

ARMILAR VENTURE PARTNERS

Sustainable Investment Policy

[September 2021]

1. Introduction

Purpose. European Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("Regulation") requires financial market participants to publish on their websites information about their policies on the integration of sustainability risks¹ in their investment decision-making process. The purpose of this Sustainable Investment Policy ("Policy") is to describe Armilar Venture Partners' ("Armlar") approach to sustainable investments and how it integrates sustainability risks across its investment value chain, in particular its assessment and screening of potential investments as well as in the subsequent management and monitoring of such investment.

Scope. This Policy is applicable to all asset classes, sectors and markets in which Armilar invests insofar as they pose any sustainability risks.

Periodic reviews. Considering that sustainable investment practices are constantly developing and evolving, that new risks may arise, public opinion may change and new market standards be introduced, this Policy will be periodically adjusted and revised to reflect any material changes or regulatory developments.

2. Sustainable Investment Process

a. Exclusion Policy

First and foremost, Armilar uses certain standard criteria in order to exclude business practices which are in breach of minimum standards of ESG conduct.

In order to minimize sustainability risks arising from the exposure to certain sectors or activities that run manifestly unsustainable business models or business models from which arise high sustainability risk, Armilar will not, directly or indirectly, knowingly conduct business with or invest in companies whose business activity is related to the following industries or services:

Exclusion criterion	Brief description
- Weapons and Ammunition	Companies involved in the financing of, the production of or trade in weapons or ammunition of any kind.
- Violation of Human Rights	Companies involved in serious violations of human rights, such as human trafficking.
- Narcotics and Alcohol	Producers or distributors of narcotics of any kind ² , such as tobacco products, distilled alcoholic beverages, drugs and / or related products.
- Gambling	Casinos or equivalent enterprises as well as internet gambling.
- Adult Entertainment Industry	Producers or providers of adult entertainment materials.

¹ Pursuant to the Regulation, *sustainability risks* comprise any environmental, social or governance event or condition that, if occurring, could cause an actual or potential material negative impact on the value of an investment and / or respective financial return.

² This does not include narcotics produced for therapeutic or medicinal purposes.

- Coal and Oil Industries	Companies that are significantly involved in fostering the coal and oil industries.
- Certain Scientific Research Activities	<p>Research activities:</p> <ul style="list-style-type: none"> • Aimed at human cloning for reproductive or therapeutic purposes; • Intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of the gonads); • Intended to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer; • Relating to genetically modified organisms (GMOs).

The above exclusion list is applied by Armilar in a pre-investment / initial screening phase in which it assesses potential investments and defines companies in which it refrains from investing. The exclusion list is implemented considering Armilar’s investor’s best interests and will be subject to periodic reviews and, if necessary, amendments.

b. Integration of ESG factors in Armilar’s investment process

Armlar recognises that sustainability factors have a significant impact on the financial outlook of a company and its value. Environmental, social and governance factors (“ESG”) represent important information to assess investment risks and opportunities, to understand and manage investment risks and to identify opportunities for enhancement of returns.

Armlar will take into consideration the following sustainability factors in its analysis of potential investments and in its decision-making processes:

<i>Environmental</i>	<ul style="list-style-type: none"> • Assessment and identification of environmental consequences and issues of an investment; • Assessment of the impacts related to companies’ activities, products and services which mitigate climate change challenges and greenhouse gas emissions; • Consideration of companies’ efficient energy consumption and responsible disposal of hazardous waste; • Consideration of companies’ use of natural resources in their operations and protection of ecosystems by avoiding negative impacts.
<i>Social</i>	<ul style="list-style-type: none"> • Assessment and identification of relevant social and human rights issues of an investment; • Review of the social impact generated by companies; • Review of companies’ gender equality and diversity policies, as well as non-discriminatory employment practices; • Review of companies’ reputation, goodwill and license to operate; • Assessment of companies’ commitment to the protection of privacy and security of personal data; • Assessment of companies’ preservation of human rights and avoidance of any human rights abuses; • Review of companies’ work practices.

Governance

- Zero-tolerance policy on bribery and corruption, requiring that no corruption and / or bribery takes place or is carried out by any parties directly or indirectly involved in an investment;
- Compliance with obligations to prevent, identify and assess risks of money laundering and / or fraud as set out by relevant laws or regulations;
- Review of Corporate Codes of Conduct.

Armilar aims at incorporating the above described ESG factors into its investment and decision-making process, by adopting the following procedure:

1. Initial Screening. In this phase, Armilar conducts a high-level assessment of the sustainability risks that a potential investment may present, considering the abovementioned sustainability factors, by consulting the companies' financial statements, publicly available information, contacts held with senior officers of the company, and other key documents and information. The potential investments are also analysed through the exclusion lists that define the sectors and / or industries that Armilar does not invest in.
2. Due Diligence. Before an investment decision is made, and if in the initial screening phase Armilar believes there is a flagrant sustainability risk, it may resort to an external team of environmental specialists and / or advisers to conduct an ESG due diligence process. This process will result in the issuance of a due diligence report with the purpose of identifying "red flags" and endeavour efforts to mitigate any specific sustainability risks detected in each potential investment.
3. Negotiation and completion. Following the due diligence process (if conducted), Armilar considers whether any risks identified are unacceptable and thus rejects the investment on those grounds, or determines that such risks need to be addressed, managed or rectified. In the latter scenario, a plan is developed to manage and / or remedy the issues.
4. Continuous Monitoring. In this stage, Armilar maintains regular dialogue with its portfolio companies and all portfolio companies are regularly reviewed to monitor the sustainability issues identified during the due diligence process (if conducted).