Sustainability-related disclosures

This website disclosure is made in accordance with the EU Disclosure Regulation (2019/2088) regarding sustainability-related disclosures in the financial sector (the "SFDR") and its Delegated Regulation 2022/1288 (the "Delegated Regulation").

Ignite Capital Fund I AS

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a) Summary

Ignite Capital Management AS ("Ignite") has set goals for its operations also in the ESG area. Specifically, goals have been defined for social factors and governance aspects, but no goals for the environmental area. The ambition is to meet selected goals within the framework of Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR). This means that Fund I will invest in companies with good social characteristics and follow good corporate governance.

Sustainability risks

Sustainability Risks refers to 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. Ignite Capital Management integrates sustainability risks, as referred to in Article 3 of the Disclosure Regulation, throughout the investment process in accordance with Ignite Capital Management's Investment Policy. A sustainability risk assessment is performed as part of the Due Diligence processes to identify any material sustainability risks in relation to the investment. Following the Due Diligence, relevant mitigative actions are identified alongside other strategic measures, and integrated into an investment specific roadmap. All identified risks must be approved as acceptable and in accordance with Ignite Capital Managements general risk policies before an investment opportunity is pursued. Sustainability risks are monitored and continuously evaluated on a regular basis as part of the ongoing follow-up of the investment roadmap.

No consideration of adverse impacts of investment decisions on sustainability factors

Ignite Capital Management does not consider the adverse impacts of its investment decisions on sustainability factors. The reason for this is that we consider our existing ESG policies and procedures to be appropriate, proportional, and tailored to the investment strategies of our funds. We do not collect all information needed from our portfolio companies in order to disclose adverse impacts on investment decisions in full.

Environmental or social characteristics of the financial product

Fund I invest in economic activities that promote social characteristics. In particular, Fund I will make investments in companies that, within their respective field of business, are following:

A) UN 17 SDG Goal nr 8 – Decent work and economic growth

B) Good governance

b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investments.

c) Environmental or social characteristics of Fund I

Fund I follow Ignite's strategy within investment themes:

Fund I invests in economic activities that promotes social characteristics. In particular, Fund I will make investments in companies that, within their respective field of business, promotes the following characteristics:

1. Sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
2. The practice of good governance.

How these characteristics are being promoted is described under the headline "Investment strategy".

d) Investment strategy

The focus of Fund I is on growth stage and select seed stage investments, in established companies that have significant growth and value creation potential, within 1. traditional e-commerce, 2. marketplaces; and 3. digital solutions that serve e-commerce, and the ability to become clear market leaders which will be strategically attractive for potential buyers in the future. Ignite chooses portfolio companies that suit the sustainability profile that Ignite is looking for and strives to be an active owner after an investment has been made. The focus of Ignite is social characteristics centered around UN 17 SDG Goal nr 8 as well as display of good governance. The strategies that Fund I use to promote *social characteristics* are:

1. **Sustainability analysis:** Before an investment is made in a portfolio company, an analysis is made on how the potential portfolio company is performing in relation to the social objectives that Fund I want to promote.
2. **Active ownership:** Ignite continuously has a dialogue with the portfolio companies in order to affect them in a sustainable direction. Furthermore, Ignite will always have ownership of 34 to 90 % of each portfolio company, require a representative board member and require regular reporting to the board and/or shareholders.

The binding elements of Ignite's investment strategy is that portfolio companies deliver products or services with a meaningful contribution to the UN 17 SDG Goal nr 8 – Decent work and economic growth, as well as the practice of good governance. Ignite is obliged to follow this strategy, as it is part of Fund I's mandate and clearly stated in the contracts agreed upon with Fund I's investors.

The **binding elements** are given as below:

- A portfolio company needs to display a documented strategy on how to comply with UN 17 SDG Goal nr 8
- A portfolio company needs to display documented good governance.

Ignite always ensures that target companies have good governance practices regarding sound management structures, employee relations, staff remuneration and tax compliance before investing. This is mainly done in the due diligence process of the target company, where Ignite's legal advisors report on any issues relating to applied management structures, employee relations, remunerations, and tax compliance.

e) Proportion of investments

The fund is intended to invest 100% of the fund's assets into portfolio companies that are in line with the social characteristics that the fund promotes, by fulfilling the binding elements of the investment strategy while following good governance practices. Ignite have developed methods to monitor that this level is withheld for all portfolio companies.

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable*

☐ ***Yes*** ☒ ***No***

☐ It will make a minimum of **sustainable investments with an environmental objective: __%**

- ☐ In economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

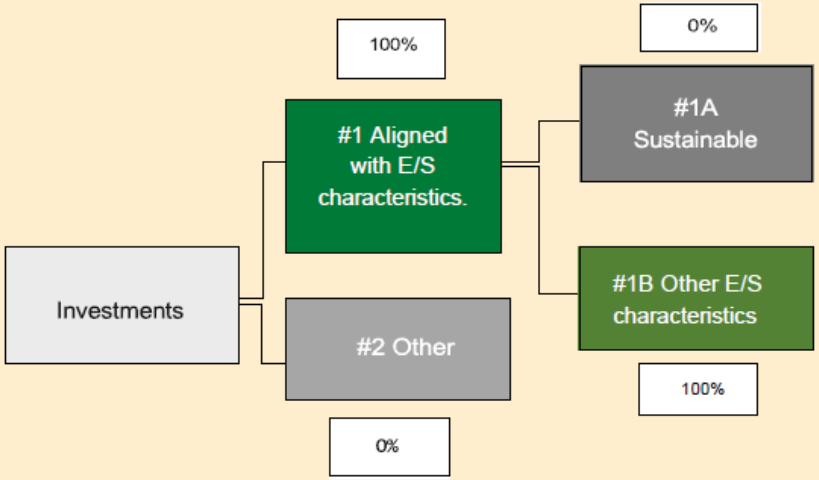
☐ It will make a minimum of **sustainable investments with a social objective: __%**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments.

- ☐ With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ With a social objective Taxonomy

☒ It promotes E/S characteristics, **but will not make any sustainable investments**.

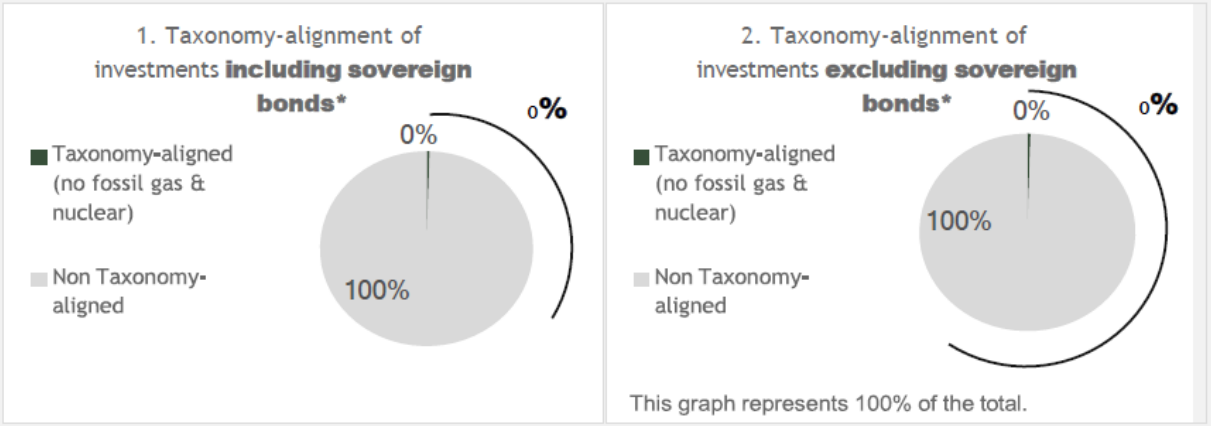
Asset allocation



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

f) Monitoring of environmental or social characteristics

Ignite has developed policies to ensure that sustainability risk is managed in all investment processes, covering both the pre-investment stage as well as the post-investment stage. Prior to an investment, Ignite conducts an analysis on how the potential portfolio company is performing in relation to the social characteristics that Fund I wants to promote, including possible adaptation of the binding elements of the investment strategy. Post-investment, Ignite ensures that the social characteristics are promoted by Fund I, and that compliance with the binding elements are maintained in order to measure the social characteristics promoted, by continuous monitoring.

The main aspects of Ignite's applied monitoring routines are:

- Sustainability criteria are integrated into the work of Ignite's Investment Committee and the Board of Directors.
- Active engagement with portfolio companies and support with the capacity building throughout the ownership period; and

- Concrete and transparent portfolio monitoring and reporting:
    - Portfolio companies are required to submit KPI data on compliance with the binding elements along with financial performance data on a quarterly or bi-annual basis. The data to be reported are described in the section "Methodologies" below and will be individual to each company Fund I have invested in, as they are tied to the unique business model and strategy of each company. Performance according to the determined KPI data is assessed internally in our quarterly Portfolio Review. The KPI data is reported to Fund I Investors quarterly, alongside financial performance analysis; and
    - Key results of the annual review are published combined with the Ignite's annual Statutory Report.

g) Methodologies

Ignite's applied methodologies to measure how the social characteristics promoted by Fund I, and in extension how compliance with the binding elements of the fund, are sustained are described below:

- The pre-investment analysis of the potential portfolio company includes an assessment of how the company:
    - is compliant, or adaptable to be compliant, to the 12 targets of the UN 17 SDG Goal nr 8,
    - is compliant, or adaptable to be compliant, to the key criteria of good governance, sound management structures, employee relations, staff remuneration and tax compliance.

- Post-investment, the portfolio company is required to:
    - provide regular reports on the current status of the documented strategy on compliance with the 12 targets of the UN 17 SDG Goal nr 8,
    - provide regular reports on the status of key criteria of good governance, sound management structures, employee relations, staff remuneration and tax compliance.

Ignite monitors above factors for every portfolio company in order to secure the attainment of the social characteristics is being measured.

h) Data sources and processing

The main source of data used by Ignite to attain the social characteristics is primary data from the portfolio companies. Other data sources that are used to supplement, verify, and ensure data quality of the information provided by the portfolio companies includes internal benchmarking data based on primary data from other portfolio companies, data regarding sustainability-related controversies provided by third-parties, data obtained from research such as peer-reviewed articles, and data from other sources of information such as expert interviews. The data is mainly processed to assess the performance of different sustainability factors in the sourcing and due diligence phase, and the data is evaluated by the Investment Committee before an investment is made.

The need of estimated data varies based on case-by-case basis as this is dependent on the quality and availability of the data provided by each company. Thus, it is not possible to provide a proportion of estimated data. However, estimates are always based on fact-based, conservative assumptions, and estimates are only used when no actual data is reasonably available. Post-investment and during the ownership phase, the access to primary data provided by the investee company data is typically good.

i) Limitations to methodologies and data

The methodologies and data used to attain the promoted social characteristics are dependent on the quality of data provided by the portfolio companies, which Ignite cannot guarantee to be fully complete and accurate. To prevent and identify the use of any incomplete or false data early on, several data sources are used to supplement and verify the information provided by the investee companies.

The data is evaluated before an investment is made. Finally, a conservative approach is taken to all assumptions and data used, to limit the likelihood of overestimations. All these measures are taken to ensure that the attainment of the social characteristics promoted by the Fund is not affected by any incomplete or false data.

In regard to external data, Ignite strives to only use sources that are credible, widely used and quality checked by other independent parties.

j) Due diligence

The due diligence process of a potential investment contains an analysis of the social characteristics that Fund 1 is to promote, both pre- investment and post-investment, where the process includes internal and external controls.

Sustainability factors, in extension to the binding elements, are integrated into Ignite's due diligence process through two main perspectives:

- The portfolio company is compliant, or adaptable to be compliant, to the 12 targets of the UN 17 SDG Goal nr 8,
- The portfolio company is compliant, or adaptable to be compliant, to the key criteria of good governance.

During the due diligence process, the potential portfolio company is assessed through a qualitative assessment on if the company is compliant, or adaptable to be compliant, to the 12 targets of the UN 17 SDG Goal nr 8.

The due diligence process also includes a qualitative assessment of if the potential portfolio company is compliant, or adaptable to be compliant, to the key criteria of good governance. The key criteria of good governance, as defined in the SFDR, are sound management structures, employee relations, remuneration of staff and tax compliance.

Any observed discrepancies may lead to the investment opportunity being aborted or tasks and targets to be defined with relevant mitigative actions to rectify and improve the area of observed weakness.

The due diligence process is governed by the company's policy on due diligence, where each due diligence activity on underlying assets of financial products is controlled internally by a senior member of staff. On an ad-hoc need basis, Ignite uses external resources to control the due diligence conducted.

k) Engagement policies

Ignite conducts an analysis pre-investment, which is then used as a basis post-investment for both continuous reporting and analysis from the portfolio company. Ignite will be an active owner and exercises measures to enable active ownership.

Prior to making an investment, and as a product of the due diligence process, Ignite includes suggested actions to address material opportunities/risks and secure/improve performance of social characteristics that Ignite has chosen to promote, which is then used as an outset for the monitoring of social characteristics that Ignite conducts during the lifecycle of the investment. The outset is formed via workshops, letter of intents, shareholder agreements and the sale/purchase agreement.

The outset lays the foundation for the continuous improvement of the portfolio companies' sustainability performance during the ownership phase. Ignite strives, as highlighted in the investment strategy, to be an active owner. The practical implication of this is that Ignite will:

- always have an ownership of 34 to 90 % of each portfolio company,
- require a representative board member.
- require regular reporting to the board and/or shareholders.

Ignite will, via board meetings and/or direct management meetings, act upon the agreed scope and focus to monitor and react to any deviations. Ignite has also established escalation routines to quickly be able to act if incidents do occur within investee companies, e.g. sustainability- related controversies. Ignite has also adopted a conflict-of-interest policy for the purpose of taking all reasonable steps to prevent and manage conflicts of interest.

l) Designated reference benchmark

No index has been designated as a reference benchmark.

m) Remuneration

Management remuneration is linked to the degree of fulfillment of social and governance goals through the bonus program. The bonus goals do not include external environmental goals.