Capricorn PARTNERS

SFDR WEBSITE DISCLOSURE - articles 3, 4 and 5

Introduction

Capricorn Partners qualifies as a “financial market participant” pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the SFDR).

Under the SFDR, financial market participants are required to publish information on their website, including:

- information on the integration of sustainability risks in their investment decision-making process;
- if and how they consider principal adverse impacts of investment decisions on sustainability factors; and
- how they integrate sustainability risks into their remuneration policies.

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 risk or identify an opportunity to put in place remedial actions to mitigate these risks. In this context, a ssustainability risk means an environmental, social or management situation or condition which, if it occurs, could cause an actual or potentially material negative effect on the value of the investment.

Capricorn Partners has identified the sustainability risks which it assesses as relevant for its funds under management (which are considered to be the “products” within the meaning of the SFDR) split over “environmental risks”, “social impact risks” and “governance risks”. The following types of sustainability risks have been identified as likely to impact the return of the value of the investment:

- Environmental risks include, but are not limited to, climate change risk, energy- risk, eco-systems, waste & water management risk, process and material greenhouse gas emission risks.
- Social risks include, but are not limited to, user health & wellbeing risk, discrimination and social exclusion risk, and occupational health and safety risk.
- Governance risks include, but are not limited to, risks related to cybersecurity, corruption, tax compliance, money-laundering, the monitoring of ESG data as well as due diligence risk.

When identifying the relevant sustainability risks, Capricorn Partners has taken into account that it invests as well in quoted equities as in venture & growth capital through different kind of funds: SICAVs, AIFs that invest only in venture & growth capital and one AIF that invests as well in quoted equities as (directly or indirectly) in venture & growth capital. As such, Capricorn Partners may consider other sustainability risks in its investment decision-making process to align with a specific investment focus of a fund under management. It shall further be noted that the degree to which sustainability factors are integrated into the investment decision-making process may also vary according to the fund’s ESG targets as described in the relevant fund’s investment strategy.

Capricorn Partners integrates these main sustainability risks which it has identified:

- through its thematic approach, as set out in section 3.1. of its ESG Policy
- during the due diligence phase that is pursued for every potential investment as set out in section 3.2. of the ESG Policy;
- through the exclusion policy of Capricorn Partners, as set out in section 3.3. of the ESG Policy;
- through the policy on active voting in board and shareholder meetings of portfolio companies, as set out in section 3.4. of the ESG Policy; and
- on a continuous basis, through ESG monitoring and reporting, as set out in section 3.5. of the ESG Policy.

The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk, region and character of investment (quoted or non-quoted equities). In general, where a sustainability risk occurs in respect of an investment, there will be a negative impact on, or even an entire loss of its value. Also, there is a reputational risk connected to the occurrence of sustainability risks, which may have a negative impact on the fund as a whole, certainly in case of the quoted funds. Lastly, the impact of the occurrence of a sustainability risk will be more material for article 9 funds than for article 8 or article 6 funds, as article 9 funds have a stronger focus on sustainability and consequently a higher sustainability risk exposure.

We refer to the Capricorn Partners **ESG Policy** for a more detailed description of the way sustainability factors and risks are integrated into the due diligence procedure, the investment decisions process and the follow-up of the investments.

Principal Adverse Impacts Statement (art. 4 SFDR)

Capricorn Partners does not consider principal adverse impacts of investment decisions on sustainability factors on entity level, within the meaning of the SFDR. Capricorn Partners, being an SME, has only limited resources and personnel. To determine in a quantifiable manner what the adverse impacts of our investment decisions would be, based on the different criteria set forth in the SFDR and its guidelines, would require additional resources not suitable to the current size of Capricorn Partners. Moreover, the lack of availability of relevant data, due to the fact that some of the Capricorn funds merely invest in small and medium sized entities with limited resources, is also an impediment to quantify principal adverse impacts of investment decisions on sustainability factors for all of our funds, and has played an important role in our decision.

However, in its role as financial market participant, Capricorn Partners considers potential negative impacts of investment decisions in accordance with its ESG Policy. These potential negative impacts are being selected and monitored on an ongoing basis by Capricorn Partners in a qualitative manner. Significant negative potential impacts are analyzed into more detail and respective actions will be taken on a case-by-case basis (e.g., engagement with the respective companies or even exclusion of the respective investment) with the general goal to reduce negative impacts. In addition, Capricorn Partners makes a best effort to consider principal adverse impacts on product level for all newly incorporated funds and funds that are still in the fundraising stage. We are continuously monitoring further regulatory guidance and the development of industry and market practice in this area, in order to decide whether we will include principal adverse impacts in the future on entity level.

Integration of Sustainability Risks in the Remuneration Policy (art. 5 SFDR)

Capricorn's remuneration policy (which is part of its Human Resources Policy) integrates sustainability risks in its remuneration policy through a number of key principles, such as:

- The remuneration policy is consistent with and promotes sound and effective risk management (such as sustainability risk management) through a limited variable remuneration: Individual variable compensation of the quoted team and variable compensation through the carried interest schemes are of such a nature and size that it does not determine the investment behaviour of the investment team and are always aligned with the interests of the investors.
- Sustainability risks are more concretely integrated through the profit sharing system of Capricorn Partners. If an investment is made in a certain company that is clearly in violation with Capricorn Partners' exclusion policy at the time of investing, the variable remuneration (i.e. the profit sharing proceeds) of the team members responsible for that investment shall be negatively adjusted accordingly, to reflect the inflicted sustainability risks and reputational damage for the fund. For article 9 funds, the same also applies in case an investment is made in a company that is clearly not a sustainable investment at the time of investing.
- Each member of staff is 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 which must be strictly followed. Non-compliance with the Code of Conduct (and the good governance principles laid down therein) is considered a severe infringement and may also result in a negative financial consequence on the remuneration of that non-compliant member of staff or simple dismission of the respective staff member.

Integration of sustainable risks in the remuneration policy is also described in the Human Resources Policy.

This website disclosure will be reviewed in case of a material change in approach, and at least annually by Capricorn Partners' compliance officer and the changes will be validated by the Executive Committee.

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