

ESG Disclosures in accordance with SFDR

At HERAN Partners, we are aware of our responsibilities towards society, including those relating to environmental, social and governance (“ESG”) matters. It means that factors such as energy, climate, availability of raw materials, health, safety and good corporate governance are taken into account in the selection and management of the portfolio entities that we invest in. Even though no environmental or social characteristics are promoted by HERAN HealthTech Fund I in accordance with article 8 of Regulation (EU) no. 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”) and HERAN HealthTech Fund I does not have sustainable investments as its purpose in accordance with article 9 of the SFDR, we do believe that, in order to make good investments, ESG actors should not be overlooked.

1. ESG risk policies

We acknowledge that ESG-related events or conditions could potentially have a (negative) impact on the value of our investments. As HERAN HealthTech Fund I neither promotes environmental or social characteristics, nor has sustainable investments as its purpose, we do not formally integrate an assessment of ESG risks in our decision-making process in accordance with article 3 of the SFDR. Even though HERAN Partners is considering integrating the assessment of ESG factors in our investment decision-making process in the future, it is not certain if or by which date we would do so.

That being said, HERAN Partners is committed to making a contribution to a society that takes into consideration its ageing population, chronically sick people and that strives for affordable healthcare. When making investments, we carefully select potential portfolio entities for investments, thereby assessing factors like quality of life, surplus value for the region, innovation, solutions for medical needs, diversity and employment. In addition, through the long-term investments that HERAN HealthTech Fund I takes in portfolio entities, we may influence such portfolio entities’ activities and policies and thereby diminishing (sustainability) risks for our investments.

For us, ESG stands for finding a balance between financial returns, transparency, social interests and the environment. We intrinsically believe this balance leads to better results for both the company and society and from a point of risk and value creation.

As set out in the documentation governing HERAN HealthTech Fund I, in any case, no investments will be made in entities active in certain ‘restricted sectors’ or entities that may in another way entail certain ESG risks. For a list of those restrictions, reference is made to the fund documentation.

Also, for potential investments in portfolio entities that do not fall within the scope of the aforementioned restrictions, a careful selection is made. Prior to making any investment, we conduct a thorough due diligence research on target entities. Such due diligence research, among others, focuses on the target’s compliance with applicable legislation, among which also ESG-related legislation. The outcome of the due diligence findings and assessment of the target’s compliance with (ESG) legislation is taken into consideration when an investment decision is taken by us.

Throughout the lifespan of our investments, we monitor portfolio entities’ compliance with (ESG) legislation and human rights.

2. No consideration of ESG adverse impacts

We are aware that our investment decisions, as well as our portfolio entities’ activities may have an impact on ESG factors.

However, for the purpose of article 4 of the SFDR, HERAN Partners does not consider formally the adverse impacts of our investment decisions on all ESG factors. However due to the nature of the focus of the fund, we inherently take along many ESG factors as positive drivers in our investment decisions and KPI's for follow-up.

HERAN Partners currently evaluates a formal policy and process to assess and monitor adverse impacts of investment decisions on ESG factors in the future in accordance with article 4 of the SFDR for the aforementioned reasons.

3. Integration of sustainability risks into remuneration policies

As a sub-threshold manager of alternative investment funds, HERAN Partners does not have an obligation to have a formal remuneration policy in accordance with article 40 and following of the Belgian law of 19 April 2014 on alternative entities for collective investments and their managers. Consequently, sustainability risks are not integrated in HERAN Partners' remuneration policy.

4. Risk assessment

For potential investments in portfolio entities that do not fall within the scope of the aforementioned restrictions, a careful selection is made. Prior to making any investment, we conduct a thorough due diligence research on target entities. Such due diligence research, among others, focuses on the target's compliance with applicable legislation, among which also ESG related legislation. During the screening phase we examine the target companies for ESG risks. We look at both the sustainability risks to which the companies are subject to as well as the way in which they can deal with these risks and the results of their management actions to mitigate negative financial and ESG impacts.

To this end, we developed an in-house evaluation tool, based on the most important risks inherently related to the sectors in which we invest. Where we identify certain risks that may affect an investment decision, these are reported in the investment memorandum and discussed before final and well considered decision.