

Sustainable Finance Disclosure Regulation (“SFDR”)

2 December 2024

Castellain Green Fund (the “Green Fund”)

Summary

The Green Fund, a sub-fund of Castellain ICAV, is classified as an Article 8 fund under SFDR. The Green Fund promotes environmental and social characteristics and integrates sustainability risks into its investment process while committing to allocate at least 25% of its portfolio to sustainable investments as defined by SFDR.

The environmental and social characteristics that the Fund promotes are climate change mitigation, transition to renewable energy sources, sustainable use of natural resources, fair labour practices, community engagement, and access to and improvement of essential social infrastructure. The Investment Manager will seek to invest in companies/issuers which promote environmental and/or social characteristics in line with those promoted by the Fund and which have the prospect of generating income and capital growth over the medium to long-term.

No Sustainable Investment Objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. While a minimum of 25% of investments are sustainable, the Fund does not commit to EU Taxonomy-aligned activities.

Where the Fund commits to making sustainable investments that are not EU Taxonomy-aligned activities, the following safeguards are in place to ensure such investments **Do No Significant Harm (“DNSH”)** to any environmental or social objectives:

(a) The indicators for principal adverse impacts in Annex I, and any relevant indicators in Tables 2 and 3 of Annex I under SFDR Level 2, are taken into account. This includes considerations such as greenhouse gas emissions, carbon footprint, biodiversity impacts, and energy consumption intensity.

(b) The sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Environmental or Social Characteristics of the Financial Product

The Fund promotes the following key environmental and social characteristics:

- Climate change mitigation.
- Transition to renewable energy sources (e.g., solar farms, wind farms, hydro power, and battery storage).
- Sustainable use of natural resources.
- Protection of biodiversity and ecosystems.
- Fair labour practices and board diversity.
- Community engagement and access to essential social infrastructure.

These characteristics are achieved through investments in companies and assets that align with these goals, as assessed by the Fund's proprietary ESG scorecard (Annex II).

Investment Strategy

The Investment Manager will invest in companies which promote environmental and/or social characteristics and have the prospect of generating income and capital growth over the medium term.

Many of these companies will have substantial asset backing. Such asset backing may consist of renewable infrastructure including but not limited to solar farms, wind farms, hydro power, and battery storage. The shares of these asset-backed companies may trade at a discount to the underlying value of their net assets, thus providing the prospect of capital gains if the shares later trade closer to or above the value of their net assets.

Other investments may include companies that are suppliers to, or otherwise operate or develop in, the global clean energy sector, as well as companies that build and provide clean technology and companies that are active in social infrastructure or promote other environmental and/or social characteristics, such as climate change mitigation, transition to renewable energy sources, protection of biodiversity, and community engagement and support.

It is expected that most investments will pay an income to shareholders by way of dividend. Many of the investments, particularly in the infrastructure sector, are anticipated to have long-term secure cashflows with an element of inflation linkage. This would be expected to provide shareholders with a stable and growing income stream. The Investment Manager shall carry out due diligence on the quality of the assets, the cashflows, the management team, corporate governance, and environmental and social characteristics of the investments to determine the attractiveness of the potential returns.

The Fund seeks to generate high levels of income and capital growth over a medium to long-term horizon. It promotes environmental and social characteristics through investments primarily in:

- Renewable infrastructure projects (e.g., solar farms, wind farms, hydro power, and battery storage).
- Companies demonstrating strong Environmental, Social, and Governance (“ESG”) practices.

Key sustainability goals include:

- Climate change mitigation and renewable energy transition.
- Biodiversity protection and natural resource conservation.
- Promoting diversity, fair labour practices, and community engagement.

Proportion of Investments used to meet Environmental or Social characteristics

- 80% of the Fund’s investments promote environmental and/or social characteristics.
- 25% of the portfolio is allocated to sustainable investments that are not EU Taxonomy-aligned but that comply with the “Do No Significant Harm” (DNSH) principle.
- Remaining investments may include cash or instruments for liquidity and risk management purposes.

Monitoring of Environmental or Social Characteristics

The Investment Manager continuously monitors the attainment of environmental and social characteristics by:

- Regularly reviewing investments against sustainability indicators.
- Applying the ESG scorecard to evaluate compliance with E/S goals.
- Engaging with investee companies to track and promote progress on ESG metrics.

Methodologies

The Fund uses the following methodologies to measure the attainment of its E/S characteristics:

- Proprietary ESG scorecard, with scores assigned based on environmental, social, and governance factors.
- Quantitative metrics for PAIs, including GHG emissions and biodiversity impact where available.
- Qualitative assessments - the Fund assesses governance practices of investee companies to ensure:

- Transparent, independent, and diverse board structures.
- Ethical leadership and regulatory compliance.
- Sound management structures, internal controls, and shareholder protections
- Exclusion of companies that breach predefined criteria.

Data Sources and Processing

The Investment Manager sources data from:

- Publicly available company reports and ESG disclosures.
- Third-party ESG data providers for quantitative and qualitative metrics if required.
- Direct engagement with companies to gather supplementary information.

Where gaps in data exist, third-party sources or estimates may be used to ensure robust evaluations.

Limitations to Methodologies and Data

- Limited data availability for certain investments can affect ESG assessments.
- Reliance on third-party providers may introduce variability in data quality.
- Efforts are made to address gaps through direct company engagement and ongoing review of methodologies

Due Diligence

The investment manager performs comprehensive due diligence, integrating ESG considerations into every step of the investment process. Investments are assessed for alignment with environmental and social characteristics and compliance with governance standards.

Engagement Policies

The Fund's engagement policies include:

- Regular dialogue with investee companies to address ESG issues.
- Use of voting rights to promote sustainable business practices.
- Advocacy for improved disclosure and adherence to ESG commitments.

