



ESG POLICY

This document defines AXELEO CAPITAL main sustainability principles with respect to its stakeholders. It is publicly available on our website.

Version	Description	Editors	Validators	Date
v1	Policy conception (ESG Charter)	Virginie Lucchini	Mathieu Viillard	15/04/2021
V2	Update and description of exclusion criteria common to all funds	Virginie Lucchini	Mathieu Viillard	16/12/2022
V3	integration of latest ESG commitments (GreenTech Industry, climate commitments, exclusion policy)	Virginie Lucchini	Mathieu Viillard	19/09/2023



1. AXELEO CAPITAL global commitment framework

1.1 Transparency & compliance with sustainable finance regulations

AXELEO CAPITAL, as a management company licensed by the *Autorité des Marchés Financiers*, must comply with European Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, hereinafter “SFDR”.

SFDR classification of each fund managed by AXELEO CAPITAL is available on the company’s website.

SFDR defines a « sustainable investment » as : « an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”.

In details, AXELEO CAPITAL considers that an investment is sustainable as long as:

- Its core activity or its core activity to be financed by a fund managed by AXELEO CAPITAL, is contributing in a positive way to one Sustainable Development Goal (SDG) in the environmental or social sector.
- The underlying portfolio companies are adopting good governance practices and
- the precautionary principle “do not significantly harm” is guaranteed.

To assess an investee positive contribution to an environmental and/or a social objective, AXELEO CAPITAL is using as referential either the 17 United Nation Sustainable Development Goals (SDG) or the eligibility of the activity to the European Taxonomy. The portfolio company is also committed to maintaining this contribution over the long term, by means of contractual clauses set out into its shareholders agreement.

To guarantee the “Do not significantly harm principle” AXELEO CAPITAL referred itself when possible to PAI indicators and to DNSH criteria (Do Not Significantly Harm) of the European Taxonomy.

To guarantee the adoption of good governance practices:

- 1- AXELEO CAPITAL is conducting due diligence pre-investment to identify potential past or current litigation.
- 2- As much as possible, AXELEO CAPITAL is financing activities in Europe with value chain principally located in Europe.
- 3- AXELEO CAPITAL is integrating undertakings of good governance in its portfolio companies shareholders agreements.



1.2 Private Equity industry charters and commitments

AXELEO CAPITAL has signed several charters and commitments, including:



- [UN PRI \(*Principles of Responsible Investment*\)](#) in August 2019 in order to integrate ESG criteria all along the investment process
- [Sista Charter](#) in October 2019 in order to accelerate the financing of startups founded or managed by women and to promote diversity in the digital industry.
- [France Invest Gender Equity Charter](#) in February 2020, which, as Sista, promotes gender equity amongst private equity firms and their portfolio
- [France Invest Value Sharing Charter](#) in May 2023 to promote value sharing mechanisms in our portfolio

As much as possible, AXELEO CAPITAL is trying to specific reporting requests from stakeholders and professional organizations to reinforce its sustainability commitments.



2. AXELEO CAPITAL ESG commitments towards investees

AXELEO CAPITAL takes ESG criteria into account at every stage of the investment process. Depending on each fund's SFDR classification and sustainability objectives, ESG due diligence and monitoring are proportionally enhanced.

Pre-investment stage	Holding stage
<ol style="list-style-type: none"> Ethical and sectoral exclusion policy (common to all funds) Compliance with ESG eligibility rules of the fund (specific to each fund, in particular art. 8 and 9) ESG due diligence (common questionnaire to all funds) ESG external audit (case by case) ESG clause integrated into shareholder agreements (for all funds - with specific commitments in the case of sustainable investment) 	<ol style="list-style-type: none"> Monitoring of the ESG action plan (by the Board) Specific support from the ESG analyst (when relevant) Axeleo Capital ESG toolbox & perks to improve the ESG performance of each portfolio company ESG annual survey & report (common to all funds with a benchmark of participations) Integration of ESG factors into the valuation process
Exit phase : Valuation of ESG performance	

2.1 Pre-investment stage: sourcing & investment decision

AXELEO CAPITAL is managing early-stage thematic funds in the following fields:

- Software B2B: enterprise software, fintech B2B, cybersecurity SaaS, AI / data tools
- PropTech & conTech
- Greentech: green industry in the energy, chemicals and materials, agriculture and food and mobility sectors

Each fund is pursuing its own investment strategy detailed in its by-laws.

However, AXELEO CAPITAL has defined common **exclusions** to all its investment strategies. This policy is accessible on AXELEO CAPITAL website. In particular, activities directly or indirectly linked to coal are excluded from AXELEO CAPITAL investment scope.

In terms of **sustainability objective**, funds managed by AXELEO CAPITAL can either or additionally :

- Promote environmental or social characteristics ;
- Make a minimum of sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



- Make a minimum of sustainable investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ;
- Make a minimum of sustainable investments with a social objective ;
- Not make a minimum of sustainable investments nor promote ESG characteristics

Each fund's Investment committee is accountable for assessing the eligibility of an investment opportunity to the fund's ESG strategy.

Due diligences (more or less advanced) are systematically conducted before investing, at least through an internal questionnaire and, if applicable, through interviews and/or an external dedicated audit.

The questionnaire comprises :

- an environmental pillar which comprises questions related to environmental policy and managing system, contribution to carbon neutrality and environmental impact & risks
- a social pillar which comprises questions related to employment, equal opportunities, training and profit sharing, health & safety and quality of life at work
- a governance pillar which comprises questions related to non-executive body composition, executive body composition, governance and business ethics, litigations & controversies and philanthropy

As a result, AXELEO CAPITAL can decide : not to invest, invest subject to the implementation of specific ESG actions, invest with standard monitoring.

During legal negotiations, AXELEO CAPITAL includes systematically, since 2019, an "**Ethic, ESG & Impact**" clause in every shareholders agreement which gives an information right at least annual on ESG metrics. This clause may also oblige the portfolio company to carry out its action plan and/or maintain its eligibility for "sustainable" investment classification.

2.2 Holding phase: monitoring and improvement trajectory

Dialogue with portfolio companies and active stewardship

Although AXELEO CAPITAL takes minority stakes, our team is committed to raising certain ESG issues with our portfolio companies as a shareholder and board member.

The CSR issues of each company must be formally discussed at least once a year in the strategic board or equivalent (when AXELEO CAPITAL has a board seat).

AXELEO CAPITAL is undertaking **5 core commitments** detailed in the **management company's multi-year ESG roadmap** and shareholder engagement policy:



1) Be exemplary in exercising its voting rights as a shareholder

We undertake to vote at every shareholder meetings of our portfolio companies.

AXELEO CAPITAL's conditions for exercising voting rights are set out in its Shareholder Engagement Policy, available on its website.

Target : 100% of votes cast at general meetings.

2) Promote employee stock ownership plan (ESOP)

We are committed to promote ESOP (BSPCE, free shres, options) for key employees of portfolio companies when investing.

We are also committed to encourage profit-sharing mechanisms for all our profitable portfolio companies.

Target : 100% of investments including ESOP

3) Promote independent board members

Target : 70% of non-executive boards including at least 1 independent member

A board member is considered as "independent" if cumulatively (i) he/she does not hold more than 1% (fully diluted) of the company's capital and (ii) is identified as such in a legal document (minutes committee, shareholder's agreements...)

4) Promote gender equality and diversity among our portfolio companies

Target:

- **40% overall feminization rate for each portfolio company**
- **30% of women amongst the top 10 remuneration for each portfolio company**

5) Support portfolio companies in their decarbonation process

As of October 2023, the carbon footprint assessment (scope 1,2,3) will be compulsory for startups 24 month after the Seed round, and 12 months after Series A round if the company reached the threshold of 20 employees or more. Axeleo Capital has negotiated some perks for our startups with climate SaaS to make it easy and affordable.

Target : Reduce carbon footprint of our investment portfolio by 10% per year to reach 6.225 tCO2e till the end of 2024



Annual monitoring and reporting

AXELEO CAPITAL conducts an annual ESG assessment of its portfolio using a detailed questionnaire, which gives rise to an internal rating and the production of a report that is shared with the portfolio companies. This report contains a benchmark of the ESG performance of each investment according to its stage of maturity.

Depending on the sustainability objectives of each fund, more specific reporting and monitoring may be carried out.

ESG toolbox for portfolio companies

AXELEO CAPITAL has set up a collaborative space on NOTION dedicated to the founders of the portfolio's active companies, with the aim of sharing CSR tools, policy templates, best practices and service providers, in order to facilitate the implementation of a CSR approach within the portfolio's companies.

Integration of ESG criteria to valuation process of portfolio companies.

AXELEO CAPITAL has implemented a rating system for its investment portfolio according to 5 criteria to qualitatively assess each investment, assess the default risk of companies and depreciate their value if necessary. The ESG criterion was added in March 2023 following the update of the IPEV guidelines in December 2022 on this subject.

2.3 Exit stage

The ESG monitoring implemented during the holding phase of the participation should allow AXELEO CAPITAL to promote and monetize it in a context of sale of shares of the company concerned.

3. AXELEO CAPITAL ESG commitments towards investors

AXELEO CAPITAL prepares a sustainability annual report for investors and investees.

A short version is publicly available on the management company's website.

The management company also submits to any other due diligence from its investors within the limits of the information at its disposal.

4. AXELEO CAPITAL ESG commitments towards employees

AXELEO CAPITAL integrates sustainability risks into its remuneration policy. The management company ensures that sustainability risks are taken into account for investment decisions and that any variable remuneration of employees takes these risks into consideration in the exercise of their functions.



AXELEO CAPITAL is also committed as an employer to ESG themes, convinced that it is key to both attract and retain talents.

AXELEO CAPITAL has implemented and maintains several initiatives to reduce its carbon footprint:

- Implementation of “zero paper” tools : electronic signature (DocuSign), expense processing (Jenji & Okarito)
- Responsible purchasing policy including IT equipment with the use of refurbished equipment (Cleaq)
- Remote work policy,
- Sustainable mobility package for employees
- Awareness on digital eco-gestures
- Completion of our carbon footprint assessment (available on our website and on public ADEME database)

At a social level, AXELEO CAPITAL also undertakes to :

- Be vigilant on non-discrimination in hiring and on gender diversity within teams
- Implement regular and relevant training programs for staff
- Promote flexibility in the organization of working time
- Integrate CSR issues into individual annual performance interviews

AXELEO CAPITAL has also put in place a **governance** in ESG matters with the appointment of an ESG referent (Virginie LUCCHINI, partner of the management company) accompanied by a dedicated analyst who lead these themes within the company, propose a multi-year roadmap ; and monitor its implementation. The ESG issues of the management company and the funds are discussed every 2 weeks in team meetings.

Each AXELEO CAPITAL employee, on a voluntary basis, can get involved in the implementation of the company's global ESG approach.



