

SPIRE CAPITAL

ESG ANNUAL REPORT 2023



*Applying technology to companies to make them better
and greener and to create ESG impact*



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MESSAGE FROM THE ESG PARTNER

Despite being a new fund, Spire Capital has already implemented extensive Environmental, Social and Governance (ESG) processes. The aim is to give company management straightforward guidance and simple tools, creating the freedom to generate real ESG impact while the fund ESG Officer does the heavy loading on compliance issues. In this way we address ESG scepticism, which is becoming a problem, and let SMEs create value.

Spire Capital invests in controlling stakes in profitable businesses focused on tech-enabled services, software and e-commerce. They are typically small, lean, dynamic companies, with opportunities to create positive impact. The management teams are open to using ESG as a value driver but are more resistant to bureaucracy and greenwashing, which has damaged the public image of sustainability. We want to preserve the natural goodwill towards ESG, without overburdening small companies with theory and tick boxes. We therefore needed to develop a structure which fulfilled the demanding reporting expectations of Development Finance Institutions (as investors) but which did not create an onerous reporting burden at company level. Carbon footprinting, climate change risk assessment, double materiality analysis. and development of HR management are all built into the first wave of Spire Capital corporate governance enhancement post-investment, which also addresses the more typical areas of financial planning, board discipline, governance and risk management. Spire provides tailored frameworks for the companies, focusing on identification and quantification of risks and opportunities and encouraging a limited number of fully trackable ESG initiatives, which can create measurable impact. We create no incentive for greenwashing and the company management can focus on genuine environmental and social impact. Meanwhile in the background the fund manager is also 'walking the talk' by estimating its own carbon footprint and raising ESG awareness through its actions and its participation in the UNPRI and UN Global Compact (UNGC) programs.

2023 has been a year for creating the basis for our Environmental and Social Management System (ESMS) and 2024 will see it put into action as the first investments in the new fund are executed. As the Partner responsible for ESG at Spire Capital, I am fully committed, along with the other Spire Capital Partners and our experienced ESG Officer, to fulfil our obligations as a responsible investor, realise our strategy for sustainability and create tangible ESG impact through our investments.

Arek Podziewski

Spire Capital Partner Responsible for ESG



INTRODUCTION

Spire Capital does not explicitly promote ESG aspects and is not aimed at sustainable investments. However, we are fully committed to incorporating environmental, social and governance (ESG) and sustainability factors into the investment process and reporting on our ESG performance and impact. In this report, we highlight the measures, which we have started already in 2023 and the additional steps we are planning in 2024. The underlying assumption is that portfolio companies will have very low direct and also quite low indirect exposure to climate change risk.

Prior to the successful raising and first closing of Spire Capital (the Fund) an associate, Spire Capital Management executed an investment, acquiring 70% of the share capital in Thulium Sp. z o. o. (Thulium) in July 2022. The first close of the current Fund took place in April 2023. There were no investments completed by the Fund in 2023.

In our ESG Policy, we show how we integrate ESG factors into our investment process and how we monitor and report on our ESG performance and impact. In 2023 we assessed the climate risks and opportunities in Thulium and at the level of the Fund Manager:

- We disclose in this report information relating to sustainable development of the funds, fund manager and Thulium in accordance with regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, the Sustainable Finance Disclosure Regulation (SFDR);
- We present information in relation to the 'do no serious harm' concept as well as promotion of environmental or social aspects and sustainable investment objectives in accordance with the Regulatory Technical Standards (RTS) pertaining to the SFDR;
- We address the issue of potentially negative impacts an investment decision may have on ESG factors, such as water usage, energy consumption, biodiversity or human rights by disclosing such information in this Annual Report, addressed by individual portfolio company investment;
- We set out clearly how ESG factors are included in the Spire Capital investment process;
- We work on the basis that sustainability risk is unlikely to have material impact on the financial performance of companies or the funds but we will clearly disclose when such concerns may arise;
- We assess continuously whether the level of sustainability risk is changing at company and fund level. The particular formal assessments occur during due diligence, in the 100-day plan period and at the time of the annual ESG review. Where significant changes in risk level occur outside these parameters then they are flagged and reported during the quarterly reporting cycle to investors;
- We consider any investment in the context of regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 setting up a framework to facilitate sustainable investment, namely EU Taxonomy;
- We endeavour to determine the conditions under which an economic activity qualifies as making a significant contribution in mitigating climate change or in adapting to climate change, as well as determining whether this economic activity does not cause serious harm to any of the other environmental objectives of the Climate Regulation;



- We use an Exclusions Policy (see section below in ESG Compliance), which means that we do not consider investing in any businesses operating in sectors covered by this policy.

Given that this is the first year of activity of the Fund, the procedures introduced are preliminary and they will be strengthened in the course of 2024, when new investments will enter the portfolio and Spire Capital will support these companies in the development of environmental and social management systems (ESMS). We will provide them with guidance, training, and resources to help them improve their sustainability performance and comply with relevant regulations. We are committed to generating social impact through considered HR management and active community relationship strategies as well as the fostering of good, mutually respectful relationships with other stakeholders including suppliers and customers. We are committed to maintaining high standards of corporate governance and ethics in all aspects of our company management and oversight.



ESG POLICY

Our ESG Policy must be compatible with our overall philosophy, which is to use digital technology to accelerate the growth of good businesses. Technology can be applied to companies to make them better and greener and we can use digitalisation to accelerate the growth of businesses already creating ESG impact.

A comprehensive and detailed risk assessment will be performed for all investments. Any sustainability risks will be identified and addressed and mitigating activities planned. We place special emphasis on the social aspect of ESG, looking to introduce and consolidate practices which make companies safe and desirable places to work, active in their communities and promoting mutually beneficial relationships with suppliers, customers and other stakeholders. Like all good fund managers, Spire Capital will ensure that the governance of companies is enhanced during the period of the investment. ESG management will be used proactively to generate value in the companies.

Spire Capital applies investment restrictions to reduce ESG and sustainability risk.

The Fund is classified as an Article 6 fund regarding the Sustainable Financial Disclosure Regulation (SFDR). During the investment process, Spire Capital uses climate risk and vulnerability (sensitivity and exposure) assessment.

The Fund Manager is developing ESG friendly procedures for its Group travel and diversity and inclusion policies.

The following subsidiary policies form part of the overall ESG Policy:

1. Health & Safety Policy
2. Responsible Investment and Stewardship
3. Discrimination and Harassment Policy
4. UN Global Compact (Human Rights)
5. Whistleblowing Policy
6. Conflicts of Interest Policy

The above policies are all included in the Spire Capital Code of Conduct. As a member of the Polish Private Equity and Venture Capital Association (PSIK), we also observe the rules set out in the PSIK Code of Conduct. Carbon footprint and net zero carbon strategies will be added to our list of policies later in 2024.

More specifically we address the issues from a practical perspective in the following way:

- Health and safety regulations are applied in all associate companies with employees. We monitor accident rates and endeavour to maintain health and safety standards well above those required by statutory regulations;
- We encourage all companies to implement discrimination and mobbing policies and our standard KPIs include several indicators to track this. We are also planning a universal whistleblowing procedure for all associate entities;
- Having become a signatory to the UNGC, Spire Capital will monitor its portfolio companies to confirm that they are also aligned with these principles;
- Spire Capital is rolling out a program of training for Antibribery and Corruption and Anti Money Laundering;



- We address non-financial reporting requirement by producing a Spire Capital ESG annual report.

Where possible financial benefits and non-financial benefits relating to ESG improvements will be assessed and recorded.

Arkadiusz Podziewski is the SCM Partner responsible for ESG and spends at least 10% of his time on ESG. Iain Haggis, who is an ESG specialist and has worked with CEE funds and companies on ESG and impact for more than 10 years, is the ESG Officer. Each Portfolio Company should nominate an ESG Officer. ESG objectives will be reflected in the remuneration of the ESG Partner (from 2024) and ESG Officer (2023).

Spire Capital applies its own standard ESG processes to ensure compliance, based on:

- Compliance with the Sustainable Financial Disclosure Regulation (SFDR);
- Reporting with reference to UN Sustainable Development Goals (SDG); and
- Applying Invest Europe reporting and professional standards and Polish Private Equity and Venture Capital Association (PSIK) codes of conduct.

In employing the **UN Sustainable Development Goals (SDG)** spectrum as part of its ESG management process we consider the most relevant SDGs are likely to be:

Primary:



We will ensure that both the Fund Manager and the portfolio companies are safe and decent places to work with zero tolerance for accidents in the workplace and discrimination. Portfolio companies may be able to contribute to industrial and infrastructure innovation and in developing smart cities.

Secondary:



The secondary goals will relate to behaviour and raising awareness in the Fund Manager and portfolio companies of SDGs such as employee health, training and development of employees, equal opportunities, waste management and climate action.

Having provided a satisfactory level of compliance, the focus will then be pragmatic and concentrate specifically on areas where opportunities can be exploited in the business sectors where Spire Capital will focus:

- "Green revenue" monitoring
- Carbon footprint reporting
- Improving lives and businesses digitally
 - Efficiency
 - Health care
 - Environment
 - Education

- Equality (of digital access)
- Digital human rights
 - Data privacy / protection
 - Free expression
- Environmental impacts
 - Data centre policy
 - Use of renewable energy
 - Waste policies (circular economy / recycling)
- Employer branding
 - Employee wellbeing policy
 - Diversity
 - Employee development / succession
 - Participating in the community
- Governance
 - Best practice reporting
 - Disciplined and transparent processes
 - Responsible tax and legal structures

The ESG procedures are set out in more detail below but there are a number of tools to ensure that processes are as transparent, measurable and intuitive as possible:

1. ESG checklist;
2. ESG due diligence scope;
3. ESG questionnaire;
4. Risk rating tool, which creates a rating level for each business on entry and a target level risk at exit. Specific ESG initiatives will be established with management to enable the reduction of specific and overall ESG risk levels;
5. ESG training for fund manager and portfolio company staff;
6. Portfolio companies will implement their own tailored ESMS as appropriate to the size and level of ESG risk within the business;
7. ESG will be built into corporate governance (management / supervisory board agenda);
8. ESG KPI's – standard indicators and additional individual indicators will be established for specific businesses and reported periodically to meet compliance requirements and allow benchmarking;
9. There will be a Responsible Investment section on the Spire Capital website;
10. Relevant elements will be used from Invest Europe (standard reporting format), Global Reporting Initiative (GRI), Sustainable Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD), and the Carbon Disclosure Project (CDP) frameworks where appropriate.

ESG / Sustainability in the Investment Process

ESG and sustainability analysis is embedded in the Spire Capital investment process.



Description	Report	ESG Input
First document issued following entry of the transaction into the active pipeline	Deal Alert	High level analysis confirming if there are any significant ESG risks or opportunities.
Report summarizing business case to justify entering due diligence process	Preliminary Report	Information regarding proposed ESG due diligence.
Full documentation submitted to Investment Committee for binding transaction decision	Final Investment Committee Report	ESG section in the Deal Report, summarising major risks and opportunities and including any due diligence findings.
Full operational plan setting out the key tasks to be executed during the first 100-days of the investment	100-Day Plan Summary	Section dedicated to ESG. Complete risk assessment to verify DD findings and identify and agree initiatives and opportunities to create value.
Regular meetings of the deal team and other senior partners to track the progress of the investment and agree strategic decisions	Board / Meeting Minutes	Management or Supervisory Board of the investment should include ESG as an agenda point on a board meeting at least once a year.
Annual process for each portfolio company with a dedicated meeting focused on all relevant ESG issues. KPI's and initiatives.	ESG Review	Dedicated ESG activity with the Fund ESG Officer conducting meetings with the Deal Team and representatives of company management. ESG training and support will be offered by the ESG Officer throughout the year. The Partner responsible for ESG oversees this process.
A summary of all portfolio company ESG reviews is included in a summary fund document issued to investors	ESG Annual Report	Dedicated ESG activity

Description	Report	ESG Input
Regular communication to investors regarding key initiatives in each company and any exceptional ESG issues	ESG Section in Investor Reporting	ESG section in investor reporting plus exceptional ESG issues communicated in quarterly reports.
Proposal from the Deal Team / Partners to the Investment Committee recommending exit.	Exit Proposal	Summary of ESG achievements and risk progression during the investment. ESG information available in VDR.



ESG COMPLIANCE

EU Taxonomy

In terms of EU Taxonomy, neither Thulium nor Spire Capital contribute substantially to one of the six environmental objectives of the EU Taxonomy but do not significantly harm any. Thulium helps other businesses perform more efficiently but this does not create any measurable positive impact. Spire Capital ensures that any investments it oversees implement ESG management processes, creating indirect positive impact.

SFDR

Thulium and Spire Capital have been assessed in terms of SFDR Principle Adverse Indicators (in support of the EU Taxonomy concept of Do No Significant Harm) and the only material negative finding relates to gender diversity at board level.

- There are no foreseen negative ESG impacts as a result of the decision to invest in Thulium. Given the heightened awareness of ESG as a result of Spire Capital's involvement, water usage and energy consumption / carbon footprint may be marginally improved in future. Other environmental and social factors are even less material than the two mentioned above therefore mitigation is not considered. There has not been an opportunity yet to impact positively the lack of board gender diversity.
- To date ESG factors had not been considered in the course of decision making at Thulium level. In future they will be considered but commensurate with the very low materiality.
- The portfolio company's remuneration policies are not yet linked to ESG objectives. This will be considered in future but the impact is likely to be minimal, given the level of ESG risks.

Risk Assessment

Climate Risk and Vulnerability: Spire Capital uses a risk assessment methodology, which is intended to identify significant climate change risks for SMEs currently and over a 5 year horizon. The underlying assumption is that portfolio companies will have very low direct and low indirect exposure to climate change risk. The assessment looks at the potential generic hazards and how they apply to the Company and also analyses the particular sectors impacted by climate change in Poland and if there is any exposure to these. The sectors assessment is carried out from the perspective of both investees and their customers.

From the high level assessments carried out, no material short to medium term impact of climate change on the portfolio company or fund managers has been identified. Some areas of potential disruption to normal practice from other risks have been identified. These should be incorporated into the appropriate risk maps and contingency plans can be prepared. No specific material economic impact has been identified, given current best knowledge.

Excluded Sectors

Spire Capital's investment strategy explicitly excludes companies pursuing the following activities:

- Illegal Economic Activities
- Tobacco and Distilled Alcoholic Beverages
- Production of and Trade in Weapons and Ammunition
- Casinos
- IT Sector research, development or technical applications relating to electronic data programs or solutions, which aim specifically at:
 - supporting any activity included in the EIF Restricted Sectors referred to above;
 - internet gambling and online casinos; or
 - pornography,
 - illegally entering into electronic data networks or download electronic data.
- Life Science Sector: human cloning and/or Genetically Modified Organisms (human cloning for reproduction purposes is considered an Illegal Economic Activity)
- Fossil fuel-based energy production and related activities, as follows:
 - Coal mining, processing, transport and storage;
 - Oil exploration & production, refining, transport, distribution and storage;
 - Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO_{2e} per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
- Energy-intensive and/or high CO₂-emitting industries, as follows:
 - Manufacture of other inorganic basic chemicals (NACE 20.13)
 - Manufacture of other organic basic chemicals (NACE 20.14)
 - Manufacture of fertilisers and nitrogen compounds (NACE 20.15)
 - Manufacture of plastics in primary forms (NACE 20.16)
 - Manufacture of cement (NACE 23.51)
 - Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
 - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20)
 - Manufacture of other products of first processing of steel(NACE 24.30, incl. 24.31-24.34)
 - Aluminium production (NACE 24.42)
 - Manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
 - Conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

ESG OPERATIONAL SUMMARY FOR 2023 / PLANS FOR 2024

thulium



Thulium

Thulium is a provider of virtual call centres and other related solutions and services. It specialises in providing expertise to the following sectors: e-commerce, health care, logistics, tourism, IT, renewable energy, car retail and the legal profession. The company was established in 2012. In 2023 Thulium acquired 100% of the share in Telecube, a VoIP telephony operator and a provider of virtual telephone exchanges based in Gliwice. It has a workforce of 51 people (as at 31 December 2023). Together Thulium and Telecube constitute the 'Group'.

Environmental

The level of environmental risk resulting from activities is very low.

- Carbon Footprint / GHG emissions. The footprint has been estimated as 122 tons CO₂e (32 tons per EUR million sales / 2.4 ton per employee). This comprises 13% Scope 1 (mainly vehicle fuel), 33% Scope 2 (mainly electricity and municipal heating for the offices) and 54% Scope 3 (mainly home office and commuting related emissions). This is the first year that an estimation of the carbon emissions has been performed and it is possible that some emitting factors may not have been fully taken into account.
- The Group staff, work a hybrid of remote and office working.
- There is a small office in Krakow (Thulium) heated using municipal heating and another in Gliwice and 5 company vehicles.
- Thulium has no customers in the fossil fuel sector.
- The share of non-renewable electricity is not disclosed by the supplier therefore it is assumed to be zero.
- The Group is not considered to be active in a high impact sector for energy consumption.
- There is no identifiable biodiversity risk.
- Emissions to water relate only to water for sanitary use.
- The percentage of segregated waste has fallen year-on-year because Telecube to date has only segregated about 75% of its office waste.
- No hazardous waste is produced with the exception of a very small amount of low-level electronic equipment waste.



Due to the low environmental impact of the Group, ESG awareness is quite low and raising this among management and employees will be an objective in 2024.

Social

- There were no reported accidents in 2023 (or 2022).
- Staff rotation is still at the relatively high level of 25% in 2023 and potential ways of addressing this are being considered.
- There have been no violations of the principles of the UNGC or OECD Guidelines. Formal processes will be implemented to manage these risks but they are purely theoretical and there is no perceivable risk of the Group being in breach of any of the principles.
- There is a significant gender bias in the Group (75% male). The gender pay gap has not yet been calculated.

Apart from reviewing the gender imbalance, Thulium is also considering how best to address employee wellbeing initiatives, its community relations and any minor issues relating to its supply chain.

Governance

The size of the company means that management levels do not have to be very sophisticated. Cybersecurity and data protection issues are considered the most significant business risk related to corporate governance. Thulium is ISO 27001 certified (information security). There is a basic Code of Conduct in Thulium (to be implemented for Telecube). Corruption is not considered a significant or realistic risk in the sector. There are no significant tax risks. There was a corporate tax audit in the recent past and there were no significant findings. There is currently no whistleblowing procedure. Risk management is not explicitly practised.

Thulium Group ESG KPIs 2022/23

ESG KPI	2022*	2023
Electricity consumption (KWh)	N/a	25,717
Vehicle fuel (litres)	N/a	6,991
Total FTEs (at year end)	33	51
No.of female FTEs (#)	6	13
Total no.of board members (#)	4	6
No.of female board members (#)	0	1
No.of new employees (#)	9	13
Staff rotation % (leavers/average FTEs in year)	27%	25%
% of waste segregated	100%	88%
Sustainability policy (Y/N)	N	N
Total No.of ESG incidents (#)	-	-
Anti-discrimination and equal opportunities policy (Y/N)	Y	Y
Employee satisfaction survey (Y/N)	N	N
Health & Safety Policy (Y/N)	Y	Y

ESG KPI	2022*	2023
Number of work-related injuries (#)	-	-
Human rights policy (Y/N)	N	N
Anti bribery and corruption policy (Y/N)	N	N
Cybersecurity policy (Y/N)	Y	Y**
Data Protection policy (Y/N)	Y	Y
Code of conduct (Y/N)	Y	Y**

*2022 statistics relate to Thulium only, 2023 include the acquired business, Telecube

**Policies implemented in Thulium, to be implemented still in Telecube

The Group does not have specific ESG risk management currently in place. Risk levels are low. It is difficult to justify a dedicated resource for ESG in a company this size. There is no formal responsibility delegated to specific ESG staff. The CEO has effective responsibility for these areas assisted by the Office Manager. An external communication mechanism is not yet in place to raise and handle any ESG issues/complaints from external stakeholders.

In 2024 the following ESG processes are planned:

- Analysis of the carbon footprint;
- Preliminary net carbon zero strategy (the potential cost of carbon offsetting has already been estimated);
- Full ESG risk analysis and rating;
- Specific analysis of SFDR Principal Adverse Indicators (for 2023 only a high-level analysis was performed);
- A full climate risk vulnerability assessment (for 2023 a high-level analysis was performed);
- Analysis of specific ESG risks and opportunities by factor;
- Application of UN Sustainable Development Goals and possible objectives linked to these.
- Agreed ESG initiatives.

Spire Capital (Fund Manager)



Spire Capital provides fund advisory services to two Funds: Spire Capital Management Sp z o o ASI 1 Sp.K. and Spire Capital Partners Fund I SCA SICAV-RAIF . In December 2023 the company had a workforce of 9 people.

Environmental

The level of environmental risk resulting from activities is very low.

- Carbon Footprint / GHG emissions. For Spire Capital the footprint has been estimated as 11.2 tons CO₂e. This comprises 10% Scope 2 (mainly electricity and municipal heating for the offices) and 90% Scope 3 (mainly home office and commuting related emissions).
- The company staff, work a hybrid of remote and office working (estimated 20% home working).
- There is a small coworking location with 3 offices heated using municipal heating.
- Spire Capital has no connections with the fossil fuel sector.
- The supplier does not disclose the share of non-renewable electricity therefore it is assumed to be zero.
- Spire Capital is not in a high impact sector for energy consumption.
- There is no identifiable biodiversity risk.
- Emissions to water for Spire Capital relate only to water for sanitary use.
- Spire Capital produces no hazardous waste.

The nature of modern fund management means that ESG awareness is quite good and the investment team need to be 'ESG ambassadors' for the portfolio companies. Additional training is planned in 2024.

Social

- There were no reported work accidents in 2023.
- There have been no violations of the principles of the UNGC or OECD Guidelines. Formal processes will be implemented to manage these risks but they are theoretical and it is difficult to see how the company would breach the principles.
- There is a significant gender bias in Spire Capital (78% male). There are no females represented at Partner level in Spire Capital. The gender pay gap has not been calculated to date.



Given the small team, Spire Capital has not yet developed employee wellbeing initiatives. Two of the Spire Capital team are active participants in Valores Foundation. Valores is Poland's first Venture Philanthropy Fund and aims at increasing social impact of non-governmental organisations through offering them tailored financing and non-financial assistance for growth and expansion. It was established by senior professionals grouped around Polish Private Equity & Venture Capital Association (PSIK) seeking a more direct way to give back, through the venture philanthropy model.

Governance

The governance of Spire Capital is commensurate with its small size, although, due to the character of its fund management, it has implemented a number of policies listed in the ESG Policy section of this report. There are no significant tax risks. There is currently no whistleblowing procedure.

Spire Capital has introduced a full ESG risk management. Risk levels are low. The company has appointed an ESG Officer and a Partner responsible for ESG.

In 2024 the following ESG processes are planned:

- Preliminary net carbon zero strategy (potential carbon offsetting of the small footprint);
- Anti bribery and corruption training



DISCLAIMER

The information provided in this ESG Annual Report is based on unaudited data and internal assessments. It represents management's assessment and is derived from internal reporting. Reasonable efforts have been made to ensure accuracy. Investors and stakeholders should exercise caution and not rely solely on this information for decision making. Some ESG metrics may be sourced from third-party providers and, while believing that such sources are reliable, we cannot guarantee their accuracy. Users of this document should verify such data independently. The ESG disclosures focus on material issues relevant to the businesses, in the judgement of management. Some topics may not be covered comprehensively. For a more complete understanding, users may contact Spire Capital to obtain additional information regarding ESG management and disclosure.