ESG Global Policy

ESG Corporate Policy

I. Foreword

At Elaia, we back our portfolio companies in facing tomorrow's challenges and we are convinced that our intentions of complying with ESG (Environmental, Social and Governance) criteria help them succeed.

We believe in a more innovative future. We want it to be sustainable and socially inclusive and we consider that ESG criteria, that encompass this belief, are true assets that make startups more valuable and worthy to be backed in the long run.

The objective of this policy is to present Elaia's values and initiatives concerning environmental, social and governance (ESG) topics, with regards to some of its stakeholders: the management company itself and its entire team, its portfolio companies and its LPs, and its regulators.

II. Governance

As a key aspect of Elaia's operations, sustainability is managed through an interdisciplinary ESG Committee. The ESG Committee is composed of representatives from the investment and support teams to enable consistent ESG integration across the company. The objective of the ESG Committee is to monitor and to implement sustainability practices and policies within the company, and within the companies in which the funds invest.

The ESG Committee is responsible for developing and implementing Elaia's sustainability strategy. Elaia's Sustainability Policy is reviewed by Elaia's Board at least once a year.

The ESG Committee's broader responsibilities include:

- Approving annual updates or amendments to Elaia's ESG Policy, proposed by Elaia's professionals at least on an annual basis;
- Approving new investment strategies that formally integrate ESG objectives as part of their investment process;
- Monitoring the sustainability-related aspects of existing investment strategies that formally integrate ESG factors or social / environmental impact objectives as part of their investment process;
- Supporting the process of enhancing the integration of ESG factors into investment analysis and decision-making across the company;
- Supporting the pedagogy efforts towards management company employees, portfolio companies and investors, related to ESG topics;
- Monitoring the collection of data from portfolio companies, as well as updating and / or adapting the ESG monitoring indicators of the portfolio companies and discussing the feasibility of their operational implementation;
- Facilitating the sharing of research, analysis, and insights on ESG issues and trends;
- Supporting efforts to collaborate with LPs and others in the investment industry to support the broader acceptance and implementation of sustainable investing;
- Overseeing reporting to third-party organizations on Elaia's sustainable investing activities, including the UN PRI, and;
- Listening to LPs and anticipating their evolving ESG-related needs and objectives.

III. Corporate sustainability policy

A. Our values

Our investment policy integrates analyses aiming at gauging whether, and to what extent, our prospective portfolio companies answer to the 17 United Nations Sustainable Development Goals (SDGs). These goals are at the heart of the 2030 Agenda for Sustainable Development, adopted by all of the UN Member States in 2015, which provides a shared blueprint for prosperity for people and the planet, now and into the future. They are an urgent call for action by all countries that recognize that ending deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth — while tackling climate change and working to preserve our planet.

More broadly, our investment policy and governance at the management company level aims at equally promoting the Environmental, Social and Governance pillars.

Environmental pillar

This includes the contribution of a company to lower its carbon footprint through, for instance, carbon footprint assessment, the reduction of greenhouse gas emissions, waste and resource management, water and energy efficiency.

Social pillar

This pillar of the ESG principles looks at the responsibility that companies have vis-à-vis their employees as well as their impact on society — for instance in terms of working conditions, labor rights and diversity.

Governance pillar

This last pillar refers to a set of rules and principles that define rights, responsibilities and expectations among different stakeholders in the governance of a company. It can serve as a control mechanism in relation to bribery and corruption, executive remuneration, shareholders' voting possibilities and internal control.

We believe that fair governance provides long-term benefits for LPs, employees and society as a whole. One way of ensuring this is to focus on increasing transparency and openness between the company and its stakeholders on issues such as board composition and shareholder rights.

B. Diversity and inclusion

At Elaia, we believe that diversity adds value to the company and is essential to developing a sustainable economy. Therefore, we have chosen to demonstrate our commitment to this topic by:

- Ensuring that our culture, workplaces, and HR policy are gender-inclusive, and provide a safe and rewarding working environment to all employees on a daily basis;
- Signing the Gender Equality Charter sponsored by France Invest / Sista. Such charter requires very specific quantitative gender balance objectives to be met by 2030. However, within Elaia Partners, the objectives were met long before signing the charter;
- Implementing a 'No Tolerance' policy for harassment or discrimination of any kind;
- Ensuring the integration of best practices for gender inclusiveness and diversity in our HR policy, recruitment, and communication practices, and;

- By demonstrating this commitment, by adhering to formal and recognized industry initiatives, and by making its investment activities more inclusive and attractive, Elaia affirms its determination to take an active approach to improve diversity in the portfolio companies.

C. Climate action

Elaia is committed to reducing its environmental impact by managing its buildings and resources responsibly and by monitoring and controlling its CO2 emissions. This includes, but is not limited to, the following actions:
Carbon assessment: Elaia seeks to assess its activities' exhaustive carbon footprint regularly, and started to do so in 2020. This assessment (including Scopes 1, 2 and 3) allows us to identify the most carbon-intensive assets, specifically the assets that have the highest exposure to material carbon risk (e.g., high carbon prices, regulatory changes, etc.). The carbon assessment is a key part of Elaia's climate strategy, including its plan to monitor and reduce its emissions.

Responsible use of paper: Elaia pursues a responsible paper policy in the office, with the objective of reducing the use of paper and encouraging its employees to make more sustainable decisions daily.

Responsible waste management: Elaia has implemented a responsible waste management policy for several years and promotes selective sorting through the use of recycling bins.

Removing single-use and plastic utensils: At Elaia, reduction of plastics and single-usage utensils drives many office management expenses. Water fountains equipped with microfiltration systems are installed in our offices. In addition, all disposable coffee and water cups were replaced with eco-friendly cups and bottles; likewise, reusable bowls can be used by employees for their lunch purchases.

Travel policy: The Elaia travel policy demonstrates the company's desire to reduce its CO2 footprint through the following requirements: validation of the need to travel (instead of video conferencing), prior authorization for travel abroad, rail for journeys of under four hours, etc.

D. Public engagements

UN PRI

In 2020, Elaia signed the United Nations Principles for Responsible Investment ("UN PRI" or the "Principles") to further formalize and to reinforce its sustainability commitment. As a signatory, Elaia is committed to the following six principles:

- **Principle 1**: We incorporate sustainability criteria into investment analysis and decision-making processes;
- **Principle 2**: We are active owners and incorporate sustainability criteria into our ownership policies and practices;
- **Principle 3**: We seek appropriate disclosure on sustainability highlights and issues by the entities in which we invest;
- **Principle 4**: We promote acceptance and implementation of the Principles within the investment industry;

- **Principle 5**: We work together to enhance our effectiveness in implementing the Principles, and;
- **Principle 6**: We report on our activities and progress towards implementing the Principles.

Gender Equality Charter

In 2020, Elaia committed to France Invest's initiative "Gender Equality Charter" with the following stated objectives to:
Increase the percentage of women responsible for Investment Committee decisions to 25% by 2030 and to 30% by 2035 and to acquire the necessary tools to achieve this objective.

Set a target for women to make up 40% of the investment teams by 2030 and to **involve the management** in delivering on these commitments.

Ensure that published job offers are gender neutral and **free of gender stereotypes** in accordance with the regulations in force.

Ensure non-discriminatory recruitment and assessment practices by:

- Considering several female candidates against male candidates until the end of the process to limit profile analysis bias;
- Making sure to use a gender-neutral list of questions so that women are not asked different questions;
- Ensuring that Elaia is as evenly represented as possible during the profile assessment, interview, and selection phase;
- Broadening the eligible profiles when recruiting for skills related to the unlisted investment business;
- Establishing monitoring indicators and communicating them annually to track and measure progress;
- Implementing measures to retain female talents.

By adhering to these targets, Elaia affirms its determination to take an active approach to improve gender equality and inclusiveness.

Other initiatives

Elaia is a signatory and active in a number of other initiatives, such as SISTA, the Climate Act, and involved in many initiatives such as BalancePasTonPC, La French Tech Tremplin, Startup banlieue, etc.

IV. ESG Regulations Compliance

A. *European Union regulations*

1. Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”)

a) Regulation objectives and main obligations

SFDR is a disclosure regulation that is designed to make it easier for investors to distinguish and to compare the many sustainable investing strategies that are now available. SFDR aims at clarifying sustainability information in the financial services sector and at helping investors by providing more transparency on financial products’ environmental and / or social characteristics. This information is now being presented in a more standardized way.

The SFDR requires specific firm-level disclosures from asset managers and investment advisers regarding how they address two key considerations: Sustainability Risks and Principal Adverse Impacts. In addition, the regulation aims at helping investors choose between products by classifying funds into three distinct categories, according to the degree to which sustainability is a consideration. Binding investment criteria with specific disclosures are also required for each category. These categories align to Articles 6, 8 and 9 within the SFDR and are summarized below:

“Article 8” strategies promote social and / or environmental characteristics, and may invest in sustainable investments, but do not have sustainable investing as a core objective.

“Article 9” strategies have a sustainable investment objective.

"Article 6" concern all of the other strategies and financial products that are neither Article 8 nor Article 9.

The disclosures, which went into effect on March 10th, 2021, apply to several financial products, including Elaia’s funds.

To achieve the SFDR’s goal of improving sustainable finance by increasing transparency and creating standards, asset managers must disclose the way they consider two key factors: Sustainability Risks and Principal Adverse Impacts. Asset managers are required to disclose their policies at both the company and product level.

SFDR outlines specific definitions for Sustainability Risks and Principal Adverse Impacts:

- Sustainability Risks refer to environmental, social or governance events, or conditions, such as climate change, which could cause a material negative impact on the value of an investment;
- Principal Adverse Impacts (PAI) are any negative effect that investment decisions or advice could have on sustainability factors. Examples could include investing in a company with business operations that significantly contribute to carbon dioxide emissions, or that has poor water, waste or land management practices.

Asset managers need to provide specific information on Sustainability Risks and Principal Adverse Impacts at both entity and product levels:

	Entity level	Product level
Sustainability risks	Policy on the integration of sustainability risks	Assessment of the likely impacts of sustainability risks on the return of the product
Principal adverse impacts	Consideration of Principal Adverse Impacts of investment decisions on sustainability factors (Comply or explain)	Disclosure of how each financial product considers the adverse impacts on sustainability factors

b) Elaia's organization for compliance to SFDR

At Elaia, the compliance to the various aspects of SFDR is driven and monitored as follows:
- **At the launch of a new fund**, the managing partners and the ESG Committee review the fund's investment objectives, its degree of integration of ESG criteria in its investment cycle and marketing documentation, and thus validates whether the fund should be classified as article 6, 8 or 9;
- **The compliance of Elaia's website and the funds by-laws (and other documents)** is supervised by Elaia's compliance and legal professionals;
- **The optional PAI indicators of the annual SFDR reports** are decided by the ESG Committee. The information necessary for the report is requested by the finance team via an online survey solution, and compiled prior to publication and submission to the authorities.

2. Sustainable finance taxonomy - Regulation (EU) 2020/852

EU Taxonomy Regulation (EU TR) became effective on January 1st, 2022. Since then, elements of the EU TR, which introduces a standard environmental criteria within the EU, are integrated into the disclosure obligations set out by SFDR. The EU TR specific elements to be disclosed under SFDR are whether, and to what extent (in%), sustainable investments, if any, are aligned with the EU TR.

B. French regulations

1. Article 29 of law #2019-1147 of November 8th, 2019, "Loi énergie et climat"

a) Regulation objectives and main obligations

The Article 29 of the law "Energie et climat" aims at transposing and going beyond SFDR, and entails many obligations for asset managers with over €500m of AUM. Though Elaia Partners is not, as of the writing of this policy, concerned by this regulation (AUM <€500m as of 12/31/2022), we are preparing the future by organizing, as of today, our compliance to the regulation.

The main obligations of the regulation consist in defining strategies of alignment of the portfolios with Paris Agreement's objective of limiting the temperature rise to 2°C, and with biodiversity-linked long-term goals. As a consequence, specific monitoring and reporting are to be set-up in order to analyze the management company's performance with regards to these strategies.

b) Compliance assurance process

As of the writing of this policy, Elaia Partners' teams are in the process of defining:
- A Strategy of portfolio alignment with the Paris Agreement;
- A Strategy of portfolio alignment with biodiversity-linked long-term goals;

2. AMF Regulation DOC 2020-03 : "informations à fournir par les placements collectifs intégrant des approches extra-financières"

a) Regulation objectives and main obligations

The Authorité des Marchés Financiers (AMF) has published mandatory guidelines ("position-recommandation") aiming at reinforcing the transparency on extra-financial information for fund management companies.

According to the DOC 2020-03, funds fall into 3 categories, depending on the importance of extra-financial information in the fund's investment approach:
- For funds whose approach is that of a significant commitment to extra-financial characteristics (as measured by the attainment of specific standards set forth by the regulation), their communication on the matter can be central;
- For funds whose approach is that of a non-significant commitment to extra-financial characteristics (as measured by the attainment of (lesser) specific standards set forth by the regulation), their communication on the matter must be lesser than above;
- For funds that do not meet any of the standards above, the communication must be limited to the fund's by-laws, and only in a proportionate manner.

b) Compliance assurance process

At Elaia, when a fund is launched, the process of determination of the category to which it belongs is merged with the process described above to determine the SFDR category (Article 6, 8 or 9). The standards to be met are then decided (when applicable: ratings, indicators, etc.) and integrated in the fund's legal documentation (by-laws and DIC).

ESG Exclusion Policy

I. Foreword

The objective of this policy is to present Elaia's Exclusion policy, as Referred to in the ESG Investment Policy and the Investment Procedure.

II. Business activity exclusions

A. Tobacco and alcohol
Elaia considers investment in tobacco and distilled alcoholic beverages companies to be unsustainable. We exclude companies that are significantly involved in the production of and trade in tobacco or distilled alcoholic beverages and related products. We also exclude those which have significant ownership in such companies, as well as those which are significantly involved in the wholesale distribution of those products or in the supply of components, such as filters.

B. Thermal coal miners
Elaia acknowledges that reducing thermal coal emissions, as recommended by scientists, is one of the most effective ways of transitioning to a cleaner energy system and being consistent with the Paris Agreement. Elaia pledges that no investment shall be made by Elaia's funds in coal mining-related companies, except if the relation to coal mining is that of coal-usage reduction.

C. Coal-based power Generation
Elaia recognises the importance of encouraging companies to reduce their dependence on coal power generation in order to align their activities with the Paris Agreement. Hence, Elaia will not invest in coal-based power generation companies.

D. Adult Entertainment and Pornography
Elaia considers investment in adult entertainment and pornography companies to be unaligned with Elaia's values, unsustainable and not to contribute positively to the long-term sustainable development of society. We believe that there is a significant risk that the adult entertainment industry may indirectly fail to comply with human rights principles from labor practices to societal impact.

We exclude companies who receive over 2% of their revenues from the production or distribution of adult entertainment and pornography, those which have a significant ownership in such companies or those which are significantly involved in the wholesale distribution of adult entertainment and pornographic content.

E. Weapons, casinos and equivalent companies
Elaia excludes companies that focus on the financing, 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. Elaia excludes companies that focus on casinos and equivalent enterprises.

F. Excluded sectors indirect support

Elaia excludes companies that perform any of the following research activities as referred to in Article 19 of the Regulation EU (no) 1291/2013 of the European Parliament and the Council:

- Aiming at human cloning for reproductive purposes;
- Intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of the gonads);
- Intended to create human embryos solely for the purpose of research or the purpose of stem cell procurement, including by means of somatic cell nuclear transfer.

Moreover, Elaia excludes companies that focus on the research, development or technical applications relating to electronic data programs or solutions, which :

- aim specifically at supporting any activity referred to under items A to E above;
- are intended to enable to:
    - illegally enter into electronic data networks; or
    - illegally download electronic data.

In addition, when providing support to the financing of the research, development or technical applications relating to human cloning for research or therapeutic purposes, or genetically modified organisms (GMOs), we shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

III. Geographical exclusions

Elaia excludes investments in companies that are established in and maintain significant business relationship with entities incorporated in non-cooperative jurisdictions, as classified by lead organizations for not having made sufficient progress towards satisfactory implementation of EU and/or internationally agreed standards in connection with AML-CFT and/or tax good governance standards.

IV. Implementation

For company exclusions, all investment instruments (e.g. equity, corporate bonds, etc.) are in scope.

Elaia's in-house ESG team, supported by external data, tools and research providers, undertakes a series of ESG-themed assessments which identify companies within our investment universe or invested companies that could qualify for potential exclusion.

For discretionary mandates or specific investments solutions, Elaia will initially suggest LPs apply the current Elaia exclusion framework; but Elaia may finally apply further (no lesser) restrictions if requested by the client.

Once an invested company is placed on Elaia's exclusion list (for example, following an acquisition or the development of new business lines), we will divest any holdings from our Funds within a defined and precise timeframe. Elaia's Compliance team monitors adherence. Any identified breach to the defined timeframe would be dully escalated to the Internal Control Committee.

V. Governance and Monitoring of the Policy

Elaia's ESG Committee oversees the adequate implementation and update of the exclusion policy at the firm level. The Committee proposes additions, deletions and exceptions of the exclusion list to Elaia Partners' board, who validates such changes.

ESG Investment Policy

I. Foreword

The objective of this policy is to present Elaia's values and initiatives concerning environmental, social and governance (ESG) topics, with regards to its investment activity and its portfolio companies and LPs, in accordance with the values described in its ESG Corporate Policy.

By investing early in tomorrow's leaders and raising our portfolio companies' awareness of the importance of responsible investing, we develop a multiplier effect in their industries. Our investment process thus integrates ESG criteria at each step of the investment cycle.

Elaia Partners' funds are private equity funds invested exclusively in Tech-intensive startups that operate B2B models at early stages, from Pre-Seed to Series B, with a global ambition. Elaia Partners has designed its internal ESG policy and due diligences in accordance with this class of assets.

II. Investment process & due diligences

In order to facilitate an informed decision on behalf of the investment committee and lay the groundwork for future interactions with the investee company, for all new investments since 2021 (deployed progressively across all funds), Elaia's investment team analyses ESG criteria and delivers specific due diligences:

- Compliance of the proposed investment with Elaia's Exclusion Policy;
- External pre-investment ESG audit, which delivers an extra-financial global scoring;
- Based on this report and in close relationship with the investee's management, definition of key ESG indicators and objectives to be monitored;
- Letter of intent raising awareness among the entrepreneurs;
- ESG criteria integrated into decision-making:
    - All investment notes present which of the UN's 17 SDGs are positively impacted by the contemplated investment, and those that are negatively impacted when applicable;
    - The investment committee is invited to score its appreciation of the ESG impact of the proposed investment.

To help the investment team deliver relevant analyses on ESG criteria, specific ongoing trainings and team awareness exercises are carried out throughout the year.

III. Investment journey

Once the company has been invested in, a carbon footprint analysis is mandatorily made. Alongside the ESG due diligence results, this carbon footprint allows to fine-tune ESG indicators to monitor and to define action plans.

Company-specific ESG indicators, resulting from the analysis made at the investment stage, are therefore monitored on a bi-annual basis and published in a report sent to the fund's investors alongside the financial quarterly report.

For example, for companies struggling with gender equality among their workforce, the proportion of women in the workforce and at the board of directors is monitored. The action plans are followed by each lead investor at least on a bi-annual basis.

On an annual basis, a more extensive, and non-company specific, ESG survey is sent to all of Elaia's portfolio companies. This survey is the base for the Elaia ESG Annual Report, as well as for the report for large institutional investors with specific ESG frameworks requirements.

On an ad-hoc basis, it is possible to set up incentives for managers to monitor and achieve ESG objectives.

IV. 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.

Measurable ESG-related KPIs provide tangible data points by which acquirers can monitor and track ESG efforts. Identifying and tracking baseline efforts and analytics prior to acquisition ensures improvements; challenges, and opportunities can be identified and addressed; and the valuation might take these analytics into consideration.

Therefore, as of the writing of this policy, Elaia's teams are working on establishing a Pre-exit ESG reporting template including:

- An assessment of how ESG has created value throughout Elaia's holding period
- A consideration of what level of ESG reporting may be required to support the exit process. The level of disclosures will be dependent on the type of exit (i.e. IPO, trade sale, secondary buyout, carve out, etc.)
- The need for ESG advisers to support the exit process and to undertake appropriate ESG due diligence on vendors.

V. Conflict of interest related to responsible investment and engagement with policy makers.

As an asset management company, Elaia Partners is required to take all reasonable measures to detect, identify, treat, and resolve conflicts of interest situations in order to act exclusively in the interest of its funds (and delegations) and its unit holders.

To prevent conflicts of interest, the company relies in particular on:

- A policy and procedure for preventing and managing conflicts of interest as well as a mapping of the different potential conflict of interest cases;
- A "Register of Conflicts of Interest" that lists potential or proven conflict of interest cases since the creation of the company;
- Elaia's internal regulations and Code of Ethics, which are signed by each employee upon arrival;
- The Code of Ethics of Portfolio Management Companies involved in private equity, common to France Invest and the AFG.

Any conflict of interest relating to responsible investment will be managed in accordance with the conflict of interest policy.

In the course of its activity, Elaia Partners may participate to working groups and / or initiatives organized by the French government. This involvement does not affect the fact that Elaia’s actions are made in the best interests of its investors, and that any conflict of interest relating to Elaia’s participation to any working group and / or initiative backed by the French government and / or a regulated body will be managed accordingly to the conflict of interest policy.

Sustainability risks management Policy

I. Foreword

The objective of this policy is to describe the methods, procedures, governance organization and tools used to identify and to manage sustainability risks at Elaia Partners.

II. Presentation of sustainability risks

A. Definition

A sustainability risk is an event or a situation related to environmental, social, or governance issues, that, if it arises, could have an important negative impact, real or potential, on the value of the investment.

B. Description of the identified sustainability risks

As stems from their broad definition, sustainability risks are numerous and highly dependent on the considered company's activity.

As seen below, each investment opportunity leads to an analysis by the investment team, backed by an independent due diligence by an industry expert, aiming, among others, at defining the main sustainability risks facing the prospective portfolio company.

When performing its analysis, Elaia Partners applies the European commission's approach towards double materiality impact, meaning that non-financial information can have a financial impact and, conversely, that finance can have consequences for the environment and / or society.

C. Main tools for sustainability risk assessment and management

To better apprehend the sustainability risks, Elaia Partners has developed several tools and processes implemented all along the investment journey, from the deal sourcing to the company exit.

Those tools encompass notably:
- A dedicated ESG investment procedure as described above;
- An Exclusion Policy at the Management Company level as described both above and in the funds By-laws;
- A proprietary mappings to assess the sustainability risks;
- Controversy monitoring;
- A dedicated ESG Committee intervening both at the Management Company level and at portfolio level;
- A shareholder engagement policy.

III. Sustainability risk analysis mapping

During the due diligence and execution phases, a sustainability risk analysis is performed for each portfolio company. In order to do so, Elaia Partners has designed a proprietary mapping to assess the relevant sustainability risks regarding potential portfolio companies' activities and sectors.

This mapping determines the sustainability risks based on a combination of different factors: (1) the impact of the risk, (2) the likelihood of occurrence and (3) the process established at portfolio company level to mitigate those risks.

This analysis encompasses the three pillars of ESG:
Environmental sustainability risks:
While examining the impact of environmental risks, Elaia Partners takes into account two types of risks, the physical risks, which are the risks coming from direct environmental disruptions (floods, earthquakes, air pollution…) and the transition risks, that can be categorized as the risks coming from a change of regulation, the exposure of companies to the risks of obsolescence linked to a lack of technological innovation, the substitution of existing products and services by others with lower emissions, and the risks linked to the energy prices evolutions.

Physical risks may have impacts on the following aspects of a company, but are not limited to:
- Impact on its premises and facilities
- Impact on the supply chain and raw materials procurement
- Financial cost due (insurance costs, investment costs, operating costs)
- Productivity capacity diminution, impact on workforce management

Transition risks may have the following impacts on a company's activity, but are not limited to:
- Competitivity loss due to technological delay
- Increased costs due to a less efficient technology
- Additional expenses to pay for fines and to cope with delays in the transition to a more efficient / regulatory obligated ecological level of technology
- Client loss and loss of market shares due to a poor image

Social sustainability risks:
Elaia Partners has also identified social sustainability risks that can be either endogenous risks, meaning risks towards the non-respect of human rights condition or practices leading to a lack of training, a loss of employees motivation, and deterioration of well-being at work, or exogenous risks, which relates to poor inclusion and involvement and / or low diversity in teams, leading to less competitivity accrued from the lack of various opinions and experiences.

These social sustainability risks can impact the company in the following ways, but are not limited to:

- Increased turnover and costs of staff
- Reputation risk
- Loss of competitivity
- Sanction risks due to poor workers condition / suppliers monitoring

Governance sustainability risks:
Finally, Elaia Partners has identified sustainability risks regarding governance. These risks have been classified in two categories, the governance risks within the company (lack of business ethics, concentrated power, poor independence in the governance body) and the product governance (issues with safety and quality of the product or data security loss and/or breach).

These governance sustainability risks can jeopardize the company the following ways:
- Direct financial impact coming from a lawsuit
- Lack of implication, poor decisions making process
- Reputational risk

Based on the review and the combination of these criteria, Elaia Partners has a global picture of the sustainability risks that can be used while discussing a roadmap with the portfolio company to address the risks identified and to mitigate them.

With regards to the double materiality approach, Elaia Partners relies on the analysis performed by its external audit provider to assess the impact of its portfolio companies on the environment. During the due diligence phase and on a periodic basis after the investment is realized, the investment team also performs an analysis to assess this impact and better apprehend the sustainability risks at stake.

IV. Periodic review of sustainability risks

A. Organization of periodic reviews of sustainability risks by the management team

At portfolio level, Elaia Partners is vigilant that the management follows the roadmap established together. While following the different milestones set, upon reinvesting, Elaia Partners verifies that the milestones have been achieved or that the company has correctly taken actions to meet them. This review is also the opportunity to reassess the roadmaps and to adjust the objectives if needed.

B. Controversy monitoring

Given the size of the portfolio companies, Elaia Partners does not rely on an external service provider, but relies on the proximity with its underlying companies to assess any controversy and to foresee any durability risk that might happen.

The investment team is responsible for following the durability update on both the company and the ecosystem. Any controversy noted will be treated by the investment team in charge of the portfolio with the support of the ESG Committee. If any material durability event is noted, it will be reported to the limited partners of the fund.

V. Periodic review of the sustainability risks mapping

On an annual basis, and in the event of any material durability risk, Elaia Partners re-evaluates its durability risks mapping. These risks are assessed by the ESG Committee. While performing the review, the ESG committee considers both the evolution of the environment and any significant changes in the ecosystems that would require an adjustment in the risk mapping and sustainability risks assessments. In case of a significative update, changes are communicated to the investment team.

VI. Governance of sustainability risks management

A. Presentation of sustainability risks governance at management company and portfolio level

Elaia Partners takes into account durability risks and opportunities as part of its own roadmap. These topics are discussed during board meetings at least once a year. As part of its transparency engagement towards its investors, Elaia Partners reports on durability risks in the ESG reporting and the funds' annual SFDR reporting.

B. Investment Committee

While reviewing an opportunity, the members of the investment committee have to give their opinion on ESG criteria as part of their overall scoring of the investment opportunity. Their opinion is based on their own analysis of the activity of the company and on the information provided by the investment team in the investment memorandum, provided to the member before the committee.

In case of a divergence of opinion, the discussion is oriented to deal with the discrepancies noted in the analysis and the final decision takes into account these opinions.

C. ESG risks monitoring and control

As part of its risks approach, sustainability risks are included in the overall risks management of the company. These risks are followed and materialized in the dedicated mapping designed by the ESG Committee. They are also monitored at each portfolio company level by the dedicated member of the investment team.

As part of its risks monitoring policy, Elaia Partners has put in place a dedicated procedure regarding reporting accidents and malfunctions.

VII. Shareholder Engagement Policy

In accordance with I of Article L. 533-22. of the French Monetary and Financial Code, and the European Commission's Delegated Regulation (EU) No. 231-2013 of December 19th, 2012, the Management Company has drawn up a "Shareholder Engagement Policy", in accordance with the procedures specified in Article R533-16. The purpose of this policy, that notably includes ESG aspects, is to specify:

- The monitoring of strategic, financial and non-financial performance, risks, capital structure, social and environmental impacts and corporate governance;
- Dialogue with investee companies;
- Exercise of voting rights and other rights attached to shares;
- Cooperation with other shareholders;
- Communication with relevant stakeholders;
- The prevention and management of actual or potential conflicts of interest in relation to their commitment.

Principal adverse impacts policy

I. Elaia Partners' Principal Adverse Impacts Policy Statements

The Principal Adverse Impacts in terms of sustainability ("PAI") are the most significant negative impacts stemming from investment decisions on sustainability factors, whether they are related to the environment, social and staff, human rights, and fight against corruption.

Elaia Partners, a financial intermediary regulated by the *Autorité des Marchés Financiers* and registered under the number GP-03003, herewith declares taking the PAI into account in the process and investment decisions of its latest funds.

Elaia publishes a Statement to this effect, in compliance with Annex 1 of the regulatory technical standards related to Regulation (EU) 2019/2088, for each fiscal year, starting on 2024, with reference period of fiscal year 2023.

II. PAI reporting

Elaia has decided to monitor and report on the following PAI:

Climate and other environment indicators:

- GHG Emissions (Scope 1,2,3 & Total)
- Carbon Footprint
- GHG Intensity
- Fossil fuel sector
- Non-renewable energy consumption and production
- Energy consumption intensity per high climate impact sector
- Biodiversity sensitive areas
- Water consumption
- Hazardous waste ratio
- Existence of carbon emission reduction initiatives

Social and governance indicators:

- Violations of UN Global Compact principles and OECD Guidelines
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines
- Gender pay gap
- Board gender diversity
- Exposure to controversial weapon
- Existence of workplace accident prevention policies

III. Due diligence for PAI evaluation and monitoring set-up

Elaia has chosen to analyze the PAI of potential investee companies during its investment process. A specific ESG due diligence is carried out, which allows to conclude if any other indicator than the 16 indicators above is relevant to the company. Theses PAI indicators are then prioritized according to their relevance.

The due diligence results in an evaluation table listing each of these PAI indicators, allowing to assess qualitatively the risk exposure, the vulnerability and the financial impact of the PAI. Furthermore, the analysis concludes with associated actions aimed to reduce the PAI and its financial impact.

For later reporting purposes, along with the PAI analysis, the methods used to measure, evaluate, and identify them are duly recorded. In particular, they are accompanied by:

- an explanation on the way these methods take into account the probability of occurrence and the gravity of these PAI, including their potentially irremediable characteristics;
- The limits of this methodology;
- the sources of data.

When information relating to one of the indicators used is not easily accessible, the Statement indicates in detail, in the section "Description of policies aimed at identifying and prioritizing the main negative impacts on sustainability factors" of the Table 1 of Annex I, the efforts made to obtain the information either directly from the investee companies or through additional research, by cooperating with third party data providers or external experts or by making reasonable assumptions.

IV. Reference to international standards

In the "References to international standards" section of Table 1 in Annex I of the Statement, it is described whether and to what extent each fund adheres to codes of conduct related to responsible corporate behavior and internationally recognized standards for due diligence and disclosure, and, if applicable, its degree of alignment with the goals of the Paris Agreement.

This description contains information on all of the following elements:

- The indicators used to consider the main negative impacts on the sustainability factors which measure compliance to said codes of conduct or standards, or alignment with the Paris objectives;
- The methods and data used to measure compliance or alignment as referred to the above, including a description of the scope of coverage, data sources, and how the methods used anticipate the main negative impacts of beneficiary companies;
- Whether a prospective climate scenario is used and, if so, the name and author of that scenario and the date on which it was developed;
- Where no prospective climate scenario is used, an explanation of why we consider prospective climate scenarios to be irrelevant for the considered fund.

V. Historical Comparison

The Statement presents a historical comparison of the Principal Adverse Impact indicator, for each reporting period, with the previous reporting periods, provided that data had been recorded.