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1. CONTEXT AND DEFINITIONS

The objective of this policy is to provide transparency on how the management company integrates sustainability risk into its investment decisions and how it considers potential adverse impacts

A. Definitions

A sustainability risk is an environmental, social, or governance event which could have a material adverse impact on the value of an investment. Sustainability factors include, but are not limited to, human rights, carbon output, corruption, the environment, and biodiversity.

An environmental risk includes the damage caused by pollution, climate change, or loss of biodiversity.

A reputational risk is connected to the legal, financial, and reputational impact of compensation claims or public sentiment against investments in companies that cause adverse

A transition risk is caused by regulatory or market changes that penalize or prohibit activities that contribute to climate change.

A social risk concerns a company's relationship with its stakeholders. This includes the health and safety of employees, discrimination and harassment, and respect for human rights in the supply chain,

A governance risk concerns two potential risks, that of incompetence by management, or that of malfeasance by management.

2. IDENTIFICATION OF ESG AND SUSTAINABILITY RISKS

HCVC backs founders who digitize, automate, and decarbonize the world. We believe that humanity is facing an unprecedented existential crisis, and that the ideal future is one where new technologies can disrupt how we produce energy, transport goods and people, manufacture products, and grow food. We further believe that the next wave of profitable investments will come from exactly these sorts of technologies.

A. Exposure to Sustainability Risks

The funds managed by the management company are all exposed to sustainability risks. The risks to the funds are all long-term and difficult to measure. Nonetheless, the management company has determined that, given the nature of its investments, the risk is generally low.

The management company annually reviews the expected risk for each category of sustainability risk.

B. Excluded investments

The funds managed by the management company do not invest in any of the following categories. This exclusion is enforced through three measures. First, this is written into the bylaws of the funds. Second, before every investment, an eligibility check is performed, to document that the investment does not fall in the exclusion. Third, the management company asks every company it invests in to sign a side letter that confirms it is not an excluded company.

The excluded categories are:

- Illegal economic activity
- Human cloning
- Production or trade in tobacco and distilled alcoholic beverages
- Production or trade in weapons and ammunition of any kind
- Casinos and other gambling enterprises
- Applications that directly support gambling, pornography, or other excluded categories
- Applications that allow illegal entry to data networks

3. PRIMARY ESG AND SUSTAINABILITY RISKS

Risk	**Examples**	**Probability**	**Impact**
Environmental Risk	Pollution of air or water	Medium	Low

	Severe weather events	Medium	Medium
Transition Risk	New regulations	Medium	Low
Reputational Risk	Reputational risk, generally	Low	Low
Social Risk	Health and safety	Medium	Low
	Diversity or harassment	Medium	Medium
	Labor law	Low	Low
Governance Risk	Poor governance structure	Medium	Medium
	Misaligned remuneration or vesting	Low	Low
	Corruption or money laundering	Low	Low

4. ESG AND SUSTAINABILITY RISK MITIGATION

The management company believes that everyone in the team has a collective responsibility toward mitigating risks and adhering to this policy.

The management takes a systematic approach to mitigating some of the identified risks and a holistic approach to mitigating other risks.

A. Systematic approach

Systematic approaches to social risk and governance risks:

- Before investment, the management company requires the company to sign a side letter disclosing any potential claims of harassment.
- Before investment, the management company documents the remuneration and vesting policies of the companies to benchmark them against market standards.
- Before investment, the management company requires either that the bylaws of the company adhere to EU money laundering standards or that the company signs a side letter agreeing to adhere to such standards.

B. Holistic approach

The objective of the management company is to deliver returns for investors over the long-term, through the life of the funds it manages. The management company reviews every investment in the context of its potential to deliver that return, so the management company inherently must review all factors that could have an impact on the return of the investment, including sustainability risks. The management company's holistic approach is taken through its investment procedures, which are described in detail in those policies. Reviews are taken at each investment, with careful attention paid to the vision of management and the quality of governance.

The management company does not use any KPIs to score or select investments.

5. CONSIDERATION OF ADVERSE SUSTAINABILITY IMPACTS

Every quarter, the management company performs a survey of all its companies, asking for qualitative and quantitative data about the performance of the company as part of its valuation of the portfolio. Each quarter, the management company updates the survey based on the evolution of its understanding of the portfolio and sustainability risks in the market context.

The management company seeks, to the extent possible given investment dynamics, to receive expanded information rights, including rights to board materials or an observer seat on the board. Through this, the management company is able to continuously foresee potential impacts. The management company is empowered to act when necessary to help portfolio companies mitigate the damage from any adverse sustainability impacts.

Beyond this, the management company only uses a case-by-case process for taking into account the potential adverse impacts of its investment decisions for the following reasons:

- Most of its investments are in companies at an early stage of development, so formalized models or predictions of the future development of the companies are, by their nature, unusable.
- The stage and scale of the companies make the gathering and reporting of data unreliable, inconsistent, and wildly variable, such that quantitative trends cannot be meaningfully discerned.

The management company applies the principle of proportionality. That is, the overall scale of the funds and the investments made by the funds make comprehensive reporting a disproportionate response.

6. COMMUNICATION

The management company includes a summary of this policy in all pre-contractual documents for its managed funds and on its website.

If the management company becomes aware of any material adverse sustainability impacts, it will document and then report such impacts to the investors of the respective funds.

7. CONTROLS

The RCCI reviews this policy. Such a review includes, inter alia,

- The human and technical resources put in place to monitor sustainability risks and adverse impacts
- Whether the management company's processes are consistent with market practice and with the management company's values
- The efficacy of the holistic approach in the context of recent investments
- The pre-contractual documentation
- The SFDR disclosure
- Relevant AMF reporting on ESG

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