

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: PASSION CAPITAL IV LP (the "Fund") Legal entity identifier: 2138008ZB68UDGCW3752

Environmental and/or social characteristics

Passion Capital Investments II LLP ("Passion Capital") is a non-EU AIFM. As such, Passion Capital will be required to ensure compliance with Regulation (EU) 2019/2088 ("SFDR"), including the financial product related provisions, in the event that it enters the market of a given Member State by means of a National Private Placement Regime. In any event, Passion Capital has chosen to voluntarily align with SFDR because sustainability considerations are strongly embedded in the firm's strategy, culture and values at all levels.

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective: ___%**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective: ___%**

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 0% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment is defined in SFDR article 2(17) and means in summary an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any of those objectives and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



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

The Fund will actively promote the following E/S characteristics ("Characteristics") when investing in portfolio companies (whether or not those investments are classified as sustainable investments):

1. Diversity within the management team
2. Diversity within the workforce

3. *Having and maintaining an ESG policy*
4. *Completing an annual ESG questionnaire to include carbon footprinting*
5. *ESG as a standing item at board meetings*
6. *Good governance appropriate for the size and stage of the company*

In addition, the Fund will not invest in sectors that are contrary to progressive environmental and social norms. The excluded sectors are set out in the Investment Guidelines for the Fund, which are set out in the Investment Strategy section below.

There is no reference benchmark designated by this Fund for the purpose of mapping the attainment of environmental or social characteristics. All Characteristics will be set out in the term sheet between founders and the Fund so that the founders have early visibility of these expectations.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The attainment of the Characteristics will be measured at the point of investment and also tracked through the early fundraising rounds of the portfolio companies using a “tracker” document for each company which will record the Fund’s view of the company’s progress and engagement on ESG issues. We take this rolling approach for two key reasons: firstly, ESG is not a “once and done” topic – there is always room for development and improvement; and secondly at the stage at which the Fund first invests, as with all early-stage investment funds, it is highly likely that the companies will not have all of the Characteristics in place (this is due to the maturity of the company, not due to objections from the founding teams). We will therefore seek commitments from the founders to put these Characteristics in place and any refusal by founders to agree to these will lead to the Fund not making the initial investment.

With regard to Characteristics 1&2 (diversity), the Fund will not mandate percentage targets for gender, ethnicity, sexual orientation or any other diversity metric but the Fund representative will include diversity in their discussions with the founders relating to board hires and workforce hires. In our experience, guidance on early hires is an area where founders seek Fund input leading to meaningful influence. Progress will be recorded in narrative form in the ESG tracker documents and in percentage terms in the annual EDCI (ESG Data Convergence Initiative) ESG questionnaire.

The Fund will provide each portfolio company with a template ESG policy if they don’t already have one. It is intended that the company will take on this policy and tailor it themselves as they mature.

The Fund will require each portfolio company to complete an annual ESG report covering the metrics set out by EDCI. The Manager would expect to see positive trends on most ESG indicators as measured by EDCI and will report annually to investors on such indicators. However, it should be noted that given the extremely early stage at which the Fund will invest, annual carbon emissions (measured in CO₂ET) will likely rise during the first few years of the lifecycle of portfolio companies.

Characteristics 5&6 (governance) will be set out in and made contractually binding through the investment documents signed at the point of first investment. For information about which sustainability indicators the Fund will use to measure governance see below under “What is the policy to assess good governance practices of the investee companies”.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The objective of any sustainable investment is to promote environmental or social characteristics either by investing in companies that have such objectives or by promoting environmental or social characteristics within a company in our capacity of an investor. The Fund will cast its net wide for investments that meet its Characteristics (above) and Investment Guidelines (see below), that present outstanding founders with the ambition to build companies of scale and which have any social objective or environmental objective (whether qualifying under the EU Taxonomy or not).

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable. The Fund has not committed to making any investments with an environmental objective (Taxonomy-aligned) or indeed any sustainable investments.

- — *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable.

- — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

- Yes
- No

As a smaller Fund and investment manager, the Fund would have the option to comply with PAI reporting or explain why it is not doing so. The Fund believes that the disclosures that it will make in accordance with, and as if it were bound by, the remaining provisions of Article 8 (principally the annual reporting of core ESG metrics under the EDCI initiative and further quarterly ESG updates to investors) will provide sufficient clarity to enable the investment manager of the Fund and the Fund’s investors to easily and meaningfully assess the positive as well as the adverse impacts of the Fund’s investments.



What investment strategy does this financial product follow?

The strategy of the Fund is to provide long term capital appreciation for investors through pre-seed, seed and occasionally Series A investments in digital media and technology companies with a focus on enterprise “software as a service” companies, predominantly in the UK and Europe. Being a UK Fund and not marketed into the EU, the Fund is not bound by the provisions of the Sustainable Finance Directive Regulations, however the Fund has committed to align itself with the provisions of Article 8 of the SFDR as described herein. The Fund shall not invest more than 15% in any single portfolio company save where approved by the Fund’s LP Advisory Committee. The Fund will primarily invest in shares, convertible loan stock and other securities in unquoted companies and may invest up to 10% in the making of loans to such companies in connection with equity investments and up to 10% in tokens or other cryptoassets issued by such companies. The Fund will invest predominantly in companies in the UK or Europe and which have an annual turnover at the point of investment below £50 million. The Fund will not invest in listed securities. The Fund will not invest in derivatives (except for specific hedging purposes). The Fund will not invest more than 3% in any collective investment vehicle.

The Fund focus on digital media and technology companies leads to a natural exclusion for many industries which are controversial from an ESG perspective, however for completeness this is the list of “excluded” activities (in which the Fund will NOT invest):

- *Mining, drilling or other extraction of fossil fuels*
- *Logging or deforestation*

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- Seabed trawling or other non-sustainable forms of fishery
- Meat and poultry farming unless based on production without the slaughter of animals and the creation of methane gas
- Human cloning
- The production of narcotics and/or alcohol
- Activity which is illegal in the UK or country in which the company is wholly or predominantly based, headquartered or operating, as applicable
- Pornography
- Manufacture of cluster munitions, mines, biological or chemical weapons
- So-called “Black Hat” hacking

These exclusions will be implemented through the pre-investment screening process. In the unlikely event that an investee company were to seek to change their business model post-investment to focus on an excluded activity, the Fund will seek an orderly sale of its position in that company within a reasonable timeframe and will not, pending such disposal, commit more capital to that company.

The Fund will cast its net wide for investments that meet its Investment Guidelines (above), that meet the ESG Investment Policy of the Fund, that present outstanding founders with the ambition to build companies of scale and which have any social objective or environmental objective (whether qualifying under the EU Taxonomy or not). Where companies do not have social or environmental objectives but otherwise meet the Investment Guidelines, the Fund may invest in such companies and will then promote the Characteristics within those companies (and also within its sustainable investments).

- **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 Fund is bound by the Investment Guidelines set out in the Fund’s limited partnership agreement, which are summarised above and which, as mentioned, include adherence to the Fund’s ESG Investment Policy. A copy of the ESG Investment Policy is included in the Fund’s dataroom but, among other things, it requires that each prospective investment made by the Fund will be assessed against the six Characteristics set out above. The Fund is obliged to reject any investee companies falling within the excluded activities list and any companies where their founders reject promotion of the Characteristics.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable, as the Fund has not committed itself to reduce the scope of investments by a minimum rate.

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

During the screening and due diligence period prior to investment by the Fund, in accordance with the Fund's ESG Investment Policy, the Fund will assess the current governance practices of the investee companies. Only those companies that are assessed (on a checklist basis, set out in the ESG Investment Policy) to be on the "good governance" spectrum appropriate for the size and stage of their business will receive investment.

Further, to ensure that the company is committed to good governance, the investment documents will set out reporting expectations, information rights, investor consultation rights, board meeting cadences and other markers of good governance and these will be contractually binding on the company and, in most instances, the founders themselves. It is the policy of the investment manager to seek where possible for all partners to join the first few board meetings of each new investee company so that, amongst other things, the various governance strengths and ideas of those partners can be shared. The aim of the Fund is to help founders to continue to grow their corporate governance capacity alongside their commercial business recognising that future investors will value both.

What is the asset allocation planned for this financial product?



Asset allocation describes the share of investments in specific assets.

The Fund will invest fully in line with its Investment Guidelines and the commitments set out in these disclosures, each as included in a schedule to the Fund's limited partnership agreement, and so will only make investments that are aligned with the six E/S characteristics listed above. The Fund will seek to make sustainable investments (which may in turn fall into one or more of the three sub-categories of sustainable investments) but has set 0% as its minimum meaning that it is possible that no sustainable investments will be made. The Fund will not invest any of its capital in any other asset class, but may hold liquid investments, e.g. cash and short term deposit accounts.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable, as the Fund does not and does not intend to use derivatives for investment purposes but has reserved the right to hedge certain forex transactions for the purposes of securing expected realisations from portfolio companies or securing forex rates on drawdowns and/or distributions between the Fund and its investors.



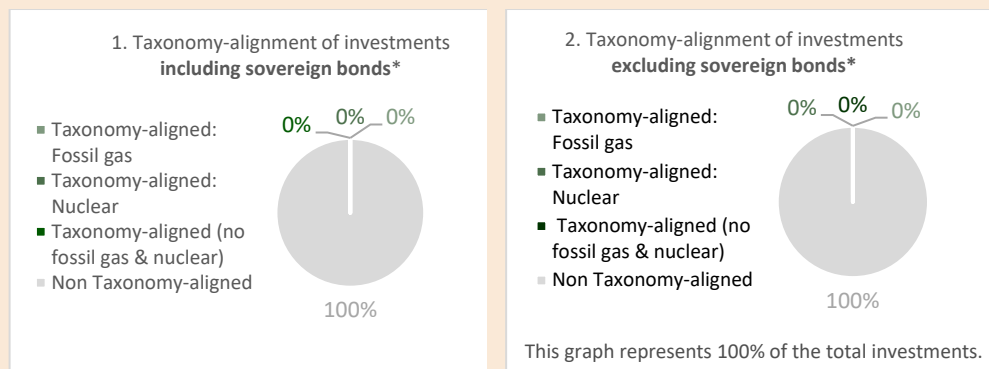
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund minimum commitment to sustainable investments is 0% meaning that it is possible that no sustainable investments will be made with an environmental objective aligned with the EU Taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes:
 - In fossil gas
 - In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- **What is the minimum share of investments in transitional and enabling activities?**
Not applicable (0%). The Fund does not make and does not intend to make investments in transitional or enabling activities.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund's minimum commitment to sustainable investments is 0% meaning that it is possible that no sustainable investments will be made with an environmental objective that is not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

The Fund's minimum commitment to socially sustainable investments is 0% meaning that it is possible that no sustainable investments will be made with a socially sustainable objective.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

All of the Fund's investments will align with its six Characteristics, other than its liquid investments such as cash and short term deposit accounts which are the only investments included in "#2 Other".

Where can I find more product specific information online?



More product-specific information can be found on the website:

<https://www.passioncapital.com/sustainability-disclosures>