

SFDR Disclosures

I. Art. 3 – Sustainability Risks

42CAP Manager GmbH (“**42CAP**”) considers sustainability risks as part of its investment decision-making process. Sustainability risks are environmental, social or governance events or conditions, the occurrence of which could have an actual or potential material adverse effect on the value of the investment. 42CAP considers sustainability risks as part of the due diligence process prior to any investment. This also includes an assessment of how the management of each portfolio company addresses sustainability risks. In addition, where necessary, 42CAP monitors progress in addressing environmental, social or governance issues. For this purpose, information on any issues is collected and assessed. Potential for improvement is identified and discussed between the 42CAP team and the portfolio company's management. If sustainability risks are unavoidable, they are minimized, mitigated and/or compensated. 42CAP applies the proportionality principle in dealing with sustainability risks. This means that the effort should always be proportionate to the size and type of investment as well as the transactional context and the related scope.

II. Art. 4 – No consideration of sustainability adverse impacts

42CAP does not consider adverse impacts of investment decisions on sustainability factors. Sustainability factors are environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. No sustainability indicators are currently used. The burden associated with considering adverse impacts on sustainability factors (particularly if sustainability indicators are used) is disproportionate to the very limited significance that such impacts could have in the context of 42CAP's investment strategy. 42CAP pursues an active venture capital strategy and invests in young start-ups in the digital economy mainly in the European Union. The application of the optional provisions of the European Disclosure Regulation (EU 2019/2088) (Sustainable Finance Disclosure Regulation, “**SFDR**”) and the concretizing Regulatory Technical Standards (“**RTS**”) would currently be subject to various legal uncertainties. So far, many of these regulations and their application to the strategies pursued by 42CAP are difficult and unclear. If and to the extent that these regulations evolve or a practicable market and administrative practice is established in this regard, 42CAP will consider following them in due course.

III. Art. 5 – Remuneration Disclosure

As a registered alternative investment fund manager within the meaning of section 2 (4) of the KAGB and a manager of a qualifying venture capital fund as defined in article 3 (b) of the EuVECA Regulation, 42CAP does not have, and does not need to have, a remuneration guideline or policy in accordance with the requirements of the KAGB or the EuVECA Regulation. Sustainability risks are not considered with respect to the determination of the remuneration.

IV. Art. 10, 8 – Sustainability-related disclosures respecting 42CAP III GmbH & Co. KG

Summary

42CAP III GmbH & Co. KG (the “**Fund**”) considers certain environmental and social characteristics as part of its investment decisions but does not seek to make sustainable investments as defined in the SFDR. The consideration of environmental and/or social characteristics is carried out both before and after the investments. For this purpose, information is regularly obtained from the portfolio companies by means of qualitative queries. The Fund incorporates investment exclusions (negative screening) during its decision-making process. The actions and decisions described in the following section are each made by 42CAP for and on behalf of the Fund.

No sustainable investment objective

The Fund promotes environmental and/or social characteristics, but does not have sustainable investment as its objective a.

Environmental or social characteristics of the financial product

The Fund promotes environmental and/or social characteristics by implementing certain investment exclusions. The Fund does not invest in portfolio companies whose business activity consists of:

- performing research and innovation activities considered as illegal according to the applicable legislation in the country of the respective portfolio company;
- an illegal economic activity (*i.e.*, any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant portfolio company, including without limitation, human cloning for reproduction purposes);
- the production of and trade in tobacco and distilled alcoholic beverages and related products;
- the financing and production of and trade in weapons and ammunition of any kind;
- casinos and equivalent enterprises;
- the research, development or technical applications relating to electronic data programs or solutions, which:
 - aim specifically at: (i) supporting any activity referred to above; (ii) internet gambling and online casinos; or (iii) pornography; or which
 - are intended to enable to illegally (i) enter into electronic data networks; or (ii) download electronic data.

Investment strategy

The Fund has a technology driven focus; it does not focus on a specific industrial sector. As such, investments are spread across a wide range of economic activities. A special focus lies on entities which operate in the businesses of artificial intelligence and blockchain technology. The Fund intends to make its initial investments in the early stage, *i.e.*, seed and series A rounds. The Fund's ESG approach comprises part of its investment strategy, which is consistently applied for every portfolio company investment.

Proportion of investments

The Fund will invest fully in line with its investment strategy and investment restrictions. The Fund will not invest a portion of its capital in any other asset class.

Monitoring of environmental or social characteristics

The Fund has an increased awareness of the impact of sustainability risks on risk management and thus on the value potential of investments. The Fund consults with the companies on an *ad-hoc* basis and will carry out further checks if there are indications of potential issues with the Fund's exclusion criteria. External monitoring mechanisms are not provided.

Methodologies

Currently the Fund applies qualitative assessments with regard to environmental or social characteristics. An initial assessment is conducted as an informal process in the course of the due diligence.

Data sources and processing

Information is obtained in an informal process during the Fund's due diligence process. An external review or verification of the information obtained will only be carried out if misrepresentations are suspected.

Limitations to methodologies and data

The information collected via the due diligence for the Fund is externally verified only if and to the extent misrepresentations are suspected. Thus, it cannot be ruled out completely that false information may remain undetected in certain cases. As the Fund's investment is made for several years, 42CAP considers it a priority to establish and maintain a trustful working relationship with the Fund's portfolio companies in order to ensure compliance with the restrictions described in this section.

Due diligence

An initial assessment of how an investment relates to these requirements is carried out as part of the due diligence process. As a rule, purely qualitative statements of an ecological or social nature or relating to corporate governance are requested from the portfolio companies and then taken into account in the investment decision-making process.

Engagement policies

The Fund decides at its sole discretion whether or not to make an investment based on principal adverse impacts on sustainability factors and may include risk mitigation measures where appropriate.

V. Art. 10, 8 – Sustainability-related disclosures respecting 42CAP II Opportunity GmbH & Co. KG

The sustainability-related disclosures respecting 42CAP III GmbH & Co. KG apply accordingly to 42CAP II Opportunity GmbH & Co. KG (the "**Opportunity Fund**") except for differences with regards to the investment strategy and the investment exclusions. The Opportunity Fund's investment strategy has a technology driven focus but does not focus on a specific industrial sector as well. The Opportunity Fund, however, intends to make its initial investments in a later stage of the portfolio companies, *i.e.*, in series B rounds or beyond. It will not invest in portfolio companies:

- a) whose business activity consists of an illegal economic activity (*i.e.*, any production, trade or other activity, which is illegal under the laws or regulations applicable to the Opportunity Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes);
- b) which substantially focus on:
 - aa) the production of and trade in tobacco and distilled alcoholic beverages and related products;
 - bb) the financing of the production of and trade in weapons and ammunition of any kind;
 - cc) casinos and equivalent enterprises;
 - dd) the research, development or technical applications relating to electronic data programs or solutions, which:
 - i. aim specifically at: supporting any activity referred to under aa) through dd) above; internet gambling and online casinos; or pornography; or
 - ii. are intended to enable to illegally enter into electronic data net-works; or download electronic data;
 - ee) fossil fuel-based energy production and related activities, as follows:

- i. coal mining, processing, transport and storage;
- ii. oil exploration and production, refining, transport, distribution and storage;
- iii. natural gas exploration and production, liquefaction, regasification, transport, distribution and storage;
- iv. electric power generation exceeding the emissions performance standard (*i.e.*, 250 grams of CO₂e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs;
- ff) energy-intensive and/or high CO₂-emitting industries, as follows:
 - i. manufacture of other inorganic basic chemicals (NACE 20.13);
 - ii. manufacture of other organic basic chemicals (NACE 20.14);
 - iii. manufacture of fertilizers and nitrogen compounds (NACE 20.15);
 - iv. manufacture of plastics in primary forms (NACE 20.16);
 - v. manufacture of cement (NACE 23.51);
 - vi. manufacture of basic iron and steel and of ferro-alloys (NACE 24.10);
 - vii. manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20);
 - viii. manufacture of other products of first processing of steel (NACE 24.30, including 24.31-24.34);
 - ix. aluminium production (NACE 24.42);
 - x. manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30);
 - xi. conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (NACE 51.10, 51.21 and 52.23).

In the area of energy-intensive and/or high CO₂-emitting industries, an investment shall be permissible if such investment (i) exceptionally qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” – even though the Opportunity Fund does not have sustainable investments as its objective – or (ii) is eligible under EIF’s Climate Action & Environmental Sustainability (CA&ES) criteria for green financing.