Consideration of Principle Adverse Impact on sustainability factors

The Sustainable Financial Disclosure Regulation (SFDR) prescribes in Article 4, that fund managers must state whether they take Principle Adverse Impact (PAI) indicators into account on an entity level.

Principle Adverse impacts are defined as negative, material, or potentially material effects on sustainability factors that result from, worsen, or are directly related to investment decisions. Sustainability factors are defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. The regulatory standards of the SFDR provide a list of PAI indicators which a fund must take into account to determine that an investment decision does not significantly harm sustainability factors.

SFDR prescribes that a fund manager must state whether it takes PAI indicators into account on an entity level. DeeptechXL Fund Management B.V. does not consider PAI indicators on an entity level. DeeptechXL Fund Management B.V. invests in small and early - stage companies, which do not have enough or good enough data available to take PAI indicators into account.

However, on a product level, DeeptechXL Fund Management B.V. includes PAIs when making investment decisions.

DeepTechXL considers the 14 mandatory indicators and two voluntary PAIs as input for the Do No Significant Harm assessment, of which one relates to the climate and the environment, and one relates to the social and employee level, in DeepTechXL's proprietary questionnaire.

The portfolio companies are requested to report on the 16 Principle Adverse Impact indicators once during due diligence, and periodically (once per year). As DeepTechXL mainly focuses on early-stage companies, it is not expected that all required data is always available with portfolio companies (even to make estimations). Nonetheless, the indicators are also a means to track the progress of the company in its ability to answer indicators, and thereby contribute to the impact maturity level of the portfolio companies.