Good Governance Principles

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These are the Good Governance Principles of Innovation Industries. These principles are applicable to all investments that Innovation Industries manages on behalf of its investors.

Governance is one of the topics central to due diligence on and engagement with portfolio companies. In our relationship with companies, good governance is:

- a means to create and sustain value, amongst others by managing sustainability risks;
- a prerequisite for attaining impact objectives; and,
- a control mechanism for 'Governance' issues that impact sustainability factors (e.g. employee remuneration and legal compliance).

Material to our investment portfolio is, for instance, the *composition and functioning of management and supervisory boards*. Our expectations of companies are largely case-specific; there is no one-size-fits-all approach. Nevertheless, we have formulated a basic set of requirements for the governance structure of companies that we consistently apply:

I. The supervisory board should supervise the management board.
II. The supervisory board should be able to operate effectively, which is assured by:
    i. Effective board size;
    ii. Assessment of all members on a set of key competencies and added value.
III. Management should be clearly instructed as to when supervisory board and/or general meeting of shareholders approval is required (consent rights).
IV. The structure of the general meeting of shareholders should be such that clear and effective decision-making is facilitated.

Moreover, 'Good governance' is an issue category within our ESG management system, capturing the subtopics *structure & processes*, *ESG/sustainability*, *reporting & oversight, and remuneration*. This management system governs how we identify material ESG factors, how they are considered in each of the investment phases and how their progress is measured and reported[1].

In addition to *sound management structures*, good governance practices should extend to *remuneration of staff, tax compliance* and *employee relations*. These topics are structurally addressed during investment due diligence. This ensures that our 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 these companies comply with tax regulation.

The topic employee relations is separately addressed through our ESG management system, under the issue category 'human capital', along with a broader range of governance issues. As part of this category, 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 behavior.

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.

Innovation Industries supports the ICGN Global Governance Principles and the OECD Principles of Corporate Governance.

[1] For more information, see Innovation Industries' statement on Sustainability risks and adverse impacts.