting Scope 3 data in 2022 gathered the majority of the data based on their spend or activity. In 2022, we started to establish a base-line of GHG emission intensity data across our portfolio, however, we expect 2023's figure to be higher as we will be in a position to collect more detailed information from the portfolio companies, which will add more extensive Scope 3 data.

The ESG Policy is reviewed at least annually and on an ad-hoc basis and amended as needed. The current version of the ESG Policy was approved in February 2023 by Castik Board of Managers.

Engagement policies

Our engagement policy defines the general principles for how shareholder engagement is integrated in Castik's investment strategies and describes how we monitor investee companies in respect to matters such as business strategy, financial and non-financial performance and risk, capital structure, and social, environmental impact and corporate governance. It outlines the different engagement activities we carry out on behalf of our shareholders when we decide to invest.

We engage with our investee companies when concerns are raised and use our voting rights as shareholders to encourage them to improve their ESG performance, to be aware of and to manage material governance risks affecting their businesses. We encourage our portfolio companies to set realistic targets and to support at least one of the Sustainable Development Goals (SDGs). Each portfolio company is involved in creating a step-by-step plan to achieve its set targets and is accountable for its achievements, which are evaluated in its annual ESG report. These plans ensure that ESG-related policies are aligned with long-term strategic objectives and integrated with risk management decisions.



Reference to international standards

Castik has been a signatory to the United Nation's Principles for Responsible Investment (PRI) since our inception in 2014, which provides a widely recognised and independent evaluation of our data collection and reporting processes. We became a signatory to the Initiative Climat International (iCI) in 2022 and therefore committed to contribute to achieving the objective of the Paris Agreement 'to limit global warming to well-below 2 degrees and to pursue efforts to limit it to 1.5 degrees. We encourage our portfolio companies to follow the UN Global Compact Principles to ensure all our investments meet their fundamental responsibilities in the areas of human rights, labour, environment, and anticorruption.

Signatory of:



Historical comparison

Not applicable as first year of reporting.

