

Art. 10 SFDR - Earlybird Health II Fund

Earlybird Health Management GmbH & Co. KG (the “Manager”) is an alternative investment fund manager within the meaning of the EuVECA-Regulation of Earlybird Health II Fund GmbH & Co. KG (the “Earlybird Health II Fund”) and as such publish the following information on their 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.

Dieses Finanzprodukt bewirbt ökologische oder soziale Merkmale, strebt aber keine nachhaltigen Investitionen im Sinne der Definition des Art. 2 Nr. 17 SFDR an. Bei den beworbenen Merkmalen handelt es sich um Ausschlusskriterien sowie die Berücksichtigung bestimmter Ziele für nachhaltige Entwicklung der UN.

Es wurde kein Referenzwert benannt, um die mit dem Finanzprodukt beworbenen ökologischen oder sozialen Merkmale zu erreichen.

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

Investment Restrictions:

The Earlybird Health II Fund shall not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies, including Portfolio Companies:

- an illegal economic activity (i.e., any production, trade or other activity, which is illegal under the laws or regulations applicable to the Earlybird Health II Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes);
- the production of and trade in tobacco and distilled alcoholic beverages and related products;

- 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;
- casinos and equivalent enterprises;
- the research, development or technical applications relating to electronic data programs or solutions, which
- aim specifically at supporting any activity referred to above; internet gambling and online casinos; or pornography; or which
- are intended to enable to illegally enter into electronic data networks; or download electronic data.

Other:

Investments aim to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), in particular:

- SDG 3: Good Health and Wellbeing
- SDG 5: Gender Equality
- SDG 8: Decent Work and Economic Growth
- SDG 12: Responsible Consumption and Production
- SDG 17: Partnerships for the Goals

Sustainability indicators and quantitative measures to assess the contributions and their impact towards the above-mentioned SDGs are currently under development.

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 the Earlybird Health II Fund 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?

The purpose of the Partnership is to build, hold and manage in its own name and for its own account a portfolio of equity and equity-related investments in companies originating primarily in Europe and engaged in the health sector.

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?

The investment strategy is described in § 3 of the LPA. Further binding elements of the investment strategy can be found in § 4 and § 18 of the LPA. The investment restrictions are set out in § 4 (I) (b) of the LPA.

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

No investments are made in the area of exclusions. That strategy is implemented during the due diligence process, where all investments that are subject to a restriction are ruled out.

Prior to any investment, the Earlybird team prepares an extensive investment memorandum including a dedicated section to ESG risk/opportunities as well as health impact related objectives. The SDGs as described above are evaluated in that process. In case of similar expected returns, the more impactful investment will be selected. Where the investments might have a negative impact on an SDG an investment will not be further considered without cure or adequate mitigation.

The Manager follows the guidelines of the Global Reporting Initiative (GRI) to strengthen transparency and self-control on the attainment of the environmental and social characteristics and has submitted an application to become a signatory with the PRI.

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 investee company has good governance practices in place.

What is the asset allocation planned for this financial product?

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

Methodologies

Earlybird Health II Fund considers and integrates ESG aspects during all stages of the investment process.

- ESG issues are an integral part of Earlybird Health II’s screening process and the Fund actively raises the awareness of the investment team and the company to consider all aspects of ESG in their evaluation and to raised red flags early in the investment process.
- As part of the evaluation of a company, an ESG questionnaire needs to be completed. The questionnaire aims at confirming that the company does not have any red ESG risk issues or issues that can’t be mitigated. The questionnaire is further used to assess the baseline of the company with regard to ESG and its overall impact as well as to identify focus areas for development and improvement.
- Earlybird Health II includes a sustainability clause in all new investment agreements. The company commits to developing and implementing an ESG strategy within three months of closing and a diversity policy within six months of closing. The strategy will entail appropriate measures and actions as well as a set of ESG indicators upon which progress will be tracked and reviewed by the Board of Directors.
- The Board of Directors is responsible for developing and implementing the company’s sustainability strategy while the goal of the Fund is to support the company to establish a framework and methodologies to manage their ESG impacts, in particular once the company scales.

- During the investment phase, the company will be required to submit the updated ESG questionnaire on an annual basis and investment managers of the Fund review the provided data and follow-up if necessary.

Data sources and processing and limitations to methodologies and data

Data is mainly obtained from the portfolio companies directly through the ESG questionnaire and its set of indicators as well as via continuous exchange on the subject but can be supplemented by information that is publicly available. In most cases, the manager is at least partly reliant on the data provided by the (potential) portfolio companies. Due to the nature of investments complete data may not always be available. The information is verified only if and to the extent misrepresentations are suspected.

Due Diligence

All of Earlybird Health II's investment decisions are based on a thorough screening that includes ESG due diligence. In this context, the Fund assesses a company's legal compliance as well as compliance to other applicable standards and practices, including potential future regulations and marketplace factors. For all data used during the due diligence, the Fund mainly relies on information provided by the companies, always strictly following industry standard procedures to collect and manage ESG data. Earlybird Health II will engage with external (data-) providers to develop a further reaching due diligence in cases where more information is needed to validate the investment.

Engagement policies

Earlybird Health II invests in start-up companies in their early stages which means that usually the companies are in a pre-market phase and the teams consist mainly of the founders. Thus, the Fund commits to take on an active role in assisting and coaching the entrepreneurs, including with regard to ESG issues and environmental and social impacts. The Fund considers it a priority to establish and maintain a trustful and collaborative working relationship with all portfolio companies. Furthermore, Earlybird Health II wants to generate a positive impact beyond its portfolio companies and shares learnings and insights, cooperating with other VCs as well as public institutions and foundations, in order to advance the whole ecosystem. Yet, if Earlybird Health II encounters potential non-compliances with the Fund's ESG strategy, the Fund management will seek dialogue with the respective portfolio company and collaboratively develop mitigation measures. As venture capital investor, the influence Earlybird Health II has on its portfolio companies through its shareholdings, however, is limited but dialogue is sought with all stakeholders on a continuous basis.

Signatory of:

