



Sustainability Policy

ICP Ventures

Prepared by: Sustainability Officer

Owner: Managing Director

Approver: Board of Directors

Valid from: 31 August 2023



incp.com

This Sustainability Policy (the “**Policy**”) sets out general guidelines and expectations for all funds managed and assets advised by ICP Ventures (“**ICP Ventures**”). The Policy describes ICP Ventures’ overarching expectations of how it will integrate sustainability risks and opportunities into the investment process for its assets under management (“**Portfolio Company**”, “**Portfolio Companies**”).

The Policy shall be reviewed and approved annually by ICP Ventures’ Board of Directors.

1. About ICP Ventures

ICP Ventures is a venture capital asset management company regulated as an alternative investment fund manager. ICP Ventures is part of Industry Capital Partners (“**ICP**”), a Net Zero¹ investment platform. ICP Ventures targets venture capital investments within industrial hardware technology and materials with a substantial potential for reducing greenhouse gas emissions.

1.1. Mission

ICP Ventures’ mission is to invest in, and develop, venture companies with technologies or solutions contributing to accelerating the transition to Net Zero greenhouse gas emissions by 2050. Reducing emissions to Net Zero by 2050, and accelerating deep reductions now, are necessary to limit the increase in average global temperatures to 1.5°C. Without sharp emission reductions, there is a risk of irreversible and potentially catastrophic outcomes for the world.

The growing political consensus on Net Zero is cause for considerable optimism, but the fundamental changes required to reach that goal by 2050 are often underestimated. To turn today’s ambitions into reality, the global economy will have to re-allocate large amounts of capital from fossil fuels and existing technologies to renewable energy and new, low-carbon technologies.

To reach Net Zero, net annual emissions must be reduced from 50 Gt CO₂e, of which nearly 50 percent rely on core hardware technologies in demonstration or earlier phase². This will require scaling up investments in early-phase hardware technologies.

1.2. Principles

The Paris Agreement’s main objective is to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and to limit the temperature increase to 1.5°C. ICP Ventures will contribute to aligning finance flows with the objectives of the Paris Agreement by investing in early-stage companies developing deep decarbonization technologies and solutions.

ICP Ventures recognises that climate change mitigation in some instances can cause significant harm to other sustainability objectives. ICP Ventures will consider the principal adverse impacts

¹ “Net Zero” refers to a state in which the greenhouse gases going into the atmosphere are balanced by removal out of the atmosphere, according to NetZeroClimate.org. The Paris Agreement underlines the need for Net Zero.

² IEA, Net Zero by 2050, A Roadmap for the Global Energy Sector

of their investments on nature and people and develop a plan to mitigate, manage and monitor such impacts of the Portfolio Companies.

ICP Ventures expects Portfolio Companies to implement good governance practices and adhere to the minimum social safeguards, where relevant, in alignment with the OECD Principles of Corporate Governance, the OECD Guidelines for Multinational Enterprises, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

1.3. Investment strategy

ICP Ventures invest in early-stage companies providing industrial technology with a significant hardware component and substantial potential at full scale to reduce greenhouse gas emissions. The investment focus is on core technologies and materials within energy systems, circular economy, production and manufacturing, transport and logistics, and agriculture and oceans.

ICP Ventures invests in companies in the pre-seed, seed or growth stage, with potential follow-on investments to continue to support the Portfolio Companies that develop past these stages. ICP Ventures invests in technologies that are scientifically proven and where a market inflection point is observed.

2. Integration

ICP Ventures will integrate sustainability risks and opportunities into the investment process at three main decision points: ICP Ventures will use ICP's proprietary investment universe to identify a universe of climate-related opportunities, systematically assess potential investments for their contribution to climate change mitigation and for any adverse impacts and use its rights as shareholder to influence Portfolio Companies.

2.1. Universe

As part of ICP, ICP Ventures has access to a proprietary framework to analyse the Net Zero transition and its potential impact on different economic sectors and business models. The proprietary framework provides insight about emission pathways, long-term demand, investment needs and bottlenecks for reaching Net Zero emissions and enables ICP Ventures to identify climate-related opportunities.

Additionally, ICP Ventures will not invest in companies deriving more than 5 percent of their revenue from:

- Coal mining and production
- Fossil fuel extraction and production
- Gambling activities
- Production of tobacco, alcohol, weapons, and/or adult entertainment

Further, ICP Ventures will not invest in companies associated with severe violations of human rights and employee rights, severe infliction of environmental damage, corruption, or companies that are responsible for, or contribute to, particularly serious breaches of fundamental ethical principles and norms.

2.2. Assessment

ICP Ventures will assess how investments can contribute to the Net Zero transition and, where possible, seek to quantify that contribution. ICP Ventures will also assess investments for relevant sustainability risks.

a) Initial screening

ICP Ventures takes a thematic investment approach, focusing solely on technologies and solutions with a substantial potential of reducing emissions. Pre-due diligence screenings on sustainability risks and opportunities are part of the initial assessment of all potential investments.

This screening includes a high-level desktop analysis, including a selection of key sustainability questions to assess if there is a substantial environmental contribution potential with no probable significant harm to other environmental objectives, or any obvious social or governance risks.

The focus of the pre-due diligence screening is to confirm the investment case can contribute to the investment strategy targeting developing technologies and solutions with a substantial potential of reducing emissions. ICP Ventures will only proceed with an investment opportunity if substantial emission reduction potential is identified.

b) Due diligence

ICP Ventures will conduct a comprehensive due diligence analysis, including sustainability, for all investment opportunities, using sustainability criteria defined by the SFDR and the EU Taxonomy. All investments must show 1) potential for substantial emission reductions, 2) no significant harm to other environmental objectives, and 3) no risk of breaching good governance practices or minimum social safeguards. ICP Ventures will also assess each investment using the principal adverse impact indicators (“**PAIs**”).

Where the assessment identifies high or unacceptable sustainability risks, mitigating actions must be identified before determining whether the investment process can proceed. This mitigation is then included in the active ownership agenda of the investment opportunity.

The sustainability due diligence analysis must also confirm the investment opportunity is a fit with ICP Ventures’ investment strategy targeting developing technologies and solutions with a substantial potential of reducing emissions. Where possible, ICP Ventures will perform an emission life cycle analysis (LCA) of each investment opportunity and compare it against a reasonable benchmark to understand the net contribution of a technology or solution if it is introduced to society.

Sustainability due diligence results must be approved by the investment committee before it makes the final investment decision on behalf of funds or assets under management.

c) Annual review

ICP Ventures develops a value creation plan for each investment, including a 3-year sustainability plan, to ensure key sustainability considerations are integrated and implemented. ICP Ventures revises this plan annually to reflect the priorities relevant to each Portfolio Company at their stage of development. ICP Ventures monitors key performance indicators (“**KPI’s**”) on sustainability at board or management meetings, as well as through annual reporting.

2.3. Ownership

Active ownership is a core part of ICP Ventures' strategy to create value, accelerate growth, and build strong and resilient businesses together with the Portfolio Company and its partners.

- **Value creation plan:** A value creation plan is developed for each Portfolio Company at the time of investment. This includes a 3-year sustainability plan based on mitigating, managing, and monitoring the risks identified by the due diligence process. ICP Ventures develops the plan in collaboration with the Portfolio Company. This plan is revised annually to ensure applicability for the company and its stage of development.
- **Governance:** The board of directors approve the strategy and business plan, including sustainability, for each Portfolio Company, which is developed in close collaboration with the management team. ICP Ventures aims to engage a chairperson with leadership and relevant industry experience complementary to the Portfolio Company CEO and the ICP Ventures investment team. Where ICP Ventures has majority ownership of a Portfolio Company, ICP Ventures aims to represent the majority of the board and nomination committee and will influence decisions through the board positions as well as regular interaction with the Company's management team. ICP Ventures will urge the Portfolio Companies to have a minimum of six board meetings per year or, if fewer, monthly reporting meetings and ad-hoc workshops on strategic considerations with the ICP Ventures team. ICP Ventures will always exercise its voting rights.
- **Engagement:** ICP Ventures encourages and offers frequent dialogue with the CEO, founder, or management team of the Portfolio Companies to actively contribute as discussion and sparring partners. This relationship supports strategic decisions and corporate and business development activities, including the development, implementation, and integration of sustainability. For minority ownership, meeting frequency will vary by company. For majority ownership, ICP Ventures aims to meet with the Company's management team on a weekly basis.
- **Co-investors:** ICP Ventures may invest alongside other investors as a minority investor. In such cases, the aim is to collaborate with the other investors to develop priorities, principles, commitments, implementation plans, and other documentation related to sustainability for the respective venture. For minority investments, ICP Ventures will also seek to have a minimum of one position on the board and one on the nomination committee.

3. Performance

ICP Ventures wants its investors and prospective investors to understand how its managed funds perform on sustainability. Transparent disclosures on the sustainability of financial products enable investors to make informed decisions. This ultimately contributes to making financial markets more effective and channelling capital toward the investments needed to reach Net Zero by 2050.

3.1. Data

All Portfolio Companies will be required to report on key sustainability indicators, including principal adverse impact indicators. These sustainability performance assessments should be based on relevant, comparable, and reliable data. ICP Ventures seeks to collect data from Portfolio Companies, if available, using standardized templates with clear definitions to reduce the risk of errors and inconsistencies. If data from Portfolio Companies is not readily available, data from public sources and third-party data providers should be obtained, if possible.

Emission calculation and accounting methodologies will be based on globally recognized guidance, such as the GHG Protocol or equivalent, to provide transparency and enable emission comparison.

3.2. Analysis

The sustainability indicators are monitored at the fund level. ICP Ventures will annually assess and compare the impact of the fund based on historical performance and the PAIs. ICP Ventures is working with the Portfolio Companies to develop short- and long-term targets to be measured and reported on annually.

3.3. Reporting

ICP Ventures will follow the recognized reporting standards of EU regulations for funds under management, including PAI indicators, sustainability indicators, and EU Taxonomy considerations.

ICP Ventures encourages Portfolio Companies to report on KPIs at each board meeting, including sustainability related indicators.

ICP Ventures will report annually on the development and performance of its funds and Portfolio Companies, including on sustainability. ICP Ventures does not develop a separate sustainability report due to the overlap of the investment strategy and sustainability. The annual investment report will include sustainability matters and be distributed to investors and other stakeholders.