

EU Sustainable Finance Disclosure Regulation

This document specially addresses Articles 4 & 5 of the Regulation:

“Financial market participants shall publish and maintain on their websites a statement on due diligence policies with respect to principal adverse impacts of investment decisions on sustainability factors, taking due account of their size, the nature and scale of their activities and the types of financial products they make available”.

and;

“Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites.”

Summary

As a responsible investor, we consider principal adverse impacts of its investment decisions on sustainability factors. In accordance with the SFDR, principle adverse sustainability impacts are described as “Those impacts of investment decisions that result in negative effects on sustainability factors, with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.”

Given Karmijn’s aim to champion diverse leadership and ESG best practice, we believe that resulting economic activities from our portfolio companies that negatively impact aspects of the environment or society, undermine our ability to meet the needs of our beneficiaries, both in terms of financial value, and supporting the move to a world that is more prosperous to live in. As such, we seek to identify and minimise principle adverse impacts throughout the investment process.

Description of principal adverse impacts

Throughout the selection and ownership of investments, we will gather, monitor and report on the principal adverse sustainability impact indicators listed below:

- GHG emissions
- Carbon footprint
- GHG intensity of investee companies
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity per high impact climate sector
- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste ratio
- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons

Description of policies to identify and prioritise principal adverse impacts

We will report on all indicators related to principal adverse impact on sustainability factors as set out in Table 1 of Annex I of the Regulatory Technical Standards of SFDR.

We will also select at least one additional indicator related to principal adverse impacts on a climate or other environment related sustainability factor that qualifies as principal as set out in Table 2 of Annex I. Further to this, we will select at least one additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as set out in Table 3 of Annex I. We will select these additional indicators based on the probability of occurrence and severity of adverse impacts (including their potentially irremediable character).

Based on the measurement of principal adverse impacts, we will seek to ensure accuracy of data collected through implementing internal review, external auditing and ESG services provided by our advisors.

In line with our approach of joint accountability of ESG, Karmijn's Investor Board will oversee the implementation of this policy and all employees will be responsible for its implementation through relevant training. This will ensure integration into the investment process as detailed in our Sustainability Risks Policy (Appendix B).

Engagement policies

Through our ownership, we will engage with our portfolio companies to identify and measure principal adverse impacts on sustainability factors. As part of this process, we will support management to improve on the identified principal adverse impacts for each portfolio company. We will engage with all our companies on a continual basis and will set targets to demonstrate measurable improvement in the reduction of identified principal adverse impacts.

References to international standards

Our approach is based on world-renowned standards for best practice in sustainability and responsible investment practices including SASB, the Taskforce for Climate Related Financial Disclosures (TCFD) and the PRI.

Remuneration Policy

All Karmijn employees promote sound and effective risk management, and are discouraged from unnecessary risk-taking which is inconsistent with our aim to champion diverse leadership and ESG best practice. Through our corporate governance practices that establish a culture of integrity, fairness and transparency, we ensure that the behaviour and activities of all staff do not give rise to mis-selling or misrepresenting our investment strategies.

Moreover, we seek to align incentives that reward our employees, portfolio companies and our investors for demonstrating excellence in achieving sustainability outcomes and implementing ESG best practices in operations.

PAI Indicators (2022)

Adverse sustainability indicator	Metric	Unit	Total
Greenhouse gas emissions	1a. GHG emissions scope 1	tCO ₂ e	1,414
	1b. GHG emissions scope 2	tCO ₂ e	238
	1c. GHG emissions scope 3	tCO ₂ e	937
	2. Carbon footprint	tCO ₂ -eq /€m value	2,588
	3. GHG intensity of investee companies	tCO ₂ -eq /€m rev	27.3
	4. Companies active in the fossil fuel sector	%	0
	5. Share of non-renewable energy consumption and production	%	72
Biodiversity	6. Energy consumption intensity per high impact climate sector	MWh /€m rev	C. 0.097 G. 0.021
	7. Sites/operations in or near biodiversity sensitive areas, which has a negative effect on that area	%	0
Water	8. Emissions to water	Tonne /€m rev	0.0
Waste	9. Hazardous waste ratio	Tonne /€m rev	0.0
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	%	0
	11. Lack of policies and compliance processes to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	%	100
	12. Unadjusted gender pay gap - Average unadjusted gender pay gap	%	15
	13. Board gender diversity - Average ratio of female to male board members	%	48
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	%	0