Sustainability related fund information

Innovation Industries Fund III

Version 2.1 / May 2026

Summary

Innovation Industries Fund III has a sustainable investment objective. As such, all investments from the fund will be sustainable, meaning that they contribute to an environmental or social objective and do no significant harm to any other objective. The fund specifically seeks positive impact in five key areas, by which it addresses a range of Sustainable Development Goals.

Key to sustainable investment is active engagement, to drive positive impact and to manage sustainability risks and adverse impacts. It is the fund's mission to not just invest in companies with high-impact potential but to build relevant, successful and sustainable companies.

No significant harm to the sustainable investment objective

Through its investments, Innovation Industries does not significantly harm any sustainable objectives, neither the objectives of its funds nor any other environmental or social objectives. We have integrated in the investment process procedures for considering adverse impacts on sustainability factors that are material, or likely to become material, to our portfolio, alongside relevant financial and sustainability risks. The different elements of our approach together are referred to as our *ESG management system*. Through it, we consider the indicators for principal adverse impacts (PAIs) on sustainability factors (all mandatory indicators[1] and a selection of voluntary (or 'additional') indicators[2]). We do so for two reasons: to make sure that no significant harm is done (DNSH assessment) and to support the continuous management of sustainability risks.

We deem indicators 4, 7, 10 and 14 indicative of direct exposure to significant harm, as well as the optional 'climate and other environment-related' indicator 9. For the remaining indicators, qualitative thresholds are set per sustainability factor (i.e. ESG issue), as specified in figure 1. We use the data to assess, monitor and consider adverse impact in decision-making, as well as to facilitate improvement.

Our ESG Management System is designed to support Innovation Industries' commitment to responsible investment. In doing so, it incorporates the principles and standards for responsible business conduct as set in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. These principles and standards are addressed in the process of identifying and assessing sustainability risks and (potential) adverse impacts, wherein we consider a broad range of potential sustainability factors from a perspective of double materiality.

For more information, see Innovation Industries' statement on *Sustainability risks and adverse impacts* on the website.

[1] See Annex I of the SFDR RTS, table 1
[2] See Annex I of the SFDR RTS, tables 2 and 3

Social / environmental	Relevant ESG issue category	Sustainability factor (SFDR)	Principal Adverse Impact (PAI) indicator	Threshold
Environmental	Environment		1. GHG emissions Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	(Significant risk of) disproportional greenhouse gas emissions or (product/process) energy requirements Significant controversies
			2. Carbon footprint	
			3. GHG intensity of investee companies	
			5. Share of non-renewable energy consumption and production	
			6. Energy consumption intensity per high impact climate sector	
			4. Exposure to companies active in the fossil fuel sector	*Indicative of direct exposure to significant harm*
		Biodiversity	7. Activities negatively impacting biodiversity-sensitive areas	*Indicative of direct exposure to significant harm*
		Water	8. Emissions to water	(Significant risk of) disproportional pollution of water Significant controversies
		Waste	9. Hazardous waste and radio-active waste ratio	(Significant risk of) disproportional amounts of hazardous waste generated Significant controversies
	Additional indicator (table 2, Annex I RTS)	Water, waste and material emissions	*9.* Investments in companies producing pesticides and other agrochemical products	*Indicative of direct exposure to significant harm*
Social	Human capital	Social & employee matters	11. Lack of processes and compliance mechanisms to monitor compliance with OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights	(Significant risk of) violations or non-respect of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles
			12. Gender pay gap between female and male employees	(Significant risk of) structural gender inequality or significant imbalance in male/female ratios without adequate policy, targets and monitoring processes Significant controversies
			13. Management and supervisory board gender diversity	
			10. Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights	*Indicative of direct exposure to significant harm*
			14. Exposure to controversial weapons	
	Additional indicator (table 3, Annex I RTS)		*3.* Number of days lost to work-related injuries, accidents, ill health and fatalities	(Significant risk of) disproportional number of days lost to work-related injuries, accidents, cases of ill health and fatalities Significant controversies

Figure 1. PAIs and thresholds

Sustainable investment objective

The fund has sustainable investment as its objective. More concretely, it aims to build an investment portfolio of companies that develop and market technologies with positive environmental or social impact. Practically, this means that the fund will:

- ✓ exclusively invest in companies that (seek to) contribute to a long-term solution to one (or several) of what we perceive as some the most fundamental challenges of our time. We actively seek investments that have positive impact potential within the scope of five central investment themes through which we seek to address and support a range of societal issues and trends as well as relevant Sustainable Development Goals (See figure 2 for an overview of investment themes);
- ✓ partially invest in activities that qualify as environmentally sustainable following article 3 of Regulation (EU) 2020/852;
- ✓ exclude companies that are active in sectors or working in technology areas that we consider inherently unsustainable, meaning that the associated adverse impact is disproportional and unmanageable.

	Issues & trends	Sustainable Development Goals (SDGs)
Resource efficiency & circularity	Transition to a circular economy	SDG 12 SDG 14
	Material efficiency of industrial processes	
	Ecodesign & innovation	
Energy transition & carbon reduction	Energy efficiency of industrial processes	SDG 7 SDG 12 SDG 13
	Transition to renewables & energy storage	
	Greenhouse gas capture & storage	
Sustainable connectivity & infra	Exponential growth of data & computation demand	SDG 9 SDG 11
	Energy intensity of computing and data traffic	
	Growing connectivity of people and things	
Health & wellbeing	Quality & affordable healthcare	SDG 3
	Prevention & health promotion	
	Responsible digitalization & automation	
Sustainable & healthy food	Sustainability of food systems	SDG 2 SDG 12
	Climate resiliency of food systems	
	Food nutritional value & quality	

Figure 2. Investment themes

Linking impact to the UN SDGs

17 Sustainable Development Goals (SDGs) were adopted in 2015 by the countries of the United Nations with the aim of solving the most pressing social and environmental challenges of our time. The SDGs call on all companies globally to address these challenges through innovation and creativity and to demonstrate how their business helps to advance sustainable development. To achieve the goals, companies are asked find solutions to minimize negative impact and to maximize positive impact on people and planet.

We believe in the power of technological innovation to solve difficult societal challenges. With its investments, the fund seeks to make a positive contribution to the following SDGs:

Investment strategy

The fund actively seeks investments through which it can address key societal issues; five impact-based investment themes guide deal sourcing. During the origination phase, a potential deal is screened for its contribution to the fund's sustainable investment objective. Next, as part of due diligence, we assess impact potential in detail, on five dimensions of impact (in line with the Impact Management Project). Our assessment methodology helps the team align decision-making with the fund's investment strategy. Binding selection criteria are:

- ✓ the overall impact (potential) score for an investment opportunity is 'high' (4) or 'very high' (5);
- ✓ the overall impact score and underlying assessment has been approved by an independent impact committee.
- ✓ the investment opportunity does not concern a company active in sectors or working in technology areas that we consider inherently unsustainable, i.e. the company must not do significant harm to any environmental or social objective;
- ✓ the company observes good governance practices, as defined via Innovation Industries' Good governance principles.

Good governance

Innovation Industries supports the ICGN Global Governance Principles and the OECD Principles of Corporate Governance. Governance is one of the topics central to investment due diligence and portfolio engagement. Material to our investment portfolio is for instance the composition and functioning of management and supervisory boards, as are compensation and incentive structures for employees.

Through Innovation Industries' Governance principles, we have defined a set of basic expectations for companies' governance structures. Also, 'good governance' is an issue category within the ESG Management System, capturing the subtopics *structure & processes*, *remuneration*, *ESG/sustainability* and *reporting & oversight*.

Good governance practices should extend to employee remuneration and tax compliance. These topics are structurally addressed during due diligence. This ensures that investee companies pay their employees a fair and competitive wage and have in place compensation and incentive structures that support their mission and strategy. Also, at this stage, we make sure that companies comply with tax regulation.

The topic employee relations is separately and specifically addressed through the ESG Management System, under the issue category 'human capital', along with a broader range of governance issues. Through it, we consider and address, amongst others, employment conditions and learning & development, as well as softer aspects such as mental health & wellbeing, culture building, diversity & inclusion and workplace behaviour.

As long as Innovation Industries is a shareholder, we supervise and actively engage with investee companies to ensure good governance, with respect to the abovementioned issues and any other issues we deem material.

For more information, see Innovation Industries' *Good governance principles* on the website.

Proportion of investments

All investments by the fund will be direct investments in companies. 100 percent of investments will have a sustainable (environmental or social) objective.

The allocation of committed capital to investments with an environmental objective is minimally 50% and maximally 90%, and the allocation of committed capital to investments with a social objective is minimally 10% and maximally 50%. The exact allocation of capital towards investments with an environmental versus a social objective will be dependent on the investment opportunities presented.

Two types of investment are possible:

- The majority of the fund's investments will align with one or several of the investment themes.
- The remaining share of investments will support our long-term positive impact objective, but within a broader scope of impact. The fund's investment scope includes a range of relevant societal problems. To avoid the omission of high-value technologies and applications, we choose to keep open the possibility of considering, as part of our responsible investment strategy, other (related) sustainable investment objectives, such as reducing the use of hazardous substances or toxic emissions into the air.

Taxonomy alignment

The fund will partially invest in activities that qualify as environmentally sustainable following article 3 of Regulation (EU) 2020/852. It is ex ante not possible to estimate the proportion of investments that will qualify as sustainable under the EU Taxonomy, as this will be dependent on the investment opportunities presented.

The minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy is 0%. It is however likely that investments will in part be done with the intent of contributing substantially to one or more of the following environmental objectives by directly enabling other activities to make a contribution to those objectives:

- climate change mitigation
- climate change adaptation
- the sustainable use and protection of water and marine resources

– the transition to a circular economy

– pollution prevention and control

It is also likely that these investments will concern activities that are Taxonomy-eligible but not (yet) Taxonomy-aligned, considering the strict requirements for Taxonomy alignment and the fact that these requirements may (initially) be a) difficult to fulfil due to low Technology Readiness Levels, and b) require disproportional investments considering the size of, and limited resources available to, early-stage and growth stage companies. The taxonomy eligibility and alignment of the investments underlying the fund are monitored over time.

Measuring & monitoring impact

The sustainability indicators used to measure and monitor the attainment of the fund's sustainable investment objective, i.e. the contribution of its investments to the specified investment themes, are set out in this section.

Pre-closing

Pre-closing, the following sustainability indicators are used:

- impact potential on eight indicators covering five dimensions of impact: *what*, *who*, *how much, additionality* and *moderators.* All indicator ratings are represented within a 5-point scale. The indicators used are:
    - *Level of outcome contributed to*: very negative (1) – very positive outcome (5)
    - *Importance to stakeholder*: unimportant (1) – very important outcome (5)
    - *How underserved stakeholders are to the outcome*: well-served (1) – under-served (5)
    - *Scale*: small (1) – very large scale (5)
    - *Degree*: low (1) – very high degree (5)
    - *Duration*: short (1) – very long term (5)
    - *Extent to which outcome is better than what will likely occur:* much worse (1) – much better (5)
    - *Risk of moderating factors reducing impact:* very high (1) – low risk (5)

The assessment of impact potential is performed through a proprietary assessment methodology, developed on the basis of the Impact Management Project with the goal of aligning decision-making with the Fund's sustainable investment objective. An overview of the assessment methodology, including data categories employed per indicator, is displayed in figure 3.

Where possible, (quantitative or qualitative) thresholds and standards are used as basis for the assessment of the indicators.

The preliminary selection of KPIs, from a menu of KPIs, is part of the assessment, including consideration of available data on (expected) performance on these KPIs. This is in respect of two of the five impact dimensions, being 'what' and 'how much'.

- overall impact score, calculated as an average of the aforementioned indicators. The impact score can range from 1 to 5.

The assessment of impact potential as performed pre-closing is based on the situation at the time of investment, including Technology Readiness Level (TRL)[3]. Per investment, an impact objective is established on the basis of the assessment.

[3] Technology Readiness Level (TRL) is used as a measure of technology development, providing an estimate of the maturity of a technology.

Dimension of impact	Indicator	Data category to support assessment	Rating (1-5)
What	*Level of outcome contributed to*	▪ Positive outcomes that company intends to contribute to *(KPI selection and monitoring)* ▪ EU Taxonomy eligibility of activities ▪ Level of outcome that stakeholders consider to be positive (*outcome threshold*) ▪ (Unintended) negative outcomes that need to be weighted ▪ Relation of outcomes to the Sustainable Development Goals (SDGs)	1. Very negative outcome: The expected level of positive outcome is low/ below threshold and comes with significant (unintended) negative outcomes 2. Negative outcome: The expected level of positive outcome is modest/ below threshold or it barely reaches threshold but comes with significant negative outcomes 3. Neutral outcome: the expected level of positive outcome is moderate/ close to threshold or balanced out by negative outcomes 4. Positive outcome: The expected level of positive outcome is high / above threshold or it is very high / considerably above threshold but comes with difficult-to-avoid negative outcomes 5. Very positive outcome: The expected level of positive outcome is very high / considerably above threshold with no difficult-to-avoid negative outcomes
	Importance to stakeholders	• Importance of outcome to stakeholders (compared to other outcomes)	1. Unimportant outcome: the outcome is unimportant to stakeholders 2. Mildly important outcome: the outcome is of some interest to stakeholders, but considerably less important than other outcomes 3. Moderately important outcome: the outcome is of moderate importance to stakeholders 4. Important outcome: the outcome is important to stakeholders 5. Very important outcome: the outcome is very important to stakeholders
Who	*How underserved stakeholders are to the outcome*	▪ Type of stakeholders that company intends to affect ▪ Baseline outcome level for key stakeholders ▪ Geographical boundary defining where stakeholders will experience the outcome ▪ Relevant stakeholder characteristics	1. Well-served: the needs of key stakeholders are sufficiently addressed by existing products/solutions/initiatives 2. Largely served: the needs of key stakeholders are to a large extend addressed by existing products/solutions/initiatives 3. Moderately Served: the needs of key stakeholders are to some extent addressed by existing products/solutions/initiatives but there is ample room for improvement 4. Poorly served: the needs of key stakeholders are insufficiently addressed by existing products/solutions/initiatives 5. Under-served: the needs of key stakeholders are not at all or improperly addressed by existing products/solutions/initiatives
How much	*Scale*	▪ Extent to which the outcome will be experienced by stakeholders based on company's expected reach	1. Small scale: the expected reach of the company is small 2. Modest scale: the expected reach of the company is small-to-moderate 3. Medium scale: the expected reach of the company is moderate 4. Large scale: the expected reach of the company is large 5. Very large scale: the expected reach of the company is very large
	Degree	▪ Degree of change to be experienced by stakeholders *(KPI selection and monitoring)* ▪ Relevant international and institutional ambitions, targets & commitments	1. Low degree: the degree of change to be experienced by key stakeholders is minimal 2. Modest degree: the degree of change to be experienced by key stakeholders is modest 3. Moderate degree: the degree of change to be experienced by key stakeholders is moderate 4. High degree: the degree of change to be experienced by key stakeholders is high 5. Very high degree: the degree of change to be experienced by key stakeholders is very high
	Duration	▪ Time period for which the stakeholder will experience the outcome	1. Short term: the time period for which stakeholders will experience the outcome is short 2. Short-medium term: the time period for which stakeholders will experience the outcome is short-moderate 3. Medium term: the time period for which stakeholders will experience the outcome is moderate 4. Long term: the time period for which stakeholders will experience the outcome is long 5. Very long term: the time period for which stakeholders will experience the outcome is very long
Additionality	*Extent to which the outcome is better than what will likely occur*	▪ Company's contribution to the outcomes that stakeholders experience, relative to what likely would have occurred anyway	1. Much worse: the expected level of outcome is much worse than what would occur without the company's interference 2. Worse: the expected level of outcome is slightly worse than what would occur without the company's interference 3. Neutral: the expected level of outcome is similar to what would occur without the company's interference 4. Better: the expected level of outcome is better than what would occur without the company's interference 5. Much better: the expected level of outcome is much better than what would occur without the company's interference
Moderators	*Risk of moderating factors reducing impact*	▪ Rating of types of impact risks on the likelihood of the risk materializing and the severity of its consequences ▪ Description of material risks	1. Very high risk: the risk of impact not materializing as expected is very high 2. High risk: the risk of impact not materializing as expected is high 3. High-medium risk: the risk of impact not materializing as expected is high-medium 4. Medium risk: the risk of impact not materializing as expected is moderate 5. Low risk: the risk of impact not materializing as expected is low

Figure 3. Overview of impact potential assessment methodology

Post-closing

Post-closing, the following sustainability indicators are used:

- company progress in line with impact objective (based on annual assessment of impact potential, on eight indicators covering five dimensions of impact).

Annual assessments of impact potential consider relevant developments since the previous assessment, for example an increase in TRL. Any follow-on investment is dependent on a continued positive assessment (for the binding investment criteria, see the section 'Investment strategy').

The assessment of company progress in line with its impact objective reflects the extent to which, for each indicator, the pre-closing impact score is maintained whilst the company progresses on basic value drivers (e.g. technology development).

The assessment in respect of the impact dimensions 'what' and 'how much' is supported by performance data as measured through relevant company-specific KPIs.

- company development in line with impact objective (based on annual assessment of impact maturity, on five indicators).

Annual assessments of impact maturity are performed on the basis of our proprietary Impact Maturity Grid. The Maturity Grid is a customized tool for performance monitoring, capturing five sustainability indicators. See the next section for more information.

The assessment of company development in line with its impact objective reflects the alignment per indicator between the assigned impact maturity stage and the general stage of maturity of the company.

The company's approach to the selection, monitoring and reporting of KPIs is part of the annual assessment of impact maturity, in respect of the category 'Goal-/target-setting & performance monitoring'.

- status on company-specific Key Performance Indicators (KPIs). KPIs are:
    - selected within 6 months post-closing, where applicable from a set menu of KPIs. Use of KPIs that are not on the menu require approval of an independent impact committee
    - focused on measuring performance against the relevant (stage-based) basic value driver: technology development, product performance improvement or commercialisation[4]
    - adapted over time based on company specific value inflection points
    - reported to investors annually

Figure 4 provides an overview of the framework that forms the basis for assessment, monitoring and reporting of impact, through impact potential, impact maturity and company-specific KPIs.

IMPACT POTENTIAL (assessment on five dimensions of impact)	WHAT		WHO	HOW MUCH			ADDITIONALITY	MODERATORS
	Level of outcome contributed to	Importance to stakeholders	How underserved stakeholders are to the outcome	Scale	Degree	Duration	Extent to which the outcome is better than what will likely occur	Risk of moderating factors reducing impact
STATUS PER CLOSING (score 1-5)								
STATUS PER <DATE> (score 1-5)								
COMPANY PROGRESS IN LINE WITH IMPACT OBJECTIVE (% of closing score maintained)								
IMPACT MATURITY (assessment based on Impact Maturity Grid)	VALUE PROPOSITION & BUSINESS MODEL	LEADERSHIP, TEAM & CULTURE	GOVERNANCE	GOAL-/TARGET-SETTING & PERFORMANCE MONITORING			GO-TO-MARKET STRATEGY & EXECUTION	
STATUS PER <DATE> (maturity stage: 'seed'-'mature')								
COMPANY DEVELOPMENT IN LINE WITH IMPACT OBJECTIVE (alignment with company stage)								
STATUS ON KPIS (company specific measure of performance)	STAGE BASED VALUE DRIVER	*Technology development* *Product performance improvement* *Commercialisation*		KPI			STATUS PER <DATE>	

Figure 4. Impact framework for assessment, monitoring and reporting of impact

Impact potential and impact maturity

As a result of the fund's investment focus on early stage and growth stage companies, impact has rarely been realized at the moment of investment. Where it is, its magnitude is often still limited. The (full) realization of impact potential may even lie beyond the horizon of the fund's investment period. Hence, we usually invest in potential, rather than in actual impact.

For this reason, we monitor impact on two levels:

a) Impact potential: how companies progress towards the attainment of impact objectives (i.e. realization of their stated impact potential) whilst they bring a product/ technology to the next level and, eventually, to the market;
b) Impact maturity: how companies develop/mature in a way that supports the attainment of impact objectives.

As such, our approach incorporates necessary process steps rather than a focus on outcomes. Central to monitoring, engaging and reporting on ESG management capacity is our ESG Maturity Grid tool (for more

[4] KPIs on the value driver *product performance improvement* are set and monitored where relevant but not publicly disclosed.

information, see Innovation Industries' statement on *Sustainability risks and adverse impacts*). On the basis of similar principles, we developed an Impact Maturity Grid: an overview of the development we expect to see in how companies embed impact objectives over the different stages of their evolution from seed to full maturity.

On the basis of the grid, we regularly assess the level of maturity of companies' impact management capacity in five categories. This allows us to offer focused guidance and induce action where and when it is most needed.

The Impact Maturity Grid supports our sustainable investment objective in three ways:

- through standard-setting, specifying the key steps we expect companies to take towards realization of their impact potential;
- through focused engagement, guiding how we support companies in embedding impact objectives in the relevant business functions;
- through monitoring and reporting, allowing us to measure, steer and report on performance.

See figure 5 for the outline of the Impact Maturity Grid[5].

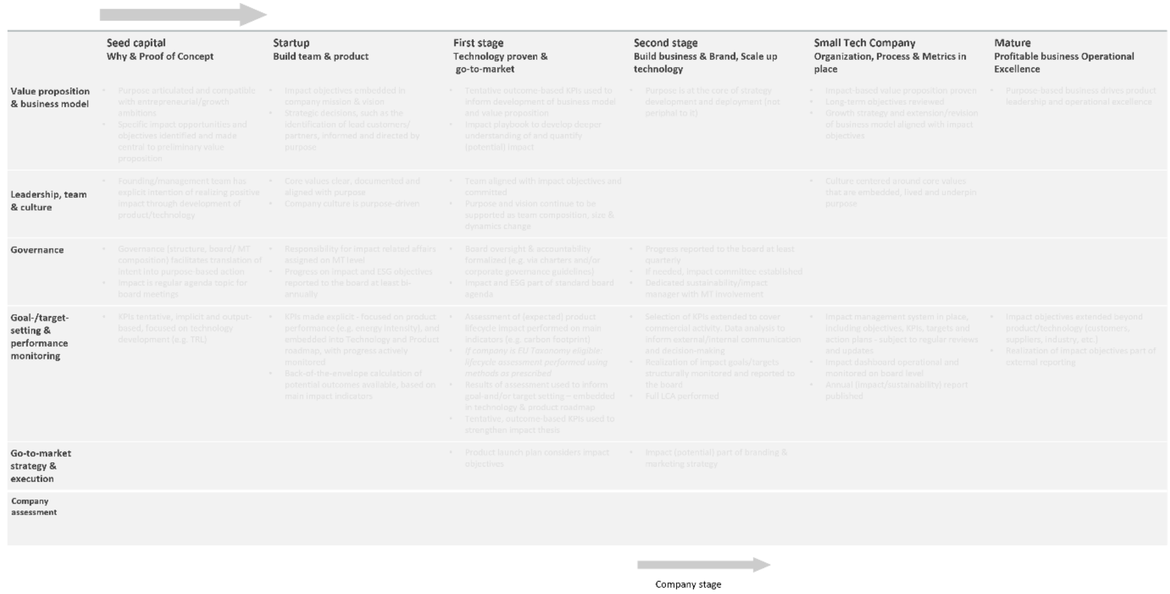

Figure 5. Outline of the Impact Maturity Grid

Data sources and processing

The assessments of impact potential and impact maturity are based on a combination of external data and data retrieved directly through engagement with companies and from documentation received from companies. Additionally, assessments are supported by external resources, such as publicly available information about the company and its technology or input from external experts. To ensure quality and consistency, an assessment that is performed by the deal team (pre-deal) or investment manager (post-deal) is reviewed by the ESG officer, and vice versa.

Limitation to methodologies and data

As a result of the fund's investment focus, measuring real-world impact is generally not possible, or of little added value. In addition to the fact that impact potential still needs to be realized, for early-stage companies even the level and character of this potential may be unsure. For example, at the time of investment it may be unknown which application(s) will gain traction and be successful.

Considering the above, we perform regular detailed assessments of impact potential and maturity, wherein we combine the information that is available to us (see the section 'Impact potential and impact maturity').

[5] The Impact Maturity Grid is continuously improved, on the basis of advancing insights. Hence, the tool may be updated over the lifetime of the fund. For this reason, we display here its outline rather than the content.

To address the relative uncertainty inherent to the fund's investment strategy, internal assessments are reviewed by an independent impact committee consisting of sustainability experts from various backgrounds.

Through this approach, the fund minimizes the effect of data limitations on the attainment of its sustainable investment objective. If at some point it is concluded that a company is no longer on course for realizing impact, despite our efforts (see the section on engagement), the fund will abstain from further (follow-on) investment.

Due diligence

For information on (ESG) due diligence carried out on potential investee companies, see Innovation Industries' statement on *Sustainability risks and adverse impacts* on the website.

Engagement policies for the sustainable investment objective

A key feature of the fund's investment strategy is active and long-term ownership. The fund's contribution to environmental and social objectives is not just shaped by the criteria on the basis of which investments are selected, but also by its approach to engagement with investee companies. Its commitment to ESG and impact management is formally embedded into active ownership practices and performance monitoring across the portfolio. Engagement with investee companies takes three forms:

- via the ESG officer through regular meetings with company management;
- via the lead investment manager, through regular meetings together with the ESG officer and on an as-needed basis; and
- via the partner holding a seat on the supervisory board.

Engagement serves several goals, of which the most important are:

- discussion of relevant developments to ensure that action plans remain up-to-date;
- monitoring of progress;
- inducing action; and,
- providing companies with guidance where needed.