

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

Date of publication: May 1, 2023

Date of update: October 10, 2023 (clarification on the remuneration policy due to Heartfelt's newly received EuVECA status)

I. Sustainability risks

Heartfelt Capital Management GmbH ("**Heartfelt**", LEI: 391200HWG0MZNNXYLS78) 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. Heartfelt considers sustainability risks as part of its due diligence process prior to any investment. Such assessment is being conducted through an informal process as appropriate in light of the circumstances of the individual case. The results of such assessment are taken into account when the investment decision is being taken. However, Heartfelt remains free in its decision to refrain from investing or to invest despite sustainability risks, in which case Heartfelt can also apply measures to reduce or mitigate any sustainability risks. At all times, Heartfelt 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

Heartfelt 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 ("**EU 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 Heartfelt. Moreover, the burden associated with considering adverse impacts on sustainability factors (particularly if sustainability indicators are used) is disproportionate in light of the very limited relevance that such impacts could have in the context of Heartfelt's investment strategy: Heartfelt pursues an active venture capital strategy and invests in young start-ups in the digital economy. As a result, Heartfelt's investment decisions will hardly ever have an impact on sustainability factors. Furthermore, the Fund will only hold minority interests in its portfolio companies. Such minority interests are, however, generally not sufficient to encourage the Fund's portfolio companies to collect and report the relevant data to Heartfelt. Thus, it is currently not foreseeable for Heartfelt whether the information for the identification and assessment of principal adverse impacts can be obtained regularly and in full from all of the Fund's portfolio companies.

If and to the extent that the legal uncertainties will be resolved and a practicable market and administrative practice will evolve in this regard, Heartfelt will re-evaluate considering principal adverse impacts of its investment decisions in due course. In the meantime, Heartfelt remains free in its decision to use part of the sustainable indicators listed in Annex I of the RTS and/or an own set of indicators.

III. Remuneration disclosures

As a registered alternative investment fund manager within the meaning of Sec. 2(4) of the German Investment Code (*Kapitalanlagegesetzbuch*, "**KAGB**") and a manager of a qualifying venture capital fund as defined in Art. 3 (b) of Regulation (EU) No 345/2013 ("**EuVECA Regulation**"), Heartfelt 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.

IV. Sustainability-related disclosures for Heartfelt APX GmbH & Co. KG

Financial product: Heartfelt APX GmbH & Co. KG (the "**Fund**" / der "**Fonds**")

LEI: 391200SKBTN43PHIG106

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. Thereby the Fund considers several ESG themes to be the key to responsible investing. The actions and decisions described in the following section are each made by Heartfelt for and on behalf of the Fund.

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. Dabei betrachtet der Fonds mehrere ESG-Themen als Schlüssel für verantwortungsvolles Investieren. Die in diesem Abschnitt beschriebenen Handlungen und Entscheidungen erfolgen jeweils durch Heartfelt für den Fonds.

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 has a technology driven focus while not focusing on a specific industrial sector. Instead, it will conduct investments in portfolio companies from all sectors with

innovation capacity and growth potential. Hence, investments are expected to be spread across a wide range of economic activities. The Fund intends to make its initial investments in the early stage, *i.e.*, Pre-Seed and Seed rounds (including, for the avoidance of doubt, late Seed rounds).

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) the commercialization and research of products and performance of activities considered as illegal according to the applicable legislation in the country of the portfolio company or the Fund, provided that innovation activities and products within the health and general well-being industry should not be prohibited if and to the extent undertaken in the light of upcoming legalizations;
- b) any illegal economic activity;
- c) the production of, and trade in, tobacco, distilled alcoholic beverages, other non-alcoholic recreational drugs and related products;
- d) the financing and production of, and trade in, weapons and ammunition of any kind;
- e) gambling, casino and equivalent enterprises;
- f) oil and gas or metals and mining exploration, extraction or operations;
- g) pornography;
- h) the research, development or technical applications relating to electronic data programs or solutions, which are intended to enable to illegally (i) enter into electronic data networks; or (ii) download electronic data.

Good governance practices are assessed through an informal process as appropriate in light of the circumstances of each individual case. 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.

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 (*i.e.*, its investment exclusions). 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 EU Taxonomy; hence, no portion of its investments will be aligned with the EU 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 (*i.e.*, its investment exclusions), 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. Therefore, the Fund monitors compliance with its environmental or social characteristics (*i.e.*, its investment exclusions) on an ongoing basis. External monitoring mechanisms are not in place.

Methodologies for environmental or social characteristics

The Fund applies qualitative assessments with regard to its environmental or social characteristics (*i.e.*, its investment exclusions).

The Fund conducts an initial assessment in the course of its due diligence. Based on the results of such assessment, the Fund identifies during its investment decision-making process whether the environmental or social characteristics promoted by the Fund are met. During the holding period, the Fund monitors and consults with its portfolio companies in order to assess whether said characteristics are continuously met.

Data sources and processing

In order to attain each of the environmental or social characteristics promoted by the Fund (*i.e.*, its investment exclusions) the Fund obtains the relevant data from its (potential) portfolio companies through an informal process in the course of the due diligence conducted prior to each investment. Moreover, during the holding period, the portfolio companies provide the Fund with periodic (at least annual) reports for monitoring purposes. Hence, data is obtained only from the (potential) portfolio companies and no (portion of) data is estimated or supplemented by information publicly available. An internal or external review or verification of the information obtained will be carried out if misrepresentations are suspected.

Limitations to methodologies and data

The information collected from the (potential) portfolio companies through the informal process carried out by the Fund is internally or 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 investments are made for several years, the Fund considers it a priority to establish and maintain a trustful working relationship with its portfolio companies in order to ensure compliance with the environmental or social characteristics promoted by the Fund (*i.e.*, its investment exclusions). 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

An initial assessment of how an investment relates to the environmental or social characteristics promoted by the Fund (*i.e.*, its investment exclusions) is carried out as part of the due diligence process through an informal process and, where required based on the inherent ESG risk of the portfolio company, through an enhanced analysis. As a rule, purely 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.

Engagement policies

Engagement is, in general, not part of the environmental or social investment strategy of the Fund. However, should the Fund determine any potential issues relating to the environmental or social characteristics promoted by the Fund, the Fund may engage its portfolio management team in discussions in order to resolve, reduce or mitigate any adverse effects. Yet, it remains at the sole discretion of the Fund to determine which efforts are appropriate and proportionate in light of the size and strategic importance of the respective portfolio company as well as the 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.