

SFDR WEBSITE DISCLOSURE - articles 3, 4 and 5

Introduction

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the SFDR), Capricorn Fusion China Fund will publish information on the website on the integration of sustainability risks in the investment decision-making process.

We understand as "sustainability risks" an environmental, social or management situation or condition which, if it occurs, could cause an actual or potential material negative effect on the value of the investment. "Sustainability factors" are environmental and social matters, respect for human rights, anti-corruption, and anti-bribery matters. As "sustainable investments" are understood investments in companies that contribute to an environmental objective or a social objective provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Capricorn Fusion China Fund does not have a sustainable investment objective and does not claim to promote environmental or social characteristics (article 6 of the EU Regulation 2019/2088) although a "do not significant harm" principle is applied. Sustainability risks are considered in the due diligence process and all the decisions and reporting are made in accordance with the ESG-policy of the management company Capricorn Partners. Sustainability risk forms part of the overall risk management processes and is one of the risks which is relevant to the Fund's determination of risk.

The Fund will not invest in companies which engage, directly or indirectly through other controlled entities, in industries such as gambling, drugs, weapons, human cloning or tobacco or which show major environmental, social or governance risks ("ESG-Risks"), such as, but not limited to companies that use childhood labor, do not respect human rights, do not have anti-corruption and anti-bribery policies and procedures, and more general, do not follow good governance practices nor will the Fund invest in companies that are situated in officially mentioned sanctioned countries.

The Fund selects all its portfolio companies carefully in accordance with the investment strategy and in accordance with the principles and investment guidelines agreed with its investors and set forth in the Shareholders' Agreement.

Sustainability Risks Integration (art 3 SFDR)

Sustainability Risks are integrated into the investment decision making and risk monitoring to the extent that they represent a potential or actual material risks and/or identify an opportunity to put in place remedial actions to mitigate these risks. The impacts following the occurrence of a Sustainability Risk may be numerous and various. In general, where a Sustainability Risk occurs in respect of an investment, there will be a negative impact on, or ultimately entire loss of its value.

Reference is made to the ESG Policy of the management company Capricorn Partners for a more detailed description of the way sustainable factors and sustainable risks are considered and integrated into the due diligence procedure, the investment decisions process, and the follow-up of the sustainable investments.

Principal Adverse Sustainability Impacts statement (art 4 SFDR)

Under SFDR it is required to disclose whether principal adverse impacts of investment decisions are considered on sustainability factors and if this is the case, to disclose a statement on the due diligence policies regarding those impacts.

Although Capricorn Fusion China Fund considers potential principal adverse impacts of an investment during the due diligence phase, the Fund does not document the adverse impacts of its investment decisions on sustainability factors in the sustainable investments, as the Fund is not obliged to assess the potential adverse impact of its sustainable investments on sustainability factors.

SFDR WEBSITE DISCLOSURE - articles 3, 4 and 5

Integration of ESG risks in the remuneration policy (art 5 SFDR)

The management company Capricorn Partners integrates sustainability risks in its remuneration policy by ensuring that a performance review is not evaluated only on financial indicators but also on several other principles such as effective risk management, care for each other in the organization, alignment with the investors on a long-term basis, following the code of conduct, no variable remuneration that promotes risk taking etc.

Reference is made to the last chapter of the ESG Policy and the Human Resources Policy of Capricorn Partners. Each member of staff is also bound by a Code of Conduct setting forth a conflicts of interest procedure, a voting rights policy for the portfolio companies and a market abuse policy. This Code of Conduct must be strictly followed by all members of staff.

Last updated on 16 September 2022