No consideration of adverse impacts of investment decisions on sustainability factors

Regulatory context

Under Article 4 of the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) ("SFDR"), Junction Growth Partners BV must publish and maintain on its website if it does or if does not consider adverse impacts of investment decisions on sustainability factors. In application of Article 4 (b) SFDR, if Junction Growth Partners BV does not consider adverse impacts of investment decisions on sustainability factors, it must state clearly why those adverse impacts are not considered and if it intends to consider them.

Why adverse impacts of investment decisions are not considered

Junction Growth Partners BV considers sustainable investing and the avoidance of adverse indicators to be of importance to its investment strategy and considers ESG factors as part of its investment process.

However, at the level of the entity Junction Growth Partners BV, we currently do not consider the adverse impact of decisions/actions on sustainability factors. Junction Growth Partners BV currently only manages 1 fund: Junction Growth Investors Fund CommV, whilst Article 4 of the SFDR has amongst others mainly been implemented for fund managers managing several funds ranging between Article 6 and Article 9 SFDR.

Moreover, Junction Growth Investors Fund CommV's ESG policy is designed to consider environmental impact throughout the investment cycle.

Last but not least, the required data is not yet readily available and/or not sufficiently reliable yet to underpin formal % alignment with the EU Taxonomy, according to the Belgian regulator FSMA[1].

Therefore, Junction Growth Partners BV believes that the assessment on entity level is not yet relevant.

Junction Growth Investors Fund CommV, however, is committed to providing clear and comprehensive information about the adverse impacts at product level (i.e. most material impacts). Junction Growth Partners BV encourages investors to consult Junction's product-specific disclosures for more detailed information on our investment strategy and sustainability related objectives (e.g. Junction's ESG policy, Website disclosure and periodic reporting on fund level).

Review of statement

Despite the formal opt-out, Junction Growth Partners BV will gradually implement steps to reduce the carbon emissions of its investment activities, and ultimately move to net zero emissions.

Junction Growth Partners BV will continue to closely monitor its obligations under SFDR and other relevant legislations and will work towards considering adverse impact, as prescribed by the SFDR, in due time taking into account e.g. when reliable data becomes easily available or new products are added to the portfolio.

[1] See FSMA_2023_01 van 24/01/2023 - Q&A's over de inwerkingtreding van de Gedelegeerde Verordening (EU) 2022/1288 van de Commissie van 6 april 2022 tot aanvulling van de SFDR-verordening met technische reguleringsnormen inzake activabeheer (https://www.fsma.be/sites/default/files/media/files/2023-01/fsma_2023_01_nl.pdf).

Sustainability Risk Policy

Junction Growth Partners BV believes sustainability risks are of key importance to the manager and its investment strategy, as referred to in article 3, SFDR. Junction Growth Partners BV's requires each of its products (funds) to define and apply appropriate sustainability risk policies. Today, Junction Growth Investors Fund CommV's sustainability risk policy embeds sustainability risks throughout the investment process, as we believe that considering these risks are an inherent part of fulfilling our fiduciary duty to our investors. Junction's sustainability risk policy considers operational, governance and regulatory risks in a fully integrated assessment throughout the investment decision making process (screening, due diligence, active ownership and reporting requirements). We encourage investors to consult Junction's ESG policy for more detailed information.

Junction Growth Partners BV will continue to closely monitor its obligations under SFDR and other relevant legislations and will adjust its procedures as necessary (e.g. when new products are added to the portfolio).

Remuneration

Under Article 5 of the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) ("SFDR"), Junction Growth Partners BV must include in its remuneration policy information on how this policy is consistent with the integration of sustainability risks and shall publish that information on its website.

Junction's remuneration policy, both at the level of the fund, as well as at the level of the portfolio companies, shall be meritocratic: we seek to reward strong ESG and/or financial performance well, whilst poor ESG and/or financial performance is discouraged; we strive to reflect that in variable pay. Junction believes in aligning remuneration with its core principle of sustainability which itself contributes to long-term value creation and superior performance for all stakeholders.

At the level of the GP, sustainability risks are incorporated in the compensation model in a way that discourages unnecessary risk-taking and promotes a sustainable risk management approach to investing.

The assessment of the team explicitly includes assessment of ESG performance. ESG performance is measured in a quantitative fashion, based on a pre-agreed framework including ESG KPIs per portfolio company. ESG performance is compared to initially agreed targets at the end of the Fund's life by the Impact & ESG committee of the Fund's Supervisory Committee. Poor performance results in a maximum 30% haircut of the Carried Interest that is available for distribution to the GP and certain Junction's team members, based on a pre-agreed assessment framework. Any haircut on Carried Interest is donated to charities/not for profit organisations active in climate change mitigation or adaptation.

The compensation policy shall be reviewed annually and updated if deemed necessary or desirable.