

ESG Policy

Foreword

In this document we aim to outline the approach of STS Co-Investment Fund Management GmbH with respect to the management of environmental, social, and governance (“ESG”) topics. STS Co-Investment Fund Management GmbH, hereinafter referred to as “STS Ventures” is registered as an alternative investment fund manager (“AIFM”) with and supervised by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, “BaFin”) pursuant to section 2 para. 4 German Capital Investment Code (Kapitalanlagegesetzbuch, “KAGB”) and acts as management company for several venture capital funds. STS Ventures promotes environmental or social characteristics (cf. Art. 8 SFDR) but does not have sustainable investment as its objective (Art. 9 SFDR).

Intro

At STS Ventures our mission is to generate superior returns for our investors by funding and supporting exceptional teams with business ideas that work. We manage early-stage venture capital funds that seek outstanding founders who strive to create value in the long run and build businesses with healthy unit economics. We invest in pioneering companies that pursue sensible and sustainable growth strategies. In this context, we believe that careful attention to ESG matters is a prerequisite for long-term value creation. Thus, we are committed to maximizing fund returns while also ensuring that we are taking into account the long-term sustainability and impact of our investments. By implementing this ESG policy, we ultimately aim to create value for our investors while also contributing to a more sustainable and responsible business environment.

Purpose & Principles

The purpose of this policy is to define and outline STS Ventures’ approach regarding ESG topics. These considerations apply to our own operations as a management company, to all investments made, and to our engagement with portfolio companies, regardless of the stage or sector of the investee company. More specifically, this policy serves to set clear principles, to guide our behavior, and to ensure good governance of related matters.

Our investing approach is aligned with the wider UN Principles for Responsible Investment. Thereunder, we encourage the management of our portfolio companies to consider the UN Sustainable Development Goals and the underlying principles (such as the ten principles of the UN Global Compact) when developing their own ESG strategies. Moreover, we are committed to acting according to Invest Europe’s Handbook of Professional Standards and the International Private Equity and Venture Capital Valuation and Reporting Guideline (IPEV), both of which are an integral part of the Invest Europe Handbook.

Investment Process and Portfolio Management

STS Ventures considers ESG criteria throughout all phases of its investment decision-making process, from the initial screening of potential investments, deal evaluation, due diligence and term negotiations to portfolio company management and engagement until exit.

Investment Screening

Firstly, STS Ventures engages in negative screening and maintains a list of non-investment areas. This list comprises industries and business segments that are excluded from consideration for potential investments due to non-compliance with ESG criteria and our core values at STS. We regularly review and update this list. Moreover, as part of our screening process, the investment team initially identifies and assesses a company's ESG-related risks and impact which should be further analyzed and addressed in subsequent steps.

Deal Evaluation & Due Diligence

Companies that pursue sensible and sustainable growth strategies need to be aware of ESG risks and opportunities that are material for their business model. Consequently, we purposely seek out companies that proactively address relevant ESG topics and consider these factors when evaluating potential investments.

As part due diligence process, we will carefully assess a company's ESG-related risks and related factors (including potential issues related to environmental topics such as climate change, resource efficiency, or pollution, social topics such as diversity, inclusion, or labor standards along supply chains and governance topics such as business ethics, anti-bribery, and corruption). We define sustainability risks as ESG-related events or conditions that, if they occur, have a material negative impact on the value of the investment. Furthermore, STS Ventures assesses the environmental and social impacts associated with all stages of a business model or product's life cycle. Impact KPIs are defined by assessing the environmental and social improvements (impact perspective) and the growth of a company (business perspective). Finally, as part of the due diligence, the investment team will review whether a potential portfolio company has good governance practices in place. All these ESG components of the due diligence process play a significant role in our deal evaluation and final investment decision.

Portfolio Management

STS Ventures actively encourages portfolio companies and the founders we work with to incorporate ESG policies and actively engage with the ESG implications of their business activities. We aim to include a standard sustainability clause in all investment agreements. This clause states that each portfolio company shall, within a reasonable time following the signing and on a best-effort basis, adopt and maintain an ESG policy. We support our founders to achieve these commitments to enable them to establish ESG policies.

We will work with our portfolio companies to understand and address any ESG-related risks and opportunities. We will also encourage them to adopt sustainable business practices and support them to implement policies that align with our ESG values.

Furthermore, as a numbers-driven investor we encourage our portfolio companies to develop and track clear sustainability Key-Performance Indicators. STS Ventures will routinely engage with portfolio companies and offer support to identify and define material ESG topics. We will also work with portfolio companies to set and track progress against ESG targets. We will

prioritize follow-on investments in companies that monitor and track material ESG topics and have put in place clear ESG targets and pathways.

Due to the nature of their business, many of our portfolio companies handle sensitive (customer) data. Thus, adherence to all relevant data privacy laws and security standards is critical. We expect our portfolio companies to maintain the highest compliance standards and will actively monitor legal developments. Similarly, we will engage with industry organizations and experts to stay up-to-date on best practices and trends in ESG. We will also participate in industry events and initiatives related to ESG.

A well-balanced and well-structured corporate governance is critical for a company's success. Therefore, STS Ventures supports portfolio companies to build a diverse and efficient board of directors and put in place the necessary governance structures. We will actively engage with portfolio companies on governance topics and practices, including board composition, executive compensation, and transparency, and will prioritize follow-on investments in companies with strong governance practices. We expect the board of directors to ensure that ESG topics are adequately addressed. STS Ventures representatives will actively participate in board discussions and put forward relevant ESG matters.

Exit

In case of an exit, maximizing the fund's financial return is the main priority. However, STS Ventures will also aim to find the best acquirer who will act responsibly for the company and its employees. We will coordinate the exit process with the management team, and will, to the extent possible, take into account the interest of all stakeholders.

At STS Ventures

Environmental Footprint

STS Ventures aims to improve its environmental footprint and we continually evaluate and implement initiatives addressing our carbon footprint, resource use, and minimizing pollution and use of non-recyclable materials. Specifically, we aim to reduce our carbon footprint through internal food and travel policies, and by compensating the remaining. We further introduced policies regarding sustainable water & energy consumption.

We strive to continuously reduce our environmental footprint and actively search for new initiatives that help us improve our performance

Social Impact

We actively promote diversity, inclusion and equality in the workplace. STS Ventures is an equal opportunities employer, and we respect the diversity of our people. Our aim is to attract, motivate, develop and retain a diverse and talented group of people while also providing a working environment that promotes both inclusion and equality. We have an inclusive culture and practice open sharing of information, transparent decision making and provide an accessible environment for all.

List of amendments:

31.03.2023: Last updated