



# AM VENTURES

## SUSTAINABLE FINANCE DISCLOSURE REGULATION ("SFDR")

EU-Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR") aims to promote transparency by ensuring that financial market participants disclose their approach to sustainability. AM Ventures supports this goal and will include disclosures on its website, in its prospectuses and in its annual report.

The SFDR applies to financial market participants such as AM Ventures Management GmbH and the funds under its management, currently AM Ventures Additive Manufacturing Fonds I GmbH & Co. KG (together "AM Ventures").

We are convinced that Additive Manufacturing can contribute to a more sustainable world in various ways. AM Ventures is therefore committed to address environmental, social and governance ("ESG") risks and opportunities throughout its investment process. The potential benefits of Additive Manufacturing range from reducing the need for energy- and resource-intensive manufacturing (less waste, distributed manufacturing), innovating the way products are designed and manufactured (weight reduction, customization, functional integration) to driving the adoption of digitization in advanced manufacturing (fully digitized processes).

AM Ventures addresses sustainability from all angles. Its ESG policy is an integral part of the investment strategy. It contains specific action points and generally raises awareness of ESG issues.

### POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISK IN INVESTMENT DECISION-MAKING PROCESSES (ARTICLE 3 OF THE SFDR)

AM Ventures addresses sustainability risks in its investment decision-making process. 'Sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. AM Ventures focuses especially on sustainability risks that are related to adverse impacts on sustainability factors as referred to in the SFDR and the draft Regulatory Technical Standards ("RTS") issued by the Joint Committee, a forum with the objective of strengthening cooperation between the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), collectively known as the three European Supervisory Authorities (ESAs). In particular, sustainability risks resulting from accelerated climate change and increasingly rapid social changes can lead to negative impacts on the net asset value of AM Ventures or its portfolio companies.

Sustainability risks of a new investment are determined during the due diligence process. If high sustainability risks identified during due diligence cannot be mitigated, the investment will not be carried out.

### PRINCIPAL ADVERSE SUSTAINABILITY IMPACT STATEMENT (ARTICLE 4 OF THE SFDR)

Principal adverse impacts are understood as the impacts of investment decisions that result in negative effects on sustainability factors. Art. 4 of the SFDR provides a framework aimed at achieving transparency in this regard. For this purpose, financial market participants such as AM Ventures must disclose certain information, taking into account the RTS. During the ongoing SFDR implementation phase, AM Ventures will not yet fully consider principal adverse impacts of investment decisions on sustainability factors as specified in Art. 4 of the SFDR, because it believes that the information provided to it by the portfolio companies regarding the investments is still not sufficient to allow it to do so. However, AM Ventures has implemented several mechanisms to work towards fully complying with the objectives of Art. 4 of the SFDR in the future. These include:



- The assessment of principal adverse impacts is integrated as part of the due diligence conducted prior to the investment decision
- Collaboration with co-investors and partners to reduce ESG risks
- Active engagement with portfolio companies through board or shareholder representation

## **TRANSPARENCY OF REMUNERATION POLICIES IN RELATION TO THE INTEGRATION OF SUSTAINABILITY RISKS (ARTICLE 5 OF THE SFDR)**

AM Ventures has not yet implemented renumeration policies regarding sustainability risks.

## **TRANSPARENCY ON THE PROMOTION OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS (ARTICLE 10 OF THE SFDR)**

As a signatory of the United Nations Principles for Responsible Investment ("UN PRI"), AM Ventures strives for human rights practices in its portfolio companies and supports the portfolio companies' management in promoting a culture of compliance. AM Ventures portfolio companies are located in politically stable and democratic countries. Furthermore, AM Ventures promotes environmental and social characteristics in its investment process.

In general, portfolio companies are expected to refrain from operating within certain industries, to have a suitable compliance system, and to develop and implement an ESG policy in accordance with AM Ventures' ESG policy.

### **ETHICAL EXCLUSION CRITERIA**

AM Ventures adheres to strict ethical and moral principles when selecting investment opportunities. Accordingly, the Fund will not invest in portfolio companies to which one or several of the following criteria apply:

1. contribution to a systematic denial of basic human rights;
2. demonstration of a pattern of non-compliance with environmental regulations;
3. engagement in child labor or forced labor;
4. turnover is primarily achieved from the manufacturing, sales, or marketing of weapons, artillery, and ammunition to be used in the act of war or military conflict ("Military Products") or components of the same if the primary purpose of such component is to be included as a component in any Military Products;
5. principal business activities in the field of
  - a) the manufacturing, distribution or sale of pornography;
  - b) the manufacturing, processing, distribution or sale of tobacco products;
  - c) the operation of casinos or other gambling facilities.

### **ENVIRONMENTAL, SOCIAL & GOVERNANCE POLICY**

We take our obligations to shareholders in our portfolio companies seriously and believe that by operating in a responsible and transparent manner we can build stronger, more profitable entities. To enhance this responsible investment profile, AM Ventures has become a signatory to the United Nations Principles for Responsible Investment (UN PRI). The values and elements outlined in the responsible investment approach lay the foundation for our ESG policy.

AM Ventures expects that each portfolio company:

- 1) has or will set sound environmental, social and governance standards that are aligned with AM Ventures' ESG policy. These shall consist of an environmental policy, a code of conduct (including value and ethics guidelines as well as a whistle-blower protection policy) and promote a culture of compliance;
- 2) is executing the strategy and running the daily operations according to the policies established by the Company's board or by shareholder resolution;
- 3) respects and adheres to local environmental laws in the regions in which it operates;

- 4) has or will implement an environmental management system to monitor resource efficiency and environmental impact and mitigate any environmental damage;
- 5) provides a good working environment and promotes human rights practices.

## CONTINUOUS PROCESS

The ESG policy is an integral part of our initial investment process and of our continuous investment management process, as follows:

- 1) ESG risks and potential improvements are determined during the due diligence.
- 2) Objectives and recommendations are developed based on the results of the due diligence, ensuring that the ESG concept is implemented efficiently and goal-oriented by the portfolio companies.
- 3) The achievement of ESG targets is reviewed annually and discussed with the management teams in the context of shareholder assemblies or board meetings. The portfolio companies are expected to provide us with the relevant data for this review.
- 4) The Fund reports on portfolio level to its investors. Also, the ESG reports of the portfolio companies will be provided to fund investors at exit to demonstrate the implementation of our ESG concept.

AM Ventures regularly reviews the ESG policy and its implementation.