



NOTE ON ESG GLOBAL POLICY

PARTECH PARTNERS

2021

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PARTECH PARTNERS: GLOBAL POLICY ON ESG

As Partech is a leading investment firm, the purpose of this document is to share its global ESG¹ policy, both at the management level and at our investees' level and complied with the European SFDR² regulations. It is intended to be accessible on the Partech Partners website to publicly inform on Partech's key initiatives related to ESG and meet the regulatory transparency obligations of:

- The consideration of ESG criteria at the Partech Partners entity level;
- The policies on the integration of ESG factors in the investment decision-making processes and strategies;
- The integration of ESG challenges in the support brought to portfolio companies.

This note is a focus on how the Partech ESG policy is declined at Partech Funds' levels and presents the initiatives the Funds have launched to support their portfolio companies on their ESG ambitions.

This global policy is applied to all the investment funds under Partech Partners' management and will evolve according to the regulatory requirements and the tools implemented by Partech Partners.

To ease the reading, please note that Partech is referred as "the Firm" and the investment funds under Partech's management as "the Funds" in the following note.

I. At the Partech Partners level: how the management addresses the ESG challenges

a. Strengthen the engagements on ESG

Over the past years, Partech has paid growing attention to the **Environmental, Social and Governance (ESG)** factors. Since 2012, Partech has also been **signatory of the PRI**³ and has driven its investment strategies according to these core principles:

- Partech integrates the **ESG factors into its investment analysis and decision-making processes**. For instance, Partech does not invest in industries related to tobacco, pornography, weapons and Partech has formalized a pre-investment questionnaire in the due diligence of its latest Funds: Partech Africa and Partech Growth funds.
- Partech mentions the **ESG criteria into its shareholder policies and procedures**, as the firm strongly believes the responsible companies will outperform their industries' benchmark (and sometimes even create new industries) whilst also having a positive impact on society and the environment. Indeed, the financial performance must be considered alongside the sustainability of the business.
- Considering these points, Partech **supports its portfolio companies in their ESG strategies** and, when relevant, requires its investees to be as transparent as possible on their key challenges and milestones.
- **Sustainability risks** are considered through Partech's ESG approach and actions in the investment and monitoring processes.
- In the investment industries, Partech also **cooperates with key stakeholders** to improve the implementation of these principles and make it efficient for both the management firms and the portfolio companies in the ecosystem.

¹ ESG stands for Environmental, Social, Governance

² According to the EU Regulation 2019/2088 of the European Parliament and of the council of 27 November 2019 on sustainability disclosure in the financial services sector (<https://eurlex.europa.eu>).

³ PRI stands for Principles for Responsible Investments

Over the last years, Partech went further in its engagement with the following initiatives:

- Since 2015, Partech has **formalized an ESG Policy** that is reviewed every year to adapt to the constant evolution and improvement in the ESG domain.
- In addition to the PRI principles, the Firm has also **signed the “Charte France Invest”** that encourages capital funds to address economic, social, and environmental issues, and stands for a better governance in the industry.
- Since 2017, Partech has partnered with climate and development experts [ClimateCare](#) to offset its carbon emissions, as part of our approach to taking responsibility for its impact on the environment.
- In 2019, Partech also became **a member of the “Charte SISTA”** to encourage more equal access to financing between men and women.

Overall, these initiatives have been implemented and continue to be improved to meet the ESG ambitions of the Firm and take part in global improvements to the ecosystem.

b. Set up the right governance and appoint ESG referents

As the ESG issues have become critical challenges to address for both its investors and its portfolio companies, Partech has decided to appoint:

- **A General Partner in the Executive Committee** to be the referent Partner for the global ESG policy and its associated guidelines;
- **An ESG officer** among the transversal team to implement and drive the ESG methodologies since 2017;
- Both also collaborate with the Partners and the different teams as well as the strategic stakeholders of Partech to improve the ESG ambitions in the ecosystem.

In addition to the General Partner, a Partech member has been appointed as ESG Officer to lead ESG within the firm and for the portfolio companies since 2017. The ESG Officer was previously a member of the Finance team and since 2021, a member from the Business Development team has taken over the responsibility.

Built 5 years ago, the Business Development team covers value-added missions for the management firm, for the investment funds and for the investees. The Business Development team has three core missions:

- **Mission 1 - Corporate development and fundraising:** the team aims at building synergy between the portfolio companies and the corporate network, to explore business opportunities with top-tier and high-value investors with whom Partech co-invests.
- **Mission 2 - Marketing, Communication & Press Relations:** Partech communicates on a regular basis about its portfolio companies on different communication channels to make them visible amongst the ecosystem;
- **Mission 3 – Portfolio support:** the team has built different initiatives to leverage the large portfolio and Partech’s international footprint in the tech ecosystem to make sure the founders can benefit from it (C-level communities, events, talent pool, marketplaces of services providers etc.).

Considering the growing importance of ESG matters for the LPs, the portfolio companies and for the management internally, the Business Development team has been appointed as the relevant team to drive further the implementation and the improvement of Partech’s ESG policy: from the investment

due diligence to the exit processes, by collecting and analyzing key metrics and providing the entrepreneurs with consistent recommendations.

c. Define a relevant remuneration policy

The remuneration policy of Partech is based on the core values of the firm since its inception. It sets reasonable remuneration practices for individuals whose professional activity within the management company may have a substantial impact on the risk profile of the funds, which are compatible with sound and effective risk management, including CSR risks. The **remuneration of the team members is thus based on the allocation of a fixed remuneration and a discretionary bonus** that is assessed every year according to the individual performance, including for instance the quality of the investment projects carried out, the support of the portfolio companies, the disposal operations, the quality of the relations with the investors, and depends of the results of the firm.

d. Report on the ESG policy to key partners

As Partech can collect critical and relevant ESG-related information from our portfolio companies, the analysis is formalized in **an internal report presented during the bi-yearly Executive Committee to the Partnership**. The key insights from these ESG reports are mentioned in the annual Fund reports shared with the LPs and in the PRI engagement. More details could be shared upon request with the investors.

II. At the investment funds' level: how Partech integrates the ESG factors in the due diligence and decision-making processes

Based their current investment strategy, **all the Partech funds fall under the article 6 of the SDFR⁴ regulations**. This article addresses the investment vehicles that are not labelled as ESG vehicles or marketed as sustainable investments but that can comply with a minimum of guarantees regarding the ESG criteria.

Indeed, the Partech funds have a long-term investment period of 10 years: **beyond bringing capital, their mission is also to provide operational resources to entrepreneurs** – who are building the leading players of tomorrow, bolstered by secular trends and driven by the new generation of stakeholders. These ambitions materialize in the management organization, **with the implementation of the cross-funds platform teams** (Legal, Finance, Business Development), who not only closely collaborate with the investment teams to support the investees in their operational challenges, but also disseminate good practices within the firm, including the initiatives around ESG.

As the ESG challenges have become critical challenges to address for both its investors and its portfolio companies, Partech has decided to a General Partner from the Executive Committee as the ESG referent for the firm and an ESG officer from the Business development team, to drive the strategy of the ESG policy.

a. Define a screening and exclusion policy

Partech is a generalist investment firm investing in tech companies at different stages of development (seed, venture, growth), operating in 4 continents and addressing issues in a large range of industries: thus, the companies under investigation face different challenges when considering the ESG criteria.

⁴ According to the EU Regulation 2019/2088 of the European Parliament and of the council of 27 November 2019 on sustainability disclosure in the financial services sector (<https://eurlex.europa.eu>).

To adapt its procedures to the diversity of the dealflow, **Partech can leverage the expertise of its own legal and compliance teams and is able to conduct a pre-investment due diligence processes on the corporate governance, environmental impact, and social policy** for the prospective companies.

As Partech is a signatory of the PRI, all the Funds prohibit themselves from investing in the Prohibited Sectors:

- Pornography or any business that violates a person's physical integrity;
- Production or trade in weapons and ammunition;
- Production or trade in alcoholic beverages (excluding beer and wine);
- Production or trade in tobacco;
- Gambling, casinos and equivalent enterprises.

In addition, each collaborator of the Firm **has attended a training course on the Anti-Money Laundering Policy, delivered by the Compliance Manager** and therefore is aware of the risk management policy they should comply with.

b. Integrate the ESG factors in the due diligence processes

Even though the Partech funds are not marketed or labelled as impact investment funds, **Partech pays a careful attention to some important criteria when analyzing an investment opportunity**, including the following:

- Social impact, labor and working conditions;
- Safety and security;
- Corporate governance;
- Management's global vision.

c. Manage the Sustainability risks

As of today, Partech does not formally integrate the management of negative sustainability impacts generated by investments into its monitoring processes. Indeed, Partech invests in companies from seed to growth stages in unlisted markets, so the data and coverage are not as formalized as in the listed markets. In the ambition to support its portfolio companies, Partech encourages its entrepreneurs to collect and monitor reliable data and enable its investees to measure the concrete outcomes of these extra-financial impacts, including the sustainability impacts when it is relevant. This reporting done annually helps to detect any issue and entrepreneurs can involve relevant stakeholders in the decision-making process to address them when possible.

d. Implement a pre-investment ESG process in the due diligence

As ESG has become more integrated in Partech's strategy, **the global ESG policy was formalized in 2015**. With the launch of the latest Funds, the ambition of this policy **been reinforced with a pre-investment ESG Due Diligence process**. Indeed, the investment teams send a pre-investment ESG questionnaire to all prospective portfolio companies entering the final steps of the process, to inform them about the Partech ESG policy, and make sure they comply with the pre-requisites.

Partech Growth Funds went a step further and implement **a systematic scoring process** for prospective companies under final due diligence process in collaboration with EcoVadis (more info below): this scoring holds a key importance in the decision-making process for the portfolio-to-be companies.

III. At the investment funds' level: how Partech supports its portfolio companies

a. Define the key guidelines for relevant portfolio monitoring

The **ESG factors are deeply embedded in the Funds' strategies, with the goal to help the portfolio evolve towards sustainability.** The Firm monitors and reports on ESG criteria for the portfolio, to better help them define their strategies when needed and help them recruit talent for executive roles to achieve their ambitions.

b. Set up annual reporting on ESG with regular monitoring processes

Beyond bringing capital to the investee's companies, **Partech is also there to support its founders in their strategy and operations and often asks for a seat at the board to do so.** As an example to encourage to encourage the ESG policies and ambitions, the team can provide advice to the founders on the corporate governance (board management with experts, investors) or on setting up ESOP for employees and managers.

Considering the diversity of the portfolio, the ESG analysis done by the Funds and the Partech ESG referents considers the main specificities of the companies and each team aims to adapt as much as possible its recommendations to the founders.

Upon investment, Partech collects and monitors information about its portfolio companies for each fiscal year ending in December, by sending a detailed ESG questionnaire with sections focused on the governance, the environmental initiatives, the social and work conditions, and their engagements with other stakeholders in the ecosystem. The answers are analyzed with the Business Development and the Finance teams and formalized into a consolidated report reviewed by the Investment Partners and sent to investors upon request.

c. Go further with the EcoVadis partnership

To go further in its ambitions, Partech was the first technology fund to **partner with EcoVadis** in 2020, **to evaluate and improve the ESG performance of its portfolio companies.**

In 2016, Partech invested in **EcoVadis, the world leader in business sustainability ratings for global supply chains**, via its Partech Growth fund, and has been impressed by the way in which the company has redefined the ESG standards for best-in-class global businesses. By nature, EcoVadis draws awareness and rewards sustainable companies by pushing them to improve their CSR ratings and its evidence-based assessment methodology, delivered via a sophisticated SaaS platform and backed by a dedicated team of CSR analysts, is the most trusted and adopted approach in the industry.

Therefore, decision was made up to **partner with EcoVadis to roll out its ratings and methodology across the portfolio**, as part of the effort to help entrepreneurs assess and improve their ESG leadership, starting with the Partech Growth companies.

As concrete outcomes, EcoVadis provides the companies with the following:

- **A confidential and efficient CSR questionnaire** that is personalized according to the sector, the maturity, the countries of operations of the companies, leading to an expert analysis by EcoVadis;
- **A CSR Scorecard** (which can be shared with other clients and business partners as well)

- highlighting the key strengths of the companies
- **Tools for benchmarking and improving CSR practices** with a list of recommendations ranked by priorities.

d. Adapt the recommendations to the evolution of the ESG factors.

When defining its ESG policy, Partech has not only considered the challenges of having a large and diversified portfolio but also the constant evolution of the environmental and social issues in the ESG criteria. For instance, the zero-carbon initiatives are becoming critical in some industries and should be more emphasized among the entrepreneurs when relevant.

As a key partner for entrepreneurs, Partech will **adapt its strategy and its recommendations** to address new ESG challenges and help its portfolio companies allocate resources efficiently.