Sustainability Risks & ESG Policy

Lightrock Netherlands B.V.

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Document version history

Version	Review Date	Author(s)	Approved by	Most important changes
V1.0	14/10/2024	Chris Kaashoek	Management Board	Initial version
V1.1	04/11/2024	Chris Kaashoek	Management Board	Updated significant vote definition and approach regarding new significant controversies
V1.2	17/12/2024	Chris Kaashoek	Management Board	Several smaller updates related to ESG integration and impact investing framework.

SUSTAINABILITY RISKS & ESG POLICY

Contents

1. Summary

This Sustainability Risks and ESG Policy has been adopted by Lightrock Netherlands B.V. ("Lightrock NL") in its capacity as Management Company in respect of the Sub-Fund and portfolio manager in respect of the Individual Portfolio Management services (IPM-services). The policy sets out how Lightrock NL integrates Sustainability Risks into the investment decision-making process.

For the Sub-Fund and the IPM-services, Lightrock NL pursues the same investment strategy that combines the principles of long-term investing with responsible active ownership, with an aim to reduce portfolio risk while creating long-term value. Where this policy refers to the Sub-Fund, this applies similarly to the IPM-services.

Sustainability Factors are fully integrated in the investment process through the pillars of Exclusion, Integration, Engagement, and Voting. Engagement with portfolio companies is a key part of the investment process. Based on the philosophy of active and responsible ownership Lightrock NL will also exercise voting rights to act in the best interest of the Sub-Fund and its shareholders.

The Sub-Fund strives to invest in ESG Leaders, ESG Improvers, or Impact Solution companies. ESG Leaders are companies with best-in-class ESG ratings based on Lightrock NL's proprietary ESG assessment and scoring framework. ESG Improvers are companies that are earlier in their ESG journeys and have an average ESG rating. These companies should be able to progress to ESG Leaders in a reasonable timeframe. Lightrock NL applies a proprietary impact framework to assess each Portfolio Company's ability to achieve positive real-world impact. Impact Solutions are companies that derive de minimis 20% of revenues from activities related to impact themes. The Sub-Fund commits to invest a meaningful percentage (at least 25%) of net assets in Impact Solutions.

The Sub-Fund has been categorised as an Article 8 fund under SFDR. This is a fund that promotes among other characteristics environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. The same applies to the individual managed portfolio's, which are also classified as Article 8.

In the context of SFDR, the Sub-Fund is expected to invest 90-100% of its Net Asset Value in companies aligned with environmental and social characteristics. Furthermore, the Sub-Fund is expected to make Sustainable Investments. The Sub-Fund commits to investing a minimum of 15% of its Net Asset Value in Sustainable Investments.

2. Definitions

ESG	Environmental, Social and Governance.
ESG Integration	The incorporation of material ESG factors into the investment decision-making process, with the objective of identifying Sustainability Risks, evaluating a company's effort to mitigate Sustainability Risks, and determining potential engagement objectives.
ESG Leader	Companies with best-in-class ESG ratings. Lightrock NL utilizes a proprietary ESG scoring framework with separate scores for Environmental, Social, and Governance risk and risk mitigation. The final score is based on a 1–5-point scale, with 5 denoting a high score / low risk. Lightrock NL considers ESG Leaders those companies with an overall ESG score of at least 4 out of 5.
ESG Improver	Companies earlier in their ESG journey that currently have average ESG ratings. Lightrock NL utilizes a proprietary ESG scoring framework with separate scores for Environmental, Social, and Governance risk and risk mitigation. The final score is based on a 1–5-point scale, with 5 denoting a high score / low risk. Lightrock NL considers ESG Improvers those companies with an overall ESG score of 3 out of 5, and on a pathway to improve to an ESG score of at least 4 out of 5 in a reasonable time frame.
EU Taxonomy	Taxonomy Regulation of the European Union (EU Regulation 2020/852) which sets a classification framework for determining economic activities that can be considered environmentally sustainable based on their contributions to certain environmental objectives.
Impact & ESG Advisory Council	Advisory council at Lightrock Group that has been established for the purpose of safeguarding quality and consistency with respect to assessing and monitoring ESG and impact considerations. Such considerations relate to ESG Integration and the Impact Solution framework. This advisory body acts as a sounding board and is non-discretionary in nature.
Impact Solution	Investments for which Lightrock NL develops a proprietary impact assessment to determine the existing impact, the potential for future impact, and the impact risk of an investment. For each Impact Solution Lightrock NL determines relevant and meaningful impact Key Performance Indicators (KPIs) that are measured and reported on regularly. Where relevant, Lightrock NL develops an impact value creation plan.
Lightrock NL	Lightrock Netherlands B.V.
Portfolio Company	Entity in which the respective investment product holds an investment.
Principal Adverse Impact ('PAI')	Impacts of investments decisions that result in negative effects on Sustainability Factors.
Sustainable Activities	A company's economic activities (products and/or services) that are considered sustainable either from an environmental or social perspective. Environmental activities are focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry, and land

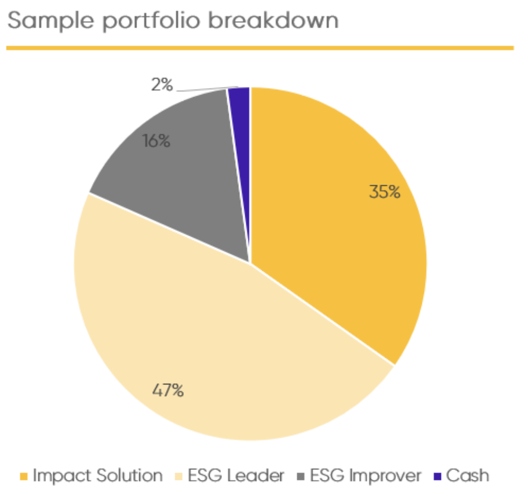
	resources. Social activities include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Certain environmental Sustainable Activities may overlap with activities classified under the EU Taxonomy.
Sustainability Factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
Sustainability Risk	An environmental, social, or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of an investment of the investment product.
Sustainable Investment	An investment classified sustainable investment in accordance with the SFDR meaning an investment in a company deriving at least 20% of its revenues from Sustainable Activities (see above), provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.
SFDR	Sustainable Finance Disclosure Regulation (EU Regulation 2019/2088) on sustainability-related disclosures in the financial services sector, as amended from time to time.
Taxonomy aligned Sustainable Investment	An investment in an economic activity that is considered sustainable based on the requirements as laid out in the EU Taxonomy.

3. Sustainability and investment philosophy

The Sub-Fund pursues an investment strategy that combines the principles of long-term investing with responsible active ownership, with an aim to reduce portfolio risk while creating long-term value.

Sustainability Factors are fully integrated in the Sub-Fund's investment process through the pillars of Exclusion, Integration, Engagement, and Voting. Engagement with portfolio companies is an integral part of the investment process. Voting rights are exercised to act in the best interest of the Sub-Fund and its shareholders in accordance with the Voting Policy.

The Sub-Fund strives to invest in ESG Leaders, ESG Improvers, or Impact Solution companies. ESG Leaders are companies with best-in-class ESG ratings based on Lightrock NL's proprietary ESG assessment and scoring framework. ESG Improvers are companies that are earlier in their ESG journeys and have an average ESG rating. These companies should be able to progress to ESG leaders in a reasonable timeframe. Impact Solutions are companies that derive de minimis 20% of revenues from activities related to impact themes (Sustainable Activities).



- **Impact Solutions** are companies deriving >20% of revenues from products or services with positive impact*
- **ESG Leaders** are companies with best-in-class ESG scores
- **ESG Improvers** are companies earlier in their ESG journey with a pathway to become ESG Leader
  - An engagement plan will be established to help these companies
  - Companies that fail to transition to ESG leader will ultimately be divested
- All portfolio companies meet **Good Governance** criteria

In the context of SFDR, the Sub-Fund promotes several environmental and social characteristics. The Sub-Fund pays special attention to the topic of climate change mitigation and adoption. To this end, a special climate change policy is formulated, and climate change risks are explicitly incorporated into the investment process. By 2030 the Sub-Fund aims to have a Scope 1 & 2 carbon intensity that is below the EU Climate Transition Benchmark pathway ("mid-term target"). This pathway assumes a carbon intensity of the Sub-Fund that is initially 30% lower than the MSCI World Small-cap index carbon intensity of 2020, with the intention being a subsequent 7% annual reduction[1].

The Sub-Fund has been categorised as an Article 8 fund under SFDR. This is a fund that promotes among other characteristics environmental or social characteristics, or a

[1] Please note that underlying company carbon data is typically reported on an annual basis with a lag of up to 2 years. Therefore, starting point is defined as Scope 1 & 2 carbon intensity of the MSCI World Small-cap Index based on carbon data over calendar year 2020, and holdings and weights as of 12/31/2022. Similarly, the mid-term target for the Sub-Fund's Weighted Average Carbon Intensity ("WACI") to be below the EU Climate Transition Benchmark, as described in the above, is based on portfolio weightings as at 31/12/2030 and underlying carbon emission data over calendar year 2028.

combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. See chapter "Sustainable Finance Disclosure Regulation" for more.

4. Investment process

Sustainability Factors are fully integrated in the Sub-Fund's investment process through the pillars of Exclusion, Integration, Engagement and Voting.

Exclusion

- Conduct-based
  - Companies violating international principles and conventions
- Activity-based
  - Companies engaged in business activities that have a negative impact
- Controversy-based
  - Companies involved in significant controversies

Integration

- Proprietary ESG assessment and scoring framework
- ESG risks and opportunities integrated
- ESG score linked to valuation model (DCF)

Engagement

- Aiming to unlock long-term sustainable value
- Topics: ESG & Impact, IR, strategy, capital allocation
- Engagement primarily takes place in a private setting
- Toolbox: letters, presentations, meetings

Voting

- Exercise of voting rights based on the philosophy of active and responsible ownership
- Voting is key component to express our views
- Publicly disclosed voting decisions and rationale

4.1. Exclusion

In the first step of the investment process, companies are screened on ESG criteria. Lightrock NL excludes companies engaged in harmful business conduct ("conduct-based exclusion") as well as certain harmful business activities ("activity-based exclusion"). Furthermore, Lightrock NL intends to exclude companies involved in severe controversies ("controversy-based exclusion"). Companies that fail to pass on these ESG criteria are excluded from the investable universe. Please refer to Appendix 4 for the list of exclusion criteria.

4.1.1. Conduct-based exclusion

Companies violating international principles and conventions, such as the United Nations ("UN") Global Compact, the UN Guiding Principles for Business and Human Rights, the UN Principles for Responsible Investment and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, are excluded from the investible universe. Specifically, the Sub-Fund excludes companies that are in breach of or are on a watchlist for UNGC compliance. Lightrock NL, on a best effort basis, screens reported Principal Adverse Impact Indicator data on accuracy and reliability. If Lightrock NL determines such data is inaccurate or unreliable due to active efforts by a company to spread misinformation about such an indicator, said company would be excluded from investment.

4.1.2. Activity-based exclusion

The Sub-Fund intends to avoid companies engaged in business activities that have a negative effect on Sustainability Factors or may lead to material Sustainability Risk. Appendix 4 provides an exhaustive list of business activity exclusion criteria. Maximum revenue thresholds are provided for each business activity. Third-party data from Sustainalytics is used to determine company involvement in excluded business activities. In addition, company data and the assessment by Lightrock NL may be employed.

4.1.3. Controversy-based exclusion

The Sub-Fund intends to avoid companies involved in significant controversies that violate global norms related to human rights, labour, the environment, and corruption. Lightrock NL makes use of third-party ESG research providers (source: Sustainalytics and Bloomberg) to assess the level and materiality of controversies. Significant controversies are identified as category 4-5 (on a scale of 1-5, with 5 being the most severe type of controversy). The Sub-Fund avoids companies facing significant controversies in the screening phase and no investments will be made in companies with category 4-5 controversies at time of initial investment. When a Portfolio Company becomes involved in a new category 4 or 5 controversy an immediate engagement effort is triggered. Contingent on the outcome of said engagement and the severity of the controversy, the portfolio management team decides whether to remain invested in the company or not.

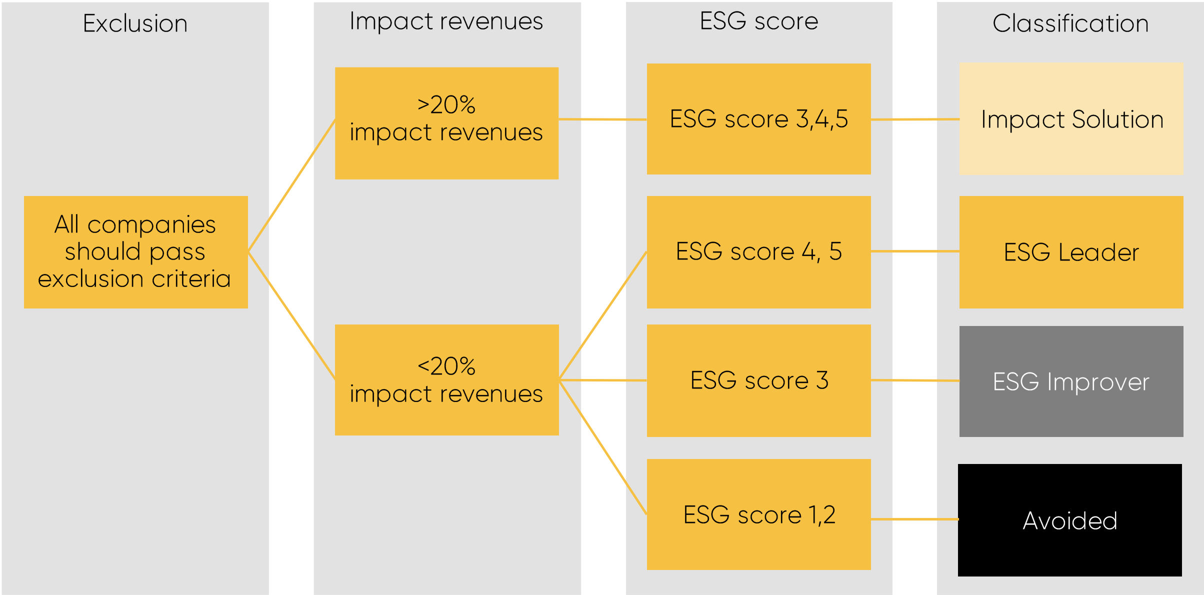
4.2. Integration

ESG is fully integrated in the investment process. Sustainability Risks are a key component of pre-investment due diligence. A proprietary ESG scoring framework is used, with the final score impacting valuation models through the required rate of return. Sustainability Risks are monitored throughout the investment holding period and taken into consideration in the portfolio construction process.

4.2.1. Proprietary ESG score

For each new investment, Lightrock NL prepares a proprietary ESG analysis. As part of that analysis, Sustainability Risks and corresponding indicators that are material will be taken into consideration and will be subject to further due diligence. Lightrock NL employs a proprietary ESG scoring model, with separate scores for Environmental, Social, and Governance risk and risk mitigation. This due diligence analysis is periodically reviewed. Companies with low scores will either be avoided or, to the extent Lightrock NL identifies room for sufficient improvement, will be subject to engagement (see below).

The proprietary ESG score is ranked from 1 (high risk) to 5 (low risk). Lightrock NL will not invest in companies with a score of either 1 or 2. Lightrock NL may invest in companies with a score of 3 out of 5 ("ESG Improvers"), and 4 or 5 out of 5 ("ESG Leaders"). In the case of ESG Improvers, Lightrock NL will establish an engagement plan for these companies to improve the score to at least 4 out of 5 and become an ESG Leader. For this purpose, milestones and deadlines are set. Companies that fail to transition to a score of at least 4 out of 5 in a reasonable timeframe will ultimately be divested. This timeframe is contingent on the specific engagement case, but an improved score should typically be achieved in 3 to 5 years.



The proprietary ESG score feeds into the required rate of return ("cost of capital") used in Lightrock NL's valuation models. Thus, a higher ESG risk warrants a higher required rate of return. In practice, this means that for ESG Leaders, Lightrock NL's required return will be lower than that of average performers in terms of ESG. Note that, as mentioned in the above, below average ESG scores are excluded from the Sub-Fund.

4.2.2. Governance assessment and score

For each potential Portfolio Company, a corporate governance assessment is prepared, which results in an internal governance score. Third party validated research (source: Sustainalytics) is used as a starting point for analysis. Lightrock NL reviews the third party ESG research and overwrites if such adjustments are warranted.

The following six aspects are taken into account when preparing the governance score:

Aspect	Indicators assessed
Board / management quality & integrity *Do the board's experience, track record and behavior demonstrate its ability to provide strategic leadership and oversight?*	Board experience, director track record, board capture, related party transactions, director stock ownership, executive misconduct, business practices controversies, governance controversies, shareholder engagement and responsiveness.
Board structure *Do the organisation and structure of the board provide sufficient oversight, representation and accountability to shareholders?*	Board leadership, board tenure, board independence, nominating committee effectiveness, director disclosure, voting structures, directors not elected by shareholders, risk oversight, board diversity.
Ownership & shareholder rights *Do the constitution of the company and its ownership structures respect the right of outside shareholders relative to the board, management, and major holders?*	Director appointment and removal, proportionality (one share, one vote), ownership structure, capital issuance risk, shareholder action, poison pill & takeover defences, supermajority provisions
Remuneration *Do the company's remuneration policies and practices provide appropriate incentives for management to build value?*	Remuneration disclosure, remuneration committee effectiveness, say on pay, pay controversies, STI performance metrics, LTI performance metrics, pay magnitude, pay for performance, pay for failure, CEO termination scenarios, internal pay equity, clawback policy.

Audit & financial reporting *Are the company's financial reports reliable and subject to appropriate oversight?*	Audit committee structure, audit committee effectiveness, auditor fees, audit rotation policy, auditor change, reporting irregularities
Stakeholder governance *Does the company's management of extra financial risks and broader stakeholder relationships raise concerns regarding its governance of long-term value creation?*	ESG governance, ESG reporting standards, verification of ESG reporting, Global Compact signatory, ESG performance targets, political involvement policy, lobbying and political expenses, bribery and corruption policy, environmental policy, whistleblower programme, tax disclosure, discrimination policy, scope of social supplier standards, GHG reduction programme, green procurement policy

Each of the six aspects is scored, which rolls up into an overall governance score: 1-5, of which 1 is a low score / high risk, and 5 is a high score / low risk. Based on this due diligence, Lightrock NL may identify room for improvement in terms of corporate governance, which will then be a topic for engagement. Insufficient progress on the engagement front can result in several escalation steps and may ultimately lead to the divestment of the company's shares.

The proprietary corporate governance assessment also forms the basis for the evaluation of good governance practices as required by the EU's Sustainable Finance Disclosure Regulation ("SFDR"). Please refer to the chapter on SDFR for more details.

4.2.3. Proprietary climate change risk score

Lightrock NL recognizes climate change poses a meaningful risk to all Portfolio Companies. Furthermore, climate change mitigation and climate change adaption are important environmental characteristics promoted by the Sub-Fund. Lightrock NL developed a proprietary climate change risk score framework, which is used to score mitigation of climate change risks of all Portfolio Companies in the Sub-Fund. The proprietary climate change risk score is based on the four pillars of 1) measurement, 2) target-setting, 3) acting, and 4) governance. These pillars are scored on a 1–5-point scale. The final score is the simple average of the pillar sub-scores and thus also uses a 1–5-point scale, with a score of 1 denoting high risk, and a score 5 denoting low risk.

Measurement pertains to the accurate reporting of greenhouse gas emissions and its scope. Proper measurement is the starting point for any subsequent target-setting practices, greenhouse gas reduction actions, and climate change governance. Lightrock NL scores a company's greenhouse gas reduction target-setting. Ideally, such a target is aligned with the Paris Goal of limiting global warming to 1.5°C above pre-industrial levels by 2050. Acting relates to the company's tangible actions and initiatives towards long-term carbon ambitions. Finally, climate change is a highly important topic that should be properly governed within a company.

See table below for an overview of the specific items scored in each of the four climate change risk pillars.

Climate change assessment
1. Measurement
Are Scope 1 + 2 GHG emissions reported?
Full scope of reporting (or only certain divisions)?
Are Scope 3 GHG emissions reported?
Has a third-party auditor verified the data and validated the collection methodology?
2. Target setting
Is there a Medium Term Scope 1 + 2 GHG emissions reduction target?
Is there a (Medium Term) Scope 3 emissions reduction target?
Is there a 2050 net zero goal or ambition, that is it in-line with the 1.5°C Paris Goal?
If a target exists, is that target realistic?
Is the target science-based / has the company joined SBTi?
3. Acting
Is a company's CO2 reduction target underpinned by concrete actions?
Did CO2 emissions per $ of sales decline by at least 10% over the past 3 years?
Is capital allocation aligned with a company's CO2 ambitions or targets?
4. Governance
Is there board oversight on the company's impact on climate change?
Is C-level management directly involved with climate change mitigation?
Does the company have an ISO 14001 certified Environmental Management System?
Are GHG emissions targets reflected in management long-term incentive plans?

Please refer to Appendix 2: Climate change policy for a comprehensive description of the climate change risk framework.

4.3. Engagement

4.3.1. General approach

The Sub-Fund pursues an investment strategy that combines the principles of long-term investing with responsible active ownership. Engagement with Portfolio Companies, including on ESG topics, is key for Lightrock NL to properly identify investment opportunities, manage investments and Sustainability Risks, and monitor Portfolio Companies.

Lightrock NL may choose to engage with a Portfolio Company on ESG and/or strategic topics. In the case of the former, factors that may trigger engagement include, but are not limited to: a proprietary ESG sub-score (on E, S or G) of 3 or lower; a material ESG controversy; poor mitigation of material Sustainability Risks; or a significant worsening of Principal Adverse Impact indicators.

Furthermore, Lightrock NL intends to engage with Portfolio Companies that underperform from the perspective of climate change mitigation and adaption. A special focus will be on high impact climate sectors[2], as well as the top 50% contributors to the portfolio's weighted average carbon intensity. A specific framework for engagement on climate change will be used. This framework is based on the four pillars of measuring, target-setting, acting and governing. Please refer to Appendix 2: Climate change policy for more background.

For each engagement, Lightrock NL sets clear engagement objectives that are specific, measurable, actionable, realistic and timely. Progress towards engagement objectives is tracked on a quarterly basis. Lightrock NL distinguishes three distinct phases in each

[2] 'High impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council

engagement: acknowledgment, when the company agrees there is an issue; commitment, when the company commits to achieving the engagement objective; achievement, when the engagement objective is met.

The Sub-Fund aims to be transparent with respect to its engagement efforts and aims to disclose on-going engagements, engagement objectives, and the phase of each engagement on a quarterly basis to the relevant stakeholders. Lightrock NL may engage directly with Portfolio Companies or may participate in collaborative engagement with other investors.

4.3.2. Escalation

If a company engagement fails to reach its objective in the pre-determined timeframe, Lightrock NL may decide to escalate the engagement. Escalation steps may include, but are not limited to: voting against management on the company's Annual General Meeting; the voicing of concerns through a private or public letter; the proposal of agenda items on the company's Annual General Meeting; and ultimately divesting the Sub-Fund's position in the Portfolio Company.

4.4. Voting

Based on the philosophy of active and responsible ownership, Lightrock NL will exercise its voting rights to act in the best interest of the Sub-Fund and its shareholders.

Proxy voting is a key component in the ongoing dialogue with the companies in which Lightrock NL invests. Lightrock NL is committed to ensuring consistent exercise of the voting rights. Through implementation of the voting policy, Lightrock NL aims to enhance the long-term value of the Sub-Fund's shareholdings and to foster corporate governance best practices. The voting policy provides guidelines on common topics and proposals for general shareholder meetings.

Lightrock NL assesses information from regulatory filings by Portfolio Companies, proxy advisory service provider ISS, ESG data provider Sustainalytics and other sources, to conduct analysis of proxy voting items. Furthermore, Lightrock NL may request Portfolio Companies to clarify certain items, if required. Ultimately, votes are cast based on the judgments and opinions of the portfolio management team. Lightrock NL is at all times responsible for deciding on how to vote on ballot items.

Lightrock NL notifies Portfolio Companies in the case of votes against or abstentions from ballot items deemed relevant by the portfolio management team. In addition, Lightrock NL publicly discloses voting decisions, as well as the rationale behind significant votes. Significant votes are determined as votes against management, votes on shareholder resolutions, or votes on any other topic deemed particularly significant by the portfolio management team. Lightrock NL uses a third-party electronic voting platform to cast votes.

4.4.1. Voting policy

Lightrock NL applies for the execution of the voting the principles as laid down in the standard Continental Europe Proxy Voting Guidelines of Institutional Shareholder Services (ISS). These ISS voting Guidelines can be found here.

Voting decisions by Lightrock NL will be made publicly available on the Lightrock website.

5. Impact

Lightrock NL applies its proprietary impact framework to assess each Portfolio Company's ability to achieve positive real-world impact. A Portfolio Company with positive real-world impact as per this framework is classified as an "Impact Solution". The Sub-Fund aims to invest a meaningful percentage of net assets in Impact Solutions. The Sub-Fund commits to a minimum 25% of net assets invested in Impact Solutions[3].

A core tenet of Lightrock NL's impact investing approach is intentionality. Impact Solutions should have a demonstrable environmental or social benefit and address a well-defined environmental or social problem. Lightrock NL employs a data driven approach to impact investing and for each Impact Solution impact Key Performance Indicators are defined. Progress towards these impact KPI's is monitored throughout the investment horizon. Lightrock NL strives to closely adhere to industry best practices when it comes to impact investing.

5.1. Eligibility

To be eligible for classification as Impact Solution, a company must derive de minimis 20% of revenues from activities (products and services) with positive real-world impact. In addition, it must pass the conduct- and activity-based screening as discussed in the above and must be considered an ESG Improver or ESG Leader, as per the methodology discussed in the above.

Lightrock NL makes use of the Sustainalytics' impact themes framework to determine the percentage of revenues that a Portfolio Company derives from activities with positive real-world impact. Sustainalytics' impact themes provide a comprehensive overview of environmental and social outcomes that can be attributed to companies' business activities (e.g., products and services).

Sustainalytics defines the following 5 environmental and social impact themes: climate action, human development, resource security, basic needs, and healthy ecosystems. These 5 impact themes can be subdivided in 80 sustainable activities. Sustainalytics then estimates the revenue of a company's involvement in these sustainable activities, which are mapped back to the impact themes, as well as UN's Sustainable Development Goals (SDG).

Revenue data provided by Sustainalytics provides the starting point for the analysis by Lightrock NL. However, Lightrock NL recognizes data availability and quality for small cap companies has limitations (also see "Data sources and limitations" below). Therefore, Lightrock NL also performs its own analysis of eligible revenues. Lightrock NL tracks any deviations between Sustainalytics and its own analysis in internal systems. Lightrock NL expects to engage with Sustainalytics on any meaningful deviations in outcomes where the analysis by the latter can be improved based on publicly available data. The expectation is that, over time, as data availability and quality improve, there will be increasingly less deviation between the analyses by Sustainalytics and Lightrock NL.

[3] Please note that, for the purpose of SDFR reporting, an Impact Solution is not necessarily a Sustainable Investment as per SFDR. For the Sub-Fund's SFDR reporting, the Sustainable Investment definition as provided by Sustainalytics is used. Lightrock NL retains the right to adjust the assessment of Sustainalytics when incorrect or inconsistent. An Impact Solution is based on a proprietary assessment by Lightrock NL, which may deviate from Sustainalytics.

5.2. Classification

Lightrock NL's portfolio management team prepares a comprehensive proprietary impact assessment for eligible Impact Solutions, which is then presented and discussed within the Impact & ESG Advisory Council to safeguard quality and consistency of the assessments. This advisory body acts as a sounding board and is non-discretionary in nature.

5.3. Proprietary impact assessment

Lightrock NL performs a proprietary impact assessment for each eligible company to comprehensively assess the existing impact, the potential for future impact, and the impact risk of individual investments.

The impact assessment discusses the following:

- Impact narrative. What is the social / environmental problem the company's product / service seeks to solve? How does the company's product / service contribute to solving the problem?
- Impact creation. What activities contribute to achieving impact? What are the impact creation mechanisms? What outcomes are to be expected?
- Impact assessment. What is the scale of the impact? What is the potential for future impact? What are the impact risks?
- Impact Key Performance Indicators (KPIs). What KPIs are used to measure progress of the impact? How is historical performance on these KPIs?

This analysis allows Lightrock NL to measure impact outcomes robustly. For each Impact Solution, Lightrock NL determines relevant and meaningful impact Key Performance Indicators (KPIs) that are measured and reported on regularly. Lightrock NL aims to measure such positive real-world impact for each Portfolio Company and to periodically report on progress. The framework is also used to derive meaningful actions and levers to drive impact performance through active engagement. Where relevant, Lightrock NL develops an impact value creation plan, with relevant actions and initiatives to engage on with the company to drive impact performance.

6. Reporting

The Sub-Fund will report in-line with the requirements as stipulated by the SFDR and Taxonomy Regulation. In addition, on an annual basis, progress towards the Sub-Fund's intermediate decarbonization target will be reported. Lightrock NL will prepare a quarterly ESG and impact update, which includes disclosure on the ESG and impact profile of the Sub-Fund, the progress on on-going engagement cases, the carbon intensity of the Sub-Fund and the top contributors thereto, and other ESG and impact related disclosure Lightrock NL may deem relevant.

7. Governance, oversight and the monitoring cycle

An internal Impact & ESG Advisory Council has been established for the purpose of safeguarding quality and consistency with respect to assessing and monitoring ESG and impact considerations. Such considerations relate to ESG Integration and the Impact Solution framework. The council advises on monitoring, reviewing, and approving any material changes to ESG ratings, related in-house methodology as well as progress on implementation of related engagement strategy. This advisory body acts as a sounding board and is non-discretionary in nature. Portfolio management decisions reside solely with the portfolio management team of Lightrock NL.

Impact Solutions, KPIs, and progress towards the impact value creation plans are discussed on a quarterly basis in the Impact & ESG Advisory Council as described below.

7.1. Governance

The Impact & ESG Advisory Council comprises of 5 members: two members of Lightrock NL's portfolio management team on rotating basis and three members independent of the portfolio management team. These members independent of the portfolio management team may be employed by Lightrock NL or by parties affiliated with Lightrock NL. There are quarterly ESG review meetings to run through above aspects in structured manner.

7.2. Monitoring and oversight

During the holding period, Lightrock NL periodically reviews its ESG due diligence and monitors progress on the implementation of action plans and ongoing compliance with the Sub-Fund's ESG requirements.

For each investment, Lightrock NL aims to carry out regular standardised ESG assessments and performance measurement. These assessments culminate in periodic reports which seek to provide quantitative and qualitative snapshots of the ESG practices, work and performance, as well as the impact performance of investments.

8. Data sources and limitations

8.1. Data sources used

External data vendors include, but are not limited to:

- Sustainalytics is used for ESG Risk Ratings, governance research, product involvement data, principal adverse impact indicators, carbon data, and to what extent investments classify as sustainable investments based on contribution to certain environmentally and socially sustainable economic activities measured by turnover (using Sustainalytics' Impact Themes framework).
- ISS is used for proxy voting, and voting research and recommendations.
- Bloomberg is used, amongst other purposes, for product involvement data, principal adverse impact indicators, and carbon data.

Various data analytics tools are used to collect and process both internal and external data.

In addition to the vendors mentioned above, Lightrock NL conducts proprietary research employing a variety of primary and secondary sources.

8.2. Limitations to methodology and data

Lightrock NL recognizes there are several limitations with respect to the methodology and (external) data used and referred to in this document. The table below describes several of the relevant limitations. Note this list may not be exhaustive.

To mitigate the data issues listed in the table below, Lightrock NL performs extensive due diligence on the data used in the investment process. Third party data is validated by proprietary research and/or in dialogue with the relevant company. Lightrock NL expects to regularly engage with ESG data vendors and companies to further increase the quality of ESG data.

Reliability 3rd party data	Lightrock NL relies on third party sustainability data in several steps of the investment process. Such third-party data vendors may devote relatively less of their resources to small-cap companies. Hence, in some instances the reliability and quality of data provided by third party vendors may be insufficient.
Data availability	Generally speaking, small-cap companies receive less coverage by data vendors. As a result, Lightrock NL may not have ESG data availability for the full scope of the Sub-Fund's portfolio. In cases where there is no data availability, Lightrock NL will use its best judgement to assess the Sustainability Risks related to an investment.
Backward-looking data	Sustainability data and third-party analysis tends to be backward-looking. Data used in third party analysis, or ratings / scores by third party data vendors, may become obsolete due to corporate actions or other changing circumstances.
Regulatory framework is still developing	ESG reporting and disclosure is governed by various regulations. A key example is the European Union Sustainable Finance Disclosure Regulation (SFDR). Lightrock NL also relies on the EU Taxonomy for Sustainable Activities. The regulatory framework and definitions used by governing bodies is not static and still developing.
Inconsistency between data vendors	ESG data may be inconsistent between the leading third-party data vendors. Different methodologies and the subjective nature of ESG ratings / scores potentially lead to vastly different outcomes.

8.3. Overwriting external ESG data

It may occur that data provided by ESG data vendors is incorrect, outdated, or misinterpreted. In these instances, Lightrock NL would engage with the data vendor with the aim of improving quality of third-party data.

Lightrock NL retains the right to overwrite external data that is incorrect, outdated, or misinterpreted in its ESG integration and reporting. An analyst encountering incorrect, outdated, or misinterpreted external data and who wishes to overwrite said data would file a request of this with the internal Impact & ESG Advisory Council.

All potential overwrites are logged in Lightrock NL's database and in the case of any overwritten data point engagement with the responsible data vendor ensues with the aim of improving the quality of externally provided data.

9. Remuneration policy

The Remuneration Policy issued by Lightrock NL defines the basic principles of the company's remuneration system. It sets consistent standards for all staff and defines inter alia the policy and practice with regard to variable remuneration as well as the applicable parameters. The Board of Lightrock NL is ultimately responsible for the design and implementation of the company's remuneration system.

Lightrock NL's remuneration system targets an alignment of interests between clients/investors of the investment products and the company, avoids incentives for inappropriate risk taking and is in line with the sustainable long-term financial development of the company. The remuneration system also fosters sustainable staff behaviour in accordance with the SFDR and shall contribute to meet sustainability objectives to which Lightrock NL committed itself.

Lightrock NL has defined clear roles and responsibilities for the oversight and execution of procedures seeking to integrate ESG events and conditions into the investment decision making and the evaluation and monitoring of Portfolio Companies. Predefined performance criteria to fulfil these roles and responsibilities are evaluated periodically in the annual appraisal process for each employee and may have an influence on the determination of the remuneration.

10. Sustainable Finance Disclosure Regulation

Pursuant to the SFDR, financial market participants are required to disclose the manner in which Sustainability Risks are integrated into the investment decision making process and the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Sub-Fund. Sustainability Risks can affect all known types of risk (for example, market risk, liquidity risk, counterparty risk and operational risk), and as a factor, contribute to the materiality of these risk types.

The Sub-Fund has been categorised as an Article 8 fund under SFDR. This is a fund that promotes among other characteristics environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

10.1. Environmental and social characteristics promoted

The Sub-Fund promotes the following environmental characteristics:

- Climate change mitigation and climate change adaptation;
- Protection and restoration of biodiversity and ecosystems;
- Transition to a circular economy.

No specific reference benchmark has been designated for the purpose of attaining the above environmental characteristics. However, the Sub-Fund aims to contribute to achieving the climate goals as set out in the Paris Agreement. Accordingly, by 2030 the Sub-Fund aims to have a carbon intensity that is below the EU Climate Transition Benchmark pathway ("mid-term target"). This pathway assumes a carbon intensity of the Sub-Fund that is initially 30% lower than the MSCI World Small-cap index in 2020, with the intention being a subsequent 7% annual reduction[4].

The Sub-Fund promotes the following social characteristics:

- Decent work: such characteristics relate to people in their working lives or as workers, and build on the decent-work agenda by the International Labour Organization and its four pillars (employment creation, social protection, rights at work and social dialogue);
- Adequate living standards and well-being for end-users: such characteristics relate to people in their role as end-users of certain products and services, which can either pose heightened health or safety risks or have the potential to help

[4] Please note that underlying company carbon data is typically reported on an annual basis with a lag of up to 2 years. Therefore, starting point is defined as Scope 1 & 2 carbon intensity of the MSCI World Small-cap Index based on carbon data over calendar year 2020, and holdings and weights as of 12/31/2022. Similarly, the mid-term target for the Sub-Fund's Weighted Average Carbon Intensity ("WACI") to be below the EU Climate Transition Benchmark, as described in the above, is based on portfolio weightings as at 31/12/2030 and underlying carbon emission data over calendar year 2028.

people to meet basic human needs (e.g. right to health, food, housing and education);
- Diversity, equality and inclusion: such characteristics would, for instance, include gender diversity and equality.

No specific reference benchmark has been designated for the purpose of attaining the above social characteristics.

10.2. Exclusion and annual screening on compliance with global norms

The Sub-Fund intends to avoid companies involved in significant controversies that violate global norms related to human rights, labour, the environment, and corruption. Companies violating international principles and conventions, such as the United Nations Global Compact, the UN Guiding Principles for Business and Human Rights, the UN Principles for Responsible Investment and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, are excluded from the investible universe.

On an annual basis, the portfolio holdings are screened to determine to what extent these holdings remain in compliance with the global norms described above. We make use of third-party ESG research providers (source: Sustainalytics and Bloomberg) to assess the level and materiality of controversies. The Sub-Fund excludes companies that are in breach of or are on a watchlist for UNGC compliance. Furthermore, significant controversies are identified as category 4-5 (on a scale of 1-5, with 5 being the most severe type of controversy). The Sub-Fund avoids investing in companies facing significant controversies.

10.3. Policy to assess good governance practices

For each potential Portfolio Company, a corporate governance assessment is prepared, which results in an internal governance score. Third party validated research (source: Sustainalytics) is used as a starting point for analysis. Lightrock NL reviews the third party ESG research and overwrites if such adjustments are warranted. Governance is scored on a 1–5-point scale, where which 1 is a low score / high risk, and 5 is a high score / low risk.

A Portfolio Company may be said to exhibit good governance practices if the proprietary governance score is 2 or higher, and if there are no significant governance controversies (as per the definition provided supra).

10.4. Do No Significant Harm (DNSH) test for Sustainable Investments

The Sub-Fund is expected to make Sustainable Investments. These are companies deriving at least 20% of their revenues from Sustainable Activities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

The Sub-Fund makes use of the Principle Adverse Indicators (PAI) to demonstrate that an investment qualifies as a sustainable investment. Appendix 1b outlines how the PAI indicators were used to demonstrate that the Sustainable Investments made by the Sub-Fund cause no significant harm to any sustainable investment objectives.

The Sub-Fund considers all 14 mandatory PAIs plus four additional impact indicators for this purpose, as outlined in Appendix 1. The definitions used are those provided in Annex 1 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council.

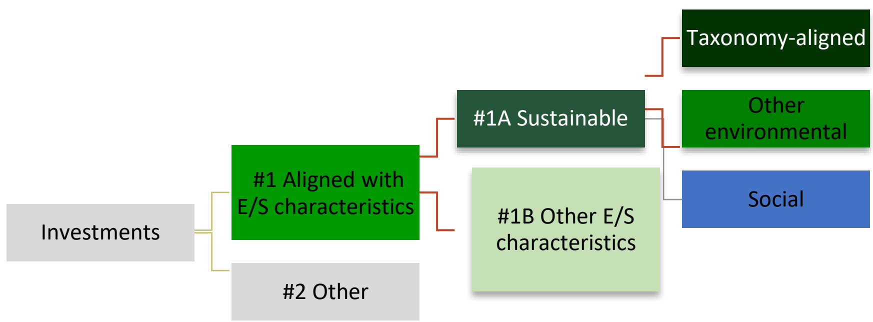
Lightrock NL relies on 3rd party data provided by Sustainalytics to determine whether a sustainable investment company demonstrates Do No Significant Harm. Lightrock NL recognises that, currently, data availability and quality may be limited, particularly for small-cap companies. Where data is not relevant, unavailable or is of insufficient quality, Lightrock NL considers a particular PAI to be out-of-scope.

In the case of an out-of-scope PAI, Lightrock NL engages in a best effort attempt, and where it is deemed relevant, through its active ownership approach, to determine if a company does not violate the Do No Significant Harm test.

10.5. Sustainable Investments and Taxonomy aligned sustainable investments

The Sub-Fund is expected to invest 90-100% of its Net Asset Value in companies aligned with environmental and social characteristics. Only those companies that exhibit Good Governance practices may be considered aligned with environmental and social characteristics. In practice, the 0-10% of the Net Asset Value not invested in such companies relates to cash and cash equivalents.

The Sub-Fund is expected to make Sustainable Investments. The Sub-Fund commits to investing a **minimum of 15% of its Net Asset Value** in such companies. These investments are broken down in taxonomy-aligned investments, and investments with other environmental and social objectives. Lightrock NL makes use of third-party data vendors to determine whether a company is a sustainable investment, or an EU Taxonomy aligned investment, and whether it passes the Do No Significant Harm (DNSH) test. The Sub-Fund will report on Sustainable investments and Taxonomy aligned sustainable investments as per the Sustainable Finance Disclosure Regulation ("SFDR").



10.5.1. Taxonomy-aligned

The Sub-Fund's minimum extent of investments aligned with the Sustainable Activities as stipulated in the EU Taxonomy will be 3%. The Sub-Fund aims for the total Sustainable Investments to be above the minimum commitment.

10.5.2. Other environmental and social

Furthermore, Sustainable Investments comprise of companies active in certain specified environmental and social activities[5]. A minimum threshold of 20% of revenues is applied to

[5] Environmental activities included: focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources.

determine if a portfolio company is a Sustainable Investment. The percentage of revenues of a Portfolio Company stemming from Sustainable Activities is provided by third-party data vendor(s).

The Sub-Fund's minimum share of Sustainable Investments with an environmental objective that are not aligned with the EU Taxonomy will be 5%. Similarly, the minimum share of socially Sustainable Investments will be 1%. The Sub-Fund aims for the total Sustainable Investments to be above the minimum commitment.

10.6. Disclosure of Principle Adverse Impact (PAI) indicators

10.6.1. Sub-Fund level disclosure

The Sub-Fund considers Principal Adverse Impacts indicators to determine to what extent Portfolio Companies adversely affect the Sustainability Factors related to the environmental and social characteristics promoted by the Sub-Fund. The Principe Adverse Impact indicators are also used to demonstrate that Sustainable Investments made by the Sub-Fund cause no significant harm to any sustainable investment objectives.

In addition to the 14 PAI indicators under the Sustainable Finance Disclosure Regulation annex 1 statement, the Sub-Fund considers several additional PAI indicators. The Sub-Fund considers the following additional climate and other environment-related indicators: 1) the share of investments in companies without carbon emission reduction initiatives; 2) the share of investments in companies without a policy to address deforestation; 3) the share of investments in entities without a human rights policy, and; 4) the number of identified cases of severe human rights issues and incidents.

Please refer to Appendix 1a for a comprehensive list of the PAI indicators used to identify, monitor, and report on these Sustainability Factors. Appendix 1b describes how the PAI indicators are used to demonstrate that sustainable investments made by the Sub-Fund do no significant harm.

To obtain information on PAI indicators, we source data from an external vendor (Sustainalytics) on an individual holding level. Overall portfolio and entity-level PAI information is prepared by aggregating the individual holding data. Measurement is conducted minimally on a quarterly basis, while reporting is done annually.

10.6.2. Entity level disclosure

Lightrock NL considers Principal Adverse Impacts indicators to determine to what extent its investments adversely affect Sustainability Factors. In line with article 4 SFDR, Lightrock NL will publish an annual PAI statement on its website.

Oversight, monitoring, and review of PAI indicators

An internal Impact & ESG Advisory Council has been established for the purpose of safeguarding quality and consistency with respect to assessing and monitoring ESG and impact considerations. For more on the Advisory Council, please refer to chapter "Governance, oversight and the monitoring cycle" in the Sustainability Risks and ESG policy.

Social activities included: access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries.

The Impact & ESG Advisory Council, in addition to other tasks described in the above, safeguards quality and consistency of the reporting on PAI Indicators. The Impact & ESG Advisory Council advises Lightrock NL on the selection of additional PAI Indicators during an annual review cycle.

Additional PAI selection methodology

In addition to the 14 PAI indicators under the Sustainable Finance Disclosure Regulation, Lightrock NL considers the following four additional PAI indicators: 1) the share of investments in companies without carbon emission reduction initiatives; 2) the share of investments in companies without a policy to address deforestation; 3) the share of investments in entities without a human rights policy, and; 4) the number of identified cases of severe human rights issues and incidents.

The additional PAI indicators reflect Sustainability Factors that Lightrock NL considers particularly important, and which are integrated throughout the investment process of the Sub-Fund(s) managed by Lightrock NL. This was determined by assessing factors such as severity, probability of occurrence and potential irremediability of the underlying (direct or indirect) adverse impact. In addition, Lightrock NL considers whether the additional PAI indicators are measurable today, recognizing that data availability may be limited. In the below, additional background for each of the four additional PAI indicators is provided.

1) *The share of investments in companies without carbon emission reduction initiatives.*
   Lightrock NL recognizes climate change presents a material risk and climate change mitigation is one of the key environmental characteristics taken into account by Lightrock NL. Carbon emission reduction initiatives are an important tool in the toolkit to mitigate climate change. As explained in the Climate Change Policy, all Portfolio Companies are scored and, when necessary, engaged, on their climate change reduction initiatives, which makes this PAI highly relevant to measure how investments made by Lightrock perform in this regard.
2) *The share of investments in companies without a policy to address deforestation.*
   Lightrock NL considers the consequences of reductions in biodiversity to be severe and long-lasting. Deforestation is seen by Lightrock NL as a significant driver of biodiversity reduction globally. Thus, Lightrock NL considers deforestation policies a requirement for companies with activities that may have a material adverse impact on deforestation, such as mining, forestry, and agriculture. This PAI allows Lightrock NL to monitor if in-scope companies have the required policies in place.
3) *The share of investments in entities without a human rights policy.*
   Lightrock NL excludes investments violating international principles and conventions, and / or involved in severe controversies related to human rights. Once a company is in the portfolio, a human rights policy is deemed important to safeguard that the company continues to meet this requirement.
4) *The number of identified cases of severe human rights issues and incidents.*
   Lightrock NL aims to avoid investing in companies involved with severe controversies related to human rights violations. This PAI allows Lightrock to determine whether investments do not adversely affect human rights considerations.

The additional PAI indicators referred to in the above are subject to change as per Lightrock NL's annual review cycle as described in the above. Lightrock NL may in the future add more additional PAI indicators contingent on relevance, data quality, and data availability, or may choose to remove additional PAI indicators from its reporting cycle.

Prioritising and assessing PAI indicators

The PAI indicators are considered during the due diligence process, both as part of the pre-investment research phase and the continuous monitoring of investments. For every investment the PAI indicators are reviewed. Every year data is collected on each last day of the quarter in that year on all mandatory PAI indicators and the four additional PAI indicators. Once the data is received, Lightrock NL performs an assessment on the information of the previous year. The assessment should lead to observations regarding the previous year's impact. If the PAI indicators have materially worsened, an explanation will be requested from the Portfolio Company. The most significant adverse impacts are referred to as principal adverse impacts. For these principal adverse impacts, Lightrock NL will undertake further action to mitigate the negative impact, for example by engagement actions, please refer to chapter Engagement in this Sustainability Risks and ESG policy.

Data methodology

To obtain information on PAI indicators, Lightrock NL sources data from an external vendor (Sustainalytics) on an individual holding level. Overall portfolio and entity-level PAI information is prepared by aggregating the individual holding data. Measurement is conducted minimally on a quarterly basis, while reporting is done annually.

As further explained in the chapter on "Data sources and limitations" in the Sustainability Risks and ESG policy, Lightrock NL recognizes that there may be significant limitations when it comes to sustainability related data. SFDR related data, in particular, is subject to these limitations, as company reporting and third-party analysis is still relatively in its infancy.

When it comes to reporting on PAI indicators specifically, Lightrock NL notes the following data issues are relevant, and addresses these issues as follows:

No reported data	Companies may not have adequate reporting standards when it comes to PAI indicators. When no reported data is available, Lightrock NL relies on estimated data or interpretations by Sustainalytics.
No estimated data	In certain instances, Sustainalytics has no estimated data or interpretation available for a certain PAI for a company. In these cases, Lightrock NL either excludes the PAI indicator for a specific company when calculating aggregated PAI indicators, or assumes the company is not in scope of the PAI.
Incorrect data	It may occur that data provided by Sustainalytics is incorrect, outdated, or misinterpreted. In these instances, Lightrock NL would engage with Sustainalytics with the aim of improving quality of third-party data.

Lightrock NL will report the percentage data covered per PAI indicator. It is expected that the availability and quality of PAI indicator data will improve over time.

Appendix 1a: Principal Adverse Impact Indicators

TYPE	Principal Adverse Impact indicator[6]	Metric	Mitigating action
Climate and other environment	1. GHG emissions	Scope 1 GHG emissions	Engagement
		Scope 2 GHG emissions	Engagement
		Scope 3 GHG emissions	Engagement
		Total GHG emissions	Engagement
	2. Carbon footprint	Carbon footprint (Scope 1 & 2)	Engagement
	3. GHG intensity of investee companies	GHG intensity of investee companies (Scope 1 & 2)	Engagement
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	Exclusion
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Integration
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Engagement
	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	Exclusion
	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Integration
	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	Integration
Social and governance	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Exclusion
	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	Engagement
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	Integration
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	Integration
	14. Exposure to controversial weapons (anti-personnel	Share of investments in investee companies involved in the	Exclusion

[6] Principal Adverse Impact indicator and numbers refer to the corresponding impact indicators of Annex 1 of the Sustainable Finance Disclosure Regulation financial product disclosures.

	mines, cluster munitions, chemical weapons and biological weapons)	manufacture or selling of controversial weapons	

Additional impact indicators:

TYPE	Principal adverse impact indicator[7]	Metric	Mitigating action
Climate and other environment	2.4 Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	Engagement
	2.15 Deforestation	Share of investments in companies without a policy to address deforestation	Engagement
Social and governance	3.9 Lack of a human rights policy	Share of investments in entities without a human rights policy	Engagement
	3.14 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	Exclusion

Appendix 1b: Demonstrating Do No Significant Harm

The Sub-Fund makes use of the Principle Adverse Indicators (PAI) to demonstrate than an investment qualifies as a sustainable investment. This appendix outlines how the PAI indicators were used to demonstrate that the Sustainable Investments made by the Sub-Fund cause no significant harm to any sustainable investment objectives.

The Sub-Fund considers all 14 mandatory PAIs plus four additional impact indicators for this purpose. The definitions used are those provided in Annex 1 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council.

Lightrock NL relies on 3rd party data provided by Sustainalytics to determine whether a sustainable investment company demonstrates Do No Significant Harm. Lightrock NL recognises that, currently, data availability and quality may be limited, particularly for small-cap companies. Where data is unavailable or is of insufficient quality, Lightrock NL considers a particular PAI to be out-of-scope.

In the case of an out-of-scope PAI, Lightrock NL engages in a best effort attempt, and where it is deemed relevant, through its active ownership approach, to determine if a company does not violate the Do No Significant Harm test.

Climate and other environment-related indicators

1. GHG emissions

Metric	*Rationale*	*DNSH Condition*
Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	Lightrock NL recognizes certain levels of emissions may be unavoidable for companies that have positive impact in terms of net emissions avoided[8]. Lightrock NL does not consider such	A company demonstrates DNSH if: - Net emissions avoided[8] through the company's products or services are positive, or;

[7] Ibid.
[8] Net Emissions Avoided is defined by Lightrock NL as the total emissions avoided through a company's products or services in a given calendar year, minus the sum of Scope 1 and 2 emissions generated by the company in the same calendar year.

	emissions as significantly harmful if net emissions avoided are positive. For other companies, we consider GHG emissions problematic if the company is in the top 50% contributors to the Sub-Fund's Carbon Intensity and does not have adequate policies to measure, report, track, and reduce such emissions. Companies that are in the top 50% contributors to the Sub-Fund's Carbon Intensity that score poorly in Lightrock NL's climate change assessment will be engaged with in accordance with the Climate Change Policy.	- The company is not a top 50% contributor to the Sub-Fund's Carbon Intensity, or; - If the company is a top 50% contributor to the Sub-Fund's Carbon Intensity but demonstrates solid practices in terms of climate change mitigation. In practice this means a score of 4 or higher (out of 5) in Lightrock NL's climate change score.

2. Carbon footprint

Metric	*Rationale*	*DNSH Condition*
Carbon footprint (based on Scope 1, 2 and 3 GHG emissions)	Lightrock NL recognizes certain levels of emissions may be unavoidable for companies that have positive impact in terms of net emissions avoided[8]. Lightrock NL does not consider such emissions as significantly harmful if net emissions avoided are positive. For other companies, we consider GHG emissions problematic if the company is in the top 50% contributors to the Sub-Fund's Carbon Intensity and does not have adequate policies to measure, report, track, and reduce such emissions. Companies that are in the top 50% contributors to the Sub-Fund's Carbon Intensity that score poorly in Lightrock NL's climate change assessment will be engaged with in accordance with the Climate Change Policy.	A company demonstrates DNSH if: - Net emissions avoided[8] through the company's products or services are positive, or; - The company is not a top 50% contributor to the Sub-Fund's Carbon Intensity, or; - If the company is a top 50% contributor to the Sub-Fund's Carbon Intensity but demonstrates solid practices in terms of climate change mitigation. In practice this means a score of 4 or higher (out of 5) in Lightrock NL's climate change score.

3. GHG intensity of investee companies

Metric	*Rationale*	*DNSH Condition*
GHG intensity of investee companies' (based on Scope 1, 2 and 3 GHG emissions)	Lightrock NL recognizes certain levels of emissions may be unavoidable for companies that have positive impact in terms of	A company demonstrates DNSH if: - Net emissions avoided[8] through the company's

	net emissions avoided[8]. Lightrock NL does not consider such emissions as significantly harmful if net emissions avoided are positive. For other companies, we consider GHG emissions problematic if the company is in the top 50% contributors to the Sub-Fund's Carbon Intensity and does not have adequate policies to measure, report, track, and reduce such emissions. Companies that are in the top 50% contributors to the Sub-Fund's Carbon Intensity that score poorly in Lightrock NL's climate change assessment will be engaged with in accordance with the Climate Change Policy. The Sub-Fund Fund aims to have a carbon intensity that is below the EU Climate Transition Benchmark pathway. This pathway assumes a carbon intensity of the Sub-Fund that is initially 30% lower than the MSCI World Small-cap index in 2020, with the intention being a subsequent 7% annual reduction.	products or services are positive, or; - The company is not a top 50% contributor to the Sub-Fund's Carbon Intensity, or; - If the company is a top 50% contributor to the Sub-Fund's Carbon Intensity but demonstrates solid practices in terms of climate change mitigation. In practice this means a score of 4 or higher (out of 5) in Lightrock NL's climate change score.

4. Exposure to companies active in the fossil fuel sector

Metric	*Rationale*	*DNSH Condition*
Share of investments in companies active in the fossil fuel sector	Lightrock NL recognizes the widespread and severe impact of climate change on the health of our planet and the well-being of future generations. Effects of climate change can be far-reaching and long-lasting. The fossil fuel sector has a material impact on climate change.	A company demonstrates DNSH if: - The company does not derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.

5. Share of non-renewable energy consumption and production

Metric	*Rationale*	*DNSH Condition*
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable	A company's commitments to reduce GHG emissions should be underpinned by concrete actions, an example of which is the use of	A company demonstrates DNSH if: - The company derives at least any of the energy

energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	renewable energy in both the investee company's energy production and consumption.	used from renewable sources, or; - The company currently does not uses renewable energy, but has committed to a mid-term Scope 1, 2 emissions reduction target, underpinned by concrete actions. This is scored in Lightrock NL's proprietary Climate Change assessment, or; - The company does not use renewable energy, and has no Scope 1, 2 emissions reduction target, but is not active in a high impact climate sector[9] or is not among the top 50% contributors to WACI. In this case, the company will be engaged with. The company is expected to commit to energy reduction initiatives in a reasonable timeframe (3-5 years), after which, without improvement, the company will fail our DNSH criteria.

6. Energy consumption intensity per high impact climate sector[9]

Metric	*Rationale*	*DNSH Condition*
Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Lightrock NL recognizes that companies operating in high impact climate sectors, with products and services that are aligned with environmental or social objectives, would require energy consumption to do so. Energy should be consumed responsibly, ideally using renewable energy where possible.	A company demonstrates DNSH if: - The company has initiatives in place to reduce energy consumption intensity, or; - Has the ambition to use renewable energy sources for the company's energy needs, or; - The company is not active in a high impact climate sector, or; - There is no data on energy intensity available, in which case

[9] High climate impact sectors are those listed in NACE Sections A to H and Section L. (as defined in the Regulation (EU) 2019/2088 and Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments) To what NACE sector a company is assigned is based on the view of Lightrock NL.

		the PAI is considered out of scope.

7. Activities negatively affecting biodiversity-sensitive areas

Metric	*Rationale*	*DNSH Condition*
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.	Lightrock NL recognizes the vital importance of biodiversity for the health of our planet and the well-being of future generations. The consequences of reductions in biodiversity can be severe and long-lasting. The Sub-Fund promotes the protection and restoration of biodiversity and ecosystems.	A company demonstrates DNSH if: - The company is not directly involved in severe controversies related to activities negatively affecting biodiversity-sensitive areas; - The company is not directly engaged in activities that particularly affect biodiversity, such as precious metals mining, coal mining, deforestation, and palm oil.

8. Emissions to water

Metric	*Rationale*	*DNSH Condition*
Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	Lightrock NL considers the emission to water of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council as harmful.	A company demonstrates DNSH if: - The company is not directly involved in severe controversies related to emission of priority substances to water.

9. Hazardous waste and radioactive waste ratio

Metric	*Rationale*	*DNSH Condition*
Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	Lightrock NL recognizes certain processes related to products and services with positive impact produce hazardous waste.	A company demonstrates DNSH if: - The company is not directly involved in severe controversies related to hazardous waste; - The company reports on hazardous waste, where relevant, and commits to limiting hazardous waste where feasible.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters.

10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

Metric	*Rationale*	*DNSH Condition*
Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Companies that violate the United Nations Global Compact principles are excluded.	A company demonstrates DNSH if: - The company is compliant with UNGC and the company is not on a UNGC watch list.

11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

Metric	*Rationale*	*DNSH Condition*
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	Lightrock NL considers compliance mechanisms and processes to comply with the UNGC principles as an important aspect of corporate governance.	A company demonstrates DNSH if: - The company has appropriate mechanisms in place to monitor compliance based on Lightrock NL's proprietary governance assessment (Stakeholder Governance), or; - Any shortfalls pertaining to policies related to the UNGC principles and / or OECD guidelines that come up as part of the proprietary governance assessment are cause for engagement with the company, as per our active ownership approach outlined in the Sustainability Risks and ESG Policy. In such a case, the company is expected to improve in a reasonable timeframe (3-5 years), after which, without improvement, the company will fail our DNSH criteria.

12. Unadjusted gender pay gap

Metric	*Rationale*	*DNSH Condition*
Average unadjusted gender pay gap of investee companies	Lightrock NL recognizes that data availability on the unadjusted gender pay gap is very limited. For those companies that do report, the direction of the gender pay gap and initiatives to close this gap are more important at this stage than the level of the gap itself.	A company demonstrates DNSH if: - The company has a gender pay gap of less than 25%, or; - The company's gender pay gap is improving through time, or; - The company has initiatives or policies in

		- place to minimize the gender pay gap. If there is no data available, Lightrock NL considers this PAI out of scope.

13. Board gender diversity

Metric	*Rationale*	*DNSH Condition*
Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	The Sub-Fund promotes gender diversity. Lightrock NL recognizes that board gender diversity globally differs per region, with Japan typically lagging behind Europe and North America. At least one board member should be female. Companies with at least one female board member, but with less than 30% female board member representation will be engaged with.	A company demonstrates DNSH if: - The company has at least one female board member, or; - The company is expected to propose at least one female board member at the next AGM.

14. Exposure to controversial weapons

Metric	*Rationale*	*DNSH Condition*
Share of investments in investee companies involved in the manufacture or selling of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Lightrock NL excludes investment in companies involved with controversial weapons.	A company demonstrates DNSH if: - The company does not derive any revenues from the manufacture or selling of controversial weapons.

2.4. Investments in companies without carbon emission reduction initiatives

Metric	*Rationale*	*DNSH Condition*
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	Companies with a significant contribution to the carbon intensity (Scope 1 & 2) of the Sub-Fund should have a target to reduce these emissions. Such a target preferably is in-line with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial temperatures. Targets should be backed up by concrete actions and initiatives to reduce emissions. Companies that have no targets, or have targets to lower emissions that are not in-line with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial temperatures, will be engaged with, as per the Climate Change policy.	This impact indicator is considered in-scope for companies that are among the top 50% contributors to the Sub-Fund's Carbon Intensity. A company demonstrates DNSH if: - The company has set a Scope 1 & 2 carbon reduction target that is aligned with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial temperatures, and the company has a carbon reduction roadmap to back this up, or; - Companies that are among the top 50%

		contributors to the Sub-Fund's carbon intensity and that lack carbon emission reduction initiatives will be engaged with. In such a case, the company is expected to improve in a reasonable timeframe (3-5 years), after which, without improvement, the company will fail our DNSH criteria.

2.15. Deforestation

Metric	*Rationale*	*DNSH Condition*
Share of investments in companies without a policy to address deforestation	Deforestation is considered as a main cause or accelerator of biodiversity loss and the Sub-Fund avoids investments in companies with unsustainable forestry practices or other activities that lead to deforestation.	This impact indicator is considered in-scope for companies with activities that may have a material adverse impact on deforestation, such as mining, forestry, and agriculture. A company demonstrates DNSH if: - The company has a policy to address deforestation, or; - The company is a forestry or lumber company that use >90% certified sustainably sourced fiber.

3.9. Lack of human rights policy

Metric	*Rationale*	*DNSH Condition*
Share of investments in entities without a human rights policy	The Sub-Fund excludes investments violating international principles and conventions, and / or involved in severe controversies related to human rights. Once a company is in the portfolio, a human rights policy is deemed important to safeguard the company continues to meet this requirement.	A company demonstrates DNSH if: - The company has published a human rights policy with minimally a commitment to respect human rights, or; - The company is signatory to the United Nations Global Compact and thus abides by the NGC's ten universally accepted principles which include human rights, or; - The company is not involved in moderate to severe human rights controversies but lacks a policy. In such a case, the company is expected to improve in a

		reasonable timeframe (3-5 years), after which, without improvement, the company will fail our DNSH criteria.

3.14. Number of identified cases of severe human rights issues and incidents

Metric	*Rationale*	*DNSH Condition*
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	Companies involved in severe controversies, including those related to human rights, are excluded from the Sub-Fund.	A company demonstrates DNSH if: - The company is not involved in severe human rights issues or incidents.

Appendix 2: Climate change policy

Lightrock NL recognizes the widespread and severe impact of climate change on the health of our planet and the well-being of future generations. Effects of climate change can be far-reaching and long-lasting. Thus, climate change presents a material risk and climate change mitigation is one of the key environmental characteristics taken into account by Lightrock NL. Climate change is fully integrated into Lightrock NL's investment process, through Exclusion, Integration, Engagement, Impact, and Voting.

Materiality

Mitigating climate change is of utmost importance for the health of the planet and the well-being of future generations. Human activities, such as the burning of fossil fuels, industrial processes that release greenhouse gases, and deforestation have a profound impact on climate change. Such activities are associated with rapid increases in global temperatures as compared with pre-industrial averages, rising sea levels, increased probability of extreme weather events, and the disruption of ecosystems.

Climate change has widespread and severe consequences. For example, rising temperatures contribute to the melting of glaciers and polar ice. In turn, this results in the rising of global sea levels. Since the 1880s, global average sea levels have risen between 21 and 24 centimetres (as per NOAA Climate.gov) and the pace at which sea levels rise is accelerating. The increase in sea levels is associated with coastal erosion and an increased risk of flooding. It may ultimately lead to the displacement of those living in lower lying, coastal areas. In a high emission scenario, estimates are for a more than 2 meters increase in the average sea level by 2100.

Furthermore, the global warming of the planet is associated with an increased probability and intensity of extreme weather events, such as heatwaves, wildfires, hurricanes, and droughts. This is a major threat to public health and food security. Heatwave incidence has already increased markedly over the past century. Furthermore, it is estimated that an increase in global temperatures of 2°C relative to pre-industrial levels makes the risk of extreme heatwaves higher by a factor of up to 20 times, potentially making fast swathes of earth unliveable by 2100. Besides severe public health risks, extreme heat also lowers productivity, a function of less daylight hours available for work, and affects agriculture and livestock yields, which lowers food security.

Climate change mitigation is essential to preserve the health of the planet and the wellbeing of future generations. Reducing greenhouse gas emissions, therefore, is essential. It is necessary to transition to renewable energy sources and to lower the carbon intensity of industrial processes to ensure a liveable planet for future generations.

Commitment

Lightrock NL commits to reach net zero greenhouse gas emissions on a portfolio level by 2050, in line with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial temperatures. In addition to this long-term commitment, Sub-Fund(s) for which Lightrock NL is the investment manager have intermediate greenhouse gas reduction goals.

Investment Approach

Our approach with respect to climate is based on the pillars of Exclusion, Integration, Engagement, Impact and Voting. Worst performers with respect to climate change risks are excluded. Climate change risks are factored into investment analysis and portfolio construction. Lightrock NL has developed a tailored engagement approach for worst performers on the theme of climate change. Lightrock NL may make investments that are expected to have a positive impact on climate change but is not required to do so.

Exclusion

The first pillar is exclusion. Lightrock NL will avoid investing in companies engaged in those activities most harmful to the climate. Companies that violate the United Nationals Global Compact principles on the Environment are excluded as well. Companies that engage in activities that are heavily polluting may be excluded as well. Please refer to Appendix 4 for the full set of exclusion criteria.

Integration

Lightrock NL integrates climate change considerations into its investment analysis and decision-making processes, recognizing the potential risks associated with climate change and potential opportunities of climate change mitigation.

For each Portfolio Company, Lightrock NL determines whether climate change is a material Sustainability Factor. For companies with material climate change risk, management efforts to mitigate this risk are assessed and scored. Third party research may provide the starting point for analysis. In addition, Lightrock NL performs proprietary research.

Lightrock NL has developed a proprietary climate change risk score system, based on the four pillars of: measuring, target-setting, acting, and governing. Each company in the portfolio is scored according to this framework. Low scores on each of the four pillars would trigger a direct company engagement as described in the below.

Engagement

Lightrock NL pursues an investment strategy that combines the principles of long-term investing with responsible active ownership. Lightrock NL intends to engage companies that underperform from the perspective of climate change mitigation and adaption. A special focus will be on high impact sectors, as well as the top 50% contributors to the weighted average carbon intensity of Sub-Fund(s) managed by Lightrock NL. A specific framework for engagement on climate change will be used. This framework is based on the four pillars of: measuring, target-setting, acting, and governing.

<u>Measuring</u> - Assessing and mitigating a company's GHG risk requires proper measurement and disclosure of carbon emissions. Companies with measurement and disclosure practices that are deemed sub-standard by Lightrock NL will be engaged with. Emission reporting should cover a company's entire scope of operations. We aim for GHG data that is assured by a third-party auditor.

<u>Target-setting</u> - Once a company has determined its GHG footprint, the next step is setting clear and ambitious targets to reduce emissions, ideally commensurate with the Paris Goal of limiting global warming to 1.5°C above pre-industrial levels by 2050. We consider "science-based targets" to be best practice and encourage companies to join the Science Based Targets initiative (SBTi). Emission reduction should substantially be achieved by operational initiatives, with CO2 offsets only serving as a last resort.

<u>Acting</u> - We require companies to act on their ambitions. We do not want empty promises. For example, GHG reduction targets should be underpinned by a concrete roadmap or strategy on how to achieve

them. Companies that fail to act on their promises will be engaged with.

<u>Governing</u> - Climate change is a highly important topic that should be properly governed within a company. Good governance and procedures to manage climate risks should be in place. Management incentives should reflect the company's promises on GHG emissions reduction. Companies without the proper climate change governance in place will be engaged with.

Failure to achieve engagement objectives may trigger escalation by Lightrock NL, which may include voting against management on the company's Annual General Meeting; the voicing of concerns through a public letter; the proposal of agenda items on the company's Annual General Meeting; and ultimately the divestment of the Lightrock NL's position in the Portfolio Company.

Impact
Lightrock may invest in companies with a positive impact on climate change. These may be companies with revenues that fall within the EU Taxonomy for Sustainable Activities, or they may be classified as other environmental, Sustainable Investments (e.g., >20% of revenues from such activities). Please refer to the chapter on "Impact" for more information about Lightrock NL's proprietary impact framework.

Voting
Lightrock NL adheres to the voting policy when it comes to climate change related voting. Lightrock NL reserves the right to vote against management recommendation on shareholder proposals related to climate change mitigation or adaption.

Reporting
Lightrock NL will report on greenhouse gas emissions in-line with the disclosure as required by SFDR. Lightrock NL will publish an annual PAI statement on its website, which includes data on greenhouse gas emissions, carbon intensity, and carbon footprint on an entity level.

Appendix 3: Biodiversity policy

Lightrock NL recognizes the vital importance of biodiversity for the health of our planet and the well-being of future generations. The consequences of reductions in biodiversity can be severe and long-lasting. Lightrock promotes the protection and restoration of biodiversity and ecosystems. Biodiversity considerations are integrated into the investment process. This policy outlies our investment approach with respect to biodiversity.

Materiality

Biodiversity refers to the variety of ecosystems (natural capital), species and genes in the world or in a particular habitat. It encompasses the diversity of species, their genetic variations, and the complex interactions and interdependencies between different organisms and their environments. Biodiversity is essential for maintaining the health and resilience of ecosystems, as well as providing numerous ecological, economic, and cultural benefits to humanity.

Biodiversity loss has a cascading effect on ecosystems. Examples are the loss of resiliency of ecosystems, declines in environmental (e.g., soil, water, etc.) quality, the reduction of genetic resources and risk of species extinction. In turn, this can affect food security, the risk of natural disasters and lead to economic losses.

Biodiversity has been declining at an alarming rate in past decades. The UN, in a 2019 report, estimates that one million out of eight million existing species are threatened with extinction. As per the Living Planet Report 2022, by the World Wildlife Foundation, earth witnessed an average 69% decline in species populations since 1970. The health of oceans similarly has declined substantially, with the world's oceans already having lost around 50% of warm-water coral reefs (Source: WWF's Living Planet Report, 2022). Forests capture carbon, stabilise the climate and mitigate rising temperatures. However, every year significant swaths of the planet's forest are lost. Deforestation causes increased carbon emissions, droughts, desertification and leads to warmer, drier local climates.

The main causes of this biodiversity loss stem from human interaction with nature. Deforestation, urbanization and increasing prevalence of farming monoculture have changed the use of land, with detrimental effects on biodiversity. Over-fishing and offshore resource extraction continue to affect the health of our oceans. Pollution and climate change are further causes of decreasing biodiversity.

Investment Approach

Our approach with respect to biodiversity is based on the pillars of Exclusion, Integration, Engagement, Impact and Voting. Worst performers with respect to biodiversity are excluded. Biodiversity may be factored into investment analysis and portfolio construction. Lightrock NL may make investments that are expected to have a positive impact on promoting biodiversity but is not required to do so.

Exclusion

Companies with severe controversies related to biodiversity loss are excluded. Business activities that negatively affect biodiversity, such as unsustainable forestry and fishing practices, and activities associated with deforestation are excluded.

Lightrock NL recognizes that climate change presents perhaps the biggest risk factor to biodiversity and planetary health. In this light, Lightrock NL avoids investment in companies that have a material, adverse effect on climate change. In addition, activities that in the view of Lightrock NL particularly affect biodiversity, such as precious metals mining, are excluded. Deforestation is considered as another main cause or accelerator of biodiversity loss and Lightrock NL avoids investments in companies with unsustainable forestry practices or other activities that lead to deforestation. For more on this, see "Appendix 2: Climate change policy" above and "Appendix 4: Exclusion criteria" below.

Integration

Lightrock integrates biodiversity considerations into its investment analysis and decision-making processes, recognizing the potential risks associated with biodiversity loss and potential opportunities of biodiversity risk mitigation.

For each Portfolio Company, Lightrock NL determines whether biodiversity is a material Sustainability Factor. Companies with activities negatively affecting biodiversity-sensitive areas (Principal Adverse Indicator 1.7) are included in this. For companies with material biodiversity risk, management efforts to mitigate this risk are assessed and scored. Third party research may provide the starting point for analysis. In addition, Lightrock NL performs proprietary research.

Engagement

Lightrock NL pursues an investment strategy that combines the principles of long-term investing with responsible active ownership. Lightrock NL may engage with portfolio companies with activities negatively affecting biodiversity-sensitive areas. Portfolio Companies with activities negatively affecting biodiversity-sensitive areas are expected to report on their biodiversity-related impacts and performance. Failure to achieve engagement objectives may trigger escalation by Lightrock NL, which may include voting against management on the company's Annual General Meeting; the voicing of concerns through a public letter; the proposal of agenda items on the company's Annual General Meeting; and ultimately the divestment of Lightrock NL's position in the Portfolio Company.

Impact

Lightrock NL may invest in companies with activities that promote biodiversity or that mitigate biodiversity risk. There is no minimum investment target set for such companies.

Voting

Lightrock NL adheres to the voting policy when it comes to biodiversity related voting. Lightrock NL reserves the right to vote against management recommendation on shareholder proposals related to biodiversity.

Reporting

Lightrock NL will report on biodiversity through disclosing the share of investments in companies without a policy to address deforestation in Lightrock NL's annual PAI statement that will be reported on the website.

Appendix 4: Exclusion criteria

Exclusion criteria | conduct

BUSINESS CONDUCT	SPECIFICATION	CRITERIA
HUMAN RIGHTS	Activities that directly or indirectly violate human rights as defined by the United Nations Universal Declaration of Human Rights.	Companies non-compliant with the UN Universal Declaration of Human Rights are excluded

	Companies that violate the United Nations Global Compact principles on Human Rights.	UNGC non-compliant and watch list companies are excluded
LABOUR RIGHTS	Companies that violate the United Nations Global Compact principles on Labour Rights.	UNGC non-compliant and watch list companies are excluded
	Companies involved with forced and/or child labor	Companies involved with forced and/or child labor are excluded
ENVIRONMENTAL	Companies that violate the United Nations Global Compact principles on the Environment.	UNGC non-compliant and watch list companies are excluded
BUSINESS ETHICS	Companies that violate the United Nations Global Compact principles on Business Ethics	UNGC non-compliant and watch list companies are excluded

Exclusion criteria | business conduct

BUSINESS ACTIVITY	SPECIFICATION	REVENUE THRESHOLD
Adult entertainment	Companies deriving revenues from the production, trade in, and distribution of pornography and related services, and/or prostitution.	5%
Alcohol	Companies deriving revenues from production of or trade in alcoholic beverages (excluding beer and wine).	5%
Animal welfare	Companies conducting animal testing for non-pharmaceutical products, unless legally required.	N/A
Asbestos	Companies deriving revenues from production of or trade in or use of unbounded asbestos fibres.	5%
Cannabis	Companies deriving revenues from production of or trade in cannabis for non-medical use.	5%
Coal	Companies deriving revenues from the production or distribution of thermal coal.	5%
Forestry | unsustainable	Companies deriving revenues from the production of or trade in wood or other forestry products other than from sustainably managed forests.	5%
Fishing | unsustainable	Companies deriving revenues from unsustainable fishing methods (e.g., blast fishing and drift net fishing using nets in excess of 2.5km long), and marine and costal fishing products such as large-scale pelagic drift net fishing, harmful activities to marine biodiversity and habitats.	5%
Gambling	Companies deriving revenues from gambling products and services.	5%
Nuclear	Companies deriving revenues from production or trade in radioactive materials, excluding the purchase of medical equipment, quality control equipment, or any equipment where the radioactive source is considered trivial and/or adequately shielded.	5%
	Companies deriving revenue from the production of nuclear energy.	5%
Oil & gas | conventional	Companies deriving revenues from the exploration, production, refining or distribution of conventional oil and gas. Companies meeting one or more of the inclusion criteria (see below) are eligible for investment.	5%
	Companies deriving revenues from products and services directly and specifically facilitating the exploration, production, refining or distribution of conventional oil and gas. Companies meeting the inclusion criteria (see below) are eligible for investment.	25%
Oil & gas | unconventional	Companies deriving revenues from the exploration and production of unconventional oil and gas (tar sands, shale oil and gas, arctic oil and gas).	5%
	Companies deriving revenues from products and services directly and specifically facilitating the exploration, production, refining or distribution of unconventional oil and gas. Companies meeting the inclusion criteria (see below) are eligible for investment.	25%
Pesticides | banned	Companies deriving revenues from production or trade in pesticides subject to international phase outs or bans.	5%
Pharmaceuticals | banned	Companies deriving revenues from production or trade in pharmaceuticals subject to international phase outs or bans.	5%
Power generation | non-renewable	Companies involved in power generation from non-renewable energy sources.	5%

Power generation | non-renewable	Companies involved in the construction of new non-renewable power generation plants	0%
Tobacco	Companies deriving revenues from the production of tobacco products.	5%
	Companies deriving revenues from the distribution of tobacco products.	5%
	Companies deriving revenues from the sale of tobacco products.	5%
Weaponry	Companies deriving revenues from the production or distribution of conventional weapons and related products / services.	5%
	Companies involved in the production or distribution of controversial weaponry (e.g. anti-personnel landmines, biological weapons, chemical weapons, cluster ammunition, nuclear weapons) and related services, are excluded.	0%

Oil & Gas inclusion criteria

Lightrock NL recognizes certain companies involved with conventional Oil & Gas exploration, production, refining, logistics or distributions may be in the process of transforming into sustainable companies. On a forward-looking basis, certain companies that fail the above activity test may be included if each of the following criteria is satisfied. Inclusion criteria for conventional Oil & Gas are described below.

Companies meeting each of the following criteria are not excluded:

- The company has a GHG reduction target in-line with the Paris Agreement goal of limiting global warming to 1.5°C above pre-industrial average (e.g., a long-term net zero carbon target);
- The company will derive meaningful revenues from products or services contributing to decarbonisation in the mid-term, with the expectation that by 2030 at least 15% of revenues will be derived from products or services contributing to decarbonisation; and
- The company should commit to this and have a reasonable capital allocation strategy to get there.

Appendix 5: Exclusion list

Conduct-based exclusion lists

Companies violating international principles and conventions, such as the United Nations ("UN") Global Compact, the UN Guiding Principles for Business and Human Rights, the UN Principles for Responsible Investment and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, are excluded from the investible universe. Specifically, the Sub-Fund excludes companies that are in breach of or are on a watchlist for UNGC compliance.

Company name	Country	Company name	Country	Company name	Country
CoreCivic Inc	US	Eldorado Gold Corp	CA	Siemens Energy AG	GE
GEO Group Inc/The	US	Telefonaktiebolaget LM Ericsson	SW	Signet Jewelers Ltd	US
Hawaiian Electric Industries Inc	US	FirstEnergy Corp	US	Skechers USA Inc	US
Porsche Automobil Holding SE	GE	Fresenius Medical Care AG & Co KGaA	GE	Sotera Health Co	US
Tokyo Electric Power Co Holdings Inc	JN	Fresenius SE & Co KGaA	GE	Southwest Airlines Co	US
American Airlines Group Inc	US	Graphic Packaging Holding Co	US	Stora Enso Oyj	FI
ArcelorMittal SA	LX	Heidelberg Materials AG	GE	Teck Resources Ltd	CA
Arkema SA	FR	Hudbay Minerals Inc	CA	thyssenkrupp AG	GE
Barry Callebaut AG	SZ	Iveco Group NV	IT	United Airlines Holdings Inc	US
CACI International Inc	US	Kansai Electric Power Co Inc/The	JN	Warrior Met Coal Inc	US
Chemours Co/The	US	Pan American Silver Corp	CA	Whitehaven Coal Ltd	AU
Clariant AG	SZ	J Sainsbury PLC	GB		
Denka Co Ltd	JN	Santos Ltd	AU		

Appendix 6: Other policies

Derivatives and Sustainability Risk

The Sub-Fund may invest in derivatives for efficient portfolio management purposes only. In practice the only derivatives used are short term foreign exchange (FX) forwards for when stocks are purchased or sold in foreign currencies, with the purpose of converting foreign currencies to the Sub-Fund's base currency (EUR).

Because the Sub-Fund will only invest in foreign exchange forwards related to the currencies in which securities held by the Sub-Fund are denominated, no additional Sustainability Risk considerations are relevant to be considered with respect to derivatives.

Investments in portfolios and Sustainability Risk

The Sub-Fund may invest up to 10% of assets in other UCITS funds. In practice, the Sub-Fund's investment strategy means this will not occur. This Sustainability Risks and ESG Policy applies to all investments made by the Sub-Fund.

Water use policy

Emissions to water, defined as tonnes of emissions to water generated by investee companies per million EUR invested, and expressed as a weighted average, is monitored as a Principle Adverse Impact Indicator and is considered as part of the ESG integration and pre-investment due diligence, when determined to be relevant and material.

Similarly, water use intensity is considered as part of the ESG integration and pre-investment due diligence, when determined to be relevant and material.

When relevant and material, Portfolio Company water intensity, water discharge, and other (drinking) water related risk factors are included in the proprietary ESG score.

Hazardous waste and radioactive waste policy
When relevant, hazardous waste and radioactive waste considerations are taken into account as part of the ESG integration and pre-investment due diligence.

When relevant and material, Portfolio Company hazardous waste and radioactive waste related risk factors are included in the proprietary ESG score.

Gender diversity policy
Gender diversity is considered as part of the ESG integration and pre-investment due diligence. Board gender diversity is considered as part of the Sub-Fund's active ownership approach and taken into account in the voting policy. The Sub-Fund views a company as compliant with Do No Significant Harm on the subject of board diversity if a Portfolio Company has at least one female board member or is expected to propose at least one female board member at the upcoming AGM. In addition, the Sub-Fund takes the gender pay gap into account. In order to demonstrate Do No Significant Harm, a Portfolio Company needs to have a gender pay gap that is less than 25%, or a pay gap that is improving over time, or initiatives or a policy in place to minimize the gender pay gap.

Portfolio Company taxation aspects policy
Taxation considerations are taken into account as part of the ESG integration and pre-investment due diligence. Tax compliance and disclosure are factored into the proprietary governance score as described in section 4.2.2. above.