

ELAIA PARTNERS

Article 29 « Loi Energie Climat »

2021 - 2022 Report

Introduction

In accordance with Article 29 of the Energy and Climate Law, which aims at clarifying and reinforcing the extra-financial transparency of market players in order to build sustainable finance, the purpose of this document is to present the inclusion of extra-financial criteria in the investment strategy and policy of Elaia Partners.

General Approach of the entity

Financial-First, Responsible-Driven Funds

Elaia Partners is a venture capital management company which invests from Pre-Seed to Series B in high-potential tech-intensive digital and deep-tech B2B startups. Since its foundation in 2002, Elaia has invested in 180 companies.

Our objective at Elaia Partners is to deliver sustainable performance and we decided to develop a data-driven and structured Investment strategy which drives how we design, build, and manage portfolio in an optimized way.

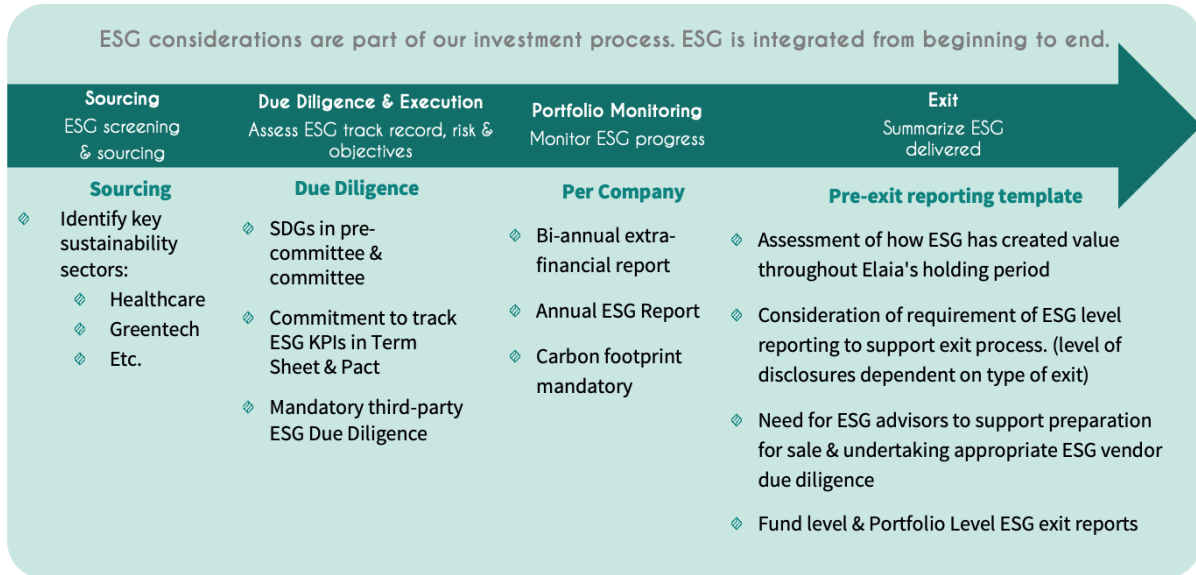
We are “Financial-first” but not a “Financial-only” practice: “Financial-only” decisions have proven their long-term limits. Our approach to responsible investments is aligned with the Elaia strategy to generate financial performance for its investors while being close to its investors and committed entrepreneurs. All investments and decisions made by Elaia Partners take into account ESG considerations.

Correlation between sustainability and profit has been demonstrated. More than maximizing financial returns, we are convinced that being driven by positive and responsible impacts will mitigate potential market downsides.

We consider that Venture Capital firms have an incentive and an educational role to play in ensuring that all their investments include these criteria and act for the growth and conduct of their projects. By investing early in tomorrow’s leaders and raising the awareness of our portfolio companies to the importance of responsible investing, we develop a multiplier effect in their industries.

ESG is Part of our Investment Process

ESG considerations are part of our investment process. We have integrated ESG criteria in our investment process as described below.



Investment process and due diligences

Elaia Partners' investment team analyses ESG criteria and delivers specific due diligences:

- Environmental, social and governance criteria integrated into decision-making by the investment team in charge of the project analysis;
- The investment committee is invited to score its appreciation of the environmental, social and governance impact of the proposed investment
- External pre-investment environmental, social and governance audit, which delivers an extra-financial scoring
- In close relationship with the investee's management, definition of key environmental, social and governance indicators and objectives to be monitored by the companies (e.g., Climate and Environment Charter, carbon footprint scope 1, 2 and 3, proportion of women in the team, precarious workers, avg. contract duration, etc.)
- Letter of intent and shareholders agreements raising awareness and duties of the entrepreneurs in terms of environmental, social and governance commitments
- To help the investment team deliver relevant analyses on environmental, social and governance criteria, specific ongoing trainings and team awareness exercises are carried out throughout the year.

Since ESG is part of Elaia's DNA, it is everyone's concern. For the past 3 years, 100% of FTEs have been trained to CSR topics, and annual ESG training is mandatory for all team members. The aim of the training is to raise awareness and provide the necessary skills and knowledge to integrate ESG considerations in the management company operations and in the investment process.

It covers establishing a carbon footprint, addressing the challenges of a low-carbon transition approach once the carbon footprint has been established, addressing the study of risks and opportunities, the methodological frameworks and the issues related to the associated change management as well as topics such as "Fresque du Climat" or "2Tonnes".

Investment journey

Elaia Partners' team also convey ESG principles during the detention phase:

- Once the company has been invested in, a carbon footprint analysis is mandatory allowing to fine-tune environmental indicators and define action plans.
- On a yearly and quarterly basis, the management company has the duty to report its monitoring of metrics specific to the Company's ESG objectives determined by the Board of Directors.
- Company-specific ESG indicators are therefore monitored on a bi-annual basis and published in a report sent to the fund's investors alongside the financial quarterly report.
- On an annual basis, a more extensive, and non-company specific, ESG survey is sent to all the Fund's portfolio companies. This survey is the base for the Elaia ESG Annual Report, as well as for the report for large institutional investors who follow France Invest's ESG indicators framework.
- On an ad-hoc basis, it is strongly recommended to set up incentives for entrepreneurs to monitor and achieve ESG objectives.

Exit

With investors inquiring more and more frequently about what the target company is doing with regards to responsible investment, how they treat employees and vendors, their dedication to sustainability initiatives, and other activities that fall under the ESG umbrella, it is important to have answers to these questions and Elaia Partners' team is currently working on the establishing of a Pre-exit ESG reporting template (as described above).

Article 8 and Article 9 funds:

The SFDR (Sustainable Finance Disclosure Regulation) classification of our funds :

This European regulation aims at supporting the financial system's transition towards a more sustainable economy. Under these rules, financial market participants will provide detailed information about how they tackle and reduce any possible negative impacts that their investments may have on the environment and society in general. Moreover, these new requirements will help to assess the sustainability performances of financial products. Compliance with sustainability-related disclosures will contribute to strengthening investor protection and reduce greenwashing.

In accordance with the European Sustainable Finance Disclosure Regulation (SFDR), the classifications are:

- Article 6 funds neither promote ESG characteristics nor have sustainable investment as an objective
- Article 8 funds promote ESG characteristics
- Article 9 funds have sustainable investment as an objective

As of December 31, 2022, all the funds managed by Elaia Partners are categorized under Article 6 of the SFDR Regulation.

Although the vehicles managed by the management company do not currently include ESG criteria in their investment policy or strategy, Elaia has fully integrated ESG diligences throughout its investment process by notably:

- Systematically performing ESG due diligences report with the assistance of external service provider prior an investment

- Integrating in all Funds' by-laws strict exclusion policy regarding specific sectors
- Integrating commitments to track ESG and KPI in Term sheets and Pact
- Monitoring ESG progress at company level and tracking KPIs

Because improving ourselves is always important to us, we decided early 2023 to categorize under Article 8 of the SFDR regulation one of our funds: Elaia DV4 Fund, that was launched in 2021.

Our commitments to the ecosystem

As a management company, we are:

- signatory to the UN PRI since 2020 as part of our commitment to responsible investing.
- active member of Invest Europe as well as being part of its Diversity Taskforce & VC Council.
- signatory to the Charter on Diversity as well as being an active member of France Invest's Sustainability Taskforce.
- involved in numerous initiatives both social and environmental such as: SISTA, Climate Act, La French Tech Tremplin
- conducting a yearly carbon assessment in order to do our part to contribute to positive change.
- certified by Diversity VC, making us the 3rd VC fund in France to receive this certification.

We contribute to accelerating change towards a more respectful model and notice an increasing awareness and urgent demand from our stakeholders:

- Investors: we encourage them to adhere to the same principles,
- Portfolio companies: we are board members of 100% of our investments, which means we have a direct impact on a regular basis
- Regulations: Loi Pacte, GDPR, etc.
- Elaia employees: opening the way with concrete actions in terms of sustainable, environmental, and social engagements (Impact through research valorization, equal gender from analysts to partners, reusable consumables, waste sorting and recycling at the office, etc.)
- Endowment Fund: we believe in the power of giving back. In 2021, we created an endowment fund to increase the resources allocated to non-profit organizations. We wish to have a greater impact on our ecosystem. The Elaia endowment fund focuses on non-profit projects or organizations in which science or innovation brings a significant impact to common good. The areas of interest are varied such as Entrepreneurship, Education, Environment, Health, etc. The endowment fund is already supporting 2 projects:
 - o Predilepsy: Detect, predict and prevent epileptic absence seizures
 - o Qbio JRC: Discover the organizational principles of living systems