CARN CAPITAL

Principal Adverse Impact Statement

At Carn Capital, we recognize that responsible investing is not only about seeking financial returns but also about understanding and mitigating the adverse impacts our investments might have on society and the environment. As part of our commitment to transparency and accountability, this Principal Adverse Impact (PAI) statement outlines our approach to integrating Environmental, Social, and Governance (ESG) factors into our investment analysis and decision-making processes.

Guided by the Sustainable Finance Disclosure Regulation (SFDR), we identify, assess, and manage the principal adverse impacts of our investment decisions. Our methodology leverages a comprehensive model that evaluates each company within our portfolio against the 14 mandatory PAI indicators:

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste ratio
10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

These indicators help us quantify and manage the potential adverse effects related to environmental degradation, social injustice, and governance lapses.

Methodology
Before considering an investment in any company, we first ensure that it does not appear on our exclusion list, which is closely aligned with PAI indicators to screen out entities with significant sustainability concerns. After this preliminary check we analyze how a company's operations and governance align with the United Nations Sustainable Development Goals and broader ESG factors.

Our model is designed to compare entities within the same sector, assigning each company a sustainability score ranging from -3 to +3. A score of 0 indicates neutrality, while +3 reflects exceptional sustainability practices. This scoring system enables us to quantitatively evaluate and compare the ESG performance of companies. Together, our exclusion list and ESG factors encompass all the 14 PAI indicators, as well as other selected sustainability criteria we consider important for our investment decisions.

The integration of PAI enhances our ability to identify specific areas where the companies in our portfolio may be underperforming, as well as aspects where they excel. By identifying high-risk areas early, we can implement mitigation strategies such as divestment, active engagement, or influencing change through shareholder actions. This detailed understanding of sustainability factors contributes to shaping our investment decisions.