

SFDR WEBSITE DISCLOSURES - articles 3, 4 and 5

▪ Introduction

BGF II Management NV (“BGFIIIM”) qualifies as a “financial market participant” pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”).

Under the SFDR, financial market participants are required to publish information on their website, including in relation to the following:

- the integration of sustainability risks in their investment decision-making process;
- how they integrate sustainability risks into their remuneration policies; and
- if and how they consider principal adverse impacts of investment decisions on sustainability factors.

▪ Integration of sustainability risks in the investment-decision making process

In accordance with the SFDR, sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

More specifically, an ‘environmental risk’ refers to the risk that the value of an investment is adversely affected by environmental events or conditions, including factors resulting from climate change and other environmental degradation. ‘Social risk’ refers to the risk that the value of an investment is adversely affected by social events or conditions. ‘Governance risk’ refers to the risk that the value of an investment is adversely affected by events or conditions resulting from incompetent or otherwise inadequate corporate governance. Sustainability or ESG risk is not to be viewed as a separate risk category, but rather as a potential driver of all other traditional risk categories, such as credit, market, operational, reputational, liquidity, business model, and concentration risk.

The consideration of sustainability risk does not imply that a fund has a sustainable investment objective, but it rather describes how sustainability risk is considered as part of the overall investment process.

BGFIIM is convinced that mitigating sustainability risks by following extremely stringent exclusion policies and taking material ESG factors into account improves investment decisions and lowers the financial risks for our investors resulting from ESG events. The integration of an analysis of sustainability risks, in accordance with Article 3 of the SFDR, is therefore a natural step in BGFIIM's investment process.

BGFIIM will consider the Portfolio Funds' answers to our ESG questionnaire to capture ESG opportunities and mitigate sustainability risks where relevant. We also commit to monitor the evolution of our Portfolio Funds to make sure they remain in line with our ESG Policy and our broader approach in relation to sustainability risks.

- **Integration of sustainability risks in the remuneration policy**

While BGFIIM's remuneration policy promotes sound and effective risk management and discourages excessive risk-taking, sustainability risks are not specifically integrated in the remuneration policy. In terms of remuneration, there is no financial or monetary incentive to ignore the integration of sustainability risks in the investment-decision process.

- **Principal adverse impact of investment decisions on sustainability factors**

In accordance with the SFDR, principal adverse impacts (PAIs) have been defined by the EU as "negative effects, material or likely to be material on sustainability factors that are caused, aggravated by or directly linked to investment decisions made and advice performed by the legal entity". Hence, adverse sustainability impacts relate to the risk that the business of a portfolio company may have on sustainability indicators.

In accordance with article 4.1(b) of the SFDR, BGFIIM states that it does not consider the adverse impacts of investment decisions on all of the sustainability factors as referred to in article 4.1(a) of the SFDR and does not make the disclosures as described in article 4.1(a) of the SFDR. Given the size of the organization of BGFIIM, such disclosure as referred to in article 4.1(a) of the SFDR and the administrative burden in connection therewith would currently not be proportional. BGFIIM will review its position on a regular basis taking into account the evolution of the applicable rules and the results of the consideration of certain potential adverse sustainability impacts that it currently takes into account.