

INVESTMENT POLICY

Collateral Good

December 2022

INTRODUCTION

The investment policy (hereafter referred to as "Policy") describes the overall investment strategy and approach of Collateral Good Group at the entity level. This is further supplemented with product-specific disclosures for each of Collateral Good's funds, which can be accessed here.



INVESTMENT STRATEGY

Doing "collateral good" is at the heart of Collateral Good's investment strategy and the foundation of the name "Collateral Good". Collateral Good was created to solve the challenges of different industry systems by supporting and enabling solutions that positively impact the planet.

Collateral Good's overall investment objective is the transformation towards sustainable industry systems through investments in mainly early-stage companies, with a preference for late-seed to series B investments. Every Fund managed by Collateral Good contributes to this objective within its specific focus areas. Further details on the fund-specific focus and impact can be found in the individual product disclosures.

Collateral Good is fully compliant with the requirements set forth in the Sustainable Finance Disclosure Regulation ("SFDR"). Furthermore, Collateral Good adheres to the Operating Principles for Impact Management ("OPIM").

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POLICIES ON THE INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISION-MAKING PROCESS

Collateral Good's investments are directed at addressing and solving some of the primary sustainability challenges emerging in different industries. For this reason, many of the classical sustainability risks, such as resource scarcity and regulatory, economic, and technological conditions, are translated into opportunities for Collateral Good's investments.

However, there may naturally be sustainability risks that can constitute financial risks for Collateral Good's investments. For this reason, Collateral Good considers those risks an integral part of the pre-investment phase for all investment cases.

Accordingly, sustainability risks are divided into Environmental (E), Social (S), and Governance (G) risks and assessed on a red-yellow-green scale. This is summarized into an overall sustainability risk assessment that feeds into the Investment Committee's ("IC") final investment decision.



TRANSPARENCY OF REMUNERATION POLICIES CONCERNING THE INTEGRATION OF SUSTAINABILITY RISKS

Collateral Good has linked its remuneration policies, specifically the carried interest of the Fund (s), to the achievement of the fund-wide impact indicators based on the performance of the Fund's PCs on those. Targets for the impact KPIs are set for each PC during ownership, in close collaboration with the PC's management. In case of unearned carried interest, Collateral Good will donate or invest the respective amount in grant support to a cause in line with Collateral Good's impact objective.

Promoting sound and effective risk management regarding sustainability risks is integral to Collateral Good's portfolio management.

CONSIDERATIONS OF PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS

Collateral Good considers Principal Adverse Impacts ("PAI") of investment decisions.

The PAI indicators are an integral part of the pre-investment assessment. They are assessed by evaluating the investee company's impact on the 14 mandatory PAI indicators set out in Table 1, indicator 14 in Table 2, and Indicator 4 in Table 3 in Annex 1 of the EU Commission's Regulatory Technical Standard ("RTS"), supplementing the Regulation (EU) 2019/2088. If any additional indicators from Tables 2 and 3 are deemed material, these are also included in the analysis. The indicators are assessed in terms of whether the investee company has a significant negative impact on the indicator and whether mitigating actions are in place. If the investee company lacks sufficient mitigating measures, this is listed as a yellow flag, and correction will be a focus area during ownership. In case of any identified red flags, Collateral Good will only proceed with the investment if the red flag can be corrected prior to closing. As data availability in Collateral Good's investment space is generally limited, Collateral Good always conducts a qualitative assessment supplemented with quantitative data if available.

Collateral Good reports on the PAI indicators of investment decisions. Portfolio Company ("PC") reporting of data on the PAI indicators is an ownership requirement for PCs that had above 1 million EUR round size in the latest financing round in which Collateral Good has invested. For less mature PCs, data is estimated by Collateral Good. For PCs acquired shortly before the reporting deadline, data may also be estimated by Collateral Good in the first reporting year, depending on the PC's resource availability.



HOW COLLATERAL GOOD WORKS WITH SUSTAINABILITY

Collateral Good invests in companies with impact as a core strategy element that comply with the SFDR's definition of sustainable investment at the pre-investment stage and who are willing to work ambitiously on improving its sustainability impact in line with Collateral Good's requirements in the ownership phase.



PRE-INVESTMENT

Collateral Good always carries out a rigorous screening of substantial contribution, Do No Significant Harm ("DNSH") criteria, Good Governance, and sustainability risks in the pre-investment phase.

Before signing a term sheet, Collateral Good's deal team assesses the investee company's fit with the Fund's focus areas and its potential in terms of substantial contribution measured by the Fund's impact KPIs, acting as knock-out criteria for the investment.

Furthermore, Collateral Good assesses DNSH criteria related to the PAI indicators, Good Governance (incl. policies and management practices within material aspects of the Organization for Economic Co-Operation and Development ("OECD") guidelines), and sustainability risks.

For cases eligible as sustainable investments under the EU taxonomy, Collateral Good only consummates with the investments if alignment with the technical screening criteria for the relevant economic activities can be substantiated. Therefore, in these cases, the documentation of taxonomy alignment, including third-party verification of alignment with the technical screening criteria, is a key focus area for Collateral Good during ownership.

For cases with a financing round above 1 million EUR, as well as for taxonomy-eligible cases, Collateral Good's internal assessment is always supplemented with an external ESG due diligence to substantiate compliance with substantial contribution, DNSH, Good Governance and sustainability risks as well as the technical screening criteria in the EU taxonomy, if relevant.

OWNERSHIP

Collateral Good's requirements for sustainability efforts during ownership are subject to the maturity level of the individual PC, which is defined by the size of the latest financing round in which Collateral Good has invested. Furthermore, the requirements are implemented in waves throughout Collateral Good's ownership period. The ownership requirements are built into the Shareholder Agreement ("SHA") and include the following:

Size of financing round below 1 million EUR:

1. **Development of Lifecycle Assessments ("LCAs")** for relevant products and/or services using the EU's Product Environmental Footprint ("PEF") methodology
2. **Reporting on the defined impact KPIs** of the specific Fund on an annual basis

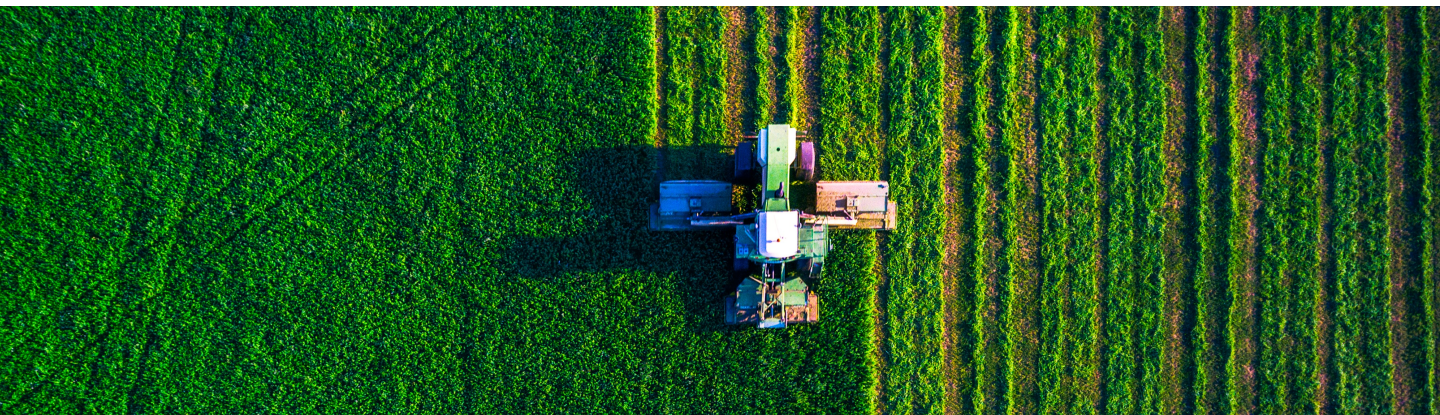
Additional requirements if the size of the financing round is 1 to 5 million EUR:

3. **Reporting on the 14 mandatory and the two selected voluntary PAI indicators** on an annual basis
4. **Development of policies and/or Codes of Conduct** in material areas, if not already in place
5. **Documentation of taxonomy alignment** (for eligible activities only)

Additional requirements if the size of the financing round is above 5 million EUR:

6. **Annual sustainability reporting** of targets, efforts, and achievements

If any yellow flags are identified in the pre-Investment phase, these must also be solved during the first year of ownership.



REPORTING

Collateral Good fully complies with all reporting requirements under SFDR, including reporting on the PAI indicators and fund performance reporting following Annex V.

Performance data on the impact KPIs and the PAI indicators is collected from PCs annually in the first quarter.



GOVERNANCE

Collateral Good's ESG responsible is in charge of anchoring and overseeing the Fund's investment policies and tools. Furthermore, Collateral Good's SFDR reporting responsible supports the Fund's investment managers in collecting data from the PCs and ensures compliance with the SFDR reporting requirements. The responsible persons receive dedicated and regular training and capability development on ESG.

Implementation and oversight of the ownership requirements for PCs is the overall responsibility of Collateral Good's partners, with the support of Collateral Good's ESG responsible.

Collateral Good is an active owner who supports its PCs in their sustainability efforts during ownership. In case a PC does not meet Collateral Good's expectations of being a sustainable investment during ownership (e.g., if a taxonomy-eligible PC is or will not be able to comply with the technical screening criteria set forth by the EU taxonomy), such PC must fulfil the requirements for the classification of a sustainable investment within a period of 24 months. If the PC continues to be non-compliant with the requirements, Collateral Good will make its best effort to sell off the investment. If such a sale transaction does not succeed, Collateral Good will not re-invest in subsequent financing rounds.