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1. Introduction

1.1. Scope and objectives

DeepTechXL has a clearly defined purpose, to invest in deep-tech innovations which address the grand challenges society is facing, contribute to a sustainable future, and secure the continuous creation of new high value-add employment in the Netherlands. Our framework comprises a comprehensive set of key commitments across all the sustainability risk and sustainability impact dimensions that guide execution of the fund's strategy. It includes ambitious targets and detailed plans of action.

DeepTechXL is committed to making a positive impact on the environment and society through investing in novel and complex technologies. Our sustainability impact strategy focuses on material topics driving our decision to only make investments in companies that contribute to an environmental or social objective provided that such companies do not significantly harm any of those objectives and good governance practices are followed. As such, DeepTechXL aims to make investments with the intention to generate positive, measurable environmental or social impact alongside a financial return. To meet these objectives, DeepTechXL exclusively invest in purpose-driven companies that use key enabling technologies (following the framework of the Dutch Research Counsel) to make an impact on the key societal themes (following the framework of the Dutch mission-driven innovation policy). We actively seek investments that make an impact within the scope of these four key societal themes:

- Health & Care (Social objective)
- Energy Transition & Sustainability (Environmental objective)
- Security (Social objective)
- Agriculture, Water, and Food (Environmental objective).

The objectives of this policy, and the programs, actions, targets, and metrics associated with it, are to optimize the sustainability impact strategy and performance of DeepTechXL and to make a meaningful and lasting impact on the grand challenges society faces today. Section 2 details our sustainability impact strategy and Section 3 our sustainability risk strategy. Section 4 monitoring and control strategy, followed by our continuous improvement statement (Section 5) and our means for reporting and disclosure (Section 6). All our targets have been set in consultation with stakeholders, such as the Impact Advisory Committee and academia and ensure that DeepTechXL is compliant to relevant rules and regulations, such as Sustainable Finance Disclosure Regulation (SFDR) Article 9.

1.2. Sustainable investment strategy indicators

A 100% of DeepTechXL's investments are either environmentally or socially sustainable and they follow good governance practices. We have created three indicators that measures our contribution to our sustainable investment target. DeepTechXL's key indicators to adhere to its own sustainable investment objective are:

- A minimum of 80% of its portfolio companies use a key enabling technology, split per KET;

- A 100% of its portfolio companies target a global environmental or societal problem, split per key societal theme;
- A 100% of its portfolio companies are aligned with at least one of the United Nations Sustainable Development Goals, split per SDG.

2. Sustainability impact

The sustainability impact assessment is used to determine what and how large the positive environmental- and societal contribution can be of the respective company. The overarching term for this assessment is creating an 'impact hypothesis'.

DeepTechXL believes that making a positive sustainability impact starts with building an impact hypothesis. DeepTechXL builds this impact hypothesis by combining the Theory of Change and the Dimensions of Impact as forms of analysis. The impact hypothesis is mainly qualitative of nature. The quantitative part of the impact hypothesis is operationalized in the impact KPIs. By combining these strategies, DeepTechXL can assess the significance of the sustainability impact of a company.

DeepTechXL has created a proprietary tool that is sent out to the company during due diligence. The deal team, supported by the sustainability officer, will perform a deep-dive with the company to fill the assessment. This session helps DeepTechXL assess the intentionality of the management team of a company on their impact journey. The impact hypothesis can be verified (during due diligence) and refined by triangulating management information, desk research, and reference calls.

3. Sustainability risks

DeepTechXL believes that making a positive sustainability impact also includes the identification, classification, and mitigation of sustainability risks. Also, the SFDR requires to take sustainability risks into account when making investment decisions (art 4 SFDR). Furthermore, as DeeptechXL has sustainable investments as its objective, it qualifies as article 9 fund. SFDR includes additional requirements for article 9 funds.

SFDR defines a sustainable investment as an investment in an economic activity that contributes to an environmental or social objective, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and good governance practices are followed. Furthermore, for each investment the sustainability risks should be considered.

For each investment a sustainability risk assessment should be prepared, to meet with these requirements. This assessment includes a 'double materiality' perspective. This means that on the one hand, companies have an impact on people and the environment (the inside-out view). Think of damage to nature or violations of human rights. On the other hand,

sustainability-related developments and events create (new) risks and opportunities for organizations (the outside-in view).

The sustainability risk assessment starts with identifying which sustainability risks matters most, given the companies' technology and industry followed by a dual use identification. Then, DeepTechXL measures the current sustainability performance of the company through an ESG performance questionnaire and a Principal Adverse Impact questionnaire. Within these questionnaires, good governance is considered. Finally, the insights of the identification and classification of material sustainability risks are concluded in the Do No Significant Harm analysis. Within this final step, potential mitigation actions are defined.

We acknowledge that there are several industry standards, policies, and procedures that are included in this section (e.g., SFDR, double materiality, dual use, good governance, and ESG ratings). Some of these standards focus on potential risks from outside the company towards the company ('outside in'), and some of these standards focus on the potential negative impact the company can have towards the environment ('inside out'). All these standards serve as input for the overarching assessment of potential sustainability risks of a company. DeepTechXL has decided to conclude the sustainability risk analysis with the Do No Significant Harm assessment, which should convert the insights captured in the various steps into actionable mitigation items on specific categories.

To determine what key industry specific sustainability risks a company most closely needs to manage to drive financial outcomes, DeepTechXL uses the SASB Materiality Finder. Via this tool, companies and industries can be compared side-by-side. The International Sustainability Standards Board (ISSB) of the IFRS Foundation has committed to maintain, enhance, and evolve the SASB Standards. We use the We assess the material risks for the primary industry (in which the technology is developed), the industry in which the key customer group is active in, and the industry in which the key supply chain group is active in.

The risk assessment is periodically reviewed internally and with our impact advisory committee.

4. Monitoring and Control strategy

DeepTechXL integrates aforementioned sustainability risks and sustainability impact into its investment and asset management activities. DeepTechXL takes the following steps to control sustainability risks and sustainability impact:

- **Sustainability Due Diligence**: DeepTechXL conducts a sustainability impact due diligence process for potential investments. DeepTechXL does so via its proprietary assessment tool. By conducting interviews with key stakeholders of the portfolio companies, such as management team, employees, and potential customers,

additional insights into their ESG perspectives and expectations are created through triangulation.

- **Portfolio Monitoring impact potential**: DeepTechXL monitors the impact potential of the portfolio companies by periodically re-assessing the Theory of Change, Dimensions of Impact, and subsequently the (progress on) impact KPIs. These insights are (1) discussed with the respective management team of the company and (2) discussed within the Impact Advisory Committee. This results in key actions to take for the coming twelve months, which will be integrated in the value creation plan.
- **Portfolio Monitoring sustainability risks**: DeepTechXL monitors the sustainability performance of the portfolio companies by periodic re-assessment of the company via the questionnaires and by periodically re-assessing the sustainability risks and Do No Significant Harm assessment. These insights are (1) discussed with the respective management team of the company and (2) discussed within the Impact Advisory Committee. This results in key actions to take for the coming twelve months, which will be integrated in the value creation plan
- **Engagement and Stewardship**: DeepTechXL engages with its portfolio companies on sustainability risks and encourages them to adopt best practices related to environmental, social, and governance factors. DeepTechXL does so by maintaining regular dialogue with management teams and employees of its portfolio companies to discuss their sustainability performance, challenges, opportunities, and strategies. Moreover, DeepTechXL incorporates in its legal investment documents a clause stating that the company signs of on DeepTechXL's sustainability policy and will integrate it into their own processes.

5. Continuous improvement

DeepTechXL acknowledges that it is of vital importance to embed continuous learning in both its own processes and procedures and their portfolio companies processes and procedures. Hence, it is expected that improvements on the sustainability investment methodology will be made in the coming years. Learnings are crucial to improve the assessment capabilities and drive efficiency in the process. The sustainability team already has several ideas on how to continue the improvement of the sustainability impact analysis. These updates will be released periodically in the coming years.

6. Reporting and disclosure

DeepTechXL discloses the following elements of its sustainability impact policy:

- Pre-contractual disclosures (Annex III of SFDR)
- Website disclosures (SFDR)
- Periodic reporting (Annex V of SFDR)
- Sustainability Policy
- Annual Impact Reports

Annex I: Restricted sectors and exclusion criteria

DeepTechXL has agreed to **not** invest in companies that are active in the following restricted sectors or are linked to the following exclusion criteria:

1) perform Research & Innovation ('R&I') activities considered as illegal according to the applicable legislation in the country of the Fund; or

2) whose business activity consists of an illegal economic activity (i.e. any activity, which is illegal under the laws or regulations applicable to the company or entity) including without limitation, human cloning for reproduction purposes; or

3) invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities which substantially focus on:

   a) the development, production, marketing or trade in:
      i) Arms
      ii) Tobacco
      iii) Gambling
      iv) Pornography/Adult Materials
      v) POPs and Pesticides
      vi) Fur
      vii) Fossil Fuels
      viii) Biomass from non-waste streams
      ix) GMO production and development
      x) Wild Animals Trade
      xi) Nuclear Power

   b) the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;

   c) casinos and equivalent enterprises; or

   d) the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at:
      i) supporting any activity referred to under (a) to b (iii) above;
      ii) internet gambling and online casinos; or
      iii) pornography,
      iv) or which are intended to enable to illegally:
      v) enter into electronic data networks; or
      vi) download electronic data.