

Sustainability-related disclosures pursuant to Regulation (EU) 2019/2088 ("SFDR")

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KKA LMM Fund III GmbH & Co. KG – Article 8 SFDR Fund

Financial product: KKA LMM Fund III GmbH & Co. KG (the "**Fund**" / der "**Fonds**")

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Summary

The Fund considers certain environmental and/or social characteristics as part of its investment decisions and monitoring processes but does not seek to make sustainable investments as defined in the SFDR. The consideration of environmental and/or social characteristics is carried out both before and after an investment. For this purpose, information is initially and regularly obtained from the portfolio companies by means of qualitative queries. The Fund incorporates exclusion (negative screening) aspects during the decision-making process and therefore uses a pre-defined list to filter relevant investment opportunities from those that do not meet KKA's values and standards. The actions and decisions described in the following section are each made by KKA for and on behalf of the Fund.

Zusammenfassung

Der Fonds berücksichtigt bestimmte ökologische und/oder soziale Merkmale im Rahmen seiner Investitionsentscheidungen und Monitoring-Prozesse, strebt aber keine nachhaltigen Investitionen im Sinne der SFDR an. Die Berücksichtigung von Umwelt- und/oder Sozialmerkmalen erfolgt sowohl vor als auch nach einer Investition. Zu diesem Zweck werden zunächst und regelmäßig Informationen von den Portfoliounternehmen durch qualitative Abfragen eingeholt. Der Fonds bezieht Exklusionsaspekte (negatives Screening) in seinen Entscheidungsprozess ein und verwendet dazu eine vordefinierte Liste, um relevante Investitionsmöglichkeiten von solchen zu trennen, die nicht den Werten und Standards von KKA entsprechen. Die in diesem Abschnitt beschriebenen Handlungen und Entscheidungen erfolgen jeweils durch KKA für den Fonds.

No sustainable investment objective

The Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

The Fund promotes environmental and/or social characteristics by implementing certain investment exclusions during the investment decision-making process (see section 'Investment strategy').

Investment strategy

The purpose of the Fund is to build, hold and manage (including to divest) a portfolio of equity and equity-related investments in portfolio companies. The Fund shall, in principle, pursue a long term and sustainable investment strategy.

The Fund will conduct investments in portfolio companies which are small and medium enterprises presenting opportunities to create value with both traditional private equity and KKA's "technology enabled value creation" approach. Investments as such are expected to be spread across a wide range of economic activities and to be focused on sectors representing, e.g., low relative levels of digitization or identified alternate use of tangible and intangible assets. The Fund contemplates to focus on leveraged buyouts (LBOs) and, in specific cases, late-stage investments and growth equity. The geographic focus of the Fund shall be continental Europe with a primary focus on Germany, Austria, and Switzerland. Please refer to the Fund's limited partnership agreement for further information.

The Fund's investment strategy is implemented in the investment process on a continuous basis: Every investment opportunity will be tested against the Fund's investment strategy, in particular its investment exclusions, as part of the due diligence prior to any investment made by the Fund.

The Fund does not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies, including portfolio companies, or other entities (i) whose business activity consists of an illegal economic activity (i.e., any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant portfolio company, including without limitation, human cloning for reproduction purposes) or (ii) which substantially focus on:

- (1) The production of and trade in tobacco and distilled alcoholic beverages and related products;
- (2) The financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- (3) Casinos (*Glücksspiel*) and equivalent enterprises;
- (4) The research, development or technical applications relating to electronic data programs or solutions, which:
 - a. aim specifically at: (A) supporting any activity referred to under (1) through (3); (B) Internet gambling and online casinos (*Glücksspiel*); or (C) pornography;or which:
 - b. are intended to enable to illegally (A) enter into electronic data networks; or (B) download electronic data.
- (5) Fossil fuel-based energy production and related activities, as follows:
 - a. Coal mining, processing, transport and storage;
 - b. Oil exploration & production, refining, transport, distribution and storage;
 - c. Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage; and
 - d. 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.
- (6) Energy-intensive and/or high CO₂-emitting industries, as follows:
 - a. Manufacture of other inorganic basic chemicals (NACE 20.13);
 - b. Manufacture of other organic basic chemicals (NACE 20.14);
 - c. Manufacture of fertilizers and nitrogen compounds (NACE 20.15);
 - d. Manufacture of plastics in primary forms (NACE 20.16);
 - e. Manufacture of cement (NACE 23.51);

- f. Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10);
- g. Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20);
- h. Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34);
- i. Aluminum production (NACE 24.42);
- j. Manufacture of conventionally-fueled aircraft and related machinery (sub-activity of NACE 30.30); and
- k. Conventionally-fueled air transport and airports and service activities incidental to conventionally-fueled air transportation (sub-activities of NACE 51.10, 51.21 and 52.23).

Notwithstanding the above, investments in sectors mentioned in (6) items (a) through (k) included, shall be allowed if KKA confirms that the specific investment either (A) qualifies as environmentally sustainable investment as defined in the EU Taxonomy, as supplemented by the technical criteria established under the EU Taxonomy Delegated Acts, or (B) is eligible under the European Investment Fund's Climate Action & Environmental Sustainability (CA&ES) objectives in accordance with the latest criteria as published on the website of the European Investment Fund as amended from time to time.

The Fund's investment strategy is continuously implemented as part of the investment process: Each investment opportunity will be reviewed as part of the due diligence process in light of the Fund's investment strategy, in particular with regard to the investment exclusions. After an investment, *i.e.*, during the holding period, the Fund will regularly monitor its portfolio companies and support them when and where deemed relevant.

Good governance practices are assessed through a checklist/questionnaire as part of every due diligence process prior to any investment made by the Fund. Such practices include, in particular, sound management structures, employee relations, remuneration of staff and tax compliance within the portfolio companies. Moreover, the Fund will conduct regular monitoring of the good governance practices in its portfolio companies during the holding period. If the Fund becomes aware of severe governance issues, it will investigate them and work with all parties involved to find an appropriate solution.

Proportion of investments

The Fund will invest fully in line with its investment strategy and investment restrictions, *i.e.*, will only make investments which are aligned with its environmental and/or social characteristics. The Fund does not make and does not intend to make sustainable investments within the meaning of Art. 2 (17) SFDR or environmentally sustainable investments within the meaning of Art. 3 of the EU Taxonomy; hence, no portion of its investments will be aligned with the EU Taxonomy.

Monitoring of environmental or social characteristics

The Fund has an increased awareness on the impact of environmental or social characteristics on risk management and thus on the value potential of investments. Accordingly, the Fund undertakes to monitor (compliance with) its environmental and/or social characteristics on an ongoing basis. Prior to making an investment, the Fund assesses the attainment of its environmental and/or social characteristics with respect to every (potential) portfolio company. During the holding period, the Fund uses the sustainability indicator 'No investments in the area of investment exclusions' and collects respective data at portfolio company level in order to monitor the ongoing compliance with its environmental and/or social characteristics. Moreover, the Fund consults with the portfolio companies in regular intervals and will carry out further checks if there are indications of potential issues with the Fund's ESG approach. External monitoring mechanisms are not in place.

Methodologies for environmental or social characteristics

The Fund applies qualitative assessments with respect to its environmental and/or social characteristics. The Fund conducts an initial assessment of such characteristics in the course of its due diligence process prior to any investment by providing its (potential) portfolio companies with a checklist/questionnaire. Through these checklist/questionnaire, the investment exclusions and ESG criteria are identified and evaluated. Based on the results of this assessment, the Fund identifies whether the environmental and/or social characteristics promoted by the Fund are met before making an investment.

During the holding period, the so conducted assessment forms the basis to measure and monitor if the characteristics are continuously being met.

Data sources and processing

In order to attain each of the environmental and/or social characteristics promoted by the Fund, a checklist/questionnaire is completed by the (potential) portfolio companies in the course of the due diligence process conducted prior to each investment. An internal or external review or verification of the data obtained will be carried out if misrepresentations are suspected.

Limitations to methodologies and data

The data collected from the (potential) portfolio companies as well as the data supplemented by third party service providers or external experts is internally or externally verified only if and to the extent misrepresentations are suspected. Thus, it cannot be ruled out completely that false information may remain undetected in certain cases. Further limitations, in particular with regard to the accuracy of the data and reliability of the data sources used, are currently not foreseeable. As the Fund's investments are made for several years, the Fund considers it a priority to establish and maintain a trustful working relationship with its portfolio companies in order to ensure data quality and compliance with the environmental and/or social characteristics promoted by the Fund.

Due diligence

In order to attain the aforementioned environmental and/or social characteristics, the Fund carefully selects its portfolio companies during the investment decision-making process. The Fund conducts a due diligence on every (potential) portfolio company. As part of this due diligence, the Fund carefully reviews how a (potential) investment relates to the environmental and/or social characteristics promoted by the Fund. The Fund incorporates exclusion (negative screening with respect to its investment exclusions) as well as good governance aspects during the decision-making process. This assessment is conducted by using a checklist/questionnaire and, where required based on the inherent ESG risk of the portfolio company, through an enhanced analysis. When in doubt, third party experts may be involved to evaluate relevant ESG issues that were identified by the Fund.

Engagement policies

The Fund intends to engage in managing ESG across its portfolio companies, *e.g.*, by providing an ESG onboarding session which includes assessing the company's maturity against KKA's Environmental, Social and Governance Standards and by developing an appropriate action plan. Further, by implementing governance structures that provide an appropriate level of oversight with regard to ESG factors.

The Fund will, as part of its environmental and social investment strategy, use – amongst others – the following measures to engage, as appropriate, with its portfolio companies – while taking into account the individual circumstances of each company – in order to attain its environmental and/or social characteristics:

- Contractual target agreements with its portfolio companies (the portfolio companies will be required to advance ESG-related topics).
- Development of an ESG action plan as part of KKA's Post Transaction Plan
- Portfolio companies are encouraged to develop an ESG policy and a Code of Conduct; as well as
- Engagement with portfolio companies, e.g. through board meetings, and exercise of shareholder rights in portfolio companies.
- The Fund will respond with individual measures when becoming aware of ESG-related incidents or controversies at portfolio company level.

Designated reference benchmark

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