



ENVIRONMENTAL, SOCIAL & GOVERNANCE
(ESG)

POLICY

2022

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I. INTRODUCTION

Over the past years, Partech has paid growing attention to the Environmental, Social and Governance (ESG) factors and went further in its engagement with the following initiatives:

- Since 2012, Partech has been **signatory of the PRI** and has driven its investment strategies according to these core principles as followed:
 - integrate E&S issues into its different decision-making and investment analysis processes.
 - be active shareholders and integrate E&S issues into its share ownership policies and procedures when relevant and possible.
 - seek, as much as possible, the entities in which it invests to be transparent about E&S issues.
 - encourage the adoption and implementation of the principles in the investment sector.
 - cooperate to improve the effectiveness of its implementation of the principles.
 - will report on its activities and progress made in implementing the principles.

- 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. With this commitment, Partech has defined its ambitions as followed:
 - **25% of women in senior positions** by 2030, and 30% by 2035,
 - **40% of women in all positions within the investment teams** by 2030.

- Since 2017, Partech has **partnered with climate and development experts ClimateCare** to offset its carbon emissions, as part of its approach to taking responsibility for its impact on the environment ([link](#)).

- In 2019, Partech also became **a member of the “Charte SISTA”** to encourage more equal access to financing between men and women.

- In 2020, Partech was the first VC fund **to partner with Ecovadis** to roll out its ratings and methodology across the portfolio, as part of the efforts to help entrepreneurs assess and improve their ESG leadership.

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.

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.

Considering the growing attention paid to ESG and the diversity of our portfolio, this document aims at presenting the global ESG policy by giving insights into:

- the governance at Partech’s and funds’ level,
- general principles and the main aspects of the Management Systems implemented.

II. APPLICABLE STANDARD & GUIDELINES

1. International Guidelines and Benchmarks

The following list gathers the most-common standards used by major organizations in the investment ecosystem and set as key components of their environmental and social risk management system. The standards and guidelines are followed by Partech and its Funds to drive and implement its ESMS, including the following:

- The **Fund Exclusion List** defines the List of Prohibited sectors in which the Fund must not invest.
- The **applicable local, national, and international** laws and regulations in the jurisdictions of operations of the portfolio companies and **international labour organization (ILO)**.
- The **UN Guiding Principles on Human Rights**, a set of guidelines for States and companies to prevent, address, and remedy human rights abuses committed in business operations.
- The **World Bank Group Environmental, Health & Safety Guidelines** (“WBG & EHS Guideline”) provide technical general and sector-specific guidelines as relevant and examples of good international industry practices to meet IFC’s Performance Standards.
- The **International Finance Corporation Performance Standards** (“IFC PS 1-8” -2012) defines an international framework for identifying and managing environmental and social risks related to activities ([Sustainability-At-IFC/Policies-Standards/Performance-Standards/](#))

When the potential E&S risks and impacts associated with potential investments require additional assessment and management (this is more likely with follow-on investments), then the IFC Performance Standards should be applied as a benchmark for identifying and managing these risks and impacts.

When host country regulations differ from the levels and measures presented in the IFC Performance Standards and WBG EHS Guidelines, the requirement is to apply whichever is stricter (unless otherwise indicated).

2. External Resources

Partech can also use external resources to deploy its ESG approach at the different steps of the investment process. The non-exhaustive list of resources as followed gives an overview of useful external support that the Fund can leverage.

Examples of resources for Risk categorization and assessment

- **FMO Toolkit** (<https://esg-toolkit.com/>) is an online platform to review, assess and monitor the ESG criteria at the investee level.

The Dutch DFI – FMO – has developed an online assessment and reporting tool which is intended to provide a structured approach to environmental and social due diligence, reviews, and management. At the level of the investment portfolio, FMO’s tool can provide graphical overviews of the aggregated environmental and social situation of the entire investment fund.

Environmental and Social risks are categorized as either Low, Medium or High depending on the risks that are prevalent in the sector. The risks are categorized according to IFC Performance Standards.

Examples of external resources for KYC and AML/FR

- **Worldcheck** – (<https://www.refinitiv.com/fr/products/world-check-kyc-screening>) is an international database to conduct KYC and AML/FT verifications in order to the risk and compliance issues (if any) as well as their monitoring from the AML/FT regulations.

Examples of external resources for Due Diligence & Portfolio Support

- **EcoVadis** – (<https://ecovadis.com/>) is the world leader in ESG rating. Its methodology could be used by the Fund Managers to identify and support the portfolio companies in their ESG ambitions.
- **TA Facilities** – Some DFIs and partners of Partech can provide “Technical Assistance Facilities” to have experts help their Fund managers and their portfolio companies address specific issues, including ESG-related challenges.

The list of references above gives examples of useful resources that could be used alongside Partech investment and portfolio monitoring processes and can be updated when relevant.

III. GENERAL PRINCIPLES

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

- **An ESG Manager who is a General Partner in the Executive Committee and a voting member of the Investment Committee** to be the referent Partner for the global ESG policy and its associated guidelines.
- **An ESG officer among the Platform team** to implement and drive the ESG methodologies.
- A group of people identified to be part of **the ESG Taskforce** and bring their expertise on different topics (Legal, Finance, Compliance, Business Development, Investment Teams).

By the end of 2022, this governance will evolve with the recruitment of a full-time **Chief Sustainability Officer** who will report to the ESG Manager.

When considering the ESG criteria, the diversity of the portfolio (in terms of business activities, countries of operations, and maturity) should be highlighted as it implies a diversity of ESG challenges faced by the companies. In addition, the relations built with the portfolio founders alongside the decision-making processes depend on:

- the structure of the investment,
- the amount invested by Partech in the initial round and the ownership received (which is generally a minority stake),
- the participation of one or several Partech members at the Board of the company,
- and the core business activities of the portfolio companies.

If Partech has the ambition to build a harmonized policy for its portfolio and encourage best approaches, these points should be also considered to implement Management Systems at Fund's level.

Due to the constant evolution of the regulations, the E&S Policy of Partech can be reviewed and updated on a regular basis to better address the new challenges.

IV. GOVERNANCE

Partech has defined a Firm's governance to define, drive and improve its ESG Policy. This governance is composed of:

- An **ESG Manager** from the Executive Committee ("ExCom") who is a voting member of the Investment Committee.
- A **Chief Sustainability Officer** who oversees and coordinates Partech global ESG strategy and the ESMS and Governance procedures of the different Partech funds.
- **The relevant investment teams** who shall integrate the ESG requirements in their decision-making investment and portfolio monitoring processes.

Working closely with the Investment teams and the platform teams, the missions of the Chief Sustainability include the following:

- implement and update **the E&S Management System** and its related processes,
- contribute to the **management of E&S portfolio monitoring**,
- report on **E&S commitments** to relevant partners,
- encourage **knowledge-sharing** among the Firm.

Driven by the Chief Sustainability Officer and in close collaboration with the investment teams, the Fund Management Systems are integrated in Partech's investment process, according to the following principles:

- Investment Teams identify E&S risks in collaboration with the Chief Sustainability Officer.
- The Chief Sustainability Officer centralizes and coordinates the framework evolution needs.
- Compliance Department is acting as the second level of control.
- The ExCom validates the commitments and normative framework.

The ExCom receives periodic reports on the implementation and effectiveness of the Fund Management Systems and its compliance with this ESG Policy. When relevant, the E&S Management System can be reviewed and updated to better address evolving ESG challenges for both the Funds and the Portfolio Companies.

V. ESG MANAGEMENT SYSTEM

For its most recent Funds and when relevant, Partech has set and will maintain formal management systems with an update on the procedures, tools, and reporting protocols used.

To build an efficient process at the Funds' level, the implementation of the E&S procedures during the investment process falls under the responsibility of the relevant Investment team members and with the collaboration and support of the Chief Sustainability Officer.

1. Scope

For the most recent Funds, Partech has progressively integrated E&S review into the investment-decisions process and all the Partech Funds are regularly monitoring the general E&S criteria of their portfolio companies.

The analysis of compliance with the exclusion policy for Partech is systematically conducted and the analysis of E&S issues is carried out on a discretionary and non-binding basis.

It is also important to note that once they are reviewed, the E&S procedures of Partech are integrated with the investment cycles of new Partech Funds and will be adapted to the existing Funds when possible and relevant.

2. Categorization system

Using the current international standards (especially the "IFC PS1"), a categorization of sectors can be done into 4 main groups when applicable according to the Fund strategy:

- Sectors qualified as "High-Risk" sectors (**category A**) and "Substantial-Risk" sectors (**category B+**) that are **out of the investment scopes of the Partech Funds**,
- Sectors qualified as "Moderate-Risk" sectors" (**category B**) that are not in the priority verticals of Partech investments and require some additional vigilance in the decision-making investments,
- Sectors qualified as "Low-Risk" sectors (**category C**) that are the main focus of Partech investment strategy.

a. Exclusion criteria ("Categories A & B+")

The E&S exclusion criteria are intended to exclude investments categorized in "High Risk" sectors (referred to as "Categories A & B+"), e.g., business activities with potential significant adverse social or environmental impacts that are diverse, irreversible, or unprecedented.

The Exclusion Lists are compliant with Partech requirements and commitments and are described and adapted in each of the Fund's legal documents.

b. Low and Moderate risks

The "Moderate-Risks" list ("**Category B**") includes companies whose business activities have potential, limited, and adverse social or environmental impacts: these impacts should be identified in limited numbers, site-specific, largely reversible, and readily addressed through mitigation measures.

To consider the investment into companies from this List, Partech will request:

- a specific and systematic answer from the company as part of the evaluation process for the identified risk factors,

- if necessary, a positive evolution from the company's current practices is expected in a reasonable timeframe and can be formalized through action plans or contractual clauses.

The "Low risks category" ("**Category C**") includes companies whose business activities with minimal or no adverse social or environmental impacts: there are no specific requirements to validate the investment into companies from this category and Partech will follow the evolution of the E&S topics in the companies with its usual monitoring process.

VI. MANAGEMENT SYSTEMS

1. Environmental and Social Assessment

The investment strategy of the different Partech Funds focuses on companies operating in the Digital Sector. However, if this sector is categorized as a "Low-Risk Sector" (**Category C**) with international standards, the E&S challenges can raise attention.

In its ambitions to support its portfolio founders and to take part in the ecosystem best-practices sharing, Partech could pay attention to specific criteria among the following list of categories depending on each Fund's investment strategy:

- Social impact, labor and working conditions (including job creation/destruction).
- Safety and security (including the implementation of a data management system).
- Corporate governance and ethics (including relevant policies and procedures).

This risk categorization will enable Partech to categorize its Portfolio companies as "Low" or "Moderate" risk based on the identified social or environmental challenges they could face and that are relevant to the Companies' business activities.

When applicable, the Fund can refer to its specific Environmental and Social Management System ("ESMS") to describe the procedures to integrate these analyses into the investment and portfolio monitoring processes.

2. Governance risk assessment

As part of the reinforcement of its ESG strategy, Partech also formalizes an assessment of the corporate governance and business integrity principles in its investment process.

- Partech will use its best efforts to have each Portfolio company adhere to the corporate governance code or similar provisions pursuant to the relevant laws of the country in which such Portfolio Company is established.
- Partech will use its best efforts to have each Portfolio Companies comply with regulations relating to bribery, fraud and AML/FT.

The governance risk of portfolio companies can be assessed and monitored with external resources and toolkits.

When applicable, the Fund can refer to its specific Business Integrity and Governance Management System ("BIGMS") to describe the procedures to integrate this analysis into the investment and portfolio monitoring processes.

VII. IMPLEMENTATION

E&S categorization system and governance risk assessments are applied at an early stage in the investment process. When applicable, the Fund can set and maintain specific ESMS and/or BIGMS to detail the specific procedures to address these challenges.

At the screening phase, opportunities from the deal flow are screened to avoid investments presenting exclusion criteria.

During the due diligence phase, the analysis, the conclusion, and the recommendations from the due diligence are shared with the Investment Committee. At this stage, companies are categorized as “Low-Risk” or “Moderate-Risk” companies (see section 2.b.).

For companies identified as “Moderate risks companies”, Partech can suggest an action plan or contractual clauses to address the issues identified: these elements are key in the Investment Committee’s final decision. The Fund can make an investment if:

- identified adverse ESG risks have been mitigated/resolved by the company,
- or the company has agreed to an ESG action plan to address such risks within a reasonable timeframe.

For each Company, the investment agreement includes appropriate terms and conditions with respect to such action plans and other ESG requirements.

The Fund’s due diligence procedures for Low and Medium risks categories will be proportionate with the nature and the ownership of the Fund in the considered Portfolio company and depending on the level of related risks and impacts associated with its activities.

Partech may ask external consultants to assist in the E&S process.

Post-investment, all the Portfolio Companies receive an annual ESG questionnaire that Partech usually sends to monitor the main ESG criteria, with the ambition to encourage knowledge and best practices sharing and thus, support them in their different approaches.

It is important to note that the most recent Funds can set and maintain specific Management Systems with procedures, tools and process they can develop to adapt these approaches to their investment strategies.

VIII. TRANSPARENCY AND REPORTING

1. Communication on Partech E&S Policy to the ecosystem

To comply with its requirements, Partech communicates its ESG information and approaches, reviewed by the ESG Taskforce and Investment Team:

- with a public note on its ESG Policy disclosed on its website ([link](#)),
- with its annual assessment of the PRI Report.

Partech also informs its LPs on ESG matters:

- with an annual ESG consolidated report per Fund and available upon request,
- with a dedicated communication to LPs if a serious risk is reported in an investee.

Considering the growing attention paid to ESG, Partech also supports its portfolio companies in their ESG visions: when relevant, Partech has the ambition to facilitate knowledge-sharing among its portfolio and encourage best practices on ESG approaches.

2. Internal Communication on Partech ESG approaches

At the Firm's level, ESG general information and updates are shared with all the Partech members during regular team meetings and these topics could also be addressed during ad-hoc meetings when necessary.

In addition, and to make sure the important information is shared within the organization, all collaborators must attend training sessions on Code of Conduct and Anti-Money Laundering, both including a dedicated section on ESG.

At the ExCom's level, all ESG issues are discussed during the bi-annual compliance and risk committees.

3. Partech Complaints Mechanism

Partech maintains a Complaints Mechanism to enable third parties to raise any concerns about Partech's compliance with this policy and/or the environmental and social impact of Partech's investments. The Complaints Mechanism can be accessed on the public website ([Link](#)).