

SFDR AND TAXONOMY WEBSITE DISCLOSURE - article 9 fund

Summary

Capricorn Industrial Biotech Fund (CIBF) is a fund with sustainable investment as its objective in accordance with article 9 as defined in the EU Regulation 2019/2088. Each investment made by CIBF must contribute to at least one of the environmental objectives set out below and must be linked to at least one relevant UN Sustainable Development Goal (UN SDG). CIBF does not make any commitment to investing in economic activities that qualify as environmentally sustainable under the EU Taxonomy, nor does it have the objective of reducing carbon emissions.

Capricorn Industrial Biotech Fund (CIBF) is een fonds met duurzame investeringen als doel, overeenkomstig artikel 9 zoals gedefinieerd in de EU-verordening 2019/2088. Iedere investering door CIBF zal bijdragen aan tenminste een van de milieu doelstellingen zoals onderstaand beschreven en zal verbonden zijn aan tenminste een relevante UN Sustainable Development Goal (UN SDG). CIBF verplicht zich er niet toe te investeren in economische activiteiten die kwalificeren als duurzaam volgens de EU Taxonomie, noch heeft het als hoofddoel om koolstof-emissies te reduceren.

No significant harm to the sustainable investment objective

To select only those investments that do not cause significant harm to the fund's sustainable investment objective, every new investment is assessed for alignment with the general exclusion factors as specified in section 3.3. of the Capricorn ESG Policy (controversial weapons, production and trade of weapons, coal or coal-based energy production, nuclear energy production, non-conventional oil & gas production, production and trade of tobacco, gambling and casino's, adult entertainment and production of alcoholic beverages) as well as the exclusion factors and attention areas specifically applicable to CIBF (exclusion of human cloning, traditional transport/agriculture/fishery & aquaculture/maritime/coal & steel sectors, and with attention to the heightened ESG risk of companies involved in armament related dual use such as chemical products, nuclear applications, bio- or nano-technology, hazardous chemicals, animal testing (though this may be necessary for, for example, the development of drugs and pharmaceutical intermediates/products) and GMOs. If a (potential) investee is found to cause significant harm, it is excluded from investment.

Also, the use of Principal Adverse Impact (PAI) indicators is mandatory to demonstrate that an investment does not significantly harm the sustainable investment objectives. The PAI indicators that are used periodically are the ones in Table 1 of Annex 1 of the Regulatory Technical Standards of EU Regulation nr. 2019/2088 and any relevant company-specific indicators in Tables 2 and 3 of that same Annex I.

All sustainable investments of CIBF shall be aligned with the UN Guiding Principles on Business and Human Rights and, to the extent the underlying investments concern multinational enterprises, with the OECD Guidelines for Multinational Enterprises. In any case, the investments are subject to an in-depth analysis, which examines compliance with international social, human, environmental and anti-corruption standards.

Sustainable investment objective of the financial product

The sustainable investment objective is to enable one or more of the following environmental objectives:

- the use of renewable resources and/or the replacement of substances that have been identified as harmful to the environment, human and/or animal health;
- the reduced or more efficient use of raw materials, water and/or land;
- the reduced emission of substances that have been identified to cause climate change; and
- the implementation of innovation that contributes to a more future-proof food/agricultural system, and/or enables/facilitates the circular economy.

The United Nations Sustainable Development Goals (UN SDGs) that are primarily addressed are:

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- #12 Responsible consumption & production; and
- #9 Industry, innovation and infrastructure.

Other UN SDGs that may be addressed include:

- #2 Zero hunger;
- #3 Good health & wellbeing;
- #8 Decent work and economic growth;
- #13 Climate action;
- #14 Life below water; and
- #15 Life on land.

Each investment made by CIBF must contribute to at least one of the environmental objectives set out below and must be linked to at least one relevant UN SDG.

CIBF does not make any commitment to investing in economic activities that qualify as environmentally sustainable under the EU Taxonomy, nor does it have the objective of reducing carbon emissions.

Investment strategy

The Capricorn Industrial Biotech Fund (CIBF) invests in high-potential early-stage companies built around industrial biotech innovations, as key enablers for defossilization, decarbonization and promoting circular economy through sourcing renewable raw materials to build sustainable companies active in food, materials and energy transitions. In conjunction with expected promising financial returns and adherence to responsible management practices, the investments shall target to enable one or more of the sustainable investment objectives and the addressed SDGs of the fund.

The policy adhered to in order to assess good governance practices is described in section 3.2.1. of the Capricorn ESG Policy. This includes among others the utilization of a standard ESG assessment framework, according to Capricorn's Responsible Investment Strategy. Based on this framework, investee companies are assessed on their good governance practices during the various stages of the investment process pre-investment and monitored post-investment. Within the framework, attention is given to topics such as sound management structures, employee relations, remuneration of staff and tax compliance of all investees.

Proportion of investments

As an article 9 fund, CIBF commits to invest 100% in sustainable investments with an environmental objective within the meaning of the SFDR. However, CIBF can hold cash and cash equivalents as ancillary liquidity to support the proper liquidity and risk management of CIBF. Cash and cash equivalents do not affect the delivery of the sustainable investment objectives of CIBF on a continuous basis as they are used – in limited proportion – to support the proper liquidity management of CIBF and its financial obligations towards its various third-parties. They are not taken into account when calculating the percentage of sustainable investments of CIBF.

The sustainable investments with an environmental objective shall not (necessarily) be aligned with the EU Taxonomy, representing a commitment of 0% EU Taxonomy-aligned investments. The reason for this is that the EU Taxonomy appears written for large (multinational) companies, thus the Taxonomy screening criteria in many cases are not tailored to the very early-stage ventures that CIBF will invest in.

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The sustainable investments with an environmental objective shall not (necessarily) be aligned with the definition of transitional or enabling activities as referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 EU Taxonomy, representing a commitment of 0% of investments in transitional and enabling activities.

The share of investments that are sustainable investments with a social objective may be 0%.

Monitoring of sustainable investment objective

For each investment between one and four key sustainability indicators are identified, which are the most relevant and appropriate for the target investee's core activity. Targets for the progress on these indicators to be achieved with the investment are identified and followed up post-investment by means of active ownership, throughout the lifetime of the investment. Continued compliance with good management practices and progress towards the sustainable objective(s) will be continuously monitored and reported on an annual basis.

Methodologies

There is no single methodology for quantifying the sustainability indicators designated as the activities of different portfolio companies will vary and different key sustainability indicators will be considered the most relevant for each target investee. The chosen methodology may also depend on factors such as the availability of data, resources and consensus amongst multiple shareholders of the investee about which is the most suitable methodology to be used. Established and market accepted methodologies shall be the preferred choice. For each investment, the target improvement on the key sustainability indicators shall be identified. Thereby, the most relevant and appropriate point of reference shall be identified for each investment and each indicator, to articulate how improvement is enabled compared to the incumbent situation in the current relevant market– the latter constituting the 'in casu' point of reference for the specific investment. In each case the methodology used will be specified and reference will be made to where further information regarding the methodology can be found.

Data sources and processing

Relevant data to assess the progress towards and achievement of 3CIBF's sustainable investment objective, alignment with the principle of doing no significant harm, assessment of principle adverse impacts and other ESG factors will be obtained on a best efforts basis from various sources, including from the investees and from external / third party sources. The fund manager takes responsibility for processing the data in order to come to an objective and realistic as possible assessment and may make use of third party advisors in doing so.

Limitations to methodologies and data

Due to the nature of (early stage, starting from pre-seed investments, and small) private portfolio companies, there is often a lack of available data and very limited resources to collect such data. Hence Capricorn Partners cannot commit to always measure and monitor its ESG actions through quantification of the key impacts. To mitigate these possible limitations, Capricorn Partners continuously encourages and investigates together with the portfolio companies how, where possible, to quantify and measure ESG benefits and contributions to the UN SDGs.

As the sustainability and impact fields continue to develop, new methodologies and data sources will become available over time, with an expected increased level of accuracy and refinement. Capricorn Partners will pro-actively follow these developments, select the methodologies and collect data from a variety of data sources as deemed the most appropriate and representative at any given time, with the aim of providing an objective and accurate as possible reflection of how the investee performs in its activities towards achieving its key environmental objective(s). This will be done on a best efforts basis and needs to be interpreted in the context of the level of knowledge and know-how available at the given point in time.

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Due diligence

The investment process includes multiple stages of due diligence, whereby a potential investment is assessed with an increasing level of depth at each stage. These stages are deal intake, team screening, pre-due diligence, due diligence, preparation of the final investment recommendation and investment decision. Throughout these stages, alignment with the CIBF sustainable investment objective, adherence to the principle of doing no significant harm, including assessment of the principle adverse impacts and principles of good governance are taken into account. In case of negative findings that cannot be mitigated, this may halt the investment process at any time and lead to a negative investment decision. If attention points are identified that can be mitigated, an improvement/remedial trajectory shall be agreed with the investee as an integral part of the conditions to closing the investment. In any case, the overall findings of this assessment are reported and documented in the Final Investment Recommendation, based upon which the investment decision will be made.

Engagement policies

For CIBF the fund manager implements an active engagement policy, closely interacting with the portfolio companies. The engagement and personal contact with the portfolio companies are especially used with regards to exclusions and related thresholds and the overall alignment of the portfolio companies with the sustainable investment objectives of this product. Also, Capricorn Partners has a policy for exercising the voting rights attached to the shares in the portfolio companies in accordance with the principles and procedures laid down in its "Voting Rights Policy". Our exercise of voting rights is a substantive way of declaring shareholders' intentions and fulfilling our fiduciary responsibilities and to ensure that corporate governance is exercised in an active way.

Attainment of the sustainable investment objective

There is no specific index designated as a reference benchmark as for the small companies CIBF will invest in and novel technologies they will develop, no applicable index is available. Instead, for each investment, the target improvement on the key sustainability indicators shall be identified. Thereby, the most relevant and appropriate point of reference shall be identified for each investment and each indicator, to articulate how improvement is enabled compared to the incumbent situation in the current relevant market– the latter constituting the 'in casu' point of reference for the specific investment.

Only in case it is relevant and appropriate for the sustainable investment objective of an investment and if and to the extent data is available, reference shall be made to standardised reference benchmarks, including specification where the methodology used for the calculation of that benchmark can be found.

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