



Report related to Article 29 of the Energy Climate Law
2022 Edition

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1. Introduction

The purpose of this document is to present Korelya Capital's policy and strategy regarding the inclusion of environmental, social and governance criteria ("ESG criteria"), in accordance with Article 29 of the French Energy and Climate Law.

This report presents the following elements:

- Korelya Capital's general approach to ESG criteria,
- policy for integrating ESG criteria into the investment process,
- risk management policy,
- next steps in Korelya Capital's ESG approach.

The elements described in this report apply to all Korelya Capital funds ("the funds").

The K-Fund I and C-Fund funds fall under article 6 of the SFDR regulation. This article concerns investment funds that do not have a sustainable investment objective and do not declare that they take ESG criteria into account.

K-Fund II falls under Article 8 of the SFDR regulation, which concerns funds that declare that they take social and/or environmental criteria into account.

For more information and PAI disclosure, please visit: <https://www.korelyacapital.com/esg/>

2. Consideration of ESG criteria

2.1 Investment strategy

Korelya is a generalist fund with a focus on tech-related companies. We invest in all tech segments (consumer, fintech, SaaS, Infratech, etc.) with the aim to contribute positively to major social and environmental issues through the actions implemented by our portfolio companies.

We consider ESG criteria alongside other business and financial factors in our analysis of investments.

2.2 Investment sourcing

Besides, Korelya Capital commits to enforcing fair project selection processes, especially by using an indicative list of non-gendered questions provided by SISTA in order to become aware of possible biases. Korelya is also certified by the label Diversity VC.

Korelya also excludes some sector of activities, i.e. companies that:

- are active in the production, trade, and/or distribution of weapons, munitions cluster bombs, and/or anti-personnel mines;
- are active in the production, trade and/or distribution of tobacco products;
- are active in the production of pornography, the activity of prostitution, or procuring of prostitutes;
- generate any revenues from coal-based activities, including, but not limited to, coal extraction and/or coal power generation and/or electricity via a coal powered plant and/or coal mining;
- are directly or indirectly engaged in activities resulting a severe and/or systematic breaches of conventions, norms, or protocols to which France is a signatory and which are internationally recognized;
- are associated with material corruption;
- are domiciled in countries subject to trade embargoes imposed by the United Nations or the European Union;
- are deliberately and repeatedly violates the law laid down by the national / governmental authorities in the markets in which such a company or corporation operates.

2.3 Investment due diligence and monitoring

Our funds invest in portfolio companies from various sectors and promotes three (3) social and environmental characteristics:

Environmental characteristic:

Characteristic n°1 – Climate action: Mitigating climate change by assisting our portfolio companies in identifying their associated risks and opportunities.

Social characteristics:

Characteristic n°2 – Gender equality and inclusion: Promoting equal opportunities and treatments between genders.

Characteristic n°3 – Good governance practices and value creation sharing: Participating in the implementation of good governance practices within portfolio companies and involving employees in value creation.

The management company commits to integrate ESG and those three characteristics through various tools and processes through the investment processes:

- The pre-investment grid allows us to assess the investment opportunities on ESG factors. This investment grid outcomes are discussed at the Investment Committee.
- During final negotiations, the management company discusses with founders and other investors the adequate ESG clauses to be included in legal documentation, and that may include clauses related to the characteristics.

- To the extent that it will be possible to do so (depending on our role in a given investment round), Korelya Capital will request the inclusion of an **ESG reporting covenant in the shareholders' agreements**, possibly based on the following model.
- For each investment, the implementation of ESG plans will be monitored as follows: Every year, after Q1 reporting: for each company, the relevant pair (partner + associate) will define objectives for the following year along with the portfolio company's management. These objectives will be assessed during Q1 reporting for year N + 1
- During the detention period, the Fund seeks to monitor ESG indicators via a questionnaire sent to portfolio companies on a yearly basis.
- The management company also engages with portfolio companies, when relevant and possible, by discussing ESG factors at the portfolio companies' Boards.

3. Human resources and technical means

The management company is dedicated to integrating ESG into its global functioning, processes and investments. As such, our Founding Partner, Fleur Pellerin is responsible for leading the ESG strategy and compliance. The whole team seeks to implement ESG actions that are led by the ESG Committee composed of 4 members.

The Partner in charge of human resources shall also draw up and keep up to date a list of ESG training programs (IFA, France Invest, Banks, law firms, etc.) the team could access to be trained on the major ESG challenges. These professional trainings are taken on a voluntary basis.

4. Governance

4.1 ESG Strategy Monitoring

The ESG Committee is responsible for the annual update of the hereby key commitments that will be communicated to investors within the ESG report for investors.

Korelya Capital signed the United Nations Principles for Responsible Investment (UN PRI) and committed to implementing the following 6 core principles:

- take ESG issues into account in investment analysis and decision-making processes decision-making processes,
- be an active investor and take ESG issues into account in its shareholder policies and practices,
- require portfolio companies to publish appropriate information on ESG issues,
- promote acceptance and application of the Principles among asset management stakeholders,
- advance the relevance and effectiveness of the application of these Principles,
- report on Korelya's activities and progress in applying these Principles.

Korelya Capital also became a member of the "SISTA Charter" to promote more equal access to financing between men and women entrepreneurs and also achieved Diversity VC Level One Standard.

Korelya is a signatory of the Initiative Climat International.

4.2 Remuneration policy

Korelya has implemented a variable remuneration to incentivize the team to achieve ESG objectives. This bonus is based on a qualitative criteria and is included in the Management Company's remuneration policy.

4.3 Commitments and Objectives

a. Gender Equality

Korelya Capital commits to promoting Diversity and Inclusion across the portfolio.

Targets to reach are the followings:

- 25% of start-ups financed in 2025 founded or cofounded by women, 30% in 2030, and 50% in 2050 (SISTA Charter);
- encourage portfolio companies to reach at least 30% of women on their boards of directors and executive committees by 2030 (France Invest Charter); offer "office hours" dedicated to female founders and co-founders of innovative companies.

b. Gender Equality

Korelya commits to participating in the implementation of good governance practices within portfolio companies and involving employees in value creation.

Before any investment, the ESG questionnaire will assess the good governance and value-sharing mechanisms of the company (such as the share of independent members within the Supervisory Board, profit-sharing mechanisms or the separation of the CEO and Chairman of the Board of Directors) and will be a criterion for the approval of an investment by the committee. In collaboration with the founders and for companies where it makes sense, Korelya Capital will support the implementation of plans to fight against precariousness and employees profit-sharing programs.

The companies in which Korelya invests employ many people across Europe and often in highly qualified positions. Korelya supports job creation in France and Europe and regularly assesses the net job creation in its portfolio companies.

Before any investment, an audit will be performed on the company to ensure compliance with tax and labor laws (such as minimum wage, continuing education or employment contracts) and will be a sine qua non condition for the approval of an investment by the committee.

Finally, in collaboration with the founders and for companies where it makes sense, Korelya Capital will support the implementation of plans to fight against precariousness and employees profit-sharing programs.

c. Climate Change

Korelya Capital commits to encouraging its portfolio companies to implement policies to reduce their environmental footprint and to supporting them in these endeavours.

To this end, Korelya Capital will catalogue best practices in order to share them with its portfolio companies.

5. Commitments

Each year, Korelya Capital sends an ESG questionnaire to all the companies in its portfolio. Results are consolidated within a report that is shared with investors.

This reporting enables us to monitor the evolution of the ESG performance of portfolio companies, provide specific help to companies facing ESG challenges, and share best practices across portfolios.

6. Taxonomy

Korelya Capital has no investments in companies active in fossil fuels.

The proportion of sustainable investment (in line with European taxonomy) represents 28.4% of the assets under management.

7. Alignment with the Paris Agreement and long-term biodiversity targets

Given the size and stage of development of the companies held in the funds under management, Korelya Capital has not included any global warming or biodiversity targets for 2022.

Nevertheless, as part of its support for portfolio companies, Korelya Capital encourages its entrepreneurs to collect and monitor reliable data to measure the concrete results of these extra-financial impacts.

8. Risk Management

The Management Company considers sustainability risks, as defined in Article 6 of the SFDR, to be relevant for the entity. Sustainability risks will be integrated from September 2022 into the Management Company's processes.

The ESG Manager ensures that sustainability risks are integrated into investment decisions and that the results of the potential impacts of sustainability risks on the performance of financial products are made available.

Sustainability risks are integrated into investment decisions through the following processes:

- An ESG pre-investment analysis grid that assesses sustainability risks when relevant. The outcomes of this assessment are presented in a dedicated ESG section of the investment memorandum, and are discussed at the investment committee. If significant sustainability risks are identified, mitigating actions are integrated in the ESG roadmap and objectives.
- An annual reporting and monitoring of the investee companies is conducted to assess the potential sustainability risks. The outcomes of this reporting are presented in the annual ESG report.

9. Financial products falling under Articles 8 and 9 of SFDR

K-Fund II falls under article 8 of the SFDR regulation, which concerns funds that declare that they take social and/or environmental criteria into account.