EUROPEAN
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ANNEX 1

ANNEX

to the

Commission Delegated Regulation (EU) .../...

supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

ANNEX I

Template principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

(1) ‘scope 1, 2 and 3 GHG emissions’ means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council[1];

(2) ‘greenhouse gas (GHG) emissions’ means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council[2];

(3) ‘weighted average’ means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;

(4) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(5) ‘companies active in the fossil fuel sector’ means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council[3];

(6) ‘renewable energy sources’ means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;

(7) ‘non-renewable energy sources’ means energy sources other than those referred to in point (6);

(8) ‘energy consumption intensity’ means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;

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[1] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

[2] Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

[3] Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

(9) ‘high impact climate sectors’ means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council[4];

(10) ‘protected area’ means designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA);

(11) ‘area of high biodiversity value outside protected areas’ means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council[5];

(12) ‘emissions to water’ means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council[6] and direct emissions of nitrates, phosphates and pesticides ;

(13) ‘areas of high water stress’ means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute’s (WRI) Water Risk Atlas tool “Aqueduct”;

(14) ‘hazardous waste and radioactive waste’ means hazardous waste and radioactive waste;

(15) ‘hazardous waste’ means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council[7] ;

(16) ‘radioactive waste’ means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom[8];

(17) ‘non-recycled waste’ means any waste not recycled within the meaning of ‘recycling’ in Article 3(17) of Directive 2008/98/EC;

(18) ‘activities negatively affecting biodiversity-sensitive areas’ means activities that are characterised by all of the following:

(a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;

(b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:

(i) Directive 2009/147/EC of the European Parliament and of the Council[9];

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4 Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

5 Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

6 Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

7 Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

8 Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).

9 Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

(ii) Council Directive 92/43/EEC[10];

(iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council[11];

(iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);

(19) ‘biodiversity-sensitive areas’ means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (‘KBAs’), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139[12];

(20) ‘threatened species’ means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;

(21) ‘deforestation’ means the temporary or permanent human-induced conversion of forested land to non-forested land;

(22) ‘UN Global Compact principles’ means the ten Principles of the United Nations Global Compact;

(23) ‘unadjusted gender pay gap’ means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;

(24) ‘board’ means the administrative, management or supervisory body of a company;

(25) ‘human rights policy’ means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;

(26) ‘whistleblower’ means ‘reporting person’ as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council[13];

(27) ‘inorganic pollutants’ means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council[14], for the Large Volume Inorganic Chemicals- Solids and Others industry;

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[10] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

[11] Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).

[12] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

[13] Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L305, 26.11.2019, p. 17).

[14] Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).

(28) 'air pollutants' means direct emissions of sulphur dioxides (SO_2), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter ($PM_{2,5}$) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council[15], ammonia (NH_3) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;

(29) 'ozone depletion substances' mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

For the purposes of this Annex, the following formulas shall apply:

(1) 'GHG emissions' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope(x)\ GHG\ emissions_i\right)$$

(2) 'carbon footprint' shall be calculated in accordance with the following formula:

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i\right)}{current\ value\ of\ all\ investments\ (€M)}$$

(3) 'GHG intensity of investee companies' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{investee\ company's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{investee\ company's\ €M\ revenue_i}\right)$$

(4) 'GHG intensity of sovereigns' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{The\ country's\ Scope\ 1,2\ and\ 3\ GHG\ emissions_i}{Gross\ Domestic\ Product_i\ (€M)}\right)$$

(5) 'inefficient real estate assets' shall be calculated in accordance with the following formula:

$$\frac{((Value\ of\ real\ estate\ assets\ built\ before\ 31/12/2020\ with\ EPC\ of\ C\ or\ below) + (Value\ of\ real\ estate\ assets\ built\ after\ 31/12/2020\ with\ PED\ below\ NZEB\ in\ Directive\ 2010/31/EU))}{Value\ of\ real\ estate\ assets\ required\ to\ abide\ by\ EPC\ and\ NZEB\ rules}$$

15 Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), *OJ L 344, 17.12.2016, p. 1–31*

For the purposes of the formulas, the following definitions shall apply:

(1) ‘current value of investment’ means the value in EUR of the investment by the financial market participant in the investee company;

(2) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(3) ‘current value of all investments’ means the value in EUR of all investments by the financial market participant;

(4) ‘nearly zero-energy building (NZEB)’, ‘primary energy demand (PED)’ and ‘energy performance certificate (EPC)’ shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council[16].

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant Ownership Capital B.V.
SamenvattingOwnership Capital B.V. (LEI: 724500FB5W61Z986WX80) neemt de belangrijkste ongunstige effecten van haar beleggingsbeslissingen op duurzaamheidsfactoren in aanmerking. De huidige verklaring is de geconsolideerde verklaring inzake de belangrijkste ongunstige effecten op duurzaamheidsfactoren van Ownership Capital B.V. Deze verklaring inzake de belangrijkste ongunstige effecten op duurzaamheidsfactoren heeft betrekking op de referentieperiode van 1 januari tot en met 31 december 2022. Ownership Capital beoordeelt de materiële effecten van de activiteiten en producten/diensten van de onderneming waarin is belegd op duurzaamheidsfactoren met behulp van onze eigen OC Govern ESG-analysetool tijdens het due diligence-proces voor beleggingen en door regelmatige monitoring tijdens de periode waarin deze beleggingen aangehouden worden. **Summary** Ownership Capital B.V. (LEI: 724500FB5W61Z986WX80) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Ownership Capital B.V. This statement on principal adverse impacts on sustainability factors covers the reference period from January 1 to 31 December 2022. Ownership Capital assesses material impacts of investee company operations and products/services on Sustainability Factors using our proprietary OC Govern ESG analysis tool during the investment due diligence process and through regular monitoring during the holding period.

[16] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)

Description of the principal adverse impacts on sustainability factors

In the below table we provide the quantitative data per mandatory principal adverse impact indicator of table 1 and the two additional indicators (indicator 4 from table 2 and indicator 14 of table 3 of Delegated Regulation 2022/1288). All the data was received from an industry data provider, MSCI ESG Research. The calculation of ESG metrics from MSCI uses company-provided data and research provided by MSCI Research. More information on the methodology of MSCI ESG Research is available on their website here.

Next to the figures we also provide an explanation of the indicators in the table below. We explain if the outcome of an indicator is relatively low or high in relation to our Investment Principles. Finally, we explain any action taken in 2022 or planned on the PAI-indicator for 2023. This is the first reporting period for most indicators so there is limited action taken at this point.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact 2022**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	757.1 tCO2eq	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	In 2022, we assessed the GHG emissions, carbon footprint and GHG intensity of all investee

		Scope 2 GHG emissions	2,962.2 tCO2eq	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	companies using our OC Govern tool. The Carbon footprint and GHG intensity of investee companies in 2022 is low relative to the broader Developed Equities market, as measured by the MSCI World, but we still engaged with all portfolio holdings on areas of improvement. In 2022, we engaged with all portfolio companies on carbon emissions-related topics including the measurement and disclosure of emissions, setting decarbonisation targets and increasing investment in climate solutions which contribute to decarbonisation globally. We intend to continue our efforts through engaging with 100% of portfolio companies in 2023 on carbon emissions-related topics. This includes Scope 1, 2 and 3 carbon disclosure for all companies and asking companies to set science-based decarbonisation targets to reduce the impact included in this statement.
		Scope 3 GHG emissions	140,408.6 tCO2eq	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	
		Total GHG emissions	144,127.8 tCO2eq	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	
	2. Carbon footprint	Carbon footprint	22.3 tCO2eq/EURm	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	
	3. GHG intensity of investee companies	GHG intensity of investee companies	309.0 tCO2eq/EURm	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	N/A	Source: MSCI ESG. We had no exposure to companies in the fossil fuel sector in 2022.	

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	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	64.9 % non-renewable energy consumption and production ; 35.1% renewable energy consumption and production	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles. Several of our portfolio companies are part of the RE100 Commitment to transition to 100% renewable energy.	
	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	< 0,1 Gwh/EURm	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles. We had indirect exposure through our holdings to NACE Code C (Manufacturing) and NACE Code G (Wholesale and Retail Trade; Repair of Vehicles and Motorcycles) which amounted to a weighted average GwH/million EUR revenue of less than 0.1	
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 %	N/A	Source: MSCI ESG Exposure to companies located near biodiversity-sensitive areas is low.	We evaluate and monitor all companies for their sites/operations located in or near biodiversity-sensitive areas using our OC Govern Analysis Tool. There were no engagements needed on this area in 2022.

						For 2023 we continue to evaluate and monitor just as in 2022 to maintain this baseline.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	-	N/A	Source: MSCI ESG Data on this metric in the industry remains limited, including for our portfoio companies. Data coverage for this metric was 0% in 2022 for our portfolio.	We evaluate and monitor all companies for their reporting on fresh water use, water oversight and any water reduction targets. For 2023 we continue to evaluate and monitor just as in 2022 to maintain this baseline.
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	-	N/A	Source: MSCI ESG Data on this metric in the industry remains limited, including for our portfoio companies. Data coverage for this metric is less than 15% in 2022 for our portfolio.	We evaluated and monitored all companies for waste and & hazardous materials management, hazardous waste exposure and hazardous waste reporting practices using our OC Govern Analysis Tool. For 2023 we continue to evaluate and monitor just as in 2022 to maintain this baseline
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD)	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	N/A	Source: MSCI ESG We seek not invest in companies which violate the UNGC or OECD Principles, so would expect this number to be low.	We use violations of the UNGC as a Red Flag in our pre-investment analysis for companies and as part of our continued monitoring of investee companies. Our companies did not show any violations in 2022.

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	Guidelines for Multinational Enterprises					For 2023 we continue
	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	85.5%	N/A	Source: MSCI ESG This metric is higher than we would expect given our Investment Principles. This data is based on the MSCI ESG database. From direct interaction with our companies we know some have policies or practices in place which have not been formally documented with MSCI and are therefore absent from this data. This enables us to invest in companies which may not have a formalised policy that aligns with MSCI definitions provided we assessed they have appropriate practices to limit the risks of future violations.	Our investment team looked in 2022 and previous years not only at past violations of the UNGC or OECD Guidelines for Multinational Enterpriese, but also at the risk of future violations through our due diligence process and meetings with the management team of investee companies. We will encourage our companies in 2023 to share their policies with MSCI in order to improve the accuracy of this data in future reporting periods.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11.6%	N/A	Source: MSCI ESG Data on this metric in the industry remains limited, including for our portfoio companies. Data coverage for this metric in the MSCI database is less than 10%.	We evaluate and monitor all companies for their reporting on gender pay gap and policies to improve this metric over time. For 2023 we will continue to evaluate and monitor just as in 2022 to identify areas for

						improvement in our investee companies.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	30.7 %	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	We expect companies to have at least 30% female gender representation on the Board. We engage with companies that do not meet this threshold and also use voting to escalate our focus on this issue where necessary. In 2022 we used both engagement and voting to cnourage improved Board Diversity from portfolio companies. For 2023 we plan to continue to engage with all companies which do not meet our 30% female gender representation threshold.
	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%	N/A	Source: MSCI ESG This metric is in line with our expectations given our Investment Principles.	All existing and new investments are periodically screened against their exposure to controversial weapons.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and**

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						targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A		
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	N/A		
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**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	N/A		
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A		
Other indicators for principal adverse impacts on sustainability factors						
Emissions (Table 2)	4. Investments in companies without carbon emission	Share of investments in investee companies without carbon emission reduction initiatives	16.7%		Source: MSCI ESG	As mentioned in the “Greenhouse gas emis”ions" section above, we engage with all portfolio

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	reduction initiatives	aimed at aligning with the Paris Agreement				companies on the management of their carbon emissions. In 2022, we engaged with all companies on carbon emission reduction targets in line with the Paris Agreeement. We asked companies to set third-party verified targets through the Science Based Targets Initiative (SBTi). Five portfolio companies set targets or made commitments to set emission reduction targets targets through the Science Based Targets Initiative in 2022. In 2023, we will continue to engage with all holdings towards the goal of all companies setting science-based decarbonisation targets by 2030.
Human Rights (Table 3)	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0%		Source: MSCI ESG	We use violations of the UNGC and Human Rights notifications as a Red Flag in our pre-investment analysis for companies and as part of our continued monitoring of investee companies.

						Our companies did not show any violations in 2022. For 2023 we will continue to conduct due diligence on new and existing investments on the risk of severe human rights issues and incidents.

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

The Principal Adverese Impact Policy was approved by the financial market participant in June, 2023 and is reviewed annually.

The Investment Manager assesses the company through its own environmental, social and governance ("ESG") analysis tool, which is an extensive questionnaire based on different ESG factors. ESG factors are defined as measures used to evaluate the company across Management, Environmental, Social and Governance categories. The questionnaire is completed based on quantitative and qualitative data available through its internal research, information made available by the issuer through company reporting and publicly available data sources, as well as direct interactions with the company. The Investment Manager uses its own assessments of ESG issues and may also consider standards as set forth by recognized global organizations.

Amongst other things, the assessment enables members of the investment team to identify principal adverse sustainability impacts for each company. Ownership Capital considers "principal adverse sustainability impacts" to be characterized by the high likelihood of a severe adverse impact on Sustainability Factors. Since Ownership Capital identifies principal adverse sustainability impacts for each company in the portfolio individually, the material principal adverse impacts may differ per company depending on factors such as industry, geography and size.

The Investment Manager typically does not invest in companies with a high likelihood of generating severe principal adverse impacts on Sustainability Factors, as the Investment Manager believes that companies with business strategies that are executed in a sustainable, and well-governed manner are most likely to deliver strong investment results over the long term.

However, in certain cases where material principal adverse impacts are identified, the Investment Manager may still choose to invest and engage with the company to improve their business from a sustainability perspective. If the Investment Manager determines there is an openness from the company management team to reduce the principal adverse impact through engagement, they may choose to invest and engage with the company, rather than exclude or divest.

If the Investment Manager determines there is no openness from the company management team to reduce the principal adverse impact through engagement, they will not invest, or will divest the company. Following selection, the Investment Manager actively engages with all investee companies on a continuous basis to mitigate the likelihood and severity of potential principal adverse impacts on Sustainability Factors. This engagement includes addressing key areas such as carbon emissions, board diversity or policies related to human rights. Working together with management, the Investment Manager encourages investee companies to manage the impact of their business on material Sustainability Factors in order to achieve sustainable growth and business durability that is the foundation of long-term success.

The data sources used by Ownership Capital includes data from MSCI ESG Research and information obtained directly from the investee companies by the manager. Where data is not available, estimates from MSCI ESG Research are used. As data quality improves over time, the accuracy of these disclosures should also improve. We were able to report on all PAI. However, for some indicators data coverage remains very low. The following indicators had less than 50% data coverage:

- Emissions to water
- Hazardous Waste Ratio
- Unadjusted gender pay gap

Engagement policies

Engagement is undertaken by our investment team and is seen as vital to our investment process. We believe engagement is useful in assessing the performance and suitability of investee companies' management teams and is key in influencing these teams, including in the potential mitigation of principal adverse impacts of their business on Sustainability Factors. In accordance with the Shareholder Rights Directive II, the Investment Manager has put in place a shareholder engagement policy which addresses the Investment Manager's approach to stewardship as referred to in article 5:87c sub 1,2 and 6 of the Dutch Financial Supervision Act ("Wet op het financiëel toezicht"), as transposed into Dutch legislation from the Shareholder Rights Directive II (SRD II). The SRD II is part of EU-wide measures intended to promote effective stewardship and long-term investment decision making. SRD II aims to achieve this by enhancing transparency on engagement policies and investment strategies across the institutional investment community.

Our engagement process begins with an assessment of each investee company using our OC Govern Analysis Model. The OC Govern tool includes all principal adverse impact indicators reference in Table 1 Annex 1. We monitor all Principal Adverse Impact indicators throughout the holding period. We will only engage on Principal Adverse Impact Indicators where we see a significant, unmanaged risk by the company. These include:

1. GHG intensity of portfolio companies
2. Investments in companies without carbon reduction initiatiaves
3. Number of cases of identified severe human rights incidents and issues
4. Board gender diversity

Portfolio turnover (the exits of certain names and entries of other names) means that these indicators may increase at the portfolio level over time. In these cases we seek to manage the impact through engagement with direct portfolio holdings.A full copy of the Investment Manager's shareholder engagement policy is available on their website here.

References to international standards

Ownership Capital seeks to comply with the United Nations Principles for Responsible Investment (UNPRI) and reports annually on our adherence to the standards. As signatories to the Montreal Carbon Pledge, Ownership Capital discloses the carbon footprint of the investment portfolio annually within regular reports to clients. This relates to Indicator 2-3 above. Furthermore, Ownership Capital is a supporter of the Task Force on Climate-Related Financial Disclosures ("TCFD") and signatory to the Net Zero Asset Managers Initiative. As part of this commitment, we provide information on the percentage of companies with decarbonisation targets annually, covered by Indicator 4 in "Other indicators for principal adverse impacts on sustainability factors".

Historical comparison

N/A.