

Sustainability-related disclosures pursuant to Regulation (EU) 2019/2088 ("SFDR")

Date of publication: March 2021

Date of update: May 2023; Adjustments to new legal requirements; adding the II. generation of funds

I. Sustainability risks

Vsquared Ventures Management GmbH ("**Vsquared**", LEI: 391200NM74YHOP46ZX06) 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. Vsquared considers sustainability risks as part of its due diligence process prior to any investment. This also includes an assessment of sustainability risks. Such assessment is being conducted by using a checklist. The results of such assessment are taken into account when the investment decision is being taken. However, Vsquared remains free in its decision to refrain from investing or to invest despite sustainability risks in which case Vsquared can also apply measures to reduce or mitigate any sustainability risks. At all times, Vsquared will apply the principle of proportionality taking due account of the strategic relevance of an investment as well as its transactional context.

II. 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 sustainability indicators listed in Annex I of the Regulatory Technical Standards (Delegated Regulation (EU) 2022/1288, "**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 the SFDR, the Regulation (EU) 2020/852 ("**Taxonomy**") and the accompanying RTS are relatively new legislative acts, 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. In addition, Vsquared's portfolio companies are usually at an early stage of their business cycle, so these companies generally leave a smaller environmental footprint that would not (yet) justify the significant effort associated with considering PAIs. Moreover, early-stage companies are comparatively more burdened by the additional data collection and would thus be restricted in their growth opportunities. 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.

III. Remuneration disclosures

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.

IV. Sustainability-related disclosures

1. Vsquared Ventures I GmbH & Co. KG

Financial product: Vsquared Ventures I GmbH & Co. KG (the "**Fund**" / der "**Fonds**")

LEI: 391200HUMH7GQHC5F472

Summary

The Fund considers certain environmental and/or social characteristics as part of its investment decisions and monitoring processes 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 an investment. For this purpose, information is initially and regularly obtained from the portfolio companies by means of qualitative queries. The Fund incorporates exclusion (negative screening) aspects during the decision-making process.

Zusammenfassung

Der Fonds berücksichtigt bestimmte ökologische und/oder soziale Merkmale im Rahmen seiner Investitionsentscheidungen und Monitoring-Prozesse, strebt aber keine nachhaltigen Investitionen im Sinne der SFDR an. Die Berücksichtigung von Umwelt- und/oder Sozialmerkmalen erfolgt sowohl vor als auch nach einer Investition. Zu diesem Zweck werden zunächst und regelmäßig Informationen von den Portfoliounternehmen durch qualitative Abfragen eingeholt. Der Fonds bezieht Exklusionsaspekte (negatives Screening) in seinen Entscheidungsprozess ein.

No sustainable investment objective

The Fund 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/or social characteristics by implementing certain investment exclusions (see section 'Investment strategy') during the decision-making process.

Investment strategy

The purpose of the Fund is to build, hold and manage (including to divest) a portfolio of equity and equity-related investments in portfolio companies. 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.

The Fund is bound by the investment restrictions and limitations set out in the Fund's limited partnership agreement and shall procure that such requirements, restrictions and limitations are complied with at all times. In particular, the Fund will screen each investment opportunity against its investment exclusions and no investments will be made in the area of such exclusions.

The Fund shall 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:

- a) Performing research and innovation activities considered as illegal according to the applicable legislation in the country of the portfolio company;
- b) 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 or entity, including without limitation, human cloning for reproduction purposes);
- c) The production of, and trade in, tobacco and distilled alcoholic beverages and related products;
- d) The financing of the production and/or the production of, and trade in, weapons and ammunition of any kind;
- e) Casinos and equivalent enterprises;
- f) The research, development or technical applications relating to electronic data programs or solutions, which:
 - a. Aim specifically at: (i) supporting any activity referred to from a) to e) (ii) internet gambling and online casinos; or (iii) pornography; or
 - b. Are intended to enable to illegally (i) enter into electronic data networks; or (ii) download electronic data.
- g) In addition, when providing support to the financing of the research, development or technical applications relating to (a) human cloning for research or therapeutic purposes; or (b) genetically modified organisms ("GMOs"), the Fund shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs. Notwithstanding the aforementioned, research activities (i) aiming at human cloning for reproductive purposes, (ii) intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of gonads), and (iii) intended to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer are also excluded.

Good governance practices are assessed through an informal process as appropriate in light of the circumstances of each individual case as part of every due diligence process prior to any investment made by the Fund. Such practices include, in particular, sound management structures, employee relations, remuneration of staff and tax compliance within the portfolio companies. Moreover, the Fund will conduct regular monitoring of the good governance practices in its portfolio companies during the holding period. If the Fund becomes aware of severe governance issues, it will investigate them and work with all parties involved to find an appropriate solution during the term of the Fund.

Proportion of investments

The Fund will invest fully in line with its investment strategy and investment restrictions, *i.e.*, will only make investments which are aligned with its environmental or social characteristics. No portion of the Fund's capital will be allocated to other asset classes. The Fund does not make and does not intend to make sustainable investments within the meaning of Art. 2 no. 17 SFDR or environmentally sustainable investments within the meaning of Art. 3 Taxonomy; hence, no portion of its investments will be aligned with the Taxonomy.

Monitoring of environmental or social characteristics

The Fund has an increased awareness on the impact of environmental or social characteristics on risk management and thus on the value potential of investments. In order to monitor the environmental or social characteristics promoted by the Fund, the Fund consults with the portfolio companies in regular intervals and will carry out further checks in order to identify potential issues with such characteristics. External monitoring mechanisms are not in place. Further, 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 for environmental or social characteristics

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. Based on the results of such assessment the Fund identifies pre-investment whether the environmental or social characteristics promoted by the Fund are met. During the holding period, the so conducted assessment forms the basis to measure and monitor if the characteristics are continuously being met. 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. Further limitations, in particular with regard to the accuracy of the data and reliability of the data sources used, are not apparent at this time.

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. An internal or external review or verification of the information obtained will only be carried out if misrepresentations are suspected. 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.

Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.

2. Vsquared Ventures Opportunities I GmbH & Co. KG

Financial product: Vsquared Ventures Opportunities I GmbH & Co. KG

LEI: 391200EGZKDM9L652E39

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.

3. Vsquared Ventures II GmbH & Co. KG

Financial product: Vsquared Ventures II GmbH & Co. KG

LEI: 391200JAM2VBHB3PSE08

The disclosures relating to Vsquared Ventures I GmbH & Co. KG apply accordingly to Vsquared Ventures II GmbH & Co. KG with the exception that the investment exclusions of Vsquared Ventures II GmbH & Co. KG further exclude business activities in the following sectors:

1. Fossil fuel-based energy production and related activities, as follows:
 - a) Coal mining, processing, transport and storage;
 - b) Oil exploration & production, refining, transport, distribution and storage;
 - c) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d) 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.
2. Energy-intensive and/or high CO₂-emitting industries, as follows:
 - a) Manufacture of other inorganic basic chemicals (NACE 20.13);
 - b) Manufacture of other organic basic chemicals (NACE 20.14);

- c) Manufacture of fertilizers and nitrogen compounds (NACE 20.15);
- d) Manufacture of plastics in primary forms (NACE 20.16);
- e) Manufacture of cement (NACE 23.51);
- f) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10);
- g) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20);
- h) Manufacture of other products of first processing of steel (NACE 24.30, including 24.31-24.34);
- i) Aluminium production (NACE 24.42);
- j) Manufacture of conventionally-fueled aircraft and related machinery (sub-activity of NACE 30.30);
- k) Conventionally-fueled air transport, airports and service activities incidental to conventionally-fueled air transportation (NACE 51.10, 51.21 and 52.23).

However, investments in these sectors listed under 1. And 2. shall be allowed if Vsquared confirms that the specific final recipient transaction either (i) qualifies as an environmentally sustainable investment as defined in the Taxonomy or (ii) is eligible under the European Investment Fund's Climate Action & Environmental Sustainability criteria for green financing.

4. Vsquared Ventures Opportunity II GmbH & Co. KG

Financial product: Vsquared Ventures Opportunities II GmbH & Co. KG

LEI: 391200XVQT1979J3LE28

The disclosures relating to Vsquared Ventures II GmbH & Co. KG apply accordingly to Vsquared Ventures Opportunity II GmbH & Co. KG.