

Sustainability-related information

GRO Fund II

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Summary

Dansk

Denne fond fremmer miljømæssige eller sociale karakteristika, men har ikke bæredygtig investering som sit mål.

Fonden har til hensigt at undgå investeringer, der ikke er i overensstemmelse med GRO Capitals Politik for Ansvarlige Investeringer ved at følge principperne og procedurerne for due diligence og engagement, der er beskrevet heri. Fonden søger at fremme god miljø-, social- og ledelsespraksis (ESG), med fokus på karakteristika relateret til nedenstående temaer:

- Klimaforandringer: GRO søger at påvirke og samarbejde med porteføljevirkksomheder for at reducere deres drivhusgasemissioner og opstille reduktionsmål.
- Kønsdiversitet: GRO søger at påvirke og samarbejde med porteføljevirkksomheder om at etablere politikker og handlingsplaner for kønsdiversitet.
- Ansvarlig forretningsledelse: GRO søger at påvirke og samarbejde med porteføljeselskaber for at sikre, at virksomhederne har passende politikker og procedurer på plads for at understøtte ansvarlig forretningsledelse, heriblandt politikker om anti-korruption og bestikkelse, kønsdiversitet og klima.

Intet indeks er blevet udpeget som referencebenchmark for at opfylde de miljømæssige eller sociale karakteristika, som fonden fremmer.

Fondens fulde redegørelse for bæredygtighedsrelaterede oplysninger, der er angivet nedenfor, indeholder desuden oplysninger om:

- a) Fondens miljømæssige og sociale karakteristika og de indikatorer, der bruges til at måle opnåelsen af de miljømæssige og sociale karakteristika, som fonden fremmer. Dette omfatter en beskrivelse af de anvendte metoder og datakilder, samt hvordan indikatorerne overvåges gennem fondens levetid;
- b) Begrænsninger for anvendte metoder og data, og hvordan disse ikke påvirker opnåelsen af de miljømæssige og sociale karakteristika;
- c) Den investeringsstrategi, der anvendes til at opfylde de sociale og miljømæssige karakteristika, herunder politikken til vurdering af god ledelsespraksis for virksomheder, der er investeret i;
- d) Andelen og fordelingen af investeringerne i bæredygtige investeringer;
- e) Due diligence-procedurer og engagementspolitikker.

English

This fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The fund intends to avoid investments which are not in line with GRO Capital's Responsible Investment policy by following the principles and procedures for due diligence and engagement outlined in the Responsible Investment Policy, and seeks to promote good Environmental, Social and Governance (ESG) practices with a focus on characteristics related to the below themes:

- Climate change: GRO seeks to influence and work with portfolio companies to reduce their GHG emissions and set reduction targets.
- Gender equality: GRO seeks to influence and work with portfolio companies to establish policies and action plans for gender diversity.
- Good governance: GRO seeks to influence and work with portfolio companies to ensure that companies have in place adequate policies and procedures to support good governance, e.g., on anti-corruption and bribery, gender diversity and climate.

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the fund.

The full statement on sustainability-related information for the fund provided below includes information on:

- a) The environmental and social characteristics of the fund and the indicators used to measure the achievement of the environmental and social characteristics promoted by the fund. This includes a description of the methodologies and data sources used, as well as how the indicators are monitored through the lifecycle of the fund;
- b) Limitations to methodologies and data used and how these do not affect the attainment of the environmental and social characteristics;
- c) The investment strategy used to meet the social and environmental characteristics, including the policy to assess good governance practices of investee companies;
- d) The proportion and allocation of the investments in sustainable investments;
- e) Due diligence procedures performed and engagement policies.

No sustainable investment objective

This fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the fund

The fund promotes the following environmental and social characteristics as part of the investment strategy for GRO Fund II. GRO Capital and the fund promote social and environmental characteristics for the Partnership in the manner described in GRO Capital's "Responsible Investment Policy".

In line with the above, the environmental and social characteristics that the product seeks to promote include greenhouse gas emissions, gender equality and good governance.

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Investment strategy

Investment strategy used to meet the environmental and social characteristics

The fund invests in mature equity and equity-related majority and minority stakes in Nordic and North European, mid-market technology companies with a focus on business-to-business software.

To ensure that selected investments contribute to meeting environmental and social characteristics of the fund, the fund incorporates the ESG principles set out in the Responsible Investment Policy through the investment evaluation and decision-making process:

- a) Screening: GRO's investment team will only pursue investments in sectors that fall within the scope of the relevant fund's investment strategy and ESG principles. Based on factors relevant to each investment, GRO's investment team will perform an initial screening of investments to identify red flags or material risks, which may impact the investment decision;
- b) Due diligence: If material risks are identified, GRO's investment team shall arrange for targeted due diligence to be performed on relevant ESG topics to a potential investment, which shall, as relevant

in each case, include an assessment of risks relating to: (i) environmental and climate impacts and compliance, (ii) labour standards, (iii) human rights, (iv) anti-bribery and corruption, and (v) health, safety and environmental standards.

- c) Investment decision: GRO Capital's investment team will present findings from the aforementioned process to the Investment Committee. During the final investment decision process, ESG opportunities and risks will be flagged, and recommendations to address relevant ESG risks will be proposed for potential target companies.
- d) Investment contracts: GRO's investment team shall, to the extent relevant and possible considering the structure of an investment, seek to ensure that it is either represented in the investee company board or otherwise has access to relevant ESG-related investment information, and that relevant ESG topics are addressed in relevant investment contracts

During the ownership phase, GRO Capital actively works with portfolio companies to influence their contribution to the environmental and social characteristics of the fund. This includes encouraging portfolio companies to set targets on climate and gender diversity, developing ESG-related policies and action plans. GRO Capital engages in ongoing dialogue with management of the portfolio companies, and companies annually report on their progress to GRO Capital.

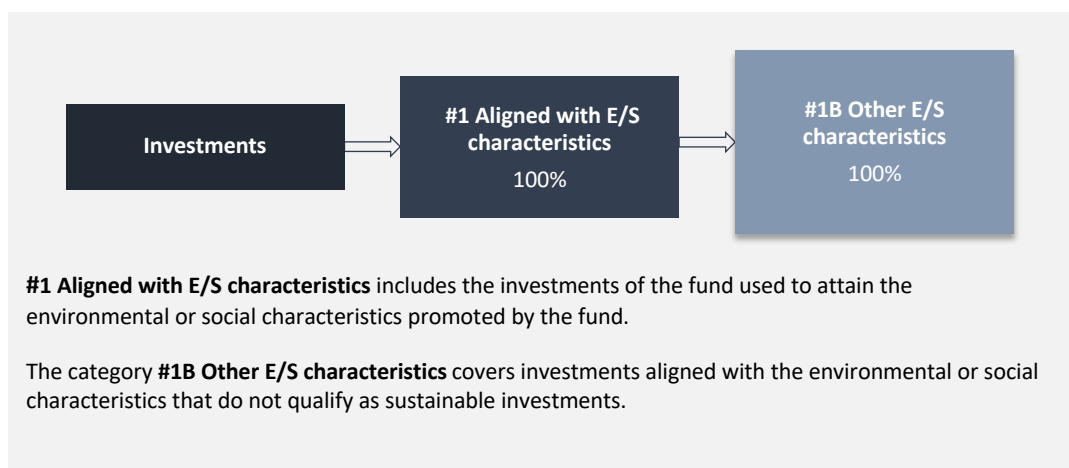
Policy to assess good governance practices of investee companies

GRO Capital will review each portfolio company's ESG standards over the lifecycle of each investment to identify areas of ESG related risks and opportunities. Specifically, in relation to good governance:

- GRO Capital will work with portfolio companies through representation on their boards or other governance structures, with the goal of improving performance and minimizing adverse impacts in ESG areas.
- GRO Capital will seek to provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement policies that help align the interests of owners and management.
- GRO Capital will follow the responsible investment policy and steps implemented for ESG risk screening and due diligence processes. GRO Capital conducts legal, tax and ESG due diligence to inform investment decisions. The due diligence process is used to inform GRO Capital that the investee companies:
 - Comply with applicable labour laws in the countries where the Partnership invests.
 - Maintain anti-bribery and corruption policies that prohibit bribery and other improper payments in order to gain commercial advantages;
 - Respect the international codes of conduct, e.g. the OECD Guidelines for Multinational Businesses and UN Guiding Principles on Business and Human Rights and;
 - Seek to minimize adverse impacts on the environment through the operations

Proportion of investments

The asset allocation diagram below illustrates the planned asset allocation of the fund. The fund is committed to 100% investments aligned with other environmental and social characteristics. Hence, the fund includes 0% investments with a sustainable investment objective, as defined by EU regulation 2019/2088 (Sustainable finance disclosure regulation) and 2020/852 (Taxonomy). Derivatives are not used to attain the environmental and social characteristics of the fund.



Monitoring of environmental or social characteristics

Post-investment, performance is evaluated on fund-level annually through reporting on environmental, social and governance indicators from the portfolio companies to GRO Capital. The annual reporting is used to both inform GRO Capital as well as investors on the performance of the fund. In addition, progress and actions on the above parameters are also addressed on an ongoing basis during the year through regular dialogue with management of the portfolio companies.

Methodologies for environmental or social characteristics

As described in the "Responsible Investment Policy", Capital has established a number of environmental, social and governance principles GRO Capital will endeavor to ensure are observed by the investments of the fund. As such, GRO Capital will seek appropriate disclosures on ESG from each entity in which the fund invests in, having a focus on climate change, gender equality and good governance practices.

The indicators used to measure the attainment of the environmental and social characteristics include:

- Whether investments have been conducted in line with the investment strategy and responsible investment policy of the fund and GRO Capital;
- Whether portfolio companies have formulated and implemented policies on gender diversity, climate and anti-corruption;
- Whether portfolio companies have formulated action plans for gender diversity and reducing climate impacts;
- Whether the portfolio companies in scope have measured and reported on the ESG-data requested by GRO Capital.

Data sources and processing

The data sources used to measure the attainment of the sustainability indicators are provided by the portfolio companies in the fund. This includes annual ESG data on indicators required by GRO Capital as well as documentation of portfolio companies' policies and action plans required by GRO Capital.

Data quality is ensured by the data provided by portfolio companies being thoroughly reviewed by GRO Capital and external advisors. Further, GRO Capital and its advisors may discuss and discuss any questions related to the data with the aim to improve the data quality, accuracy and completeness.

A proportion of the data reported may be estimated, however, the majority of the data reported is based on actual numbers. In cases where estimates are used, this may be done to ensure a higher level of completeness where some portfolio companies have not been able to attain the necessary data, or where a company is new to the portfolio and has just begun gathering ESG data.

For the indicator of *‘whether investments have been conducted in line with the investment strategy and responsible investment policy of the fund and GRO Capital’*, this is based on the number of investments made by GRO Capital and the fund following the principles and process set out in the responsible investment policy. This e.g., includes the number of investments where the necessary ESG risk assessments and ESG due diligence procedures have been performed.

Limitations to methodologies and data

Limitations to the methodologies and data quality can naturally arise in relation to the maturity level of the portfolio companies. As such, new portfolio companies that are less mature in relation to ESG-reporting may particularly in their first reporting period have lower data quality or require more use of estimates on ESG data. Further, a general lack of consistency in methodologies and accessibility to ESG data may impact the portfolio companies’ ability to report on data in a standardized way.

GRO Capital actively works to mitigate any loss of data quality or limitations to methodologies in general through sparring and quality control during the annual data collection activities, and by providing portfolio companies with the necessary information to collect and develop data and information in a consistent way. Further, through GRO Capital’s active ownership activities, a focus is on ensuring that portfolio companies develop ESG policies and action plans in line with GRO Capital’s standards and expectations. Through this approach, GRO Capital works to ensure that the environmental and social characteristics promoted by the fund are met.

Due diligence

Following GRO Capital’s Responsible Investment Policy, ESG risks and opportunities are considered throughout the investment process. Potential adverse impacts on the social and environmental characteristics of the fund are addressed across the pre-investment and portfolio management phase. Pre-investment, these are addressed through risk screening and due diligence procedures to exclude investments with potential severe adverse impacts that are not in line with GRO’s investment strategy. This includes:

- 1) **Screening and exclusion:** In the early investment process, all potential investments undergo a screening to identify key ESG risks and to ensure that the fund does not directly invest in: Portfolio companies with direct exposure to weapons, sanctioned persons and countries, tobacco, pornography, alcohol and gambling or other that the investment does not follow the investment strategy of the fund.
- 2) **ESG due diligence:** When potential material risks are identified, GRO Capital assesses sustainability-related risks and opportunities as well as maturity through targeted ESG due diligence processes, involving external advisors as needed.
- 3) **Investment decision:** The screening and due diligence results directly inform the investment decision.

These initiatives shall be established for the purpose of identifying ESG topics and risks throughout the lifecycle of the fund investments reducing the likelihood of any ESG incidents occurring and to minimize any ESG risks which may have a negative impact on an investment of a fund managed by GRO. See more in the section “Investment Strategy”.

Engagement policies

The fund follows the principles for active ownership and engagement outlined in GRO Capital’s Responsible Investment Policy. After the closing of an investment, GRO Capital acts as an active owner of the investment, which shall, inter alia, be done through different initiatives, including: (i) responding to any incidents concerning ESG matters, (ii) monitoring of counterparties, including on ESG topics and incidents, (II) discussing ESG matters at board meetings, and (iv) conducting relevant follow-ups on ESG topics with investee companies.

Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the fund.