



CARN CAPITAL

INVEST TO EXIST

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About CARN Capital

Active manager with advantage of partnership structure

Sustainable	<ul style="list-style-type: none">• Invest in sustainable businesses, using UN SDGs as framework• Integrated environmental, social and governance approach• CARN funds are Nordic Swan Ecolabeled	
Active	<ul style="list-style-type: none">• Unconstrained mandate• Latitude: Ability to go long and short long-bias• Ability to invest in smaller and under-researched companies	
Independent	<ul style="list-style-type: none">• Independent boutique partner owned• Own money invested in the fund• Limited capacity maximise probability of success	
Focused	<ul style="list-style-type: none">• Focused investment universe• Clear segregation of responsibilities• Lean and effective investment organisation	

Cairns have existed for thousands of years; they are significant markers in the landscape, meant to point out direction, help navigate and communicate. *Carn* is the old gaelic form of *cairn*. A symbol of safety, strength and stability.

Intro to SFDR

Important terms

- **SFDR:** Sustainability-related financial disclosures
- **Level 1 regulation:** Framework principles (more general, high-level)
- **Level 2 regulation:** Technical implementing measures (very specific)
- **RTS:** Regulatory technical standards
- **FMP:** Financial market participant
- **PAI:** Principal adverse impacts - Adverse impacts of investment decisions on sustainability factors.
- **Sustainability Factors:** Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- **Sustainability Risk:** An environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment

Timeline for SFDR implementation

Two-step compliance: Level 1 from 10 March 2021, but certain provisions require Level 2 RTS support and will be implemented at a later date.

10 March 2021	1 January 2022	30 December 2022	1 January 2023
Likely entry into application of RTS			
Disclosures at entity level			
<p>Art 4: Beginning of the first reference period (30/06/2021 if > 500 employees), ending on 31/12/2021</p> <p>Art. 3 & 5: Publication of entity-wide policies on the integration of sustainability risks in (i) investment decision or advisory process and (ii) remuneration</p>		<p>Art 4: First PAI entity reporting, at least for the March-December 2021 reference period, without RTS</p>	<p>Art 4: First PAI entity-level reporting based on the RTS</p>
Disclosures at product level			
<p>Art. 6: Start of pre-contractual transparency on the consideration of sustainability risks for all products</p> <p>Art. 8, 9, 10: Entry into application of the pre-contractual and website transparency obligations for Art. 8 & 9 products (without L2 and related templates)</p>	<p>Art. 8, 9, 10: Start of pre-contractual and internet (Article 10) transparency for A8/A9 products according to L2</p> <p>Art. 8 & 9: Entry into application of Art. 5 & 6 of the Taxonomy Regulation;</p> <p>Start of pre-contractual transparency on the alignment with climate change mitigation and adaptation objectives</p> <p>Art. 11: First reference period for periodic reporting on Art. 8 & 9 products</p>	<p>Art. 7: Start of pre-contractual transparency obligations on the consideration of PAI for all products</p>	<p>Art. 11: First periodic reporting for Art. 8 & 9 products (on fiscal year 2022)</p> <p>Art. 8 & 9: First periodic reporting on the alignment with climate change mitigation and adaptation objectives</p>

Manager-level disclosures

Regardless of whether there is an ESG/sustainable investment objective

- **Information on website (from 10 March 2021):**
 - Policies on the integration of **sustainability risks** into its investment decision-making processes
 - Consideration (or not) of **principal adverse impacts** of investment decisions on sustainability factors
 - Remuneration policy consistent with the integration of **sustainability risks**

Product-level disclosures

Regardless of whether there is an ESG/sustainable investment objective

- Information in pre-contractual disclosures to investors:
 - How **sustainability risks** are integrated into investment decision-making and the likely impacts of sustainability risks on the returns of the product (from 10 March 2021)
 - Whether and how the particular fund/portfolio considers **principal adverse impacts** on sustainability factors (by 30 December 2022)
- Information in periodic reports on **principal adverse impacts** on sustainability factors (from 1 January 2022).

Additional product-level disclosures

For ESG/sustainable products only

Article 8 products		Article 9 products
Pre-contractual disclosure (from 3.2021)	<ul style="list-style-type: none"> • How environmental/social characteristics met • Relevant index information 	<ul style="list-style-type: none"> • How sustainability objective met • Relevant index information
Website (from 3.2021)	<ul style="list-style-type: none"> • Summary • Description of characteristics/impact • Methodologies for assessing, measuring and monitoring • Due diligence on portfolio holdings • Data sources and criteria on relevant indicators • Limitation to methodologies 	
Periodic reporting (from 1.2022)	<ul style="list-style-type: none"> • Extent to which characteristics met • EU taxonomy alignment where relevant 	<ul style="list-style-type: none"> • Measure of sustainability impact achieved • Comparison with broad market index • EU Taxonomy alignment

Is your fund an Article 8 or Article 9 product?

Difficult but necessary clarification

- **Article 8:**

- EU: «Products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices»
- Finanstilsynet: «Finansielle produkter som skal fremme bærekraft»

- **Article 9:**

- EU: «Products with a sustainable investment objective»
- Finanstilsynet: «Finansielle produkter som har bærekraftige investeringer som formål»

CARN and SFDR

Process

- As a UCITS fund, we meet the definition of an FMP and are therefore required to disclose in accordance.
- Started by doing a gap analysis to determine necessary steps (there are alot!).
- Key consideration – are our funds Article 8 or Article 9 products?
- Evaluation of existing data/analytical tools, potential additional requirements.
- Create timeline for implementation of new disclosures.
- Start updating existing/creating new policies to prepare for disclosure in March 2021.

CARN and SFDR

Key challenges/considerations

- Resource use considerations
- No index
- Data considerations
- Additional considerations in relation to use of derivatives

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