

# ENVIROMENTAL, SOCIAL AND GOVERNANCE POLICY

SCV Fund Management B.V.

October 2021



South Central  
Ventures



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# Responsible Investment Policy

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SCV Fund Management B.V. („SCV“) adopted responsible investing approach that aims to incorporate Environmental, Social and Governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

SCV addresses environmental factors by reducing emissions during the day-to-day business operations. SCV strives to increase awareness for sustainable risks and challenges, climate change and waste management both internally and within investee companies, encouraging founders to work towards sustainable operations.

SCV addresses social factors by creating an inclusive community, encouraging diversity, continuous education and gender balanced leadership within SCV and portfolio companies. Any form of discrimination or harassment is strongly discouraged and not tolerated both internally and within portfolio companies. SCV is an equal opportunities employer, which provides a working environment that promotes both inclusion and equality.

SCV addresses governance factors by adhering to highest standards in terms of anti-bribery and corruption measures, business ethics, accountability, leadership, transparency, risk management and shareholder rights. Strict conflict of interest and anti-money laundering (AML) policies are implemented and followed at all times.

The ESG factors listed are not exhaustive and SCV continuously refines and amends the list.

SCV actively applies Invest Europe’s Best Practice Guide and EBRD’s Performance Requirement 9 (PR 9) in identification and addressing material ESG risks and opportunities, both prior to investment and during the ownership period.



SCV understands that, while the sustainability is globally addressed issue, consideration of ESG factors during investment process is of great importance for value creation for all stakeholders: from employees to customers, suppliers to shareholders, and the wider community at large.



# SCV's ESG Risk Management

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## Governance on ESG issues at SCV level

- SCV introduced Environmental and Social Management System (ESMS) with clearly identified responsible investment policy and procedures.
- ESG manager is appointed at SCV level as representative who holds the overall responsibility for implementation of ESMS (day to day implementation, identification of environmental and social training needs and required budget as well as staff education on importance of responsible investment approach application).
- Taking into account its investment strategy, SCV considers PR 2: Labor and Working Conditions and PR 4: Health and Safety as the most relevant principles of responsible investment, thus the emphasis is on the implementation of said principles at fund and portfolio companies' levels. Risk assessment as well as monitoring mechanisms have been put in place and are regularly conducted and updated.
- SCV annually reports on ESG issues to its investors.



## Governance on ESG issues at portfolio companies' level

- SCV continuously provides guidance and support to portfolio companies on importance of introduction and development of appropriate ESG system (through SCV's ESG resources, board representative, regular monitoring and investment professionals responsible for individual portfolio investments).
- Portfolio companies are highly encouraged to follow voluntary initiatives as well as consider joining appropriate international initiatives that promote best practice within ESG issues.
- SCV has monitoring processes in place towards portfolio companies to ensure that ESG risks and opportunities are appropriately managed for risk mitigation purposes as well as for improvement of business practices. Monitoring is focused on relevant and material key performance indicators. Portfolio companies report annually to SCV on ESG issues.



# ESG Management and Investment Process

## Pre-investment phase

- During the pre-investment screening of target investee company, SCV actively assesses relevant ESG risks on one side, and ESG growth / value creation related opportunities for business on the other side. Having in mind investment strategy and sector within which specific investment target company operates, focus is placed on factors such as labor and working conditions, health and safety, ethics, environment and climate change, anti-bribery and money laundering.
- No investments have been or are to be made in business activities included in the investment restrictions in the Limited Partnership Agreement.
- Detailed ESG due diligence is performed on each potential investment with all material findings clearly identified, addressed and documented in the investment documentation. ESG due diligence check list relies on EBRD E&S Risk Management Toolkit for Financial Intermediaries and Invest Europe Guidelines to ESG Due Diligence for Private Equity GPs and their Portfolio Companies.
- If SCV's Investment Committee concludes that the ESG risks of the investee company are too significant and cannot be appropriately mitigated in a reasonable timeframe, SCV can refrain from investing in the company. At all times, SCV applies the principle of proportionality, taking due care of its investment strategy, the strategic relevance of an investment as well as its transactional context.



## Investment phase

- Depending on the level of ESG information disclosed during due diligence process, SCV conducts a more detailed ESG review to determine/verify the status of policy implementation at the company level and to determine what improvement actions, if any, are required.
- During the period of ownership of the companies, SCV monitors portfolio companies ESG performance with a view to help management teams identify and respond to opportunities for further improvement on an ongoing basis.
- SCV works closely with the portfolio companies to identify company/sector specific risk management and value creation initiatives.
- Continuous monitoring of ESG performance on portfolio companies level is performed by SCV team with a detailed set of reporting requirements on an annual basis.

## Exit phase

- SCV discloses all relevant ESG information to potential buyers, assesses ESG value creation during the holding period and additional ESG requirements needed to support exit process.





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