



SPOROS

PLATFORM

Environmental, Social, and Governance (ESG) Policy

2023

1. Introduction

As the Union confronts the escalating and unpredictable consequences of climate change, resource depletion, and other sustainability-related issues, urgent action is imperative. This action involves not only the mobilisation of capital through public policies but also requires active participation from the financial services sector. Financial market participants are obligated to disclose specific information concerning their approaches to integrating sustainability risks and considering adverse sustainability impacts.

Article 9 SFDR funds, referred to as "Dark Green Funds," focus on sustainable investments with detailed disclosures in pre-contractual documentation and periodic reports. Sporos Platform aligns with this requirement by investing in start-ups and SMEs contributing significantly to the EU Taxonomy environmental objective of the circular economy. Our investments prioritise environmental objectives, avoid harm to other environmental or social goals, and adhere to good governance practices.

From its inception, Sporos Platform has championed the role of private finance as the principal vehicle for the transition towards a Circular Economy. We welcome the opportunity to adhere to the highest standards and aspire to set an example in our industry.

Sporos takes the Sustainable Development Goals (SDGs) on board from the outset and commits to the full, coherent, comprehensive, integrated, and effective implementation of the 2030 Agenda. This commitment is made in close cooperation with partners and other stakeholders, as we strongly believe that the transition to a low-carbon, more sustainable, resource-efficient, and circular economy, in line with the SDGs, is key to ensuring the long-term competitiveness of the Union's economy.

2. Incorporation of ESG issues into investment decision-making process

2.1 Purpose

Commitment to Sustainable Finance: Integrating ESG issues into our investment decision-making process aligns not only with regulatory requirements but also with Sporos' commitment to sustainable finance and responsible investing. This chapter outlines our dedication to contributing to a more sustainable future while enhancing the long-term financial performance of Sporos through the systematic integration of ESG considerations.

2.2 Implementation

ESG Integration Framework: To effectively incorporate ESG issues into our investment strategies, Sporos will adopt a systematic ESG integration framework. This framework will be the cornerstone of our investment process, ensuring that ESG considerations are embedded into each stage of the investment lifecycle.

2.3 ESG Due Diligence Process

Before making any investment, our team will conduct ESG due diligence that includes:

- **Environmental Impact Assessment:** Assessing the issuer's environmental impact, including carbon emissions, water usage, energy management and efficiency, and waste management.
- **EU Taxonomy Alignment:** Evaluating alignment with the EU Taxonomy's environmental objectives and mitigation of environmentally harmful activities.
- **SFDR's Principle Adverse Sustainability Impacts:** Evaluating the presence of the SFDR's Principle Adverse Impact (PAI) Indicators.
- **Social and Governance Considerations:** Examining labour practices, diversity, human rights, community engagement, board structure, executive compensation, overall governance practices, and adherence to international labour and human rights standards.
- **Principles of Transparency:** Scrutinising adherence to principles of transparency, accountability, and shareholder rights.

2.4 Alignment with International Standards

Furthermore, the Fund aims to be fully aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. ESG-related

questions related to these guidelines are integrated into pre-investment ESG questionnaires and post-investment monitoring and support processes.

2.5 Circular Economy Focus

Sporos Platform focuses on the transition from brown to green, from linear to circular. The investment scope includes any economic activity aligned with the Technical Screening Criteria for the transition to a Circular Economy. Four Circularity Categories guide this assessment: Circular Design and Production, Circular Use and Life Extension, Circular Value Recovery, and Circular Enablers.

2.6 External ESG Assessment

To enhance our ESG assessment, we leverage an external sustainability research agency and data provider. Partners provide insights into ESG performance, enabling informed investment decisions and ensuring compliance with SFDR's disclosure requirements.

2.7 Circular Economy Risk Assessments

Our investment team integrates circular economy risk assessments into the traditional risk management framework. This involves identifying and quantifying circular economy-related risks and actively seeking investment opportunities aligned with the circular economy objective in the EU Taxonomy.

2.8 Comparability and Level Playing Field

The Fund aims to improve comparability between linear and circular models in different sectors, measuring impact, internalising externalities, and establishing a level playing field between linear and circular investment decisions.

3. Incorporation of EGS Issues into ownership policies and practices

After conducting thorough ESG due diligence and risk assessment, the subsequent step in our investment process is portfolio construction. Our goal is to establish a portfolio that not only maximises financial returns but also aligns with our sustainability objectives. In this phase, we assess the ESG risk-adjusted returns of each investment, evaluating whether the expected

financial returns justify the ESG risks taken. Investments with higher ESG risks should be commensurate with higher expected returns, ensuring the financial viability of our investments.

3.1 Diversification Strategy

Cross-Asset Diversification: We adopt a strategy of diversifying the portfolio across different asset classes, geographies, and sectors. This diversification is done while maintaining alignment with the EU Taxonomy and SFDR requirements. By spreading our investments, we mitigate concentration risks and enhance the impact of our investments across various ESG objectives.

3.2 Collaborative Approach with Portfolio Firms

Ownership and Responsibility: Sporos follows a collaborative approach with portfolio firms, recognising that these companies should retain ownership and responsibility for business plan execution, including the co-development of a Circular Transition Plan.

3.3 ESG Performance Integration

Inclusion in Investment Criteria: The ESG performance of target companies at the time of investment is a crucial part of Sporos' investment criteria. While some companies may have suboptimal ESG standards at the time of our investment, we work collaboratively with them to improve both their ESG performance and financial outcomes.

3.4 Transition Officer Implementation

Accountability and Implementation: We mandate the appointment of a 'Transition Officer' within the investee company. This officer will be responsible for the accurate implementation of Sporos' Circular Transition Plan and will ensure accountability to the investment team.

3.5 Long-term Value Creation

Integration in Day-to-Day Operations: The integration of ESG considerations into our day-to-day operations is not only an effective management practice but also a driver for long-term value creation. We aim to invest in companies that may have suboptimal ESG standards at the time of our investment, with a commitment to working collaboratively to enhance both ESG and financial performance.

4. Disclosures on ESG Issues

In full compliance with the EU SFDR and EU Taxonomy Regulations, Sporos commits to the following disclosures:

4.1 Periodic Assessments

Principle Adverse Sustainability Indicators: Sporos will update its Statement on due diligence policies through periodic assessments of Principle Adverse Sustainability indicators. These assessments will include historical comparisons to ensure ongoing improvement in sustainable investment practices.

4.2 EU Taxonomy Disclosures

Environmental Objective of Circular Economy: Sporos will disclose all information related to the chosen EU Taxonomy environmental objective of the Circular Economy in line with the EU Taxonomy.

4.3 EU Taxonomy Key Performance Indicators (KPIs)

Qualification as Sustainable: Sporos will disclose how and to what extent its investments qualify as sustainable through EU Taxonomy KPIs. These KPIs are primarily based on Turnover, and where necessary, on CapEx and OpEx.

4.4 Assistance to Investee Companies

Support for EU Taxonomy Disclosures: Sporos commits to assisting investee companies in their EU Taxonomy disclosures, fostering transparency and alignment with sustainable objectives.

4.5 Life Cycle Assessment (LCA) Data

Data on Investee Companies: Sporos will disclose Life Cycle Assessment (LCA) data, where applicable, on investee companies or, in its absence, the detailed and specific conclusions as to the achievement of the environmental sustainability objective of Circular Economy through the investment.

4.6 Progress Tracking

KPIs for Circular Economy Objectives: Sporos will disclose progress made in relation to agreed-upon KPIs relating to the environmental objective of Circular Economy.

4.7 Voluntary Reporting for Non-Financial Undertakings

Voluntary Reporting Obligations: While the legal framework may exclude certain non-financial undertakings from mandatory reporting obligations, we will require and assist investee companies to voluntarily provide equivalent information. This aligns with our commitment to sustainability, the EU Taxonomy, and SFDR objectives.

4.8 Alignment with EU Taxonomy

Scope of Sustainable Investments: All of the Fund's sustainable investments align with environmentally sustainable economic activities, primarily falling under the scope of Article 9(d) Circular Economy in Regulation (EU) 2020/852 ("EU Taxonomy"). Overlaps with other environmental objectives will be transparently disclosed and duly considered.

4.9 Continuous Monitoring and Reporting

ESG Performance Monitoring: Ensuring ongoing alignment with ESG principles, SFDR, and the EU Taxonomy, Sporos will conduct continuous monitoring of its portfolio holdings. This includes assessing key ESG metrics, benchmarking, and active engagement with companies to encourage ESG improvements.

4.10 Transparency and Standardized Disclosures

SFDR Compliance: In compliance with SFDR, Sporos will provide transparent and standardised ESG disclosures to investors. This encompasses ESG risk disclosures, adverse impact reporting, and periodic updates on progress toward achieving EU Taxonomy objectives.

4.11 Policy and Regulatory Monitoring

Sophisticated Policy Monitoring Tools: Sporos employs sophisticated policy monitoring tools to navigate the evolving regulatory environment. This proactive approach positions the fund to adapt to new ESG-related regulations and standards, ensuring continued compliance and maximising the material and measurable ESG benefits of its investments.

5. Roles and Responsibilities

5.1 Leadership Responsibility

Chief Policy & Impact Officer: The Chief Policy & Impact Officer has ultimate responsibility for overseeing Sporos' ESG Policy and ensuring its alignment with the fund's objectives. This includes overseeing the annual review process.

5.2 Team Coordination

Sporos Team: The entire Sporos Team collaboratively coordinates initiatives across the Fund to maintain a cohesive approach to ESG. They share responsibility for supporting and ensuring compliance with all ESG policies and related monitoring activities.

5.3 Monitoring Industry Trends and Policy Changes

Responsibilities of Chief Policy & Impact Officer: The Chief Policy & Impact Officer actively monitors changes or updates to industry trends, policies, and regulations. Additionally, they provide specialized expertise to investee companies as needed, ensuring alignment with evolving standards.

5.4 Advisory Role of Circular Board

Circular Board: Comprising senior sustainability leaders nationally recognized, the Circular Board advises on ESG matters across Sporos. This advisory body plays a crucial role in guiding and enhancing ESG considerations.

5.5 Partnerships and Collaborations

ESG Partnerships: Sporos has formed partnerships on ESG efforts and collaborates with them to integrate the consideration of material ESG factors throughout the investment life cycle. These partnerships contribute to a comprehensive approach to sustainability.

5.6 Operationalization of Sustainability Activities

Chief Policy & Impact Officer's Role: The Chief Policy & Impact Officer is specifically responsible for operationalizing key sustainability activities across portfolio companies. This involves translating sustainability goals into actionable steps within each investee company.

6.Scope

This ESG Policy applies to Sporos' investments and business units, as applicable. It undergoes a general annual review to reflect changes in the business landscape.

6.1 Annual Review

Review Frequency: The ESG Policy is reviewed on an annual basis to ensure alignment with evolving business dynamics.

6.2 Influence and Control

Variability in Influence: Sporos' ability to influence and exercise control over ESG matters varies based on asset class, investment structure, and contractual rights.

6.3 Adaptation to Circumstances

Limited Ability Cases: In instances where Sporos determines it has limited ability to conduct diligence or to influence and control ESG considerations for a particular investment, the application of elements from this ESG Policy will be based on practicability given the underlying facts and circumstances.

6.4 Examples of Limited Ability Cases

Minority Shareholder Scenarios: Examples of limited ability cases include scenarios where Sporos is a minority shareholder with restricted governance rights, or situations where Sporos has limited ability to assess, set, or monitor ESG-related performance.

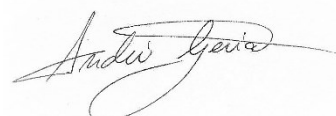
6.5 Maximalist Approach

Adoption of Maximalist Approach: Despite limitations, Sporos will consistently adopt a maximalist approach to the extent possible when it comes to circular economy. This approach spans from the screening process, termsheet and contractual negotiations, to investee Board meetings. It reflects Sporos' commitment to comprehensive ESG considerations, even in scenarios with limited influence.

This ESG Policy was last updated in December 2023 and is subject to change as the firm considers necessary or advisable. This policy is intended to be reviewed approximately annually.

Regulatory instruments underpinning Sporos' ESG Policy

1. *Sustainable Finance Disclosures Regulation (R 2019/2088)*
 - 1.1 *SFDR Delegated Regulation (DR 2022/1288)*
 - 1.2 *SFDR Delegated Regulation - Annex I*
 - 1.3 *NACE Regulation (R 1893/2006)*
 - 1.4 *EU Climate Transition Benchmark Regulation (R 2019/2089)*
 - 1.5 *Directive on Alternative Investment Fund Managers (D 2011/61/EU)*
2. *EU Taxonomy Regulation (R 2020/852)*
 - 2.1 *Taxonomy Climate Delegated Act (DR 2021/2139)*
 - 2.2 *Taxonomy Disclosure Delegated Act (DR 2021/2178)*
 - 2.3 *Delegated Regulation 2022/1214*
 - 2.4 *Taxonomy Environmental Delegated Act (EC Communication 2021/2800)*
 - 2.5 *Directive on geological storage of carbon dioxide (D 2009/31/EC)*
 - 2.6 *Sendai Framework for Disaster Risk Reduction 2015-2030*
 - 2.7 *REACH Regulation (R 1907/2006)*
 - 2.8 *Regulation on persistent organic pollutants (R 2019/1021)*
 - 2.9 *Directive on Packaging and Packaging Waste (D 94/62/EC)*
 - 2.10 *Directive on End-of-Life Vehicle (D 2000/53/EC)*
 - 2.11 *Directive on Waste (D 2008/98/EC)*
 - 2.12 *Regulation replacing Annex III of Directive 2008/98/EC on waste (R 1357/2014)*
 - 2.13 *Commission Decision on the list of waste pursuant to Directive 2008/98/EC*
 - 2.14 *Directive on Waste electrical and electronic equipment (WEEE) (D 2012/19/EU)*
 - 2.15 *Directive on port reception facilities for the delivery of waste from ships (D 2019/883)*
 - 2.16 *Directive on Single-use plastics (D 2019/904)*
 - 2.17 *Directive on the landfill of waste (D 1999/31/EC)*
 - 2.18 *Directive on industrial emissions - integrated pollution prevention and control (D 2010/75/EU)*
 - 2.19 *Commission Decision on waste hierarchy (Commission Decision 2000/532/EC)*
 - 2.20 *Directive on restriction of use of certain hazardous substances in electrical and electronic equipment (D 2011/65/EU)*
 - 2.21 *Commission Communication of 02.12.2015 "Closing the loop - An EU action plan for the Circular Economy."*
 - 2.22 *Commission Communication 16.01.2018 on "A European Strategy for Plastics in a Circular Economy"*
 - 2.23 *Directive on the annual financial statements, consolidated financial statements and related reports of certain type of undertakings (D 2013/34/EU)*



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