



## Sustainability on Product-Level Article 8(1) of Regulation (EU) 2019/88

Borromin’s financial products promote environmental or social characteristics, but do not have as their objective a sustainable investment.

Borromin’s funds generally promote environmental and social characteristics by excluding certain sectors and economic activities in the investment universe that cannot be aligned with Borromin’s values and philosophy. Current exclusions amongst others include:



- Production of & trade in tobacco and cannabis
- Distilled alcoholic beverages and related products
- Financing of the production of & trade in weapons and ammunition of any kind
- Casinos and equivalent enterprises
- Pornography

Moreover, ESG assessments are carried out for all portfolio companies and consider a comprehensive set of ESG management aspects, which can be summarized within the following categories (see graphic). Exemplary aspects include but are not limited to the existence of a code of conduct, staff development opportunities, environmental responsibilities, and climate change related risks (and opportunities).

Bearing in mind recent developments regarding climate change and linked market expectation and regulation, this aspect will be given even greater consideration in future assessments.



### Environmental

pollution, waste management, consumption of natural resources.



### Social

child labour, fair trade, health and safety in the work environment, and equal opportunities.



### Governance

anti-bribery / corruption, business ethics, risk management and control systems.

## Investment Strategy

For Borromin Capital Fund II the portfolio companies within the fund were screened according to Borromin’s binding exclusion list in the pre-acquisition phase.

Borromin Capital Fund III is fully divested.

For Borromin Capital Fund IV all potential investments are similarly screened according to Borromin’s binding exclusion list within the pre-acquisition phase. Additional to the exclusion list, Borromin conducts an ESG assessment of each potential investment which is included in the investment decision. Within the holding phase, ESG assessments are then updated annually to monitor the ESG development of portfolio companies.

Policy to assess good governance practices of the investee company:

Borromin puts a strong emphasis on governance aspects, which are always considered to be material. Criteria that are assessed relate to the governance organisation, the implementation and control of governance aspects as well as the stakeholder management and communication of ESG-related aspects.

## **Proportion of Investments**

All assets within Borromin's funds promote social and environmental characteristics. Similarly, all assets are direct investments.

## **Monitoring of environmental or social characteristics**

Where there are material issues identified during the ESG assessment process these issues are monitored throughout the life of the investment. Where management of, or performance on, a material issue is considered by Borromin to require improvement, Borromin will work with company management to support the development of a corrective action plan.

## **Methodology; Due Diligence**

In order to get a good understanding of the portfolio companies and relevant ESG aspects and performance, Borromin commissions an ESG consultant to conduct thorough desktop research and review a number of relevant documents for each portfolio company individually. Assessments further include site visits and/or interviews with management of the portfolio company and/or other relevant staff. This allows more in-depth discussions on specific aspects and helps close information gaps. The documents provided by the portfolio company and information obtained through interviews with management and relevant staff help draw a good picture of portfolio companies, their ESG performance and potential risks, if any.

## **Data Sources and Processing**

The data collected within the ESG assessment is processed by Borromin's ESG consultant who has extensive experience working with ESG-related data. To ensure data quality the consultant generally follows a four-eye principle. None of the data is estimated within the process.

## **Limitations to methodologies and data**

Borromin invests in a diverse range of SMEs which may have limited resources for engaging in ESG aspects. Moreover, investments are usually made on short notice, limiting the potential investment's capability to collect relevant ESG-related data. To account for these limitations, Borromin seeks in-depth discussions with companies through interviews and site visits as outlined within the section "Methodology; Due Diligence".

## **Engagement Policies**

During the holding period, Borromin will take action to manage and / or encourage portfolio companies to manage identified ESG risks and value creation opportunities. Measures and actions are subject to Borromin's determination of what is reasonable and appropriate for each investment.