ECBF Sustainable Finance Disclosure

to meet Level I requirements of the Sustainable Finance Disclosure Regulation (SFDR)

Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector on the level of **ECBF Management GmbH** (and ECBF I SCSp).

MARCH 10. 2021; Update: JULY 20. 2023

Introduction

The European Circular Bioeconomy Fund (ECBF I SCSp) is the first venture fund exclusively dedicated to investing in growth-stage companies in the European bioeconomy, including the circular bioeconomy. The ECBF I SCSp's primary objective is to stimulate capital investment to scale-up companies with high potential for innovation, favourable returns, and sustainable impact.

Established in Luxembourg, ECBF I SCSp is managed by Hauck & Aufhäuser Funds Services S.A. and advised by the experienced investment team of ECBF Management GmbH. It relies on robust networks to catalyze sustainable innovations and fuel business growth.

ECBF I SCSp aims to catalyze the transition towards a sustainable future. By applying its sustainability approach, ECBF seeks to serve as a financial instrument contributing to the goal of making Europe climate neutral by 2050, as set out in the European Green Deal. In pursuit of such contribution, ECBF I SCSp has determined its sustainable investment objective to be climate change mitigation. It has established a comprehensive sustainability framework that incorporates binding sustainability investment criteria that are integral to the investment decision-making process. Additionally, ECBF I SCSp is committed to adhering to the latest European legislative developments regarding Environmental, Social and Governance (ESG) disclosure, ensuring compliance in this regard.

The EU Sustainable Finance Disclosure Regulation, known as SFDR, introduces new obligations for financial institutions. In its dispositions related to disclosures on the legal entity level, financial market participants are required to disclose information on investment strategies and the effects of these strategies on sustainability goals. The more sustainable financial products are, the more extensive disclosure is required.

ECBF I SCSp qualifies as the most sustainable type of funds ("SFDR Article 9-Fund"). Such funds pursue sustainable investments with an environmental objective at the core. This means, its investment strategies go beyond the promotion of Environmental/Social characteristics as is the case with SFDR Article 8-Funds.

Legal Requirements

On the 27th of November 2019, the Regulation (EU) 2019/2088 of the European Parliament and the Council on Sustainability-Related Disclosure Requirements in the financial services sector ("SFDR") was published. The SFDR entered into force on 10 March 2021. In a chronologic two-level approach with initial mandatory sustainability disclosure by 10 March 2021 (Level I) and further, more extensive mandatory disclosure by 30 December 2020, 1 January 2023 and 30 June 2023 (Level II) the regulation imposed significant sustainability-related transparency requirements on financial market participants in the EU.

The main objective of the SFDR is to create transparency on how sustainability risks are taken into account in the management of investment funds and whether the main adverse effects of investment decisions on sustainability factors are considered. As defined in Article 2 (11) SFDR, financial advisers need to comply with the disclosure requirements as well.

ECBF I SCSp ("the Fund") is managed by Hauck & Aufhäuser Fund Services S.A., which operates as the Fund's Alternative Investment Fund Manager ("AIFM"). ECBF Management GmbH's ("ECBF") sole business purpose is to be the (financial/investment) advisor of the AIFM in relation to the Fund. The Fund, the AIFM, and ECBF are defined as 'financial market participants' (Article 2 (1)), whereas the AIFM and ECBF are 'financial advisers' (Article 2 (11)). All three entities are subject to disclosure requirements. With regards to SFDR Level II, the AIFM has taken over the product-related disclosure on its webpage.

ECBF, the Fund, and the AIFM are obliged to comply with '*the transparency of sustainability risk policies'* and '*the transparency of adverse sustainability impacts'* at the entity level, according to Article 3 and 4 of the SFDR. The AIFM has done it for itself and the Fund and disclosed the relevant information[1]. Since ECBF's sole client is the AIFM and advises the AIFM solely regarding the Fund, ECBF and the Funds' disclosure about Article 3 and 4 are identical. Therefore, the contents of the table below apply to ECBF and the Fund.

The SFDR categorizes financial products into three categories based on their sustainability in Articles 6, 8 and 9 SFDR. Article 6 describes the least sustainable products, while Article 9 defines the most sustainable ones. According to article 9 (2), the Fund and ECBF fall into the most sustainable category, subject to more extensive disclosure.

ECBF's disclosure on 10 March 2021 according to SFDR Level 1 contained information about product classification and the integration of sustainability risk and remuneration policies into the investment decision-making process. According to the SFDR, financial advisers also need to publish information on their remuneration policy regarding the integration of sustainability risks (Article 5 SFDR). The respective disclosure for ECBF can be found on page 8 of this document. ECBF will edit periodic sustainability related disclosures according to Article 11 SFDR. The requirements relating to

[1] Hauck & Aufhäuser Fund Services´ Disclosure for ECBF I SCSp. Available: https://www.hauck-aufhaeuser.com/Downloads/Public/fondsportfolio/NI_HA0000000001_en.pdf

disclosures in the periodic reports of ESG-focused products are stated to apply from the 1st of January 2023.

The Fund restructured its ESG due diligence process including its refined sustainability risk assessment and the application of the Regulatory Technical Standards on the content, methodology and presentation of ESG disclosures by the end of 2022 to Article 9 SFDR compliant according to SFDR Level II. That means, the incorporation in the due diligence of detailed Principle Adverse Impact Assessment, an additional good governance assessment, a climate risk assessment considering chronic and acute climate risks and the addition of further objective (climate change mitigation) achievement and mesaurement indicators. In compliance with SFDR Level 2, ECBF has consolidated such information in the mandatory reporting templates for pre-contractual disclosures and periodic reporting for Article 9 products (RST Annexes III and V). The mandatory reporting templates are completed and publicly disclosed on the website of Hauck & Aufhäuser Fund Services S.A. They are accessible with a password that needs to be requested from Hauck & Aufhäuser Fund Services S.A.

Sustainable Finance Disclosure of ECBF I SCSp and ECBF Management GmbH

Disclosures according to Art. 9 (2) SFDR as well as Article 3 and Article 4 SFDR	
SFDR classification	ECBF I SCSp is a financial product that has sustainable investment as its objective and no index designated as a reference benchmark according to Article 5, first paragraph of Regulation (EU) 2020/852. Therefore, it qualifies as a financial product under Article 9(2) of Regulation (EU) 2019/2088 on sustainability-related disclosure requirements in the financial services sector ("SFDR").
Investment objective	It is planned that the Fund will invest in around 22 innovative late-stage companies and projects within the Bioeconomy, including the Circular Bioeconomy. Investments in energy and various other fields are excluded. The geographical focus is on the 27 member states of the European Union plus the currently 16 Associated Countries related to the EU's Horizon 2020 programme. The United Kingdom is excluded from ECBF I SCSp's geographical scope. The Fund is able to invest with equity, mezzanine or debt instruments. The Fund's investment strategy focuses on three types of growth-stage targets categorized by their Technology Readiness Level (TRL): a) Companies and projects at beginning of the growth stage, i.e. scaling up from pilot to demonstration (TRL 6-7) b) Companies and projects at the growth stage, i.e. scaling up from demonstration to industrialization (TRL 7-9) c) Mature technology projects focusing on growth for globalization (TRL 9). Bioeconomy shall be understood as the production of renewable biological resources (terrestrial or aquatic) and the conversion of these resources and waste streams into value added products such as food, feed, bio-based products (where bio-based products are products that are wholly or partly derived from materials of biological origin, excluding materials embedded in geological formations and/or fossilized). ECBF will invest in companies using aquatic biological resources for developing innovative bio-based products or processes, or for valorising them for other innovative purposes. The focus on circularity includes re-use, reduction and recycling of waste streams as well as on valuable raw materials. The forementioned applied to all products, resources and materials that are of biological origin, with the aim to maintain its value in the economy for as long as possible and minimize the generation of waste. This includes new digital solutions that enable the transformation from linear to more sustainable circular value chains. Potential investment companies are based on novel technologies, products, processes, business models and/or combinations of already existing technologies that add value to the European economy and to society.
Sustainable investment objective	The Fund is pursuing the environmental objective of climate change mitigation by having established a framework to facilitate sustainable investment accordingly. Sustainable investments are done according the SFDR (Article 2 (17)) and are non-taxonomy-aligned. The Fund will invest a minimum of 80% of its capital commitments in projects and companies from the (Circular) Bioeconomy that contribute, will contribute, or will enable contribution to the environmental objective of climate change mitigation. Thus, ECBF supports climate action in line with the goal of the Paris agreement, limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. Investment targets must demonstrate that their economic activities result in lower greenhouse gas (GHG) emissions (expressed in CO_2-equivalents) compared to similar companies, achieved through process innovations or product innovations that: - Avoid or reduce GHG emissions; and/or - Remove GHG from the atmosphere; and/or - Reduce energy use, except for power generation activities that use solid fossil fuels; and/or

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	- Switch to sustainably sourced renewable materials; and/or - Lead to the sustainable management and restoration of croplands or grasslands. Companies from the Bioeconomy can reduce such emissions by improving the production of biomass or bio-based feedstocks, replacing fossil resources with renewable raw materials, improving the conversion of feedstocks, and by enabling the production of novel bio-based products or the removal and storage of carbon through the application of their products. Companies in the circular bioeconomy contribute to the environmental objective by avoiding use of virgin materials, and avoiding reducing, valorising and recycling bio-based side or waste streams. The Fund will ensure that at least 80% of its capital commitments is invested in companies contributing to climate change mitigation, fulfiling the relevant assessment criteria as detailed below, and for all the investments that are sustainable investments according to Art. 2 (17) SFDR the do no significant harm principle applies. The investees are following good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The Fund will consider risks related to sustainability factors (environmental, social and governance aspects) in the meaning of the SFDR when making investment decisions as well as on an ongoing basis during the management of the Fund.

Investment policy of the fund	ECBF invests in growth stage companies of the bioeconomy, including circular bioeconomy, to achieve risk-adjusted competitive financial returns. At the same time, ECBF aims to achieve positive sustainability contributions, including to its environmental objective of climate change mitigation.
	
	The following section summarizes the Fund's investment guidelines:
	
	• The Fund will invest in around 22 companies and projects;
	• Investments will generally be made in tranches, with approx. EUR 3m to 10m for an initial investment whereas the total investment amount is expected to amount on average to EUR 10m for individual investments;
	• The Fund will invest in projects and companies from the Bioeconomy, including Circular Bioeconomy;
	• Potential investment companies are based on novel technologies, products, processes, business models and/or combinations of already existing technologies that add value to the European economy and to society;
	• Investments have been positively evaluated according to the Fund's ESG criteria;
	• The Fund will invest in companies and projects with a TRL between 6 and 9; investment opportunities will be classified accordingly. Those at TRL 5 and earlier will be monitored as they may mature over the course of the investment period;
	• Investment targets are based in one of the 27 EU Member States or the 16 Horizon 2020 Associated Countries. The exit of UK from the EU excludes it from ECBF's scope;
	• Investment instruments are equity, mezzanine financing instruments and debt;
	• The Fund shall not
	    • Invest more than 15% of the total capital commitments into a single portfolio company (including its associated entities); or
	    • Invest more than 30% of the total capital commitments in a single country (cross-border projects not taken into account),

Disclosures according to Art. 9 (2) SFDR as well as Article 3 and Article 4 SFDR	

	• All investments will be aligned with local and national law and ; they shall be in line with the EIB Environmental and Social Handbook, the Guide to Procurement of the EIB, the ECBF´s SFDR disclosure strategy, and they shall operate in accordance with national and, if applicable, EU regulations;
	• The Fund will not invest in:
	  • Bioenergy projects;
	  • Projects dealing with activities from the list of excluded activities.

ESG approach and methodology	The Fund has formalized and implemented binding sustainability criteria within the investment decision process. In operational terms, the Fund performs the ESG incorporation (assessment of ESG factors when building a portfolio) and active ownership or stewardship (improving investees' ESG performance) - two processes that rely on defining and gathering underlying data on ESG KPIs from investment targets and portfolio companies. The definition of the KPIs is done by leveraging on emerging industry practice, regulatory frameworks (such as SFDR) and derived from Limited Partner information requests. During the first screening, every potential investment target is assessed with respect to its positive contribution to environmental sustainability objectives and its general level of ESG integration. Given the environmental objective of the Fund around climate change mitigation, initial assessment of GHG emissions is required. Further, the Fund has defined exclusion criteria that must be assessed. Activities that are deemed potentially (significantly) harmful are excluded (e.g. (i) production or activities involving harmful or exploitative forms of forced labor/harmful child labor, (ii) destruction of critical habitats, (iii) projects, which have the effect of limiting people's individual rights and freedoms or violating their human rights). The Fund has further established certain conditional restricted activities (e.g. investments in heated greenhouses are excluded unless several conditions are met such as compliance with relevant EU environmental and social standards). ECBF pursues assessments in line with the EIB Project Carbon Footprint Methodologies and the FAO Ex-ante Carbon Balance Tool. Investment opportunities that meet the requirements detailed above, will enter the preliminary Due Diligence phase where the Fund verifies the existence of due evidence on the positive environmental contribution of the investment target, validates assumptions on ESG materiality, performs "Do Not Significant Harm Analysis (DNSH)" against other environmental objectives; and analyses the Principal Adverse Impact (PAI) on factors that an investment target may present. The product queries all mandatory PAIs in Table 1, one additional environmental PAI from Table 2 and sustainability one additional social PAI from Table 3 of Annex I of commission delegated regulation (EU) 2022/1288. As outlined by the regulation, next to environmental impact, ECBF evaluates each potential portfolio company's practices with PAI indicators relating to good governance and social factors. The performance of received PAI data is assessed against thresholds. The thresholds for quantitative indicators are defined using 80% quantiles of peer group values sourced from the MSCI data base. For qualitative indicators that can only be answered positively or negatively (with "yes" and "no"), in case of negative impact the due diligence of the investment target must be discontinued. If this reporting reveals that thresholds have been exceeded or not reached, depending on the PAI, the due diligence must be discontinued or milestones are set and an action plan is defined. Finally, the Fund will also assess the feedstocks used within the potential investment targets based on defined assessment criteria such as traceability of sourcing, compliance with relevant EU regulations, waste regulatory frameworks, among others. During the confirmatory Due Diligence phase, the potential investment target is assessed with respect to ESG risks and opportunities focusing on material sustainability indicators. These indicators are subject to a risk assessment (e.g. climate risk, threatens to food security, social adverse effects, any evidence of legal sanctions, potential corruption, money laundering, bribery, product/company boycotts or other negative media/reputational coverage) and the assessment of opportunities (e.g. avoidance of waste, promotion of new jobs). An assessment of ESG policies and management System is also done.

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	As part of its investment process ECBF works with external technical experts to assess technology, production processes, and business activities. This serves, among other things, to evaluate performance against PAI indicators relating to production processes, i.e., GHG emissions, the share of non-renewable energy consumption and production, the energy consumption intensity per high impact climate sector, the emissions to water, harm to biodiversity-sensitive areas, the hazardous waste ratio and activities negatively affecting biodiversity-sensitive areas. The Fund ensures that any investments that are not aligned with the process detailed above, are not affecting the delivery of the sustainable investment objective on a continuous basis.
PAI considerations on ECBF Management GmbH level.	PAIs are considered at ECBF Management GmbH level. Some PAIs, such as hazardous waste or activity in the fossil fuel sector manufacturing are not relevant for the Management GmbH since it is not a producing company. The PAIs that apply and were assessed and did not imply any adverse impacts to environmental and social objectives.
Benchmark	The Fund is actively managed, and no index has been designated as a reference benchmark.
Further information	Further information on the pursuit of the sustainable objective, its integration into the investment decision process, the selection criteria and the ESG-related guidelines can be found on the AIFM's website www.hauck-aufhaeuser.com.
Sustainability risks	Investment decisions are made considering, among other risks, sustainability risks to manage the risk-adjusted returns of the Fund. Sustainability risks can arise from environmental and social impacts on a potential investment object as well as from the corporate governance of a company associated with an investment object. There are three instruments considered in Sustainability Risk assessment: - Risk Identification: As part of the ESG due diligence potential investees must indicate if the company and its supply chain face a number of risks listed and associated to each Environmental, Social, and Governance category. ECBF provides references to the potential investee to inform about the meaning and scope of some of such risk factors. - Climate Risk Assessment: As part of the ESG due diligence potential investees must conduct a probability adjusted impact assessment of a list of chronical and acute physical climate risks. Level of impact and likelihood is reported. In addition, transition ESG risks (risks associated with regulation, technological development, consumer preferences) are also considered. The respective results and other relevant risks are factored into ECBF's financial model, which in combination with the investment terms gives a financial return on the investment. The fund will only invest in companies that meet at least the targeted returns ensuring, simultaneously, a contribution to ECBF's environmental objective. - ECBF ESG KPIs: During holding period, periodic monitoring of ECBF ESG KPIs serves as a risk management tool, as it contributes substantially to identify, reduce, or prevent negative effects of business activities on people, nature, or assets. By assessing indicators annually, ECBF can engage with investees in mitigation actions.

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	Sustainability risks can either represent a risk of its own or have an impact on other portfolio risks and contribute significantly to the overall risk of the Fund. Insofar as sustainability risks materialize, they may have a significant impact - up to and including a total loss - on the value and/or return of the assets concerned. Such impacts on the asset(s) can negatively influence the overall return of the Fund. By taking into consideration sustainability risks and monitoring them annually, it is the AIFM's aim to identify the occurrence of these risks at an early stage and to take appropriate measures minimising the impact on the affected asset(s) or the overall portfolio of the Fund.
Sustainability risks associated with market value	The market value of direct and indirect investments in assets that do not comply with ESG standards and / or do not commit to implementing ESG standards in the future may be negatively affected by materialising sustainability risks. Such influences on the market value can include physical risks and transition risks, e.g. climate change as well as liability risks caused, e.g. by reputational damage, sanctions, dedicated taxation, changes in consumer preferences and behaviour leading to reduced demand.
Specific operational risks regarding sustainability	The Fund may suffer losses due to environmental disasters, socially induced aspects relating to employees or third parties, as well as due to failures in corporate governance. These events may be exacerbated/mitigated by the negative/positive management of sustainability factors.
Risk management procedure	Key risk indicators can be used to assess sustainability risks. Key risk indicators can be of quantitative- or qualitative nature and are based on environmental, social and governance aspects and measure the risk of the aspects under consideration. The assessment of the sustainability risks follows the principles as defined in the Risk Management Process.

Transparency of the remuneration policy in relation to the integration of sustainability risks

According to Article 5 (1) of the SFDR, financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks..

The business purpose of ECBF Management GmbH ("ECBF") is to advise Hauck & Aufhäuser Fund Services S.A. ("AIFM") with regard to the Fund. Therefore, ECBF is categorized as a financial adviser according to Article 2 (11) SFDR. The Fund, as a financial instrument with a pure focus on investing in sustainable companies, consistently pursues the sustainable investment strategy outlined above. In this respect, every employee of ECBF works towards the fulfilment of sustainability goals. Neglecting to take sustainability goals into account would entail risks for ECBF in many respects – not least endangering its business purpose and the jobs of its employees.

Sustainability Risk in Remuneration Policy

Within the framework of its remuneration policy, ECBF ensures that its employees' performance is not remunerated or evaluated in a way that conflicts with the duty to fulfill the purpose of the Fund. Environmental, Social and Governmental requirements and objectives are firmly anchored in ECBF's investment strategy and are inherent to the Fund´s expected performance. ECBF's performance is incorporated in the design and management of ECBF's compensation model. This way, the model intrinsically discourages unnecessary risk-taking and promotes a sustainable risk management approach to investing. Every employee is incentivized to contribute to the positive performance of the Fund in this regard.

Remuneration Policy Review

The remuneration policy will be further developed in line with regulatory requirements.
The compensation structure shall be reviewed by Managing Directors annually and updated if deemed necessary or desirable.

Updates on Disclosure according to SFDR Level I

This document has been uploaded on 10 March 2021 and was updated on 20 July 2023.

Date of last update: 20 July 2023;

Explanation of amendment: implementation of recent legislative developments (SFDR Level 2), and editorial amendments and clarifications.

Please do not hesitate to contact us for further queries at esg@ecbf.vc