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Sustainability Risks

Vsquared Ventures Management GmbH (“**Vsquared**”, LEI: 391200NM74YHOP46ZX06) considers sustainability risks as part of the 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. Prior to any investment, Vsquared conducts a due diligence. Such due diligence extends to environmental, social and governance related aspects and, thereby, to sustainability risks. The due diligence is carried out by Vsquared’s investment team using a checklist. Its results are taken into account for the investment decision. In case the due diligence reveals certain potential or existing sustainability risks, Vsquared remains free to decide in favor or against an investment. Subject to the principle of proportionality and taking due account of the transactional context, Vsquared may propose or apply risk mitigation measures in relation to its investments.

No consideration of adverse impacts of investment decisions on sustainability factors

Vsquared does not consider any adverse impacts of its investment decisions on sustainability factors and, hence, does not use the indicators listed in Annex I of the Regulatory Technical Standards (C(2022) 1931 final, “RTS”) to identify and assess potential adverse impacts. Sustainability factors are environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. Given that SFDR and Taxonomy are relatively new legislative acts and that the accompanying RTS are not even applicable yet, there is very little or no practical experience or practice with regard to the application of their respective provisions. Therefore, substantial legal uncertainties would remain when applying those provisions to the strategies pursued by Vsquared. If and to the extent that the legal uncertainties will be resolved and a practicable market and administrative practice will evolve in this regard, Vsquared will re-evaluate considering principal adverse impacts of its investment decisions in due course.

Remuneration disclosure

As a registered alternative investment fund manager within the meaning of section 2 (4) of the German Investment Code (*Kapitalanlagegesetzbuch*, “KAGB”), Vsquared does not have, and does not need to have, a remuneration guideline or policy in accordance with the requirements of the KAGB. Sustainability risks are not considered with respect to the determination of the remuneration.

Sustainability-related disclosures for Vsquared Ventures I GmbH & Co. KG

Summary

The Vsquared Ventures I GmbH & Co. KG (the “Fund”) incorporates ESG principles in investment processes and within its monitoring processes.

No sustainable investment objective

Sustainable investment is not an objective of the Fund.

Environmental or social characteristics of the financial product

The Fund considers the non-binding guiding ESG values set forth in Vsquared's ESG policy, as well as the binding exclusion criteria, i.e. the Fund does not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies, including portfolio companies, or other entities whose business activity consists of:

- Tobacco
- Alcoholic beverages
- Weapons
- Gaming
- Pornography

Investment strategy

The Fund will place its initial investments predominantly in seed and early stage financing rounds. Follow-on investments will also be done at later stage financing rounds. The Fund will invest in various portfolio companies with innovation capacity and growth potential, in particular in the sectors of Artificial Intelligence, Industrial Internet of Things (IoT), Augmented Reality & Virtual Reality, Frontier Hardware, Cyber Security, Distributed Networks and Ledger Technology, Industrial SaaS and/or Autonomous Systems as well as high performance computing. As such, investments are expected to be spread across a wide range of economic activities. The Fund primarily focuses on investing into entities which qualify as SMEs and focus their business activity in Germany or in the territory of EU Member States.

Proportion of investments

The Fund will invest fully in line with its investment strategy. No portion of the Fund's capital will be allocated to other asset classes.

Monitoring of environmental or social characteristics

Vsquared monitors for the Fund ESG compliance on an ongoing basis. On an annual basis, Vsquared provides its portfolio companies with a questionnaire to assess any potential or existing adverse sustainability impacts. Vsquared carefully reviews such completed questionnaires upon receipt. Furthermore, Vsquared will apply best efforts when negotiating an investment into a portfolio company, to reach a side letter agreement requiring the portfolio company to notify Vsquared in writing on an ad hoc basis if any adverse effects on sustainability factors become apparent. In such cases, Vsquared reviews all information provided ad hoc by the portfolio companies and determines in its sole discretion whether any actions need to be taken to address any potential or existing adverse impacts.

Methodologies

Currently, the methodologies applied comprise of collecting information via a questionnaire from the portfolio companies either prior to the investment, i.e. within the due diligence process, or following the investment. Additionally, Vsquared will apply best efforts when negotiating an investment into a portfolio company, to reach a side letter agreement requiring the portfolio company to notify Vsquared in writing on an ad hoc basis if any adverse effects on sustainability factors become apparent. There is currently no quantitative measurement with regard to environmental or social characteristics and no sustainability indicators are currently used.

Data sources and processing

The questionnaire is completed by the portfolio company. Further research and investigation by Vsquared are not being conducted regularly.

Limitations to methodologies and data

The information collected via the questionnaire as part of Vsquared's due diligence on behalf of 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, Vsquared considers it a priority to establish and maintain a trust within a good working relationship with the portfolio company as a safeguard in light of the limitations described in this section.

Due diligence

Initially, the assessment of how the Fund's investment in the portfolio company relates to the environmental and social characteristics mentioned above is carried out as part of the due diligence process using a questionnaire. Via the questionnaire, qualitative statements of an environmental 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. The findings relating to the environment or social or governance aspects are non-binding and being considered in light of all circumstances including the size of the investment, its strategic importance, its envisaged trajectory as well as the transactional context.

Engagement policies

Should Vsquared on behalf of the Fund determine any potential issues relating the environmental or social characteristics, it will engage the portfolio company's manager in discussions with a view to resolving, reducing or mitigating such effects, provided that such efforts will always remain within a scope considered by Vsquared in its absolute discretion to be proportionate in light of the size and strategic importance of the respective investment in the portfolio companies and shall take into account the respective bargaining positions and transactional context.

Sustainability-related disclosures for Vsquared Ventures Opportunities I GmbH & Co. KG

The disclosures relating to Vsquared Ventures I GmbH & Co. KG apply accordingly to Vsquared Ventures Opportunities I GmbH & Co. KG with the exception that the investment strategy of Vsquared Ventures Opportunities I GmbH & Co. KG varies and may be summarized as follows: Vsquared Ventures Opportunities I GmbH & Co. KG invests in various portfolio companies in the "New Space" Sector, Quantum Computing and other high performance computing sectors, Industry 4.0, Artificial Intelligence, Internet of Things (IoT) and Industrial SaaS as well as ancillary sectors with innovation capacity and growth potential. As such, investments are expected to be spread across a wide range of economic activities.