Sustainability policy

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1	N.A.	Board of Directors	1 April 2023	First version
2	Compliance Officer	Board of Directors	5 July 2024	- Overall revision of the Policy; - Restructuring and densification of chapters; - Updating operational information on the Growth management company and its funds.

Content

1. Introduction

This document (also as "**Policy**") contains information on the policies for integration of sustainability risks into the investment decision-making process of Growth Partners Capital – Sociedade de Capital de Risco, S.A. ("**Growth**"), applicable to all funds under management, under Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November of 2019, ("**SFDR**") and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 ("Taxonomy Regulation").

When designing and launching a new fund (financial product), we decide whether the fund: (i) promotes, among other characteristics, environmental or social characteristics (framed under article 8 of SFDR), (ii) has sustainable investments as its objective (framed under article 9 of SFDR) or (iii) does not meet any of the two previous options.

Our current four funds under managements are characterized as follows:

- Growth One, Growth Inov and Growth Iberia: neither promotes environmental and social characteristics nor has sustainable investments as its objective;
- Growth Blue: promotes, among other characteristics, environmental and social characteristics (article 8 of SFDR).

2. Sustainability risks policy

Our process of analyzing investment opportunities involves the assessment of an extensive range of criteria and risks, including sustainability risks to which the target companies may be exposed. "Sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

2.1. Risk Assessment Framework

Below we describe our risk assessment framework, which guides the analysis performed on the target companies:

(i) Environmental

Within Environmental, we define two sub-categories of risks which we consider in the target company's risk assessment: *Physical risks* and *Transition risks*.

Physical risks arise from events or changes which may impact the conditions of physical assets and the functioning of the supply chains in which the target companies operate, including:

- Extreme weather events: e.g. fires, heat waves, storms, floods;
- Persistent climate change: e.g. precipitation, temperatures, water levels, desertification, water scarcity.

Transition risks arise from the adaptation of the economies and society to the environmental challenges the world increasingly faces, through the changes in law/regulation, technology, customer preferences/behavior. These changes may impact on a target company through, for example, higher costs and investments in adapting products and operations to new laws, lower demand from customers and second-order effects of higher costs throughout the supply chain due to the same drivers.

Higher sustainability risks are correlated to worse performance in ESG metrics (which measure adverse sustainability impacts) and low effort put in by the target company in monitoring and improving those metrics. So, to assess the sustainability risks related to Environmental, we assess the target company's environmental impact, performance in environmental metrics and the initiatives planned to improve those metrics.

(ii) Social

We define three main sub-categories of sustainability risks related to Social:

- <u>Talent:</u>

  Risks associated with failing to attract, retain and develop the employees needed to attain the target company's financial objectives, as a result of poor safety and health at work, lack of diversity, gender discrimination, amongst others.

- <u>Compliance with law/regulations:</u>

  Risks associated with failing to comply with applicable laws/regulations associated to safety and health work conditions, human rights, product safety, amongst others, which may materialize in lawsuits and fines.

- <u>Reputation:</u>

  Risks associated with possibility of reputational damages resulting from the perception by customers and other stakeholders that the target company does not meet good standards regarding social issues (for example, occurrence of violations of human rights in the supply chain), which may materialize in lower demand from customers and deterioration of relationships with other stakeholders.

To assess the sustainability risks related to Social, we assess the target company's social impact, performance in social metrics and the initiatives planned to improve those metrics.

(iii) Governance

Lack of sound governance structures and practices may lead to the presence of negative characteristics and events in an organization such as mismanagement, non-compliance with the law, self-dealing, conflicts of interest, corruption and fraud.

The presence of these characteristics is associated with worse financial performance and materialization of financial losses due to lawsuits, fines, reputational damages, amongst others.

To assess the sustainability risks related to Governance, we consider the characteristics of the sector, and we analyze the target company's governance structures and practices, including Board/Management composition, professionalism and functioning, organizational structure, compensation, HR policies and internal controls.

2.2. ESG Management

We integrate sustainability risks, following the above-described framework, within the following processes:

(i) Screening:

When initially screening investments opportunities (directly originated such as via databases searches or originated by third parties such as a M&A advisor), we apply negative and positive filters, to exclude companies with strong indication of sustainability risks (for example, based on the sector) and to benefit companies with strong indication of good performance in ESG metrics, respectively.

The incorporation documents of the funds under management may also impose specific restrictions, such as restricted sectors, which are taken into account to immediately exclude investment opportunities in the initial screening of an investment opportunity for the same fund.

(ii) Analysis and Due Diligence:

In all steps of the analysis and Due Diligence of the investment opportunities, sustainability risks are considered, including in the discussions with the target companies and in the discussions in the investment committee.

The result of this analysis could be the conclusion that sustainability risks are high enough to justify a no-go decision, to decrease the target company's valuation or to identify of weaknesses to be monitored and improved post-investment

(iii) Post-investment:

Post-investment, we keep assessing the evolution of the sustainability risks in the invested companies. In our investments, we may have different levels of influence in the management, which in some cases (such as in a debt-like investment) may be very limited and it other cases (for example, when controlling a majority stake in the target company) may be very significant.

When we have more influence, we incentivize the discussion and monitoring of sustainability risks by the management teams and Board of Directors, and we direct towards taking actions to mitigate those risks, which is linked to improving ESG metrics.

The impact of sustainability risks is taken into consideration in the assets' valuations, for purposes of Funds' financial reporting.

If there is a significant change in the assumptions that led to the investment decision, we may decide to accelerate the decision to disinvest, in order to reduce that exposure.

If we are aware that an invested company no longer complies or is at risk of not complying with specific restrictions imposed in the fund's incorporation documents (for example, the company started operating in a restricted sector), we immediately take the necessary actions to guarantee that the compliance is restored, or if not possible we accelerate the actions to disinvest from that entity.

3. Adverse sustainability impacts at entity level

We currently do not consider adverse impacts of the investment decisions on sustainability factors at entity level, in light of European Union legislation definition.

The reason is that the consideration of adverse sustainability impacts requires that the target companies report to us a set of ESG indicators/metrics (Annex I of this Policy, e.g. related to greenhouse gas emissions). The target companies of our funds under management are small and medium-sized companies, which typically do not have sufficient resources to report those metrics without incurring disproportionate costs.

In the future, we intend to keep following how target companies evolve in the development of their resources to be able to report ESG metrics to us.

4. Governance

The Board of Directors has set out the duties of each body/department/function in relation to the compliance with this Policy These duties are as follows:

- **Board of Directors**

The Board of Directors shall be responsible for:

a. approving and periodically reviewing this Policy;
b. ensuring that Growth has, at any given time, the appropriate resources to integrate sustainability risks in investment decision-making processes.

- **Investment and Asset Management**

The Investment and Asset Management functions shall be responsible for complying with the Policy, by integrating sustainability risk in the decision making processes;

- **Risk Management**

The Risk Management function shall be responsible for supporting the Investment and Asset Management in analysing the sustainability risks and issuing opinions to the Board of Directors if requested by it;

- **Compliance**

The Compliance function shall be responsible for:

a. monitoring compliance with this Policy;
b. establishing specific procedures for implementation of this Policy;
c. ensuring alignment of this Policy with current legislation and regulations;
d. ensuring the internal collection and dissemination of information relating to the ESG regulatory framework;
e. sharing good practices and fostering an internal ESG-aligned culture.

5. Availability

This document is effectively communicated to all Growth employees and is permanently available and accessible internally.

At the same time, this document is made available to the public on Growth’s website (www.growthpartners.capital/sustainability.html).

6. Approval and review

The drafting and publication of this document has been approved by Growth’s Board of Directors, and it should be reviewed at least annually, if necessary, as well as in the light of any legislative or regulatory developments.

ANNEX I

ESG survey for target companies

This survey takes as reference the Principal Adverse Impact of Annex I to Delegated Regulation (EU) 2022/1288.

<u>Mandatory metrics:</u>

Adverse sustainability indicator		**Metric**
Greenhouse gas emissions	GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	Exposure to companies active in the fossil fuel sector	Company active in the fossil fuel sector? (Yes/No)
	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of company from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	Energy consumption intensity	Energy consumption in GWh per million EUR of revenue
Biodiversity	Activities negatively affecting biodiversity- sensitive áreas	Company with sites/operations located in or near to biodiversity- sensitive areas where activities of those investee companies negatively affect those areas? (Yes/No)
Water	Emissions to water	Tonnes of emissions to water generated
Waste	Hazardous waste and radioactive waste	Tonnes of hazardous waste and radioactive waste generated
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Company has been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises? (Yes/No)
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Company 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? (Yes/No)
	Unadjusted gender pay gap	Average unadjusted gender pay gap
	Board gender diversity	Ratio of female to male board members in investee companies, expressed as a percentage of all board members
	Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)	Company involved in the manufacture or selling of controversial weapons? (Yes/No)

<u>Additional metrics:</u>

Adverse sustainability indicator		**Metric**
Emissions	Emissions of inorganic pollutants	Tonnes of inorganic pollutants
	Emissions of air pollutants	Tonnes of air pollutants
	Emissions of ozone-depleting substances	Tonnes of ozone-depleting substances
	Investments in companies without carbon emission reduction initiatives	Company without carbon emission reduction initiatives aimed at aligning with the Paris Agreement? (Yes/No)
Energy performance	Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by company broken down by each non-renewable energy source
Water, waste and material emissions	Water usage and recycling	1. Average amount of water consumed by the company (in cubic meters) per million EUR of revenue 2. Weighted average percentage of water recycled and reused by company
	Investments in companies without water management policies	Company without water management policies? (Yes/No)
	Exposure to areas of high water stress	Company with sites located in areas of high water stress without a water management policy? (Yes/No)
	Investments in companies producing chemicals	Companies with activities falling under Division 20.2 of Annex I to Regulation (EC) No 1893/2006? (Yes/No)
	Land degradation, desertification, soil sealing	Companies with activities which cause land degradation, desertification or soil sealing? (Yes/No)

	Investments in companies without sustainable land/ agriculture practices	Company without sustainable land/agriculture practices or policies? (Yes/No)
	Investments in companies without sustainable oceans/ seas practices	Company without sustainable oceans/seas practices or policies? (Yes/No)
	Non-recycled waste ratio	Tonnes of non-recycled waste generated
	Natural species and protected areas	1. Company whose operations affect threatened species? (Yes/No) 2. Company without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas? (Yes/No)
	Deforestation	Company without a policy to address deforestation? (Yes/No)