

## Policy to Assess Good Governance Practices (of portfolio companies)

The Sustainable Finance Disclosure Regulation (SFDR) requires a financial product classified as an Article 8 product to promote environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, in particular with respect to:

- Employee relations;
- Sound management structure;
- Tax compliance; and
- Remuneration.

Holland Capital Growth and Buy-Out Fund V Coöperatief U.A. (the Fund) is classified as an Article 8 fund under SFDR. This requires all portfolio companies of the Fund to act in accordance with good governance practices<sup>1</sup>.

A “portfolio company” means an entity in which an investment by the Fund is made, whether directly or indirectly, and which continues to be held by the Fund.

Holland Capital Management B.V. (Holland Capital) acts as manager of the Fund and this good governance policy of the Fund (the Good Governance Policy) describes how Holland Capital determines if and when a portfolio company acts in accordance with good governance practices. Although compliance with the United Nations Global Compact (UN Global Compact) is not mandatory, the UN Global Compact is used by Holland Capital to define certain indicators of this Good Governance Policy. Holland Capital has established 12 criteria with underlying indicators to define compliance with good governance practices. This consists of 10 obligatory criteria. Adherence to these criteria may differ due to the size and jurisdiction of the portfolio company. Furthermore, 2 additional criteria have been incorporated, for which it is expected that legislation may soon lead to further requirements. These 12 criteria are considered basic 'hygiene' factors in the four aforementioned areas.

## Assessment

The assessment of good governance practices is carried out during due diligence to evaluate whether the potential portfolio company operates according to the predefined 12 criteria. Holland Capital focuses on investments in the lower end of the (SME-)market, where companies are usually at a certain stage and size. Overall, these companies operate in good faith and act responsibly, though they often still lack the formal documentation of these practices in policies and procedures. Holland Capital is typically a partner that can add value in professionalization and preparation for (further) growth.

The assessment is to determine whether a target portfolio company acts in line with the 12 criteria. Preferably, formal documentation of these good governance practices is, to a certain extent, in place. However, if formal documentation is lacking but it is concluded that the target portfolio company has incorporated good governance practices into its operations and activities, such company is deemed to perform according to good governance practices. The assessment serves as a baseline measurement and will be used to indicate in which areas attention is required and according to which prioritization

---

<sup>1</sup> In May 2024, a modification was made to the policy following the execution of the first two investments by the Fund. The Good Governance Assessment approach has been further refined to align more effectively with the -anticipated- portfolio companies of the Fund, considering factors such as size, stage, and other relevant characteristics.

follow-up actions are necessary. To ensure an independent and objective evaluation, this assessment of good governance practices for platform portfolio companies is executed by a third party.

Findings of the assessment are discussed with Holland Capital's investment team, supported by the ESG officer and the legal counsel of Holland Capital. Results are included in the investment proposal, which is discussed and subsequently requires the approval of Holland Capital's investment committee. Existing investments undergo periodic review and monitoring, which includes the review and monitoring of good governance practices.

Once a portfolio company successfully passes this initial assessment and an investment is pursued, Holland Capital will engage with the portfolio company during the holding period to foster the upholding of good governance practices and, if necessary, undertake action on items determined in the assessment.

Holland Capital's 12 criteria and underlying indicators to assess good governance practices

	SFDR TOPIC	CRITERIA	INDICATORS
OBLIGATORY	Employee Relations	1. Freedom of Association and Effective Recognition of the Right to Collective Bargaining	The portfolio company is compliant with the 3 <sup>rd</sup> principle on labor relations of the UN Global Compact.
		2. Human Rights and Labour Laws	The portfolio company has no significant controversies on human rights and labor laws.
	Sound Management Structure	3. Governance Structure and Composition	The portfolio company has a clear governance structure and composition, which is known to all employees.
		4. Sound Governance Practices	The portfolio company adheres to established rules, transparency and accountability
		5. Anti-bribery, Corruption and Business Ethics	The portfolio company is compliant with the 10 <sup>th</sup> principle on anti-bribery and corruption of the UN Global Compact.
		6. Whistleblower Policy	The portfolio company has a formal whistleblowing policy and robust processes and protections for whistleblowers.
		7. Accuracy and Transparency	The portfolio company timely publishes its (audited) financial statements and reports in compliance with applicable laws and regulations.
		8. Sustainability Disclosure	The portfolio company, if applicable, timely publishes (audited) sustainability report(s) in compliance with applicable laws and regulations.
Tax Compliance	9. Tax Behavior	The portfolio company has no significant controversies on taxation and accounting	
	10. Fair Remuneration	The portfolio company has equal pay for the same positions regardless of gender and/or background.	
OTHER	Remuneration	11. Transparent Remuneration	The portfolio company is transparent in the decision-making process and rationale behind compensation plan structures.
		12. Board Remuneration	The portfolio company has a board remuneration policy, where taking excessive sustainability risks is discouraged and where promoting the sustainability performance of the portfolio company is encouraged.

