

SFDR WEBSITE DISCLOSURE CHF II - article 8

Summary/Samenvatting

Capricorn Healthtech Fund II (CHF II) promotes environmental and social characteristics in accordance with article 8 of the EU Regulation 2019/2088, but does not have as its objective sustainable investment. These characteristics are not only integrated in the investment scope of the Fund through its thematic approach but also in the analysis of non-financial criteria during the portfolio construction and management. However, the fund does not use formal benchmarks to assess its environmental or social performance but uses different indicators to assess such performance of its investee companies.

Capricorn Healthtech Fund II (CHF II) bevordert ecologische en sociale kenmerken overeenkomstig artikel 8 van de EU-verordening 2019/2088, maar heeft niet als doelstelling duurzaam beleggen. Deze kenmerken zijn niet alleen geïntegreerd in het beleggingsgebied van het fonds via zijn thematische aanpak, maar ook in de analyse van niet-financiële criteria tijdens de opbouw en het beheer van de portefeuille. Het fonds gebruikt echter geen benchmarks om zijn ecologische of sociale prestaties te beoordelen, maar gebruikt verschillende indicatoren om die prestaties van de ondernemingen waarin wordt geïnvesteerd, te beoordelen.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics in accordance with article 8 of the EU Regulation 2019/2088.

The characteristics promoted by this Fund consist of investing in portfolio companies active in the healthtech sector, primarily in medtech and digital health, that aim to commercialize new solutions enabling personalized and value-based healthcare, that have global potential and that can deliver exceptional gains in efficiency and patient outcomes.

Measured against the United Nations' Sustainable Development Goals (SDG), the Fund will concretely promote one or more of the following environmental and/or social characteristics:

- SDG 3 – good health and well-being: investments in companies that are developing better health and treatment solutions, and/or enable better healthcare delivery (e.g., more patient centric, better coordinated, more efficient, etc.);
- SDG 10 – reduced inequalities: investments in companies that enable patient health solutions at lower per-patient costs, or with higher per-patient health improvement impact (outcome) – hence making good healthcare more accessible to more people and helping to reduce inequalities;
- SDG 8 – decent work and economic growth: investments in (a) companies that help to better organize work among the various stakeholders in the healthcare system, hence enabling healthcare systems to cope with workloads; and (b) in start-up and growth companies who typically create new employment and new economic entities when successful; and
- SDG 4 – quality education: investments in companies that support clinicians and patients in becoming better informed and educated in performing their evolving work procedures (e.g., for clinicians), or in navigating care paths (e.g., for patients).

For confidentiality reasons the Fund will not report on the evolution of these characteristics nor give any detailed explanation on this website.

Investment strategy

The Fund's investment strategy is to make venture capital investments in portfolio companies that are active in the healthtech sector, primarily in medtech and digital health, aiming to commercialize new solutions enabling personalized and value-based

SFDR WEBSITE DISCLOSURE CHF II - article 8

healthcare, that have global potential and that can deliver exceptional gains in efficiency and patient outcomes. To that purpose, the Fund follows a well-structured investment and governance process:

- Investment process: the Fund follows a structured investment process, which includes an appropriate screening of potential investment candidates and a subsequent due diligence. A proposal to invest in a company is summarized in an "Initial Investment Recommendation". During the investment process, ESG matters are integrated as well: 1) investments with E/S characteristics and other investments are identified; 2) potential investments are assessed by explicit mapping to SDG impact; 3) investments in problem areas are being excluded; and 4) potential ESG risks are identified and mitigation steps are proposed.
- Governance process: investments are decided by the Fund's investment committee. Moreover, a regular reporting of the Fund's investments is provided to the Fund's investors and the Limited Partner's Advisory Committee.
- Monitoring process: After having invested, the Fund fosters recurring reporting of portfolio companies on ESG risks and efforts towards mitigation. Also, the Fund will manage portfolio companies in alignment with our ESG commitments and will bring up ESG principles within the board of directors.

Reference is made to chapter 3 of the ESG Policy of the management company Capricorn Partners for a more detailed description of the way ESG matters are considered and integrated into the investment decisions process.

Proportion of investments

The Fund intends to allocate the majority of its portfolio to investments that are aligned with the social and/or environmental characteristics the Fund promotes.

Monitoring of environmental or social characteristics

The executive task of monitoring and reporting on the ESG commitments is assigned to the investment managers dedicated to the specific portfolio companies. Whenever the investment manager deems necessary, ESG is discussed during the regular investment team meetings and at least annually for the preparation of the Fund ESG Scorecard.

Reference is made to the ESG Policy of Capricorn Partners for a more detailed description of the way how ESG matters are considered and integrated into the monitoring of the environmental or social characteristics.

Methodologies

The Fund does not have one uniform methodology to measure the attainment of environmental or social characteristics. Instead, it opts for an ad hoc approach, depending on the activities of the portfolio company. Therefore, no methodological criteria are established in advance.

The Fund invests mainly in medtech and digital health companies. These companies may actively address one or more of the SDGs addressed by the Fund:

1. good health and well-being (e.g. through new technologies) (SDG 3);
2. quality education (e.g. for clinicians and patients) (SDG 4);
3. decent work and economic growth (e.g. for healthcare stakeholders) (SDG 8); and
4. reduced inequality (e.g. through more affordable and more accessible healthcare) (SDG 10).

In stead of a uniform methodology, for each specific portfolio company, one or several strategic KPIs will be established, to measure the company's SDG impact in the very unique and specific way that corresponds with the company's value creation model. In terms of overall good governance practices, special attention is given to diversity in teams, staff turnover and future oriented personnel management – for which dedicated KPIs will be tracked.

Data sources and processing

SFDR WEBSITE DISCLOSURE CHF II - article 8

Capricorn Partners relies mainly on their own inquiries (as we are usually represented in the board of directors) and on information it receives from the company itself.

Limitations to methodologies and data

Due to the nature of (relatively early stage and small) private portfolio companies, there is often a lack of available data and very limited resources to collect such data, and to develop a strict methodology. Hence Capricorn Partners cannot commit to always measure and monitor its ESG actions through quantitative key performance. 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 Sustainability Goals.

Due diligence

In its due diligence process, Capricorn Partners analyses both positive and significant negative ESG factors of any prospective portfolio company as these might have a deciding impact on its investment decision. Taking into account the particular transaction and investment circumstances, such as the geographical location, the size and stage of the target company, Capricorn Partners derives the relevant topics from best practices such as the ESG_VC Measurement Framework and the ESG Due Diligence Questionnaire of Invest Europe and include these in our diligence of the target companies. Rather than using such questionnaires as a 'tick-the-box' exercise taking stock of which policies, stakeholder surveys, trainings etc. the company already has in place or not, our due diligence typically takes place as a dialogue with the company's management, thereby building on the opportunity to help these relatively early-stage companies increase their awareness of ESG matters and gauge management's dedication to 'good business practices.' This is part of how Capricorn Partners interprets its role to promote and advance ESG factors in its investment activities.

The outcome of the due diligence on ESG factors may lead to acceptance of the identified risks, with improvement actions that are agreed upon in partnership with the management, the board and the co-shareholders of any new portfolio company and are followed up post-investment, where relevant and based on considerations of materiality. If the identified risks are deemed unacceptable or non-curable, they will lead to a decision not to invest.

Also, the Ten Principles of the UN Global Compact, the UN Principles for Responsible Investment (the "PRI Principles") and the UN Sustainable Development Goals play a significant role in the due diligence process.

Reference is made to the ESG Policy of Capricorn Partners for a more detailed description of the way ESG matters are considered and integrated into the due diligence procedure.

Engagement policies

Capricorn Partners implements an active engagement policy and interacts 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 environmental or social characteristics promoted by this product.

Capricorn Partners is a signatory to the PRI Principles. This entails amongst others that Capricorn Partners annually reports to investors on the ESG engagement. Where relevant and taking into account the size and activities of portfolio companies, Capricorn Partners reports on the qualitative and quantitative progress of ESG factors in our portfolio companies. It also promotes the acceptance and implementation of the PRI principles within the investment industry and participate in conferences, networks and information platforms to share information.

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 in accordance with the environmental and social characteristics of the Fund.

Designated reference benchmark

SFDR WEBSITE DISCLOSURE CHF II - article 8

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

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