

## **Sustainability-related disclosures for FSG Fund II AB**

FSG Management AB (the “**Manager**”) is a sub-threshold alternative investment fund manager registered in accordance with the Swedish act on alternative investment fund managers (*Sw. lag om förvaltare av alternativa investeringsfonder*) (“**LAIF**”). The Manager manages the alternative investment fund, FSG Fund II AB (the “**Fund**”).

This information is published pursuant to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “**SFDR**”) and Commission delegated regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (the “**RTS**”).

### **Summary**

The Fund invests in early-stage Life Science and Technology companies across the Nordics. The Fund will invest in portfolio companies during the Fund’s investments period and the focus of the investment is companies within the sectors of Life Science and Technology with a certain focus on the intersection between these sectors, Healthtech. Additionally, sustainability and ESG are important factors in the investment strategy for the Fund.

The Fund promotes environmental and/or social characteristics as part of its investment decisions and monitoring processes but does not seek to make sustainable investments as defined in the SFDR. The Fund promotes social characteristics by reducing society’s unmet medical need by investing in companies that are developing treatments for life threatening diseases or serious debilitating conditions. When determining the investments for the Fund, consideration is given to the effect on the United Nations-established Sustainable Development Goals (SDGs). The Fund incorporates exclusion (negative screening) aspects during the decision-making process. Thereby the Fund considers several ESG themes to be the key to responsible investing.

The Fund applies qualitative assessments with regard to its environmental or social characteristics. The Fund conducts its initial assessment in the course of its due diligence via an informal process incorporated in the general due diligence process. Based on the results of such assessment the Fund identifies whether the environmental or social characteristics promoted by the Fund are met.

### **No sustainable investment objective**

The Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

## **Environmental or social characteristics of the financial product**

The Fund promotes environmental and social characteristics within the meaning of Article 8 of SFDR.

The Fund promotes social characteristics by reducing society's unmet medical need by investing in companies that are developing treatments for life threatening diseases or serious debilitating conditions. When determining the investments for the Fund, consideration is given to the effect on the following United Nations-established Sustainable Development Goals (SDGs);

- Good Health and Well-Being (SDG no. 3);
- Gender Equality (SDG no. 5);
- Responsible Production & Consumption (SDG no. 12); and
- Climate Action (SDG no. 13).

In addition to the above, the Fund promotes general sustainability and environmental characteristics by excluding investments in companies that operate in sectors or business areas that are assessed to present major sustainability challenges. The exclusions include companies that (i) breaches international norms and standards, (ii) operate in controversial sectors and business areas such as tobacco, alcohol, weapons and ammunition, commercial gambling and illegal economic activities, and (iii) have exposure to fossil fuels and other activities with negative climate impact.

## **Investment strategy**

The purpose of the Fund is to build, hold and manage (including to divest) a portfolio of equity and equity-related investments in portfolio companies. The investment strategy of the Fund is to realize a return on invested capital through long-term appreciation of investments in portfolio companies. The Fund intends to hold its portfolio investments for at least the medium term, generally five (5) years. The Fund primarily undertakes early-stage investments in start-up companies (seed, series A and series B financing rounds) with high growth potential.

The Fund invests in early-stage Life Science and Technology companies across the Nordics. The Fund will invest in portfolio companies during the Fund's investments period and the focus of the investment is companies within the sectors of Life Science and Technology with a certain focus on the intersection between these sectors, Healthtech. Additionally, sustainability and ESG are important factors in the investment strategy for the Fund. However, the Fund focus on primarily unlisted early-stage startups limits our ability to directly influence the ESG practices of our portfolio companies. Nevertheless, the Manager consider these factors in all stages of the investment process and integrate them into the decision-making to ensure alignment with the values and long-term goals. The aim is to invest in companies that not only deliver strong financial returns but also have the potential to contribute to a sustainable future.

The Fund is bound by the investment restrictions and limitations set out in the Fund's investment and shareholders agreement and shall procure that such requirements, restrictions, and limitations are complied with at all times. In particular, the Fund will screen each investment opportunity against its investment exclusions and no investments will be made in the area of such exclusions.

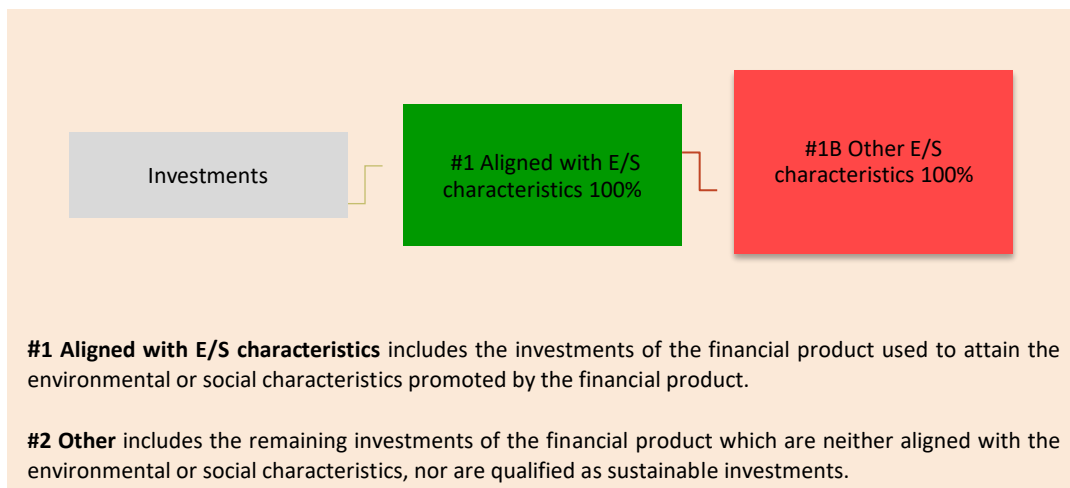
The Fund shall not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies, including portfolio companies, or other entities:

- a) illegal economic activities under applicable law;
- b) the financing or production of weapons and ammunition of any kind;
- c) the operation of casinos and similar establishments, including online betting and online casinos; or
- d) pornography.

Good governance practices are assessed through an informal process as appropriate in light of the circumstances of the individual case as part of every due diligence process prior to any investment made by the Fund. Such practices include, in particular, sound management structures, employee relations, remuneration of staff and tax compliance within the portfolio companies. Moreover, the Fund will conduct regular monitoring of the good governance practices in its portfolio companies during the holding period. If the Fund becomes aware of severe governance issues, it will investigate them and work with all parties involved to find an appropriate solution.

### Proportion of investments

The Fund will invest fully in line with its investment strategy and investment restrictions, i.e., will only make investments which are aligned with its environmental or social characteristics. The Fund does not make and does not intend to make sustainable investments within the meaning of Article 2 (17) SFDR or environmentally sustainable investments within the meaning of Article 2 Taxonomy. Hence, no portion of its investments will be aligned with the Taxonomy.



### Monitoring of environmental or social characteristics

The Fund has an increased awareness on the impact of environmental or social characteristics on risk management and thus on the value potential of investments. In order to monitor the environmental or social characteristics promoted by the Fund, the Fund consults with the portfolio companies on an ad hoc basis. If the Fund suspects any conflicts in this regard, it will

carry out further checks in order to identify and to solve potential issues with the environmental or social characteristics. External monitoring mechanisms are not in place.

### **Methodologies for environmental or social characteristics**

Currently the Fund applies qualitative assessments with regard to its environmental or social characteristics. The Fund conducts its initial assessment in the course of its due diligence via an informal process incorporated in the general due diligence process. Based on the results of such assessment the Fund identifies whether the environmental or social characteristics promoted by the Fund are met.

In order to measure how the environmental or social characteristics are met during the holding period, the Fund consults with the portfolio companies in regular intervals and will carry out further checks in order to identify potential issues with such characteristics.

### **Data sourcing and processing**

In order to monitor the attainment of the environmental or social characteristics promoted by the Fund, the Fund obtains data from its (potential) portfolio companies. All relevant data is obtained from such portfolio companies and no data is supplemented by information publicly available. An internal or external review or verification of the information obtained will be carried out if misrepresentations are suspected.

The results of the data obtained are considered in the investment decision.

### **Limitations of methodologies and data**

The information collected from the (potential) portfolio companies as informal part of the due diligence is internally or externally verified only if and to the extent misrepresentations are suspected. Thus, it cannot be ruled out completely that false information may remain undetected in certain cases. As the Fund's investments are made for several years, the Fund considers it a priority to establish and maintain a trustful working relationship with its portfolio companies in order to ensure compliance with the environmental or social characteristics promoted by the Fund (i.e., its investment exclusions).

### **Due diligence**

An initial assessment of how an investment relates to the environmental or social characteristics promoted by the Fund is carried out as part of the due diligence process by way of an informal process as appropriate in light of the circumstances of the individual case and, where required based on the inherent ESG risk of the portfolio company, through an enhanced analysis. As a rule, purely qualitative statements of an environmental or social nature or relating to corporate governance are requested from the portfolio companies and then taken into account during the investment decision-making process. An internal or external review or verification of the information obtained will only be carried out if misrepresentations are suspected.

**Engagement policies**

Engagement is not part of the environmental or social investment strategy of the Fund.

**Designated reference benchmark**

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the Fund.