

Template 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: SGT Capital Fund II SCSp

Legal entity identifier: 98450009D9667NE3CE49

## Environmental and/or social characteristics

### 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 \_\_\_% 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**

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

The Partnership promotes environmental and social characteristics, but does not have as its objective sustainable investment. It considers principal adverse impacts and expressly promotes the following Characteristics: social and employee, respect for human rights, anti-corruption and anti-bribery matters, and ensures that its portfolio company promotes these characteristics and follow good governance practices. The Partnership uses due diligence to assess whether the potential target meets its promoted social characteristics, and embeds its ESG commitments into the portfolio company and value creation plan, post-acquisition. 100% of the Partnership's investments (direct or indirect) will promote the Partnership's social characteristics.

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

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective 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.



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

Throughout the investment cycle, the Partnership evaluates indicators in respect of its core social characteristics on an on-going basis, and works with the management to make improvements where required. The Partnership has in place policies and procedures to ensure that the portfolio company meets its social characteristics objectives, such as gender pay gap. The Partnership uses notably the following indicators to measure the above Characteristics:

1. The percentage of invested assets under management into companies that have applied ESG Policies within the firm which take into consideration the above Characteristics;
2. The percentage of invested assets under management into companies that have set targets related to the Characteristics mentioned above (“Targets”) within 18 months of the initial investment;
3. The percentage of investee companies which met their Targets during the reference period.

The Partnership uses data provided by the portfolio company and through regular meetings with the portfolio company management, and site visits by the investment team of the Partnership, it gathers financial and non-financial data on ESG matters and core social characteristics (e.g. gender pay gap). The methodologies and data sources referred to in subsection 11.2 Sustainability-related Disclosures of the information memorandum are subject to various limitations, however, these limitations do not affect how the social characteristics promoted by the Partnership are met. ESG and sustainability matters and considerations are embedded throughout the Partnership’s investment process and the social characteristics promoted by the Partnership are a key part of the portfolio company governance post-acquisition. The Partnership ensures that its portfolio companies have robust anti-corruption and bribery, whistle-blower protection policies in place adheres to prevention of human trafficking, modern slavery and child labour.

- ***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 Partnership does not have a sustainable investment objective.

- ***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?***

The Partnership does not have a sustainable investment objective.

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

*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.



— — — *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.*

*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, \_\_\_\_\_

In the pre-screening stage, the investment team considers the indicators for principal adverse impacts, with the advice external advisers as required and in accordance with the mandatory principal adverse impacts indicators contained in Annex I supplementing Regulation (EU) 2019/2088. Companies with broad-based ESG risks based on the indicators in Table 1-3, are excluded from the process.

During the commercial and legal/compliance due diligence process, the Partnership due diligence goals include the assessment of the following indicators:

- (i) the strength of governance structures and routines, including board and management team composition and diversity, board oversight and track record;
- (ii) business ethics, responsible conduct and compliance with applicable laws or regulations in each region of operation;
- (iii) labour relations and treatment, human rights practices, employee health, wellness and safety;
- (iv) management and leadership team’s DEI, employee engagement and pay practices;
- (v) human resource policies, practices, staffing and organizational culture
- (vi) diversity, equity and inclusion in our investment review and decision processes; and
- (vii) where relevant, community relations and impact on immediate and extended communities.

Post investment, the Partnership is committed to driving meaningful progress across our core ESG commitments and improving performance on material ESG factors specific to the

business of the portfolio company. ESG risks and opportunities will be monitored and managed. Key ESG risks (if any) and opportunities will be included in the portfolio company's management team discussions. The management and monitoring team will incorporate ESG consideration in the value creation plan. Efforts on relevant issues or incidents will be documented for ongoing tracking as relevant.

The Partnership has robust anti-corruption and bribery and whistle-blower protection policies in place. It adheres to best practice business ethics and excludes target investments that do not adhere to prevention of human trafficking, modern slavery and child labour.

The Partnership considers principal adverse impacts and expressly promotes the following characteristics: social and employee, respect for human rights, anti-corruption and anti-bribery matters, and ensures that the companies in which it invests promote these characteristics and follow good governance practices. In particular, the Partnership focuses on the following social characteristics:

Fair employment, engagement and well-being. The Partnership seeks to assess organisational health, labour relations and treatment, and employee health, wellness, and safety. It further evaluates factors such as employment practices, worker safety and accident prevention, pay practices and human rights. Investment team aims to enhance our assessment of ESG considerations. We also motivate management teams to align with our ESG approach and other industry leading practices.

Diversity, equity and inclusion. The topics we tackle include governance and methods for accountability, recruiting and development of our team, and a culture of inclusion. Our investment team is also focused on diversity, equity and inclusion, and conduct diligence across a broad range of factors to identify risks and value creation opportunities, including assessment of human resource policies, practices, staffing and organisational culture. We continue to enhance our diligence practices to include an assessment of DEI in our investment review processes as well. We extend these concepts to our investments, including enhanced diversity at board, management team and company levels, as well as in our community engagement and support for racial equity and social justice.

Promoting DEI and accountability. Across our investments, we promote diversity at both the executive and board levels. This begins by taking stock of where companies sit today, and then tracking those metrics over time, holding ourselves and our teams accountable for ongoing improvement. We believe we have the ability to drive real change by adding diverse board members and ensuring that C-level searches include diverse candidates.

These can be found on the [sgt-capital.com](http://sgt-capital.com) website under "SUSTAINABILITY-RELATED DISCLOSURES" tab, and will be included in the FYE 2023 audited FS (and each year going forward in the annual report referred to in article 22 of Directive 2011/61/EU) and found on FundRock LIS Website mentioned below.

No

### **What investment strategy does this financial product follow?**

The Fund's investment process is driven by a differentiated investment philosophy, which seeks to drive growth for Western market leaders by unlocking direct access to local as well as global markets. The Fund will acquire assets in Western European, including Israel, and selectively North American headquartered, market leading companies which are #1, 2 or 3 in their respective segments. The assets tend to be resilient businesses operating in structurally growing markets and are sought to be acquired at the right price to ensure downside protection. These companies typically offer superior products and have competitive advantages over their competitors. Selecting such assets gives the Fund confidence that there is inherent downside protection due to the strong underlying core of the

company. The Fund also seeks to acquire assets with an existing “proof of concept” in Asia and proven potential to grow in this region. Assets which do not meet these requirements tend not to be considered.

Prior to selection of the investment target the Partnership uses the methodology and due diligence set out below to assess whether the potential target meets the core environmental or social characteristics promoted by the Partnership. Post investment, the Partnership’s ESG commitments are embedded into portfolio company strategy and value creation plans. Investment team engages with portfolio companies, including through ESG reviews and site visits to identify opportunities for improvement, and financial and non-financial data gathered, monitored and addressed where appropriate to continuously assess and monitor management structures, employee relations, remuneration of staff and tax compliance.

● ***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 Partnership has developed policies and procedures to ensure that its portfolio investment meet its social characteristics objectives. At the asset selection and origination stage, we conduct ESG screening and analysis of portfolio investments and teams. The Partnership’s due diligence goals include the assessment of the following indicators:

- (i) the strength of governance structures and routines, including board and management team composition and diversity, board oversight and track record;
- (ii) business ethics, responsible conduct and compliance with applicable laws or regulations in each region of operation;
- (iii) labour relations and treatment, human rights practices, employee health, wellness and safety;
- (iv) management and leadership team’s DEI, employee engagement and pay practices;
- (v) human resource policies, practices, staffing and organizational culture
- (vi) diversity, equity and inclusion in our investment review and decision processes; and
- (vii) where relevant, community relations and impact on immediate and extended communities.

The Partnership reviews material ESG risks and upsides and exclude companies with broad-based ESG risks.

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

The Partnership intends to ensure that all its investments (i.e. 100%) comply with the investment due diligence ESG strategy set out above.

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

The Partnership reviews the governance practices and its policies, as well as due diligence and ESG assessment, which would be provided by an external ESG consultant (such as PWC, EY or other renowned ESG consultants) on the target company. The investment team reviews the report and provides indicators with the Partnership’s legal team and external

**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.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance. compliance.

Taxonomy-aligned activities are expressed as a share of:

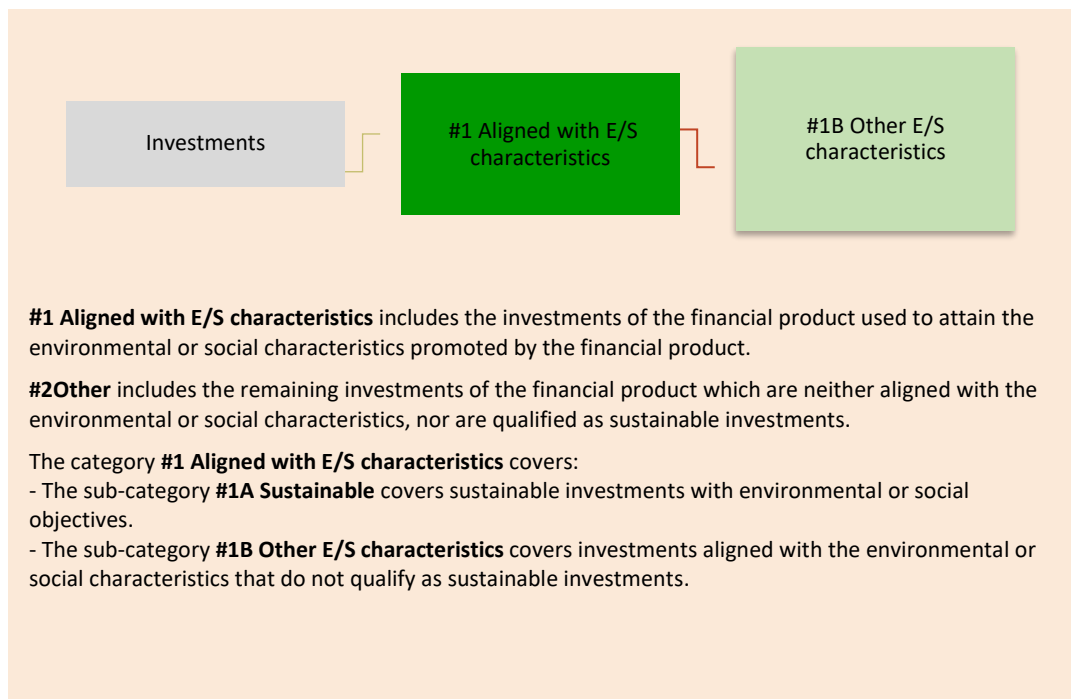
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

advisors, and concludes whether it is satisfied that the portfolio company maintained good corporate governance practices.



## What is the asset allocation planned for this financial product?

The Partnership intends to ensure that all its investments (i.e. 100%) comply with the environmental or social characteristics promoted by the Partnership. The Partnership will work with the management of its portfolio companies to ensure continued compliance.



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

The Partnership is not permitted to use derivatives to attain the environmental or social characteristic by its documents.



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

The Partnership promotes social characteristics, but does not have a sustainable investment objective.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

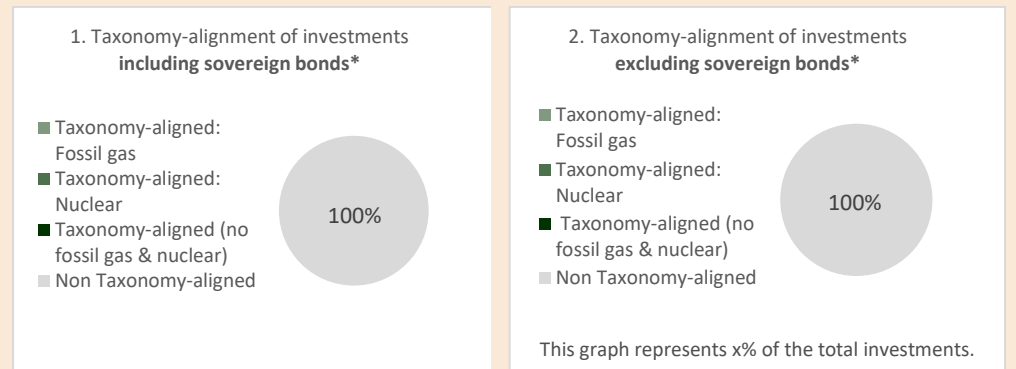
Yes:

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.

- **What is the minimum share of investments in transitional and enabling activities?**

This is not applicable to the Partnership.



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

Not applicable to the Partnership.



**What is the minimum share of socially sustainable investments?**

Not applicable to the Partnership.



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

Not applicable to the Partnership.

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



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

<sup>1</sup> 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.

No specific index has been designated. However the Partnership does not use a reference benchmark.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The Partnership does not use a reference benchmark but engages with the management of the portfolio company to continuously identify opportunities for improvement on the social characteristics.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

No specific index has been designated.

- ***How does the designated index differ from a relevant broad market index?***

No specific index has been designated.

- ***Where can the methodology used for the calculation of the designated index be found?***

The Partnership does not deploy a designated index and does not maintain a calculation methodology.

#### **Where can I find more product specific information online?**

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

[www.sgt-capital.com](http://www.sgt-capital.com) under "SUSTAINABILITY-RELATED DISCLOSURES" tab

<https://www.fundrock-lis.com/en/esg/>

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

