



Sustainability & Impact **Report 2022**



Table Of Contents

Foreword	1
Sustainability at Capital D	3
Sustainability at Fund and portfolio company level	9
Preliminary remarks	9
VONQ (Fund 1)	10
Qmee (Fund 1, exited in 2022)	14
Phrasee (Fund 2)	16
Overview of sustainability performance	18
Fund 1: VONQ KPI table	18
Fund 1: PAI table	19
Fund 2: Phrasee KPI table	20
Fund 2 SFDR Art. 8 reporting templates:	21
PAI table (Annex I)	21
Periodic Disclosure (Annex IV)	22
Appendix: ESG Policy	26

Foreword

Capital D is pleased to report on its 2022 sustainability activities and ESG impact. 2022 was the fourth year since Fund 1's closing in October 2018 and the first year of investing Fund 2. We welcome our new investors and thank our existing investors for their renewed trust.

While having a positive impact on people and the planet is a journey of progressive improvement, we are confident we have reached a practice level that places Capital D among the very best private equity firms evidenced by our PRI ranking.

As our team and portfolio grow, the ecosystem we have built, particularly with Re_Set and Springwise, enables ongoing learning and adoption or improvement of ESG best practices. Given this ecosystem, we aspire to remain leading-edge on ESG considerations including by the way we screen prospective investment opportunities and how we help our investee companies adopt best-in-class practices thereby leaving a legacy through delivering companies that will continue to contribute positively to people and the planet.

Given our commitment to SFDR and the classification of Fund 2 as Article 8, we have reviewed the structure of this report to make sure it provides our investors and community with the information they need.

We report below on our activities at Capital D's level - the management company - and at the level of the three investee companies we were invested into in 2022, namely VONQ (Fund 1), Qmee (Fund 1, exited in June 2022) and Phrasee (Fund 2). We commit to continue raising the bar on ESG, and, as ever, we appreciate your support and welcome your remarks and observations.

The Capital D team

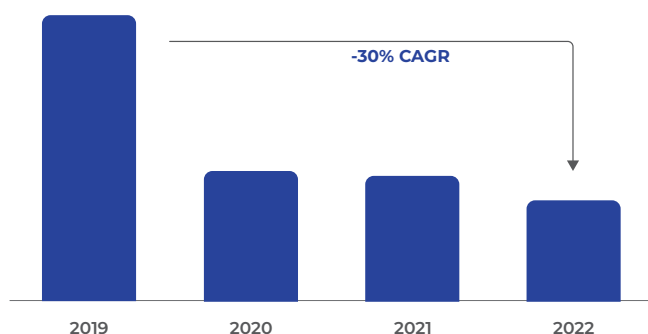


Capital D is a next-generation growth buyout private equity firm investing in disruptive businesses across Europe:

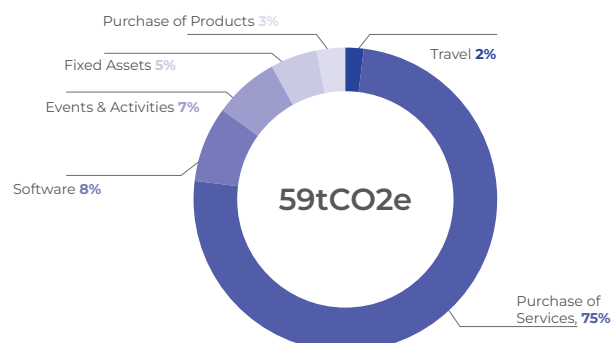
- We invest at the intersection of macro, technological and behavioural trends, in businesses which will be the winners of the disruption economy. We add purpose and agility to traditional investment lenses and believe businesses with those characteristics are better equipped to succeed;
- We understand “what’s next” through an ecosystem comprising experts in digital, innovation and sustainability which creates unique investment opportunities.



Capital D CO2 emission evolution (tonnes)



Tonnes of CO2 emitted in 2022



Sustainability at Capital D level

As we continue to grow, sustainability remains central to our beliefs and operations. 2022 was the fourth full year since Fund 1's closing in October 2018. We are pleased to report that once again we achieved a number of initiatives this year, while launching Fund 2 with a similar strategy and purpose.

Top ESG rating by PRI, a framework for continuous improvement of our ESG practices

As a PRI signatory from inception, we were assessed by PRI in 2022 for the third time. We again achieved the highest possible overall ratings this year and came out as a 5-star rated fund on both dimensions:

- Investment and Stewardship Policy: 5-star rating (99/100 score);
- Direct Private Equity practices: 5-star rating (94/100).

We are confident that given our progressive improvement and implementation of ESG best practices, we will continue to achieve very high ratings as per the revised PRI assessment framework. While these ratings are not an objective per se for Capital D, we see the PRI evaluation process as a framework and guideline to continuously improve and implement the strong ESG practices already in place at Capital D, which are described in this section.

SFDR Summary

Capital D complies with its obligations under Regulation (EU) 2019/88 as supplemented by the Delegated Regulation (EU) 2022/2188 (the "SFDR" or the "Regulation"). Capital D's Fund 2 is classified as Article 8 under SFDR

and further information in this regard is set out on page 10 and in the SFDR template report within this ESG report.

Capital D also considers and reports on principal adverse impacts of investment decisions on sustainability factors ("PAIs") in respect of Fund 1 and Fund 2. These reports are set out within this ESG report. Whilst Capital D considers PAIs across its business, it does not report PAIs in aggregate at entity level in accordance with Article 4 of SFDR but instead considers that reporting PAIs on a product by product basis in accordance with Article 7 of SFDR is the most appropriate manner to present the relevant information to its investors.

Further information on Capital D's SFDR compliance is set out below.

Team and practices (SFDR Article 5)

All Capital D team members are ESG-trained and our team is at the forefront of ESG matters, especially through research and our partnership with Re_Set and Springwise. With Peter Kruppa joining us in late 2021 as our full-time Chief Financial and Compliance Officer, we have significantly enhanced our compliance and disclosure practices in line with the Sustainable Finance Disclosure Regulation ("SFDR" or "the Regulation").

Equal treatment, diversity and inclusion

We promote and ensure, both at Capital D and portfolio company level, an equitable treatment of employees, irrespective of gender, race, religion or sexual orientation. There is no gender pay gap at Capital D and we monitor diversity both at employee and management levels, particularly with portfolio companies.

Well-being of employees

Both at Capital D and with portfolio companies, we seek to improve employees' well-being, the quality of the working environment, and promote exercise by organising sport or outdoor activities, as well as any community engagement and charity initiatives. We ensure the best possible and flexible working environment, with also remote work policies in place. Our portfolio companies monitor turnover rate and absenteeism and would report to Capital D significant incidents.

Remuneration policy

Our Remuneration Policy (Sustainability Risks) specifically addresses the obligation in Article 5 of the Regulation: "Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks."

Capital D uses external compensation benchmarks and ensures its salary model is fair, clear, motivating and aligned with KPIs for various levels in the organisation. This is reviewed as appropriate typically on an annual basis.

We award our team members a variable discretionary bonus at year-end. Remuneration levels are set based on the performance of the individual concerned. Such performance is assessed via a comprehensive 360-degree year-end evaluation process, including a self-evaluation of each team member. Various factors are considered including the conduct of each team member under any relevant internal procedures, policies and compliance requirements (which may, to the extent applicable, include factors relating to Sustainability Risks).

**Strategy and methodology
(SFDR Article 3)**

Investment process and organisation integrating sustainability risks

Sustainability risks are integrated into the investment decisions of Capital D and are taken into account during the investment process of the Fund as follows and in accordance with Capital D's investment approach and our ESG frameworks and undertakings.

We integrate ESG best practices throughout our investment cycle and processes, as per our publicly available [ESG policy](#). In particular, when assessing prospective investments, we systematically use our ESG scorecard which was developed in-house taking into account best practices from PRI, Invest Europe, Global Compact and the UN's Sustainable Development Goals (SDGs). Not only does it help us evaluate the current impact of a prospective investee company on the planet and society but it also guides us in determining the areas we can focus on for improvement. This is captured in our Investment Committee materials and becomes part of the Value Creation Plans of our investee companies, which we start preparing before closing the acquisition.

Exclusions

We do not invest in businesses that harm people or the planet. Excluded sectors include mining, fossil fuels, sex and pornography, tobacco, weapons and firearms. Furthermore, Capital D does not invest in companies directly exposed to climate risks. Therefore, we do not assess climate risks other than indirect ones, e.g. disruption of their supply chain under exceptional circumstances which we monitor and mitigate through diversification or localisation.

Governance

Active ownership & governance bodies

We have governance requirements for an investment to be eligible for Capital D's investment mandate. We either seek majority (which has been the case in all Capital D's investments to date) or, in case of a significant minority, strong governance rights such as control over exit and the ability to make managerial changes in case of underperformance. Naturally, we can influence and direct the ESG impact of portfolio companies.

We always create a strong board including independent non-executive directors. In each investee company, we form from the outset two subcommittees of the board, an Audit Committee and a Human Resources & Compensation Committee (HRCC). We always conduct background checks on the C-level managers, including references. Best practice corporate policies implemented at Capital D are also implemented by our investee companies. These typically include a Corporate Code of Conduct and/or Code of Ethics, diversity and inclusion, anti-money laundering, anti-bribery, anti-corruption and whistleblowing policies.

GDPR compliance, data protection and cybersecurity

Our Firm and our investee companies are all GDPR compliant and have strict data protection and security policies in place. Capital D's IT infrastructure is entirely cloud-based and we mandated a specialized IT services firm to review our IT set-up and to ensure we work according to best practices and standards appropriate for a firm our size, with our staff fully trained and with the right policies in place. Our investee companies' GDPR compliance, data protection and IT security are assessed in due diligence, with external experts. There have not been any cybersecurity breaches within the last three years in any of our investee companies.

Relentless efforts to promote ESG best practices at investee companies

Our objective is that by the time Capital D exits an investee company, the company ranks higher on our ESG scorecard than at entry. For that purpose, we closely monitor progress and ESG is a standing board agenda topic in the monthly board meetings of our investee companies.

Community engagement and charity initiatives

They are part of Capital D's DNA, which we instill also in the culture of investee companies. We do not impose specific standards in relation to these topics but we repeatedly make suggestions and share best practices.

Environmental impact

Measuring, reducing and offsetting our carbon footprint

Capital D has measured its carbon footprint for the last four years. Since inception, Capital D has continuously decreased its carbon footprint despite the growth of our headcount and the resumption of travel in 2021 and 2022.

Capital D has renewed its pledge to [1% For The Planet](#), an international organization whose members contribute 1% of their annual sales to environmental causes. In 2022 we renewed our support to:

[WeForest](#): over 8,280 trees were planted in Brazil with our contributions to date, resulting in the sequestration of approx. 1,340 tonnes of CO₂ over 30 years, i.e. offsetting 3x our carbon footprint to date; and,



Re_Set and Springwise are certified B Corporations since September 2020



James Bidwell in a panel discussion at ChangeNOW 2022. Dubbed ‘the largest event for the planet’, the event welcomed 33,000 participants from 117 countries in Paris, November 2022



Re_Set co-founder, Sophie Bidwell, has interviewed Indian-British activist and speaker Satish Kumar on the importance of putting nature at the heart of every political and social debate. ChangeNOW, May 2022

- [ClientEarth](#), a leading not-for-profit environmental law organisation with a team of 250 lawyers and environmental experts who are fighting against climate change and to protect nature and the environment.

Our offices are located in Somerset House in London, the UK's largest creative community, which is very committed to social and environmental impact as can be read in their annual report (<https://www.somerset-house.org.uk/about-somerset-house/impact-annual-reports>).

Early in our interactions with investee companies, we raise their awareness on the need to address the environmental challenge we are all facing. They quickly embrace it and make it one of their priorities; they often impress us with the pace at which they raise their environmental standards. From 2022 onward, we have requested that our investee companies measure their GHG emissions and carbon footprint, and have plans to reduce them which will be monitored on an on-going basis.

Re_Set and Springwise, our leading edge partners in sustainability, innovation and digital

Since September 2020, Re_Set and Springwise, the strategic consultancy and global innovation intelligence platform, have been part of the global B Corporations community. They are focused on working with client organisations to accelerate positive change through business as a force for good.

The B Corp Certification identifies and celebrates companies with exceptional positive social and environmental impact. Individually, B Corps meet the highest standards of verified performance, public transparency and legal accountability. They are a new kind of business that balance purpose and profit and are legally required to consider the impact of their decisions on their workers, customers, suppliers, community and the environment.

Collectively B Corps lead the growing global movement of people using 'business as a force for good'.

Capital D leverages its strategic partnership with Re_Set and Springwise throughout its investment cycle, typically through joint work in several areas:

- *Deal sourcing:* we conduct regular sector deep dives to understand the most promising parts of the value chain and identify successful innovative companies as potential investments. In 2022, we carried out two deep dives in AI/ Machine Learning applications and Food transition, which altogether resulted in 51 prospective investment leads;
- *Post-deal value add:* they can contribute during Capital D's ownership period e.g. through a focused research piece, typically highlighting the latest innovations and ESG trends relevant to an investee company, or at an investee company's strategic offsite on sustainability, innovation and digital transformation.

Radiating ESG best practices and initiatives beyond our Firm and investee companies

Our partners Re_Set and Springwise contribute regularly to radiating ESG best practices and initiatives by organizing or participating in external events. In 2022 these events included to name a few:

- Media partnership with ChangeNOW, the largest gathering of innovators for the planet, where Springwise supported the Call to Action for start-ups and attendees across their channels;
- Moderating live panels such as '[Changing the Business as Usual Mindset](#)', '[Designing Sustainable & Resilient Cities](#)', '[The importance of putting nature at the heart of every political and social debate with Satish Kumar](#)' and '[Doughnut Economy with Kate Rayworth](#)';

showcasing sustainable innovations from the event across their channels;

- Nominating & storytelling partnership with The Earthshot Prize including [two reports](#) showcasing the finalists and winning innovators developing solutions across five key areas;
- Ongoing partnership with edie, the industry-leading, purpose-driven business media brand which empowers sustainability, energy and environmental professionals of all levels to make business more sustainable through award-winning content and events, including monthly round-ups and [sustainable innovation reports](#) showcasing the latest innovators developing solutions to fight climate change;
- Ongoing support of 1% For The Planet and active involvement in the community including the London Sessions' event in October 2022;
- The Sustainability Journey podcast exploring '[Innovation for Positive & Sustainable Change](#)';
- Thought leadership articles and best practice guides including '[Ten do's and don'ts for sustainability leaders](#)', '[How to measure the power of purpose](#)' and '[How to avoid purpose washing](#)';
- Advocacy through the Better Business Act and Business For Nature.



Sustainability at fund and portfolio company level

Preliminary remarks regarding ESG and SFDR reporting for 2002

In 2022, Capital D was managing 2 funds (Fund 1 and Fund 2).

At the end of 2022, Capital D selected an independent expert firm, Greenly, to help measure GHG emissions and carbon footprint in all our portfolio companies looking forward. Greenly also helps them with recommendations for improvement.

For each of these funds, this annual Sustainability & Impact Report 2022 includes all information required based on our commitment to investors, i.e specifically:

Fund 1 reporting

Fund 1 closed in October 2018 and Capital D made 3 main investments with this fund:

- Invincible Brands, majority exited in September 2020;
- VONQ, unrealised investment in Fund 1 at December 31, 2022;
- Qmee, exited in June 2022.

Fund 1 is an SFDR Article 6 fund.

Since VONQ was the only unrealised portfolio company in Fund 1 at the end of 2022, we report extensively on the company in this report. We also briefly summarize our sustainability impact at Qmee over our short ownership period (15 months till exit in March 2022).

Since we introduced GHG emissions and carbon footprint measurement in all our portfolio companies during Q4 2022, we also provide on an indicative basis the PAI table for Fund 1 (VONQ only) as per the Annex I SFDR template, although it is not a requirement for Capital D to do so.

Fund 2 reporting

We are still fundraising for Fund 2 as we write this report and we completed a second closing in February 2023. So far we made a single investment in Phrasee (March 2022).

Fund 2 is an SFDR Article 8 fund and therefore this report contains all the relevant reporting templates for Fund 2. i.e. SFDR Annex I and IV templates.



VONQ is a Dutch headquartered B2B provider of online job marketing services. VONQ assists European and American corporate clients in optimizing the effectiveness of employment advertisements across digital job boards. The Company also assists certain clients in improving their employer brand profile. VONQ transacted with ca. 1,000 clients in 2022, including Enterprise clients such as Shell, Rabobank, Microsoft and Amazon, many of whom it has longstanding relationships with.

VONQ is active in the Benelux and DACH regions and increasingly in the UK, France, Italy, and USA. VONQ has also developed a 'white label' indirect advertisement placement service which is made available via partners including leading Application Tracking System (ATS) vendors.



VONQ launched its internal cross-functional ESG Committee in late 2022 which monitors KPIs and sets annual objectives and initiatives for the company



“VONQ is committed to creating a sustainable and responsible business and providing stakeholders with a clear and transparent view of its sustainability and social responsibility efforts.

As VONQ continues to expand globally, we recognize the increasing importance of our responsibility to society, our employees, and our customers. Therefore, we are committed to striving for a better future through various initiatives and programs that internally and externally promote environmental, social and governance (ESG) practices.”

(Introduction, VONQ Sustainability, Equity and Impact report 2022)



VONQ

Capital D completed its investment in VONQ in October 2019. Since then, the Capital D team has been very involved in helping management accelerate the company's technology transformation.

We are proud to report that VONQ's management, having as a company vision to simplify hiring for everyone, has made ESG a priority for the coming years: at its core, the company provides job opportunities to people and allows them to find a suitable job faster.

ESG matters are now well embedded in the company's culture. For the second time, VONQ independently produced its own 'Sustainability, Equity and Impact Report 2022', which is publicly available on its website (<https://www.vonq.com/wp-content/uploads/2023/05/2023-03-VONQ-ESG-Report-Final.pdf/>).

For the first time in 2022, the company also measured its carbon footprint and defined a roadmap to decrease it over the coming years, with the help of Greenly, an external expert firm.

Governance and organisation

The governance put in place in 2020 by Capital D is well established. The board is chaired by Jane Silber as independent director and Bill Fischer and Bill Boorman as board advisors on technology and the HR Tech market respectively.

VONQ adopted and implemented best practice company policies in 2021 and established a cross-functional ESG Committee which monitors KPIs and sets annual objectives and initiatives for the company.

In December 2022, Stephanie Hosman replaced Olof van den Bout as CFO. Stephanie brings great experience, having previously been CFO of a number of corporates and PE backed businesses in the Netherlands and the UK over the past 25 years. She speaks English, German and Dutch and began her career at EY in the mid-1980's, leaving as a partner in 1996. In 2022, VONQ also hired a full US team to grow indirect sales via Applicant Tracking Systems (ATS).

GDPR, cybersecurity and ISO 27001 certification

Naturally, a critical area of focus is GDPR and the protection of data privacy for customers and users, employees and vendors. The company is GDPR compliant and also obtained its ISO 27001 certification in 2022, an independent, expert assessment demonstrating that the organization has invested in people, processes and technology to protect the organisation's data.

Social impact

Employment and diversity

In 2022, VONQ created 41 jobs, growing headcount from 127 (33% women) at the beginning of the year to 168 (37% women) by year-end. Over the same period, management diversity increased from 33% to 43% women in leadership roles. The gender pay gap is 12% and VONQ has employees from 23 nationalities. In 2022, the employee retention rate was 74% compared with 64% in 2021. VONQ implemented Personio at the end of 2021, an all-in-one HR software for small and medium-sized companies providing relevant data for better HR transparency and accountability.

VONQ.

"The opportunity to join the VONQ ESG team was something that I am pleased and honoured to be able to do.

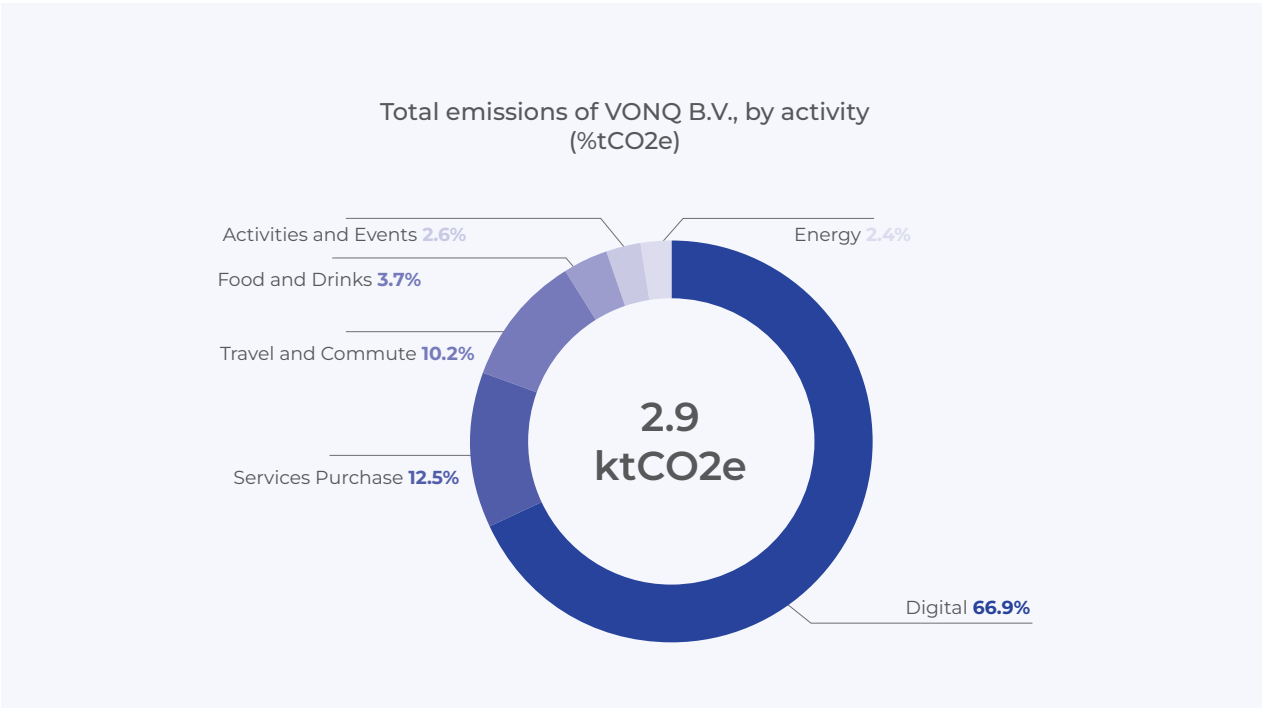
As an advocate, ally and ambassador, I am passionate about diversity, equity, belonging and inclusion. - I have been an Ambassador for a local UK Autistic charity for the last few years helping raise awareness and make key introductions. I also worked in social care earlier on in my career before recruiting in this sector. I have also spoken about attracting a wider and more diverse range of talent, with a focus on Neurodiversity.

Being part of the ESG team lets me bring insight, and experience from my own lived experiences, and I am privileged and lucky to have a diverse network that I am constantly learning from and engaging with that helps me be more aware and support on a wider scale."

Jim Berrisford
Sales Director UK & Ireland

[Read more >>](#)





VONQ employees during the clean-up days in Rotterdam



Company values and employees' well-being

VONQ embraces 4 key company values: Together ("Join forces"), Ownership ("Own it, do it"), Move fast ("Intelligent decisions made quickly"), Grow & Enjoy ("Be happy with every step you make") and maintains a safe and healthy workplace supported by policies in place for its employees' well-being. In 2022, VONQ implemented a tool called "Eletive", designed to measure and increase the understanding of employees' feelings by conducting short pulse surveys.

In late 2022, VONQ took part in a survey and its Düsseldorf, Groningen and Rotterdam offices obtained the Great Place to Work® certification.

The Remote Work policy enables remote working for everyone. Employees can decide where they want to work as the company trusts that they spend their time wisely, and has a strong belief that remote work helps VONQ to become a more diverse place to work. All the company rituals and team interactions are designed for remote working. VONQ is now even able to employ people remotely, hiring and giving employees the opportunity to work from locations where VONQ has no physical presence, thanks to strong onboarding processes and with external payroll companies like OysterHR to ensure full regulatory compliance. Finally, sports and health are very important in the company culture and VONQ provides to its employees free access to Vondelgym, a fitness club located in Rotterdam and Amsterdam.

External social impact

At the core, VONQ makes the job market more efficient by enabling fast and quality job marketing. In 2022, companies used VONQ solutions to advertise over 20 million jobs per month over more than 5,000 job boards, social media and niche websites, facilitating diversity recruiting and shortening time to hire. In addition, VONQ

solutions enable US companies advertising job positions to ensure compliance with the US Office of Federal Contract Compliance Program (OFCCP).

Donations and charity contributions

In 2022, VONQ donated to a number of charities and also took action to contribute to a greener environment and gave back to society by organizing clean-up days in the cities of Rotterdam and Düsseldorf, helping to clean up public spaces and promote environmental sustainability in their local communities.

Environmental impact

VONQ has an environmental policy in place, which applies to all its stakeholders and guides behaviours and practices across corporate activities to avoid waste and to protect the planet.

According to Greenly which helped measure VONQ's GHG emissions and carbon footprint in 2022, GHG emissions per employee are lower than the sector benchmark, with Scope 1 emissions at 0.6 tCO₂e, Scope 2 emissions at 19 tCO₂e, and Scope 3 at 19 tCO₂e. These results reflect VONQ's ongoing efforts to minimize emissions by investing in energy-efficient technologies, optimizing operations, and promoting sustainable practices across its value chain. For example, VONQ eliminated its car fleet over the past years and its remote work policy also had an obvious positive environmental impact.

Among other things, the Rotterdam head office is BREEAM certified and VONQ chose a green electricity provider. VONQ also rolled out an electronic document system, completely eliminating paper and printer usage.

VONQ has developed a comprehensive carbon footprint reduction plan for 2023 which can be accessed on their website, as part of the ESG 2022 Annual Report.

Qmee operates from a single office in Reading, UK and is a market research technology provider and consumer panel operator with 37 employees as at June 2022. Qmee programmatically routes consumer insight content between survey commissioners, intermediaries and target audiences. The company boasts excellent competencies in audience profiling, insight content evaluation and Machine Learned algorithmic matching, making it a high-efficiency and cost-effective means of fulfilment for digital consumer insight. Qmee operates a proprietary insight panel through its app and web interface (also named Qmee), and it also connects third party audiences with its software engine through its middleware products (named Qurated and offered as white-label).

Qmee generated c.23m global survey completions in 2021 from the USA, UK, Australia and Canada. The company benefits from significant supply chain disruption as fulfilment pressures are shifting demand towards programmatic channels, driving growth both in Qmee's core app and via third-party audience platforms.



Qmee founders Nick Sutton and Jonathan Knight with the leaders of Kantar Profiles division, led by Caroline Frankum





Qmee

On 1 June 2022, Capital D completed the exit which generated a gross return for Fund 1 ahead of the expected 5-year hold Base Case exit assumption within 15 months. The rapid exit of Qmee to Kantar, a leading market research company, underlines Capital D's strategy to back disruptive and fast growing companies that are capable of becoming strategically important. Kantar saw an opportunity to acquire Qmee's leading technology and generate significant synergistic benefit.

We found the market research sector to be behind the curve in adopting ESG best practices and we saw a major opportunity for the company to increase its distinctiveness vis-a-vis clients and in the industry. Together with management, during our short ownership period, we significantly raised the ESG profile of Qmee and we believe it had a very positive impact on our successful exit to Kantar. Below are some examples of positive ESG changes that were planned in our Value Creation Plan and implemented during our ownership period:

Governance and management team

A top priority was to institutionalize Qmee and to assist the founders in capturing the further significant and promising growth opportunities. We formed a new board and hired Mike Baker as non-executive chair, a well networked American serial technology entrepreneur and investor, with specific expertise AI and Marketing Tech and Consumer Insights expertise.

We appointed as Chief Financial Officer, Maria Stricker, a serial CFO of PE-backed companies who joined in October 2021 to lead the company through its maiden audit, and as Chief Commercial Officer, Cadi Jones, a senior Advertising Tech sales executive who started in February 2022 to help capture the multiple opportunities to enter new markets and to build new client partnerships.

'ESG and organisation' became a key topic of our monthly board meetings and the new CFO worked to ensure that corporate governance and controls not only satisfy all statutory and regulatory obligations, but are also up to best practices and standards. This included the implementation of formal policies and processes in areas such as Anti-bribery and corruption, Anti-facilitation of tax evasion, Anti-harassment and bullying, Anti-slavery and human trafficking, Equal opportunities and diversity, Grievance, and Whistleblowing.

GDPR, cybersecurity and IT redundancy

The quality, security and compliance of data management and IT systems and processes are central to the success of Qmee. IT redundancies were implemented to ensure high security and continuity of all Qmee operations at all times. The Privacy Notice which governs the collection, storage and use of personal information collected by Qmee in providing their services, is publicly available (www.qmee.com/privacy-notice).

Social impact: diversity and employee well-being

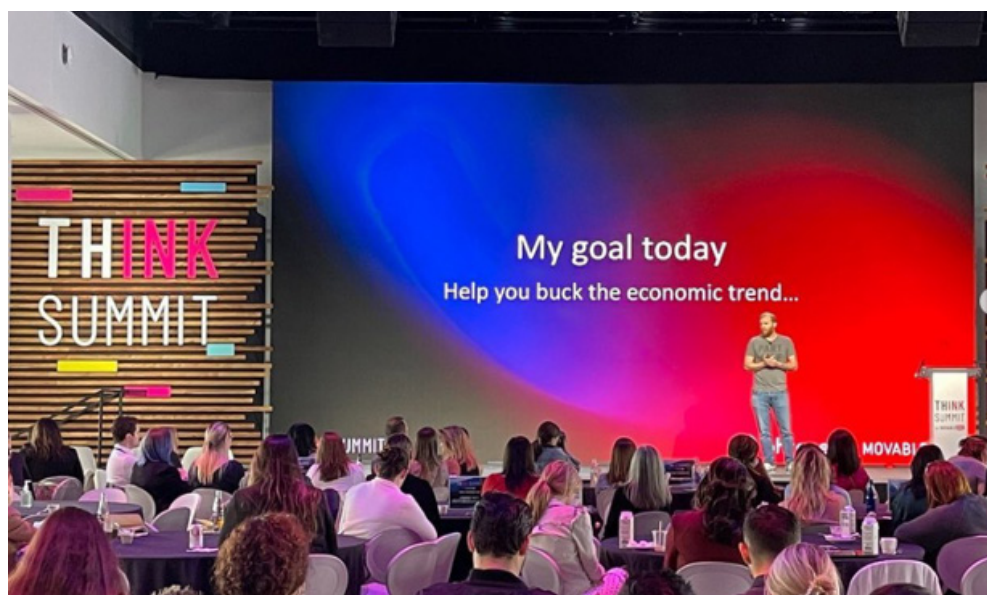
Qmee grew its workforce from 23 (26% female) in January 2021 to 37 employees (38% female) in June 2022 and gender diversity increased to 33% in the senior leadership. The Qmee team comes from more than 30 countries, over 50% of employees are women or people of color.

Environmental impact and Carbon footprint

Qmee is a digital service and its environmental footprint is relatively small and mainly related to its hosted servers and office. It hosts on Amazon AWS who have a commitment to 100% renewable energy by 2025. The hybrid work model also helped reduce travel emissions as well as office space despite the strong headcount growth.

Founded in 2015, Phrasee is a London, UK headquartered AI-powered SaaS company, with a staff of 97 as of end 2022, mostly in IT, Engineering and Sales, which uses a proprietary natural language generation platform to create short-form marketing text which is aligned with its clients' brand values and achieves superior opening, click-through rates and ROI (on marketing spending) vs. human-written copy.

Currently 85% of revenue comes from email deployments (the remainder is social media, texts, etc.). The revenue model is annual or multi-year subscription, with an impressive and growing blue-chip enterprise client roster (~60) spread across diverse business sectors, predominantly in the USA and UK, e.g. Walgreens, Novo Nordisk, Adidas, Pandora, Sephora, Sony, Tui, Costco. Phrasee was included in the 2020 Deloitte Fast Tech 50 and FT1000 Fastest European Growth list for 2021.



CEO Parry Malm delivering keynote address at Think Summit New York, June 2022



Phrasee partnerships and product team members celebrating winning the Salesforce Demo Jam, London, January 2023



Phrasee

Phrasee is the first investee company of Fund 2. We completed this investment in March 2022, with Morgan Stanley Expansion capital and Keyhaven Capital Partners as co-investors.

Our ESG priorities in 2022 were the implementation of best governance practices and the measurement of carbon footprint for the first time.

Governance and organisation

A new board

Capital D formed a new board and Stephen Collins was appointed non-executive chair in November 2022. Stephen is a strong US business leader with significant international C-level experience in marketing and advertising technology, enterprise software and SaaS. He was formerly CEO of Monetate and Bazaarvoice and simultaneously chairs Wunderkind.

Management team

We already strengthened the management team and we will continue to do so in 2023:

Our focus in 2022 was the strengthening of the US and the overall commercial leadership.

Governance policies

Capital D also led the board to quickly adopt and implement several corporate governance policies including anti-harassment, anti-bribery, diversity and inclusion. It is also worth noting that Phrasee was one of the first AI companies in the world to publicize its AI Ethics policy (public

link: <https://phrasee.co/legal/ai-ethics-policy/>)

GDPR, cybersecurity and ISO 27001 certification

The company is GDPR compliant and also obtained its ISO 27001 certification in early 2023, an independent, expert assessment demonstrating that the organization has invested in people, processes and technology to protect the organisation's data.

Social impact

Employment and diversity

In 2022, Phrasee created 7 jobs, growing headcount from 90 at the beginning of the year to 97 by year-end. Over the same period, management diversity increased from 25% to 50% women in leadership roles. The gender pay gap is 39%.

Employees well-being

Phrasee offers a good and inclusive working environment to its staff. The company was recently awarded Best Workplaces Medium Organisations in UK for 2022 and also UK Best Workplaces for Women in 2022. Finally, during the quarter the board implemented the rules for a wide equity linked exit bonus pool to align interests of the work force and the shareholders.

Environment

For the first time, Phrasee measured its GHG emissions and carbon footprint in 2022, with the support of Greenly. According to Greenly, GHG emissions at 1.43tCO₂e/employee are about 10% lower than the sector benchmark, and mostly Scope 3 emissions.

Overview of sustainability performance

Fund 1 - VONQ KPI table

Company Name	VONQ
Company website	https://www.vonq.com/
Year of initial Capital D investment	2019
Country of domicile / headquarters	Netherlands
Company structure	Private
Growth Stage of Company	Buyout
Primary sector of operations SICs code	Technology & Communications
Primary industry of operations SICs code	Software & IT Services
Industry sector	HR Tech
GP economic ownership	49%
Fund economic ownership	49%

Year		2022	2021	2020	
Company Annual ESG Report		Yes	Yes	No	
Publicly available from company Website		Yes	Yes	No	
Environment	GHG Emissions¹	Scope 1 Emissions (mtCO2e)	63.7	N/A	N/A
		Scope 2 Emissions (mtCO2e)	25.8	N/A	N/A
		Scope 3 Emissions (mtCO2e)	2,800	N/A	N/A
	Energy Consumption	Total energy consumption (kWh)	100,228	N/A	N/A
		Share of renewable energy consumption	60%	N/A	N/A
	Carbon footprint actions	Carbon footprint offset	Yes	No	No
Carbon footprint reduction plan		Yes	Yes	No	
Social	Employment metrics	Number of FTEs at year end	165	123	104
		Employee retention rate	74%	64` %	N/A
		Absenteeism	4%	N/A	N/A
		Employee survey (Y/N)	Yes	No	No
		Number of shareholder employees	25	N/A	N/A
	Diversity	Total number of board members	7	7	7
		Number of women board members	2	1	1
		Total number of C-Suite employees	7	8	7
		Number of women C-suite employees	3	3	1
		Overall employee diversity (male/ female %)	63/37	67/33	N/A
		Gender pay gap (unadjusted)²	12%	N/A	N/A
		Number of nationalities	23	23	18
	Work Related Accidents	Number of work-related injuries	0	0	0
		Number of work-related fatalities	0	0	0
		Days lost due to injury (days)	0	0	0
Governance	Board	Total number of board members	7	7	7
		Independent Chairperson	Yes	Yes	Yes
	Policies and procedures	Internal audit (systems and procedure)	No	No	No
		Information Security accreditation	ISO 27001 obtained in 2021		
		Policies implemented	Code of Conduct, Labor&Human rights, Equality&Diversity, Anti-Bribery, Anti-Money laundering, Whistleblowing system, Environmental Policy		

⁽¹⁾ Methodology used to calculate GHG emissions: Scope 1: Activity & Spend-based; Scope 2: Activity-based; Scope 3: Activity & Spend-based

⁽²⁾ Gender pay gap (unadjusted) compares the difference between the average male salary and the average female salary across the entire organisation, with no consideration given to roles

Fund 1 - PAI table

PAI Report - Indicators applicable to investments in investee companies
(as per Annex I of the Delegated Regulation (EU) 2022/1288 supplementing Regulation EU 2019/2088)

This table is provided only on an indicative basis as Capital D Fund 1 is not an SFDR Article 8 fund

Fund Name Capital D Fund 1
LEI 222100UE6S9DOFDGIF42
Year 2022
Investee companies VONQ

Adverse Sustainability Indicator		Metric	Impact 2022	Unit	Impact 2021	2023 plans/ objectives
Climate and Other Environment-Related Indicators (Mandatory PAIs)	Greenhouse Gas Emissions	1 GHG emissions ¹	Scope 1 GHG emissions	64	tCO ₂ e	N/A
			Scope 2 GHG emissions	26	tCO ₂ e	N/A
			Scope 3 GHG emissions	2,800	tCO ₂ e	N/A
			Total GHG emissions	2,890	tCO ₂ e	N/A
		2 Carbon footprint	Carbon Footprint	55	tCO ₂ e/€M	N/A
		3 GHG intensity of investee companies	GHG intensity of investee companies	85	tCO ₂ e/€M	N/A
		4 Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0	%	N/A
		5 Share of nonrenewable energy consumption and production	Share of nonrenewable energy consumption	40	%	N/A
			Share of nonrenewable energy production	0	%	Reduction where relevant
		6 Energy consumption intensity per high impact climate sector	Energy consumption intensity in Agriculture, Forestry and Fishing	0	GWh/€M	N/A
			Energy consumption intensity in Mining and Quarrying	0	GWh/€M	N/A
			Energy consumption intensity in Manufacturing	0	GWh/€M	N/A
			Energy consumption intensity in Electricity, Gas, Steam and Air Conditioning Supply	0	GWh/€M	N/A
			Energy consumption intensity in Water Supply; Sewage, Waste Management and Remediation Activities	0	GWh/€M	N/A
			Energy consumption intensity in Construction	0	GWh/€M	N/A
			Energy consumption intensity in Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0	GWh/€M	N/A
			Energy consumption intensity in Transportation and Storage	0	GWh/€M	N/A
			Energy consumption intensity in Real Estate Activities	0	GWh/€M	N/A
	Biodiversity	7 Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	0	%	N/A
	Water	8 Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	t/€M	N/A
	Waste	9 Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0	t/€M	N/A
Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters (Mandatory PAIs)		10 Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	0	%	N/A
		11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	%	N/A
		12 Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12	%	N/A
		13 Board gender diversity	Average ratio of female to male board members in investee companies	40	%	N/A
		14 Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	%	N/A
Other Optional Indicators for Principal Adverse Impact	Water	8 Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0	%	N/A
	Human Rights	14 Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0		N/A

⁽¹⁾ Methodology used to calculate GHG emissions: Scope 1: Activity & Spend-based; Scope 2: Activity-based; Scope 3: Activity & Spend-based

Fund 2 – Phrasee KPI table

Company Name	Phrasee
Company website	https://phrasee.co/
Year of initial Capital D investment	2022
Country of domicile / headquarters	United Kingdom
Company structure	Private
Growth Stage of Company	Buyout
Primary sector of operations SICs code	Technology & Communications
Primary industry of operations SICs code	Software & IT Services
Industry sector	Marketing Tech
GP economic ownership	43%
Fund economic ownership	22%

		Year	2022	2021
		Company Annual ESG Report	No	No
		Publicly available from company Website	N/A	N/A
Environment	GHG Emissions ¹	Scope 1 Emissions (mtCO2e)	0	N/A
		Scope 2 Emissions (mtCO2e)	3.6	N/A
		Scope 3 Emissions (mtCO2e)	162.4	N/A
	Energy Consumption	Total energy consumption (kWh)	12,960	N/A
		Share of renewable energy consumption	46%	N/A
	Carbon footprint actions	Carbon footprint offset	Yes	No
		Carbon footprint reduction plan	Yes	No
Social	Employment metrics	Number of FTEs at year end	97	90
		Employee retention rate	73%	69%
		Absenteeism	N/A	N/A
		Employee survey (Y/N)	Yes	Yes
		Number of shareholder employees	30	N/A
	Diversity	Total number of board members	6	6
		Number of women board members	0	2
		Total number of C-Suite employees	8	4
		Number of women C-suite employees	4	1
		Overall employee diversity (male/ female %)	52/48	56/44
		Gender pay gap (unadjusted) ²	39%	N/A
		Number of nationalities	12	11
	Work Related Accidents	Number of work-related injuries	0	0
		Number of work-related fatalities	0	0
		Days lost due to injury (days)	0	0
Governance	Board	Total number of board members	6	6
		Independent Chairperson	Yes	No
	Policies and procedures	Internal audit (systems and procedure)	No	No
		Information Security accreditation	ISO 27001 obtained in 2023	
		Policies implemented	Code of Conduct, Labor&Human rights, Equality&Diversity, Anti-Bribery, Anti-Money laundering, Whistleblowing system, AI Ethics	

⁽¹⁾ Methodology used to calculate GHG emissions: Scope 1: Activity & Spend-based; Scope 2: Activity-based; Scope 3: Activity & Spend-based

⁽²⁾ Gender pay gap (unadjusted) compares the difference between the average male salary and the average female salary across the entire organisation, with no consideration given to roles

Fund 2 - PAI table (Annex I)

PAI Report - Indicators applicable to investments in investee companies (as per Annex I of the Delegated Regulation (EU) 2022/1288 supplementing Regulation EU 2019/2088)

Fund Name Capital D Fund 2
LEI 222100LVP1V8UANGQ319
Year 2022
Investee companies Phrasedee

Adverse Sustainability Indicator			Metric	Impact 2022	Unit	Impact 2021	2023 plans/ objectives	
Climate and Other Environment-Related Indicators (Mandatory PAIs)	Greenhouse Gas Emissions	1	GHG emissions¹	Scope 1 GHG emissions	0	tCO₂e	N/A	Educating Phrasee's employees 1/ on the impact of their food choices, occasionally switching to vegetarian meals, 2/ to choose direct flights instead of connecting flights, when feasible, 3/ to choose rail travel instead of air travel when the journey by rail is less than two hours
				Scope 2 GHG emissions	4	tCO₂e	N/A	
				Scope 3 GHG emissions	162	tCO₂e	N/A	
				Total GHG emissions	166	tCO₂e	N/A	
		2	Carbon footprint	Carbon Footprint	2	tCO₂e/€M	N/A	
	3	GHG intensity of investee companies	GHG intensity of investee companies	15	tCO₂e/€M	N/A		
	4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0	%	N/A	0	
	6	Share of nonrenewable energy consumption and production	Share of nonrenewable energy consumption	46	%	N/A	Reduction if feasible with utility suppliers	
			Share of nonrenewable energy production	0	%		0	
		Energy consumption intensity per high impact climate sector	Energy consumption intensity in Agriculture, Forestry and Fishing	0	GWh/€M	N/A	0	
			Energy consumption intensity in Mining and Quarrying	0	GWh/€M	N/A	0	
			Energy consumption intensity in Manufacturing	0	GWh/€M	N/A	0	
			Energy consumption intensity in Electricity, Gas, Steam and Air Conditioning Supply	0	GWh/€M	N/A	0	
			Energy consumption intensity in Water Supply; Sewage, Waste Management and Remediation Activities	0	GWh/€M	N/A	0	
			Energy consumption intensity in Construction	0	GWh/€M	N/A	0	
			Energy consumption intensity in Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	0	GWh/€M	N/A	0	
			Energy consumption intensity in Transportation and Storage	0	GWh/€M	N/A*	0	
	Energy consumption intensity in Real Estate Activities	0	GWh/€M	N/A*	0			
	Biodiversity	7	Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	0	GWh/€M	N/A*	0
	Water	8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	t/€M	N/A*	0
	Waste	9	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0	t/€M	N/A*	0
Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters (Mandatory PAIs)	10	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	0	%	N/A*	0	
			Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	%	N/A*	0	
		12	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	39	%	N/A*	Reduction where relevant
		13	Board gender diversity	Average ratio of female to male board members in investee companies	0	%	N/A*	Increase if adequate candidates
		14	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	%	N/A*	0
Other Optional Indicators for Principal Adverse Impact	Water	8	Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	0	%	N/A*	0
	Human Rights	14	Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0		N/A*	0

⁽¹⁾ Methodology used to calculate GHG emissions: Scope 1: Activity & Spend-based; Scope 2: Activity-based; Scope 3: Activity & Spend-based

Fund 2 - Periodic Disclosure (Annex IV)

ANNEX IV

Template periodic 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: Capital D Fund 2

Legal entity identifier: 222100LVP1V8UANGQ319

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.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<div><div><div>●●</div><div><input type="checkbox"/></div></div><div>Yes</div></div>	<div><div><div>●●</div><div><input checked="" type="checkbox"/></div></div><div>No</div></div>
<div><div><input type="checkbox"/> It made sustainable investments with an environmental objective: ____%</div><div><div><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div></div><div><input type="checkbox"/> It made sustainable investments with a social objective: ____%</div></div>	<div><div><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments</div><div><div><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div><div><input type="checkbox"/> with a social objective</div></div><div><input checked="" type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments</div></div>

To what extent were the environmental and/or social characteristics promoted by this financial product met?



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

● *How did the sustainability indicators perform?*

Overall the sustainability indicators performed well:

- On Climate and other environment-related indicators: 2022 is the first year for which we are measuring GHG emissions at investee company level. We used a qualified independent 3rd party to do so (Greenly) and although we do not commit to specific benchmarks, their feedback is that Phrased GHG emissions are 10% below the sector average;
- On Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery Matters: good performance (limited gender pay gap, good diversity level, all best practice policies in place and implemented).

● *...and compared to previous periods?*

Not Applicable. This is the first year we are measuring them.

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 Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the Fund do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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 did this financial product consider principal adverse impacts on sustainability factors?

The PAI indicators were measured for the first time for 2022 and the results are attached to this report.



What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is 1 January 2022 to 31 December 2022

Largest investments	Sector	% Assets	Country
<i>Phrasee</i>	<i>Marketing Tech</i>	<i>100%</i>	<i>UK</i>

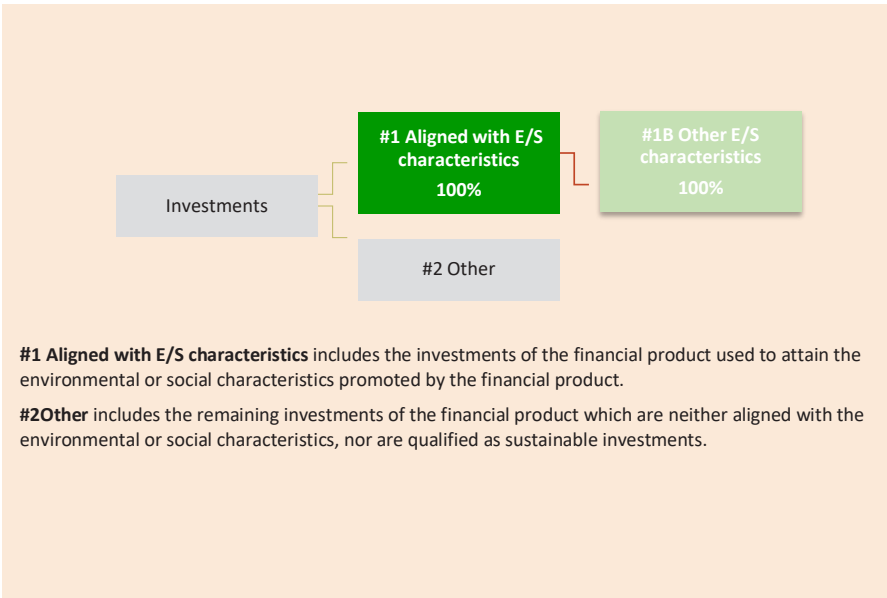
What was the proportion of sustainability-related investments?

0%



What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



● ***In which economic sectors were the investments made?***

Marketing Tech



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Not applicable to the Fund.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Three major actions were implemented in 2022 following our investment in Phrasee:

- Governance: formation of a new board led by a new non-executive independent chairperson;
- Social: adoption and implementation of a new set of policies; and
- Environment: for the first time in 2022, Phrasee measured its GHG emissions and carbon footprint.

Appendix - Capital D policy on Environmental, Social and Governance

FOREWORD

Since Capital D's formation, the sense of purpose and ESG considerations have been of primary importance for the partners of Capital D.

Our different nationalities, personalities, skills and professional backgrounds are a strength to our partnership which also benefits from our shared vision for the private equity firm we are building. Moreover, we believe we share the human values that would create the strong foundation of a great organisation that would provide a professionally enriching experience for the people involved.

For the partners of Capital D, this ESG policy is a natural extension and professional translation of the human values and care for our planet which we share. We therefore strive to contribute to the UN's Sustainable Development Goals (SDGs) through our work and behaviours.

We further believe that such values help our firm generate solid financial returns.

A PROGRESSIVE APPROACH

Our ESG policy and its implementation evolve and become gradually more sophisticated as we grow, learn and train, by building on both our experience and the evolution of best practices and regulations which we monitor.

Capital D is a PRI signatory, both to ensure we always stay true to our commitment, to help ourselves improve and learn from others and to possibly also contribute our experience to other organisations and individuals who share our values and sense of purpose.

The partners of Capital D review this policy at least once a year or when business process changes occur, to ensure the information herein is current and applicable.

THREE MAJOR UNDERTAKINGS

Our ESG policy includes three major undertakings:

1. Translating our shared values into reality across our corporate business practices;
2. Integrating ESG throughout our investment execution cycle and processes;
3. Integrating ESG into our relations with our investors and other stakeholders.

1. Translating our shared values into reality across our corporate business practices (ESG within Capital D organisation)

We believe that our management company should be exemplary on these issues and therefore ESG considerations should start with ourselves via the following themes and actions:

Environmental impact

- Systematic adoption of simple daily habits, such as sorting office waste, economical consumption of energy and paper, use of a drinking fountain, avoidance of use of single plastic;
- Reduction of carbon footprint, such as careful consideration of unnecessary airplane travel or the use of recycled materials;
- Commitment to allocating 1% of our management fees to 1% for the Planet in addition to encouraging numerous individual not-for-profit initiatives of individual partners and staff (www.onepercentfortheplanet.com).

Social impact

- Best practice management of our human resources, including regular training (including ESG), feedback and formal evaluation at least annually, diversity of staff especially regarding growing female representation;
- Active community involvement: we aim at contributing or giving back to our respective communities, for example at our office premises (Somerset House) or in our industry for example by giving presentations at industry conferences.

Governance and organisation

Transparent organisation and decision-making processes, weekly information sharing at a meeting of the whole team to examine all subjects (team life, investee companies, ongoing disposals, assessment of potential investment opportunities, commercial relations, investor relations).

2. Integrating ESG throughout our investment execution cycle and processes

We believe that in our industry, the core aspects of ESG issues must be addressed by the Funds' investee companies and that our responsibility as an active shareholder, working alongside the various management teams, is to assess then encourage the adoption and improvement of ESG considerations within the Funds' investee companies.

Therefore, we systematically integrate ESG in our pre-investment and investment monitoring processes.

Pre-investment

Capital D considers ethical and ESG factors when recommending investment decisions, evaluating opportunities both from an ESG risk mitigation and value creation perspective. We seek to contribute to the SDGs' targets by recommending to invest in companies whose activities are linked to these targets or by instilling such targets in the Funds' investee companies.

- Exclusions: in line with our values and our commitment to investors, we undertake to refrain from investing in several sectors or in companies with inadequate exposure or practices;

- ESG due diligence: we run through an ESG checklist (inspired from Invest Europe) in our due diligence process. We also rank prospective investments onto an ESG scorecard and our investment committee materials include a section dedicated to ESG, highlighting the key ESG considerations and potential actions, building on ESG interviews or audits – if relevant, with experts in the specific sector and business. Capital D performs a gap analysis between the company's existing ESG policies and practices and the targeted quality level;
- Shareholders' agreements typically include a specific clause covering ESG subjects, the transmission of ESG-related information and the commitment to monitoring by the board of directors, based on alignment with the management team upon review of ESG due diligence findings.

Post-investment

Capital D works with the management team to identify opportunities for improvement and measuring investee companies' progress.

- An initial ESG Action Plan is created with management as part of the broader Value Creation Plan. This plan builds on the gap analysis performed during the due diligence and is regularly revisited with the management team;
- "ESG and Organisation" is a standing topic on the agenda of board meetings and the board monitors the implementation of the action plan. Where relevant, metrics support this monitoring, together with qualitative assessments;
- Beyond specific end-products, we commit to helping the Funds' investee companies adopt and grow ESG best practices, building on external expertise if appropriate, with a view to create sustainable value.

3. Integrating ESG into our relations with our investors and other stakeholders


We communicate regularly with our investors on our ESG policy and impact, especially through our quarterly financial reports, but also in our annual investor meetings or as requested by our investors' representatives.

Capital D produces an annual Sustainability & Impact Report. This report builds on reporting from the Funds' investee companies, who are encouraged to produce their own report over time. Our Sustainability & Impact Report is communicated to investors and other relevant stakeholders and we encourage feedback on our ESG performance and the quality of this reporting.





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