



Sustainability-related disclosures

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Feelsgood Social Impact Fund I, below referred to as “the Fund” (LEI: 747800B02069BTN49G25; ISIN: HRFGCPUGIF4), is a venture capital fund that makes social impact investments focusing on companies that are addressing societal problems and targeting one or more of UN’s Sustainable Development Goals (SDGs), alongside a commercial growth opportunity for market-rate returns. The Fund is managed by Feelsgood Capital Partners, below referred to as the “Fund Manager”.

Summary

This Fund actively targets social impact investments. As such, the Fund has sustainable investment as its objective and bases its investment decisions on the ability of the potential investee to address social challenges alongside achieving market-rate returns. 100% of investments made are aligned with the Fund’s sustainable investment objective. The fund does not significantly harm any sustainable investment objectives by means of considering principal adverse impacts on sustainability factors in the investment decision process. The active ownership approach ensures that sustainability-related risks are under control and the Portfolio Companies are making improvements with respect to their ESG policies. The Fund applies an impact measuring methodology, in which successfulness of impact key performance indicators (KPIs) in attaining the sustainable investment objective is measured against the cumulative target set for each impact KPI.

No significant harm to the sustainable investment objective

The Fund has sustainable investments as a primary objective and also does not significantly harm any sustainable investment objectives by means of considering principal adverse impacts on sustainability factors in the investment decision process. The Fund considers sustainability-related risks through filtering investments based on their social objectives, as well as their potential effects on the environment and society.

Pre- and post-investment mechanisms are in place to ensure the “Do no significant harm” principle (DNSH principle) is respected, specifically:

- a) ESG due diligence is performed prior to the investment which ensures that any ESG concerns or opportunities are documented. ESG due diligence is performed through an ESG Questionnaire, which considers principal adverse impacts and is derived from Invest Europe's checklist but altered to fit earlier stage companies. You can find our ESG Questionnaire in the section "Sustainability-related disclosures" of our website.
- b) The results of the ESG due diligence are presented to the Investment Committee
- c) Throughout the entire life of the investment the Fund takes an active, hands-on approach, making sure that sustainability-related risks are under control and the company is making improvements with respect to their ESG policies.

The Fund will never invest in any company whose business activity consists of:

- a) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant Portfolio Company or entity, including without limitation, human cloning for reproduction purposes);
- b) the production of and trade in tobacco and distilled alcoholic beverages and related products;
- c) the production of and trade in weapons and ammunition of any kind (this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies);
- d) casinos and equivalent enterprise;
- e) the research, development or technical applications relating to electronic data programs or solutions, which:
 - a. aim specifically at:
 - i. supporting any activity referred to under items (a) to (d) above;
 - ii. internet gambling and online casinos; or
 - iii. pornography,
- f) or which:
 - a. are intended to enable to illegally:
 - i. enter into electronic data networks; or
 - ii. download electronic data.

The Fund's investments comply with:

- OECD Guidelines for Multinational Enterprises
- The UN Guiding Principles on Business and Human Rights
- Declaration of the International Labor Organization on Fundamental Principles and Rights at Work
- International Bill of Human Rights
- UN Principles for Responsible Investment

Sustainable investment objective of the financial product

The Fund invests in companies which target one or more of UN's SDGs and can deliver a positive social impact alongside market-rate returns. The Fund has a special focus on social inclusion, education, social housing, healthcare and technology. However, it will invest in any sector as long as the social impact is core to the business model of the company. This is the best path towards ensuring a correlation between impact and profit. As ESG and good governance practices are the backbone of achieving a positive social impact, the fund considers and inspects ESG risks and opportunities prior to and throughout the life of the investment.

During the due diligence process, the [Impact Panel](#) assesses the impact potential of the company, and together with the founder, defines a set of impact KPIs to continuously measure throughout the life of the investment. The impact is measured and intentional, and the KPIs and their respective targets are always defined prior to making the investment. The targets are set annually in a cumulative way for a period of five years. The process is described below:

- The founder/s and the Impact Panel define the impact KPIs, their respective targets and weights for the Portfolio Company
- The Impact KPIs / Targets / Weights for each investment are presented to the Advisory Board for approval
- The Advisory Board's approval of the Impact KPIs / Targets/ Weights is properly documented in the minutes of the Advisory Board meeting
- The requirement of each Portfolio Company to provide the social impact reporting data to the Fund is contractually established in the Investment Agreement
- The Fund management monitors on the quarterly basis the progress of the Impact KPIs towards their respective targets
- The Fund management calculates the Impact Multiple (actual vs. target) of each Portfolio Company annually and reports the results and the progress to the LPs
- Impact Multiple = $\sum_{i=1}^n (weight_i \times \frac{KPI_i actual}{KPI_i target})$; where the sum of total weights of all KPIs is 1.

The achievement of the Portfolio Social Impact Targets determines if carried interest is paid out to the Fund Manager.

Investment strategy

The Fund invests in companies which target one or more of UN's SDGs and can deliver a positive social impact alongside market-rate returns. The Fund has a special focus on social inclusion, education, social housing, healthcare and technology, however it will invest in any sector as long as the social impact is core to the business model of the company. The fund is

mainly an early stage investor, with most investments in Seed and Series A stages, and has Croatia and Slovenia as a geographic focus.

Prospective Portfolio Company's potential to deliver a positive social impact through its business is a deciding factor in proceeding with the investment process. Creating a positive social impact, through contributing to one or more of the 17 SDGs, is a binding element of the investment strategy, and is taken into account in the entire investment process, from deal screening to the exit. During the due diligence process, the expert Impact Panel together with the founders determines impact KPIs whose progress is monitored on a quarterly basis. The monitoring of impact KPIs is legally binding through the Investment Agreement, while at exit, the Fund Manager is entitled to a carry only if social impact targets have been met.

In addition to the social impact objective, the Fund ensures the DNSH principle is respected and considers and inspects ESG risks and opportunities prior and throughout the life of the investment. This is achieved in the following way:

- a) ESG due diligence is performed prior to the investment which ensures that any ESG concerns or opportunities are documented. The ESG due diligence is performed through an ESG Questionnaire, which considers principal adverse impacts and is derived from Invest Europe's checklist but altered to fit earlier stage companies. You can find our ESG Questionnaire in the section "Sustainability-related disclosures" of our website.
- b) The results of the ESG due diligence are presented to the Investment Committee
- c) Throughout the entire life of the investment the Fund takes an active, hands-on approach, making sure that sustainability-related risks are under control and the companies are making improvements with respect to their ESG policies.

Throughout the due diligence process, good governance practices, including sound management structures, employee relations, remuneration of staff and tax compliance of the potential investee, is inspected through interviews with the management and employees and inspection of relevant documents.

Proportion of investments

100% of investments made are aligned with the Fund's sustainable investment objective. The Fund only makes direct investments in portfolio companies and does not invest in derivatives.

Monitoring of sustainable investment objective

The Fund collects data on the progress of impact KPIs towards their targets from its portfolio companies on a quarterly basis. The Fund uses reasonable efforts to ensure quality and soundness of the reported data.

Methodologies

Please consult the section "Sustainable investment objective of the financial product" for the methodology of measuring the social impact achieved by each Portfolio Company.

Data sources and processing

The impact KPIs are tailored to each Portfolio Company through joint efforts of our expert Impact Panel and the Company's founders, and the data to attain the sustainable investment objective primarily comes from each Portfolio Company. Data is collected by Fund Manager's employees and the Fund uses reasonable efforts to ensure quality and soundness of reported data. The Fund aims to use objective, quantitative data, however in certain situations, due to data scarcity, it resorts to estimates as part of its calculations.

Limitation to methodologies and data

Due to focus on early-stage companies which are finding innovative ways of delivering impact, existing methodologies for measuring impact are, at times, lacking. We are also aware that relying on the data collected from the portfolio companies to measure the attainment of the Fund's sustainable objective might result in the actual positive impact delivered to be different from the one reported. However, the Fund's key executives have a hands-on approach and a thorough insight into the company dynamics, and hence can reasonably assess the validity of the Portfolio Company's impact results. Nevertheless, having these limitations in mind, the Fund strives to continuously work on improving and developing its impact management and measurement methodology.

Due diligence

During due diligence, the Fund's Impact Panel determines the potential social impact of the prospective Portfolio Company and impact KPIs to track the performance. In addition, potential ESG risk and opportunities screening is performed through the ESG Questionnaire (link). The results of the screening are documented and presented to the Investment Committee.

Engagement policies

The Fund actively engages with management to ensure that ESG is a recurring theme implemented into daily business operations. The active ownership approach ensures that sustainability-related risks are under control and the company is making improvements with respect to their ESG policies.

Attainment of the sustainable investment objective

The successfulness of impact KPIs in attaining the sustainable investment objective is measured against the cumulative target set for each impact KPI. For every investment, each

impact KPI is assigned a weight according to its importance, the sum of all weights is 1. To calculate the impact multiple of an investment, the following formula is used: Impact Multiple = $\sum_{i=1}^n (weight_i \times \frac{KPI_i actual}{KPI_i target})$. Please consult the section "Sustainable investment objective of the financial product" for more information regarding the measurement of social impact achieved by each investment.