

## Art. 10 SFDR - Earlybird DWES VII

Earlybird DWES Management GmbH & Co. KG (the "**Manager**") is an alternative investment fund manager within the meaning of the EuVECA-Regulation of Earlybird DWES Fund VII GmbH & Co. KG (the "**Earlybird DWES VII**") and as such publishes the following information on this website in light of the consideration of sustainability-related aspects in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27th of November 2019 on sustainability disclosure requirements in the financial services sector (the "SFDR").

### Summary

**This financial product promotes environmental or social characteristics but does not have as its objective a sustainable investment.**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.

**What environmental and/or social characteristics are promoted by this financial product?**

### Investment Restrictions:

The governing documentation underlying this product (in particular, the Partnership Agreement of Earlybird DWES VII) provides for investment restrictions relating to environmental and/or social characteristics, i.e., Earlybird DWES VII shall not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

- (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 Earlybird DWES VII or the relevant company or entity, including without limitation, human cloning for reproduction purposes); or
- (b) which substantially focus on:
  - (i) the production of and trade in tobacco and distilled alcoholic beverages and related products;
  - (ii) the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
  - (iii) casinos and equivalent enterprises;

- (iv) the research, development or technical applications relating to electronic data programs or solutions, which
  - (x) aim specifically at:
    - o supporting any activity referred to under items (i) to (iv) above;
    - o internet gambling and online casinos; or
    - o pornography,
  - or
  - (y) are intended to enable to illegally:
    - o enter into electronic data networks; or
    - o download electronic data.
- (v) fossil fuel-based energy production and related activities, as follows:
  - (1) Coal mining, processing, transport and storage;
  - (2) Oil exploration & production, refining, transport, distribution and storage;
  - (3) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
  - (4) Electric power generation exceeding the Emissions Performance Standard (i.e., 250 grams of CO<sub>2</sub>e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
- (vi) energy-intensive and/or high CO<sub>2</sub>-emitting industries, as follows:
  - (1) Manufacture of other inorganic basic chemicals (NACE 20.13);
  - (2) Manufacture of other organic basic chemicals (NACE 20.14);
  - (3) Manufacture of fertilizers and nitrogen compounds (NACE 20.15);
  - (4) Manufacture of plastics in primary forms (NACE 20.16);
  - (5) Manufacture of cement (NACE 23.51);
  - (6) Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10);

- (7) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20);
- (8) Manufacture of other products of first processing of steel ( NACE 24.30, incl. 24.31-24.34);
- (9) Aluminum production (NACE 24.42);
- (10) Manufacture of conventionally-fueled aircraft and related machinery (sub-activity of NACE 30.30);
- (11) Conventionally-fueled air transport and airports and service activities incidental to conventionally-fueled air transportation (sub-activities of NACE 51.10, 51.21and 52.23).

Notwithstanding the above, investments in sectors mentioned in section (vi) items 1) – 11) included, shall be allowed if the Manager confirms that the specific final recipient transaction either (i) qualifies as environmentally sustainable investments as defined in the “EU taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively), or (ii) is eligible under EIF’s Climate Action & Environmental Sustainability (CA&ES) criteria for green financing.

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (GMOs), the Manager shall ensure the appropriate control of legal, regulatory, and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

**Does this financial product consider principal adverse impacts on sustainability factors?**

The Manager does not consider principal adverse impacts of investment decisions on sustainability factors.

‘Sustainability factors’ mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. The Manager does not use sustainability indicators. Considering the numerous legal uncertainties currently related to the application of the provisions of the SFDR and the Regulatory Technical Standards (“RTS”) – in particular with respect to the consideration of adverse impacts – and the administrative burden resulting from such uncertainties, the Manager is not in a position to commit to such standard in light of its fiduciary duty to Earlybird DWES VII and its investors.

The Manager will constantly monitor and review the evolution around such regulations and standards and intends to change its position on adverse impacts once (i) a best practice has evolved among market participants, (ii) there is clear guidance by the administrations on the application of such regulations and (iii) the consequences of a commitment towards the consideration of principal adverse impacts are reasonably clear to the Manager.

**What investment strategy does this financial product follow?**

Earlybird DWES VII is a venture capital fund aiming at investments in innovative companies with high growth potential in their expansion stages which develop as main business any activity comprising the renewal and enlargement of a range of products and services and their associated markets; the establishment of new methods of design, production, supply and distribution; the introduction of changes in management, work organization, and working conditions and skills of the workforce; and covering technological, non-technological and organizational innovation.

Earlybird DWES VII shall only invest in Portfolio Companies that, at the time of the initial investment therein by Earlybird DWES VII qualify as SMEs or Mid-Caps.

Earlybird DWES VII has a regional focus on companies which have at the time of Earlybird DWES VII's initial investment their statutory seat or center of business activities in Western Europe. An amount equal to at least two-thirds of the amounts drawn down from Investor Partners for the purpose of investments shall be invested in Portfolio Companies based or active in the territory of the Member States of the European Union or in candidate and potential candidate countries (recognized as such by the European Union).

Furthermore, the Manager applies the investment restrictions outlined above.

***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

Earlybird DWES VII may not deviate from its investment restrictions as outlined above unless the Partnership Agreement has been revised by partners' resolution with a majority of at least 75% of the total capital commitments and in addition the consent of the Manager. Therefore, no investments deviating from the investment restrictions provided for by the Partnership Agreement will be conducted.

***How is that strategy implemented in the investment process on a continuous basis?***

As part of the due diligence and ongoing investment management, the investment team for Earlybird DWES VII will initially and continuously monitor whether the investment restrictions are abided by and whether the investment falls within the investment policies.

***What is the policy to assess good governance practices of the investee companies?***

As part of the due diligence and ongoing investment management, the investment team will review whether a potential portfolio company has good governance practices in place.

***What is the asset allocation planned for this financial product?***

Earlybird DWES VII will only make investments aligned with the promoted environmental or social characteristics. Earlybird DWES VII does not seek to make “sustainable investments” within the meaning of Article 2 para. 17 SFDR.

**Methodologies**

Earlybird DWES VII considers ESG aspects in different stages of the investment process.

- Screening

ESG issues are an integral part of Earlybird DWES VII’s screening process. Earlybird DWES VII raises awareness amongst the investment team to keep ESG issues in mind and raise red flags early in the investment process.

- Investment Criteria: ESG Questionnaire

During the Due Diligence process, the investment team members fill out the ESG Questionnaire. The goal of the questionnaire is to confirm that either there are no ESG risks issues, or that they can be mitigated. Moreover, the questionnaire is used to assess the status regarding ESG & impact of the company and identify focus areas of improvement to be tackled after investment.

- Investment Agreement

Earlybird DWES VII includes a sustainability clause in all new investment agreements. The company commits to implement a Climate & ESG Policy within three months of Closing and a Diversity Strategy within six months of Closing. The policy entails appropriate measures and actions to implement and track progress of the ESG policy which will be reviewed and monitored by the Board of Directors on a regular basis.

## - Active Ownership

The board of directors is ultimately responsible for developing the portfolio company's sustainability strategy and linking evidence improved ESG performance to the company's value.

### **Data sources and processing and limitations to methodologies and data**

Earlybird DWES VII is partly reliant on the information provided by the potential portfolio companies during the due diligence process. Moreover, in the post-investment phase, Earlybird DWES VII is reliant on the company's reported data. In both cases, complete data may not always be available due to the nature of investments. The information is verified only if and to the extent, misrepresentations are suspected. As the fund's investment is made for several years, Earlybird DWES VII 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**

For the ESG assessment process as described above, Earlybird DWES VII is partly reliant on the information collected via the ESG Questionnaires as part of the due diligence and thereby follows industry standard procedures to complete the ESG Questionnaires. Where necessary, Earlybird DWES VII will engage with external (data-) providers to develop a coherent ESG due diligence in case further information is necessary to validate the investment.

### **Engagement policies**

As the fund's investment is made for several years, Earlybird DWES VII considers it a priority to establish and maintain a trustful working relationship with the fund's portfolio companies to ensure compliance with the restrictions described in this section. Further, Earlybird DWES VII wants to generate a positive impact beyond the fund's portfolio companies and share learnings and scientific insights, cooperating with other VCs as well as public institutions and foundations to advance the whole ecosystem. Yet, if Earlybird DWES VII encounters deviations against the fund's environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in portfolio companies, the Manager envisages engaging with the respective portfolio company in order to implement mitigation measures. As a venture capital investor, the influence Earlybird DWES VII has on its portfolio companies through its shareholdings, however, is limited but dialogue is sought with all stakeholders on a continuous basis.