



EXPANSION VENTURES ESG Policy

Expansion Ventures Environmental, Social, and Governance (ESG) Policy

1. General Introduction to Expansion Ventures ESG Policy

At Expansion Ventures (“EV”) we have built a genuine investment strategy based on one strong principle: There can be no sustainability on earth without sustainability in orbit.

As such we acknowledge the importance of

- investing responsibly with sensitivity to environmental and social concerns and,
- in a manner consistent with our intrinsic duties to our investors and,
- conducting ourselves in accordance with applicable legal, ethical and industry standards in our business.

These forehead principles are the fundamental basis of our investment policy and investment operations, shaping our approach through immediate and systematic inclusion of materialised Environmental, Social and Governance (“ESG”) factors, not only at the investment decision process level but also in the day-to-day management of portfolio companies.

This policy outlines our commitment to ESG principles, demonstrating our belief that responsible investing is not only ethically right but also contributes to achieving sustainable, long-term performance. **Therefore, for the future we are committed to comply with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR)**, taking our ESG efforts to the next level.

At Expansion Ventures, we are committed to a comprehensive approach to ESG that reflects our role as a pioneering investor in New Space, New Air Mobility and Dual-use technologies. We regard ESG factors as integral to our risk management and decision-making processes. Recognizing the United Nations Sustainable Development Goals (SDGs) as a key framework, we endeavor to align our practices with these global standards, contributing to a more sustainable and equitable future.

We believe that integrating ESG considerations into our investment activities will not only serve societal interests but also reduce risk, uncover opportunities, and enhance long-term value for our portfolio companies and investors.

We also see great potential in New Space and New Air Mobility technologies to drive innovation in environmental technologies, such as earth observation for environmental monitoring or new and hybrid propulsion systems for a greener transportation network on Earth and in space. We seek to invest in companies that are leveraging Space and Air Mobility Technologies in these ways, contributing to the achievement of SDGs 2 (Zero Hunger), 3 (Good Health and Well-Being), 6 (Clean Water and Sanitation), 9 (Industry, Innovation, and Infrastructure), 11 (Sustainable cities and Communities), 13 (Climate Action), 14 (Life below water) and 15 (Life on land). In addition, hereunder a few examples of portfolio companies aligning with the United Nations’ SDGs:

1. **Orbify (SDGs 2, 6, 11, 13 & 15)** – Orbify offers a SaaS platform which turn raw EO data into precise indicators such as sustainability reporting, operational footprint, climate risks, carbon impact, compliance certificates, etc. Today, they have a first use-case based on

forestry analysis, and their goal is to multiply use-cases in Land Use and address other indicators: water, precision agriculture and infrastructure monitoring.

2. **Ascendance (SDGs 9, 11 & 13)** – The added value of the ATEA is linked to its hybrid propulsion system and is expressed on several dimensions including CO2 emission reductions: For average use-case flight, reduction up to 80% compared to standard double-turbines helicopter emissions
3. **Space Cargo Unlimited (SDGs 2 & 3)** – SCU is offering volumes in microgravity to its client to conduct experimentations impossible in terrestrial conditions. This opportunity is a game changer for many industries, especially the medical/ pharmaceutical research which could benefit from faster development times and access to new research fields thanks to high quality organoids and faster and cleaner crystals development. Another industry interested in conducting research in microgravity is agriculture, with relevant mutations of species for Earth cultivation.
4. **WaltR (SDGs 9, 11 & 13)** – WaltR's main purpose is to use space data and remote measuring for environmental preservation and transformation. Thus, they are proposing two DaaS (Data as a Service) product to measure air quality at different scale (local and global) and accelerate environmental transition.

SUSTAINABLE DEVELOPMENT GOALS



Figure 1: UN SDGs addressed by Expansion Ventures investments to date

In response to the new social and environmental challenges facing society, Expansion has decided to actively finance technologies that contribute to the fight against global warming. Additionally, Expansion Ventures is deepening its Environmental, Social, and Governance (ESG) policy to better consider the overall impact of their activities.

Starting from the premise that global challenges cannot be met with partial solutions, Expansion Ventures intends to apply a comprehensive policy, at all levels of our activity.

This strategy is manifested in several ways:

- In the management of EV's day-to-day operations (reducing energy consumption, the use of disposable materials, etc.);
- In setting and assessing internal goals at EV, determined and evaluated by the management committee;
- In EV's portfolio reviews, where the progress of implemented ESG measures will be detailed for investors and shareholders;
- In the investment decision (extra-financial and potentially exclusive due diligence);
- In supporting portfolio companies in determining a sustainable and value-creating strategy;
- In assessing the ESG performance of portfolio companies, which is reported.

At each stage, ESG is comprehensively understood, including human resources management, governance transparency, energy consumption, supply chains, and strategic planning.

2. ESG Measures at Expansion Ventures¹

a) Internal measures

EV is committed to reducing its carbon emissions, decreasing the volume of waste produced, and raising awareness among its teams about the issues of sustainable growth through:

- Minimizing air travel carbon footprint via carbon dioxide compensation;
- Minimizing the use of plastic;
- Implementing a waste recycling policy;
- Quantifying the carbon impact of its premises;
- An annual training its employees on ESG issues.

i) *Social Criteria*

EV invests in the well-being of its employees at work, their involvement and skills development through:

- Employee participation in the success of the company;
- The ergonomics of its premises (garden and gym);
- The establishment of optimal conditions for the start and return of paternity and maternity leave;
- Donations to good causes;
- A policy of continuous training for its employees;
- The promotion of parity through internal training;

¹ Please note that Geodesic has been performing investments to date. Expansion Ventures will start implementing these measures from first closing.

ii) Good Governance Criteria

EV is committed to the transparency of governance methods and business practices within diverse teams through:

- The formalization of an ESG policy;
- Participation of team members in the management committee;
- Regular meetings of all company employees for communication of its strategy and progress.

b) During the investment phase

i) Exclusion Policy

EV practices a rigorous sectoral exclusion policy that includes:

- the tobacco industry,
- the coal industry,
- pornography,
- the production of armaments,
- gambling.

We also pay particular attention to the probity of the leaders of our portfolio companies.

EV aims at investing in companies participating to National Security purposes & Europe Defence strategy by developing innovative defence technologies with dual-use potential (i.e. having both civilian and defence applications). In doing so, EV will pay a specific attention not to invest in any technology which can be considered as ammunition or weapon.

ii) File Instruction

EV includes in the investment notes analyses of ESG performance and awareness of these issues by the company and its management through:

- An analysis of associated ESG risks;
- An analysis of the ESG perspective of managers;
- An analysis of growth potentials and value creation linked to the implementation of ESG measures.

iii) Letter of Intent

EV also includes in the letters of intent the integration of a paragraph on the company's issues and possibilities in terms of ESG.

iv) Audit Prior to Investment

In its due diligence, EV pays particular attention to the consideration of ESG issues within its potential investments. Questions are sent to the entrepreneurs, which serve as a basis for a discussion with them. The objective is twofold: on the one hand, to assess the management's

readiness to implement ESG actions; on the other hand, to gain access to the entrepreneur's strategic understanding of the opportunities that can arise from sustainable growth. We believe this is an excellent indicator of the prospective capacity of the management teams, as well as the expected growth of companies.

Below is an example of the list of questions addressed to entrepreneurs. These questions serve as a basis for an exchange between the entrepreneurs and our investment teams. Each category (E, S or G) is scored from -2 to 2. Consolidated, these scores serve as a basis for the investment decision. This current ranking system has been identified from Quantonation fund's ESG policy and can evolve in the future.

EV evaluates the awareness of environmental issues associated with the company and its sector using the following questions:

- Have you implemented a system to count your carbon emissions? If not, why not?
- Have you implemented a system to reduce these emissions? If not, why not?
- Have you implemented environmental protection actions? If not, why not?
- What do you think are the environmental trends that are most likely to impact your business in the coming years?

As for the social scope of the company, its HR policies, and its capacity to attract, these are evaluated through the following questions:

- How many jobs do you create each year? What is your turnover rate?
- Do you promote diversity within your company? Do you have a sponsorship policy? If not, why?
- Have you developed social impact activities? If not, why?
- Have you implemented remuneration systems related to company performance? Have you set up other benefits systems for your employees (nurseries, works council, etc.)? If not, why?
- Do you encourage continuous training? If not, why? Do you encourage remote work? If not, why?
- What are the major social responsibility trends most likely to impact your business in the coming years? How are you preparing to face them?
- How do you plan to attract more talent in the coming years?
- What is the percentage of women in your overall workforce?
- What is the percentage of women in the governing and supervisory bodies of your company?

Concerns about the company's good governance are evaluated through the following questions:

- Are ESG issues discussed at board meetings? If not, why?
- Have you implemented measures in favor of the transparency of your governance system? If not, why?
- Have you set up committee systems (strategic committee, management committee, independent directors, remuneration committee, etc.)? If not, why?

v) ESG Policy implementation within the ventures

Financial and executive independence of entrepreneurs is a key governance issue and a growth factor. To assist them in their ESG transformation, an action plan is set from the shareholders' agreement and/or Policy documents, in collaboration with the entrepreneurs, which will be the backbone of the company's sustainable transformation. This can be manifested by:

- The introduction of at least 3 objectives, determined in collaboration with the entrepreneurs;
- The insertion of an action plan with quantifiable deadlines. This action plan must:
 - Be significant without being excessive;
 - Be quantifiable;
 - Have distinct steps;
- The establishment of an annual reporting;
- An obligation for the participation to discuss ESG issues at least at one governance body meeting every year, and to mention it in the agenda of the annual general meeting;
- The encouragement to include an ESG paragraph in the management report.

c) During the holding phase

EV annually monitors the ESG performance of the assets under management, based on submitted reports and exchanges with management teams. This monitoring includes:

- Analysis of the company's annual performance in absolute and relative terms (compared to other companies in the portfolio);
- Tracking of companies with the least significant progresses;
- Active participation in shareholder meetings;
- Active participation in strategic committees or the board of directors when feasible.

3. Expansion Ventures commits to SFDR Article 8

The Sustainable Finance Disclosure Regulation (SFDR) came into effect on March 10, 2021, requiring asset management companies to classify their funds into different sustainability categories based on their characteristics. The regulation aims at improving and standardizing ESG reporting by asset management companies, and at enabling investors to evaluate and compare ESG approaches of funds, increasing transparency and avoiding greenwashing. However, questions have been raised regarding the awareness of asset managers regarding the consequences of attaching their funds to articles 8 or 9, and the volume of information they will need to produce.

From 2022 onwards, funds compliant with articles 8 and 9 of the SFDR will have to publish highly standardized ESG reports detailing their strategy, characteristics, benchmark, and due diligence policy linked to ESG criteria. These reports will also have to include a key performance indicator

(KPI) on the fund's alignment with the EU taxonomy, which classifies "sustainable economic activities" in line with the Paris Agreement's goal of achieving carbon neutrality by 2050.

In order to address these regulation points, and to the possible extent in our investment process, we are implementing good practices that outline our commitment to responsible investing. These guidelines serve as a framework for our investment process in terms of selection, decision making, and ownership.

In terms of our investment process, we first identify areas of improvement within our investment opportunities. We then use this information to inform our investment decision-making process. This includes incorporating sustainability clauses into our shareholders' agreements and annually monitoring sustainability at the board level.

When making investment decisions, we will build our term sheets in a way that prompts a discussion on sustainability and governance matters with entrepreneurs. We will also request full transparency on ESG indicators and include a summary of the ESG due diligence in our investment memorandum.

As owners of the companies in our portfolio, we hold ourselves accountable to five key performance indicators (KPIs). These include sustainability at the management company level, environmental impact, social impact, governance practices, and external stakeholder engagement.

Our vision is to create a future where our portfolio companies prioritize the well-being of their employees and promote diversity, equality, and inclusion. We are committed to raising awareness of these issues among our portfolio company founders and teams, and we believe that by promoting decent working conditions and comprehensive diversity and inclusion practices, we can create a better future for all.

Expansion's team will report on the alignment of their assets with the SFDR Article 8, in their reporting, of which:

- ANNEX II / Pre-contractual disclosure for the financial products referred to in Article 8
- ANNEX IV / Periodic disclosure for the financial products referred to in Article 8

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