Responsible Investment Policy

THC IV SICAV-RAIF SA

Version 1.0

Dated 05/04/2024

Foreword

We believe that the converging efforts and cooperation of political, civilian and economic actors are both a condition and a catalyser in the pursuit of a sustainable development for our societies.

In this context, THC IV SICAV-RAIF SA (hereinafter referred to as the Fund) understands and embraces its investment role.

In particular, the Fund is committed to creating value with and for its portfolio companies and their stakeholders by carefully considering sustainability risks and opportunities while fostering best practices in all activities.

As a hands-on investor deploying capital primarily in Poland, this means addressing unique challenges that lie at the frontier of developed and developing economies.

At the same time, it represents a true opportunity to contribute to the development of a thriving economy respectful of environmental boundaries and social standards.

This seemingly simple yet demanding and powerful commitment requires thorough principles and procedures outlined in the present Responsible Investment Policy which covers the Fund's investment activities across the deal cycle, from the date of its publication onwards.

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Definitions

ESG

ESG is the (technical) acronym pointing at the sustainability factors relevant in investment and business context along the Environmental, Social and Governance dimensions.

SFDR

The Sustainable Finance Disclosure Regulation (SFDR) is the landmark regulation related to Action 9 of the EU's action plan launched in 2018 to redirect capital flows towards more sustainable activities.

It is meant as a tool to promote transparency and combat greenwashing.

Under SFDR, financial market participants and advisors are required to make disclosures on the integration of sustainability risks, on the consideration of adverse sustainability impacts, on sustainable investment objectives (if any) and/or on the promotion of environmental or social characteristics (if any), in their investment and advisory processes and products.

Under SFDR the following definitions apply.

Principal Adverse Impacts

Principal Adverse Impacts (PAI) are impacts of investment decisions and advice that result in negative effects on sustainability factors (respect for human rights, anti-corruption and anti-bribery matters, employee, social and environmental matters or broadly speaking, ESG matters), to be measured via a list of adverse sustainability indicators (as per the SFDR Regulatory Technical Standards).

Sustainability risk

An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainable Investment

An investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm (DNSH) any environmental or social objective and that the related investee company follows good governance practices.

Approach

Principles and Governance

The Fund invests in companies aware and respectful of environmental boundaries and social standards.

To that end, the Fund assesses sustainability risks prior to investing (cf Pre-Investment section) and takes investment decisions in the light of the related analysis.

Further, the Fund plays an active role and uses the sustainability lens to better grasp and address challenges and opportunities with portfolio companies (cf Active Ownership section).

The analytical and action focus to identify and prioritise Principal Adverse Impacts and other relevant sustainability topics is guided by the concept of materiality (cf Due Diligence and ESG Action Plan sections).

Therefore, the Fund enhances the value of investments and contributes to the development of a responsible economy.

To do so, the following parties are involved in the investment process:

- The Alternative Investment Fund Manager (hereinafter referred to as the AIFM), responsible for investment decisions.
- The Board of Directors of THC IV SICAV-RAIF SA (hereinafter referred to as the Fund's Board), responsible for the day-to-day management of the portfolio and for the implementation of the present policy.
- The Screening Committee (composed of the Management Board members of Tar Heel Capital sp. z o.o) responsible for presenting potential investments to the AIFM.
- Tar Heel Capital sp. z o.o. with its Management Board, Value Enhancement Team and investment professionals as Sourcing and Monitoring Partner of the Fund (hereinafter referred to as the SMP), responsible for the sourcing and investigation of investment opportunities for the Fund as well as the monitoring of the Fund's portfolio companies.

The AIFM and the Fund's Board are supported by the SMP as well as other third-party experts throughout the investment process.

Principles, commitments and progress are reported transparently in accordance with the SFDR.

Sustainability Framework

In order to guide the investment approach, the Fund has developed a comprehensive sustainability framework (explicitly) rooted in international sustainability standards:

- the UN Global Compact
- the OECD guidelines for Multi-National Enterprises
- the UN Guiding Principles on Business and Human Rights
- the UN Sustainable Development Goals

The framework is a structured topical list covering the full scope of potential ESG issues, whereby each investigation topic is further linked to a set of indicators (including PAI indicators) in a KPIs dictionary.

SOLUTIONS

Responsible Solutions

- *nature and characteristics of products and services*
- *business model features*

Products and Services Safety

- *use-phase and end-of-life environmental impact of products and services*
- *safe and responsible usage/handling of products and services*

(E-S) PRACTICES

Environmental Footprint

- resources consumption
- pollution and waste
- carbon footprint

Working Environment

- *health and safety*
- *human rights and diversity*
- *employment terms*
- *representation and collective bargaining*
- *career development opportunities*
- *profit and capital sharing*

Supply Chain

- *environmental stewardship*
- *social stewardship*
- *power balance in negotiations and business terms*

GOVERNANCE

Governance Structure

- *supervisory board composition supervisory board responsibility, organization and control mechanisms*
- *management board composition and incentives*

Business Ethics

- *corruption*
- *tax evasion*
- *lobbying*
- *communities relations*
- *anti-competitive practices*
- *responsible marketing*
- *IP*

The sustainability framework (subject to changes and revisions, for illustrative purpose only).

On a fundamental level, the sustainability framework provides a holistic and shared understanding of what lies beneath the ESG acronym.

In practice, it serves as an anchor and ensures consistency in the structured analysis, monitoring and reporting of sustainability risks.

Sustainability Risks Integration

Pre-Investment

Exclusions

The analysis of an investment opportunity starts with a review of the company's core business components, including its products and services portfolio.

In parallel, a screening of controversies and discussions with the company's management inform the SMP on the company's track record, including on potential sustainability issues.

The results of this initial review are integrated in the investment proposal documentation submitted by the Screening Committee to the AIFM which provides a Go/NoGo decision taking into account the exclusion criteria.

In particular, the Fund will not invest in activities or practices that have the potential to significantly harm the environment or the society, defined as follows (in accordance with and beyond the logic underpinning the SFDR).

Fossil Fuels

Companies engaged in the exploration, extraction, production, refining and distribution of non-renewable carbon-based energy, except natural gas which is considered as a transition energy. For the avoidance of doubt, nuclear energy is also considered as a transition energy and is not a fossil fuel; it is therefore not subject to exclusion.
Companies that derive a majority of revenue from activities that are essential and specific to the upstream fossil fuel industry.

Controversial Weapons

Companies engaged in the manufacturing and trade of weapons (and related critical parts, components and services) prohibited under applicable international treaties or conventions (the Oslo Convention, the Ottawa Convention, the Geneva Protocol of 1925, the Biological Weapons Convention, the Chemical Weapons Convention and the Treaty on Non-Proliferation of Nuclear Weapons), namely cluster munitions, anti-personnel mines, biological and chemical weapons and nuclear weapons.

Tobacco

Companies engaged in the production or trade of tobacco products.

Gambling

Companies engaged in gambling and gambling-related activities (casinos, machines or software manufacturers, lotteries, bookmakers, gambling websites, outlets with slot machines, gambling broadcasts).

Pornography

Companies engaged in the production, publication or distribution of pornographic content.

Adverse Practices

Companies convicted for severe violations of fundamental human rights as set out in the UN Guiding Principles on Business and Human Rights.

Companies for which there is reliable evidence of severe violations of national and international laws and regulations.

Companies subject to sanctions imposed by the UN or the EU.

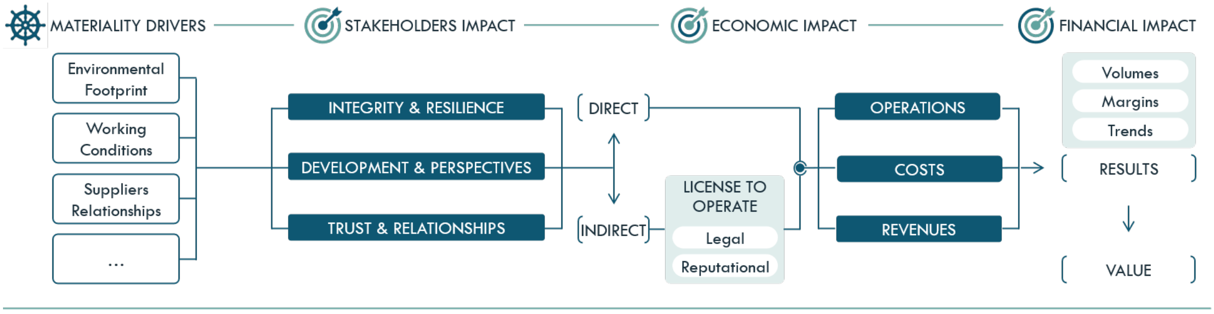
Companies for which there is reliable evidence of persistent and inappropriately addressed issues related to the UN Global Compact principles and the OECD guidelines for MNE, notably related to corruption risks.

Due Diligence

In order to identify and prioritise Principal Adverse Impacts and other relevant sustainability topics to be investigated (scoping) in the Due Diligence phase, the SMP performs a materiality analysis.

Indeed, sustainability as a thematic provides a perspective on systemic parameters relevant to human activity and thus to business operations. Whether short or long-term, the influence of those parameters creates risks (and opportunities) for companies and their stakeholders.

To grasp those risks, it is imperative to clarify how ESG issues can impact stakeholders (can they be directly hit or weakened by a company's activities? can their personal or collective perspectives be compromised? can trust and the quality of relationships between the company and its stakeholders be affected?) while establishing explicit links with concrete business parameters. In that sense, materiality can be seen through the impact on the company's operations (does it still run?), P&L components (which costs or revenues elements are impacted?) and investment/financing (can capex be impacted? is there an influence on the general risk profile and therefore the cost of capital?), either in a direct or indirect way (and in the latter case through an impact on the company's license to operate in a hard legal or softer reputational form).



The materiality logic mapping (subject to changes and revisions, for illustrative purpose only).

Following this logic, a risk materiality level can be defined for each materiality driver against which companies' strategy, actions and results can be assessed.

The outcome of this analysis is a materiality matrix integrated in the investment proposal documentation, highlighting the priority area of investigation.

The Due Diligence is then conducted along the identified priorities as well as good governance topics highlighted in the sustainability framework (governance pillar).

Inputs are gathered via a variety of techniques that may include documentary reviews (data room), questionnaires (structured along the sustainability framework), site visits as well as management and stakeholders' interviews.

The analytical method can vary depending on the topic under investigation and the mobilized experts and partners but it is generally performed along three dimensions:

- Leadership: the strategic appropriation of key topics and commitments by the company's management.
- Implementation: the actions, means and processes related to the issue at stake.
- Results: the proof points and KPIs linked to the actions undertaken by the company.

Likewise, performance is generally qualified based on a structured appreciation (check lists, proof of existence, completeness,...) as well as (sector or legal) references and benchmarks but also consideration for progress over time.

The outcome of the Due Diligence is a structured assessment of material sustainability risks and priority areas of progress, integrated in the investment proposal documentation.

The Screening Committee then suggests whether identified highly material risks (red flags, if any) may constitute a deal breaker or can be addressed via active ownership under conditions to be reflected in the deal terms. The decision is made by the AIFM.

Commitment

The deal terms are set so as to create a binding commitment for the company's management to work within a set time frame on priority area and material issues uncovered during the Due Diligence phase. Where applicable, further specific ESG objectives might be prescribed at this stage (or be defined and refined shortly after closing in the ESG Action Plan).

Active Ownership

The Fund seeks a majority stake in its investments. Further the SMP is present on the companies' supervisory boards. Consequently, the Fund is best positioned to engage portfolio companies' top management on sustainability issues (and take corrective measures, including by imposing management changes as relevant).

ESG Action Plan

The Fund requests portfolio companies to build and implement an ESG Action Plan reflecting the commitment set in the deal terms, therefore prioritising Principal Adverse Impacts and other sustainability risks, based on materiality considerations.

The ESG Action Plan is to be set in parallel to the 100-Days Post-Transaction Plan, along with clear responsibilities at company level for its implementation.

Incentives

To foster the alignment and commitment of portfolio companies' leadership, ESG objectives linked to the ESG Action Plan are integrated in the top management's yearly objectives tied to their remuneration (bonus component or otherwise).

Monitoring and Reporting

The ESG Action Plan is subject to annual reviews and adjustments under the leadership of portfolio companies' supervisory boards.

On a more granular level, portfolio companies are required to report on a list of KPIs including PAI indicators and indicators related to the ESG Action Plan on a regular basis (monthly to yearly depending on the topic and circumstances).

Further, the Fund maintains a permanent and close relationship with portfolio companies and engages them on sustainability topics based on current affairs, events and priorities so as to ensure the appropriate management of sustainability risks and the continued progress that is jointly sought.