

EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation ("SFDR" or "the Regulation"), effective from 10 March 2021, was introduced by the European Commission as part of the Action Plan on Sustainable Finance. The Regulation requires fund managers like Lauxera Capital Partners to disclose to investors the integration of sustainability risks, consideration of adverse sustainability impacts, promotion of environmental or social characteristics, and the overall practice of sustainable investing.

The purpose of this document is to address SFDR Article 10 on transparency of the promotion of environmental or social characteristics and of sustainable investments on websites which states that: *"Financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3).*

(a) a description of the environmental or social characteristics or the sustainable investment objective; (b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product; (c) the information referred to in Articles 8 and 9."

Financial Product Information

Lauxera Capital Partners currently has two Finance Products:

Fund Name	Year of First Investment	PAI Considerations
Lauxera Growth I	2021	<ul style="list-style-type: none"> Collection of a subset of PAI indicators for 100% of investments No systematic integration of PAI indicators into investment decisions and ongoing monitoring No PAI indicator reporting
Lauxera Growth II	2025	<ul style="list-style-type: none"> Collection of a subset of PAI indicators for 100% of investments Collection of all mandatory (+2 voluntary) PAI indicators for at least 50% of investments Systematic integration of PAI indicators into investment decisions and ongoing monitoring Complete PAI indicator reporting for at least 50% of the portfolio, with partial PAI indicator reporting for 100% of investments

Impact of Sustainable Investments

As set out in SFDR regulations, a 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. Lauxera's definition of a sustainable investment with a social objective integrates both factors above:

- Contributes to a social objective
- Does not significantly harm an environmental or social objective and follows good governance practices.

Contributes to a social objective

Lauxera defines metrics which measure the impact of each portfolio company on improving Patient Outcomes, increasing Provider/Innovator Productivity, and lowering Costs to the Healthcare System, a framework modeled after the "Triple Aim" as advanced by the Institute for Healthcare Improvement. We measure our companies' Impact on these objectives through Impact KPI's, customized and tracked quarterly for each portfolio company (and reported internally to investors). As the commercial success of our Healthtech investments are usually directly correlated with their Impact, we believe this framework ensures that each company contributes to enabling a more sustainable healthcare system.

To qualify as a "contributing to a social objective," each investment must demonstrate a clear link between financial/operational measures of growth and an Impact outcome in at least one of the buckets described above. We look to external sources of proof to support this impact as part of the due diligence and monitoring process, including peer reviewed literature, customer or third-party analyses, etc.

Does not significantly harm an environmental or social objective

Starting with Lauxera Growth II, Lauxera assesses a set of Principle Adverse Impacts before making all investments, monitoring these indicators for the Fund's entire ownership period. Company size and availability/burden of PAI-related data is a challenge in some cases given the smaller company scale at which Lauxera invests (typically 50-100 employees at entry), so we have committed to assessing and tracking the mandatory set of PAI's for at least 50% of the investments in Lauxera Growth II. Lauxera Capital Partners will engage with all portfolio companies on a continuous basis to upgrade their visibility on PAI's.

Environmental, Social and Governance Characteristics

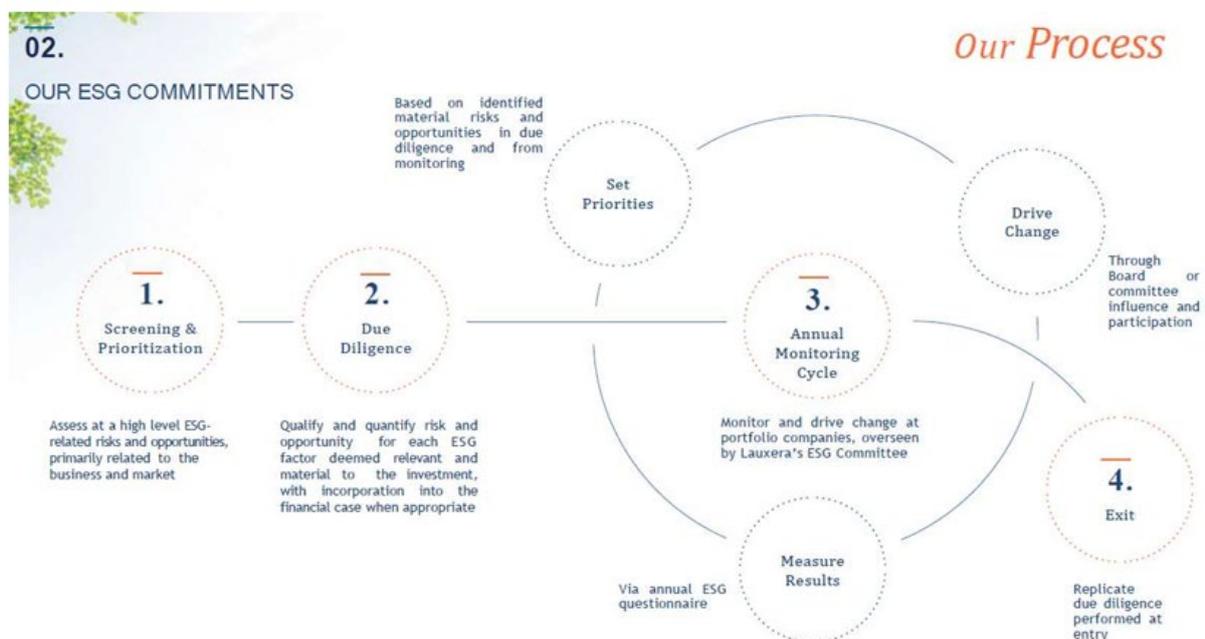
ESG issues require careful evaluation on a company level. Lauxera eschews broad-brush policies in favor of a case-by-case, principles-based approach to evaluating ESG factors for 100% of the investments that the Lauxera assesses.

Lauxera's key ESG principles are:

- **Environmental:** a company's business practices, supply chain, and go-to market structure should seek to minimize its carbon footprint and other ecological impacts
- **Social:** a company's success depends on its ability to attract and retain top talent, which is only possible if the company maintains best-in-class labor practices and a positive public and industry reputation.
- **Governance:** a company's management team and its investors should have aligned financial incentives.

Lauxera will not compromise these principles in our investments, but the Team will be flexible in evaluating ESG issues in light of their materiality and the specific facts. For example, Lauxera may invest in a medical device which dramatically reduces overall harm to patients but may introduce a small risk of major side effect. The Team will consider the specific facts as well as the company's ability to preserve the reputation of the therapy even in the case of a public disclosure of one of these major side effects. Lauxera's core principle holds that no company will be able to sustainably attract and retain talent if it is not a net contributor to population health with a compelling clinical value proposition.

Lauxera reviews its risk exposure analysis quarterly as part of ESG and Impact Committee meetings, attended by the entire investment team.



Initial Screening

Screening: New investment ideas sourced by the investment team first proceed through a screening process that narrows the range of ESG-linked risks and opportunities.

Screen 1: Healthtech sector and growth/growth-buyout stage screen

Lauxera's sole focus on our target company sector and stage naturally screens out many different business models, e.g.:

- Non-healthcare companies, including traditionally blacklisted industries like carbon-inefficient energy and industrial products, arms, and other “sin” industries (including tobacco and alcohol)
- Pure healthcare services businesses (such as dental practice management companies and for-profit hospital chains and nursing homes), which face unique tradeoffs between prioritizing patient care versus financial performance.
- Pre-commercial medical device and biotech companies, which face unique risks around regulatory approval.
- Early commercial companies with revenue under ~€2-5 million, which generally face unique risks around product market fit, patient safety, and company reputation.

Screen 2: Special control policies

Lauxera requires any specialty pharmaceutical company to show demonstrable value creation for healthcare payors and for patients via an independent, third-party assessment, in an effort to exclude companies in this sector which rely on higher pricing for limited innovation.

Lauxera ensures the appropriate control of legal, regulatory and ethical issues linked to (i) human cloning for research or therapeutic purposes and/or (ii) genetically modified organisms (GMO's). Due diligence on these topics is typically performed internally, but will leverage outside experts, including ethical and legal experts, when required.

Prioritization:

Lauxera's investment team discusses each idea post-screening at a weekly Pipeline Review Committee. If the team has specific ESG concerns with any idea—particularly those related to business model and other aspects easily identified outside-in—these are discussed with the intent of identifying whether any of these concerns must be addressed before formally prioritizing the idea for preliminary due diligence.

Due Diligence

Robust due diligence is conducted on all potential investments that have passed the initial screening phase. Under this framework, sustainability risk materiality is evaluated on a qualitative scale against ESG themes such as conservation of ecosystems, employee wellbeing, and business resilience.

ESG DUE DILIGENCE PROCESS:	
Fundamental Impact analysis	<ul style="list-style-type: none"> - As part of fundamental business, IP, regulatory, and financial due diligence, the Deal team assesses alignment of the company and its business with Lauxera's Impact goal of enabling a more sustainable healthcare system through improving Patient Outcomes, increasing Provider/Innovator Productivity, and lowering Costs to the Healthcare System
Materiality assessment	<ul style="list-style-type: none"> - The Deal team uses the Materiality Finder available from SASB to map key ESG-linked risks to cover in due diligence
ESG questionnaire	<ul style="list-style-type: none"> - The Deal team receives answers to 75-100 questions contained in Lauxera's standardized ESG questionnaire - These questions cover common areas of risk (and opportunity) across environmental, social, and governance factors - For Lauxera Growth II and later funds, this ESG questionnaire will be updated to include information on PAIs. Responses are not mandatory to all 14 required PAIs, but companies must commit to annual updates of any/all PAIs reported in this pre-investment questionnaire
Company-specific ESG and Impact due diligence	<ul style="list-style-type: none"> - Based on the Deal team's understanding of risks related to the company's business as well as factors identified in the first two steps, above, Deal team members engage company management and outside experts on key diligence topics - Lauxera <i>infrequently</i> contracts with subject matter experts, including consultants, if there are specific concerns which Lauxera cannot diligence internally (e.g., formal health economic analyses, supply chain risks)

ESG and Impact template for preliminary/final Investment Committee materials	<ul style="list-style-type: none"> - The Deal team completes a standardized 3-5 page template before each binding offer with the following components: <ul style="list-style-type: none"> o Summary of ESG-linked risks, including the degree to which these are manageable over the course of the investment o Summary of ESG-linked opportunities o Assessment of material risks as identified by SASB o Statement about the impact of ESG-linked risks on the investment profile, focused on whether Lauxera must apply a higher hurdle rate for the investment as a result o Set of proposed Impact metrics to be tracked quarterly - This standardized template <i>complements</i> other ESG-linked risks and opportunities discussed throughout due diligence materials considered at each Investment Committee
Proposal for ESG-linked language, if any, in company documents	<ul style="list-style-type: none"> - Lauxera seeks to include ESG-related language in company documents (e.g., shareholder's agreement or side letter) when possible – including standard requirements to access ESG KPIs annually and Impact KPIs quarterly – as well as company-specific language to establish needed governance or control around risks. However, we do not insist on this language in every case when perceived risks are low, particularly for minority investments where new language inserted may materially reduce our ability to transact

Monitoring

For each portfolio company, the Deal team and ESG Committee work together on an annual cycle to:

- Set Priorities
- Drive Change
- Measure Results

Set Priorities

At the company size where Lauxera invests (median 60 FTE's at entry, growing >30% YoY at median), our ESG initiatives are tailored and pragmatic. Introducing a heavy structure of multiple ESG-only focused FTEs – and particularly pushing our companies to spend precious management bandwidth on ESG accolades – may not be appropriate for certain portfolio companies at relatively early stages of growth.

ESG value creation plans are tailored to each company. Plans are refined annually, governed by the ESG Committee, and implemented by each deal team over the course of each investment.

Drive Change

At the portfolio company level, Lauxera engages with management teams as active investors (either in majority or influential minority positions, in almost all cases holding Board roles) to help these teams manage ESG-related risks and capitalize on ESG-related opportunities. Deal teams engage with the Boards and management teams at 100% of our portfolio companies on a continuous basis to drive targeted change, e.g., sharing best practices from other companies, establishing and monitoring new policies, assigning ESG owners within the Board and management, formalizing a cadence of ESG discussions on a regular basis, and generally raising ESG-linked risks uncovered by Lauxera in order to drive action to reduce these risks.

To support this engagement, Lauxera maintains a shareholder engagement policy to participate in all Board Meetings and cast votes on all topics, including ESG-related topics, capital increases, governance changes, employee compensation, operations and strategy, and other topics. Lauxera publishes an annual shareholder engagement report available at www.lauxera.com/legals.

Reporting

Lauxera Capital Partners monitor and track our companies at least on an annual basis (and ad hoc in the case of critical new information or controversies) using our Lauxera ESG questionnaire, which covers 75-100 questions across all three buckets of ESG-linked risks. For each question, we define a stable rubric to translate responses into numbers for each company – comparing each company's progress against itself as well as against the rest of our portfolio. Issue areas where scores remain low become key priorities for the next annual cycle of company engagement, governed by our ESG Committee.

In Lauxera's ESG Annual Report, refreshed each year by June 30, we report aggregate scores for the portfolio broken out into subcategories – related to Environmental factors, Social factors, and Governance factors. These scores for each subcategories are grouped into three buckets: "needs improvement," "good," and "exemplary." Detailed, numerical scores in aggregate and by company are available to Limited Partners by request.

Our targets for the ESG KPIs which we track (and report annually to Limited Partners) are:

1. no subcategory score “bucket” should change negatively from year to year
2. over the course of each Fund we should see positive “bucket” changes across more than one subcategory versus baseline.

Lauxera’s ESG reporting allows Limited Partners to measure the performance of our portfolio across multiple ESG subcategories and assess our success in achieving our targets.

In addition to each portfolio company-specific cycle of ESG prioritization, engagement, and measurement, Lauxera’s ESG Committee oversees the collection of ESG KPI’s and PAI indicators in coordination with each Deal team. The ESG Committee coordinates all ESG reporting, including via Lauxera’s Annual ESG Report, the UNPRI transparency report, SFDR-mandated documents, the LEC Article 29 report required by French regulators, and individualized Limited Partner reporting.

Other information

Internal:

- Quarterly Impact measurement updates
- Annual ESG Report
- LPAC ESG Antiportfolio analysis (twice-annually)
- LP attendance to Lauxera’s ESG Committee (twice-annually)
- Limited Partner-specific reporting (e.g., Reporting21)

External:

- Annual UNPRI Transparency Reporting (available at unpri.org)
- Annual LEC Article 29 Report (available on Lauxera’s website)
- Annual updates to SFDR Article 10 disclosures (available on Lauxera’s website)
- Other ad hoc updates to the ESG section of Lauxera’s website (www.lauxera.com/esg)