ESG Statement and Policy

Rockaway Ventures Fund (RVF)

Purpose and Goals

At Rockaway Ventures Fund ("RVF"), we are proud to be a part of the European society. A society of many talented people, knowledgeable university professors, excellent executives, and daring entrepreneurs. But also, a society that faces many challenges, particularly in the environmental and social spheres.

We believe the European society has capacity to overcome these challenges. We also believe original ideas transformed to innovative start-ups with ambition to disrupt the old way of doing things will play a very important role in doing so. Here we see our role – we want to help start-ups grow and expand their solutions to our needs and problems.

The biggest challenges of our generation are related to environment[1]. Despite being extremely urgent, complex, and tough, we frame them as a huge opportunity to come up with better ways of doing things and to succeed. In doing so, all actors must be aware of where they come from and the responsibility they have towards society. Companies must also ensure good governance principles to generate long-term value for their benefit and benefit of the community. Therefore, we formulate our ESG statement and policy to address all these issues and navigate our investment process.

Finally, we have a strong conviction that formulating and adhering to our ESG principles will generate better value to our Limited Partners too. First, our investee companies' ability to drive the transition to low carbon economy and to overcome other environmental and social challenges will form a strong competitive advantage. Second, regulatory conditions will also favour such products and services. Third, being aware of and addressing environmental, social and governance issues will mitigate risk across portfolio.

This document is divided into two parts. First is the Rockaway Ventures ESG Statement, in which our take on all three ESG areas is set out. Second part is dedicated to the Rockaway Ventures ESG Policy, in which we delineate how the ESG statement materializes in our internal processes.

[1] Top five global risks in the top 10 global risks ranking in terms of likelihood are related to environment (1. Extreme weather, 2. Climate action failure, 3. Natural disaster, 4. Biodiversity loss, 5. Human-made environmental disasters); The Global Risks Report 2020, World Economic Forum

Rockaway Ventures ESG Statement

This Rockaway Ventures ESG Statement ("ESG Statement") presents the RVF's view on the current and future challenges and their potential consequences, decomposes the broad ESG issues into smaller sub-areas and outlines what it means for companies and what their response should comprise.

The ESG Statement guides the Rockaway Ventures ESG Policy outlined below.

Environmental Issues = Opportunity

Climate change, loss of biodiversity, lack of fresh water in many places, extreme weather, pollution, spread of diseases, and degradation of arable soil. These are some of the most pressing environmental challenges we all are facing. They are inter-related and will impact many aspects of our lives – where we stay, what we eat and drink, or how we travel. Still, it is our generation that can take decisive action to avoid the worst and change our future for the better.

Transition to a net-zero economy and adaption to the inevitable consequences of global warming are tasks that must be solved in the next three decades with most of the job done in 2020s to avoid the most severe consequences[2]. Any transition of such an extent poses immense threats to incumbents, to the business-as-usual. Luckily, a threat for an incumbent can be a huge opportunity for an innovative company that thinks and acts differently, and thus moving the inevitable change forward.

We are convinced successful disruptors will form their competitive advantages in five key areas[3]:

Sub-area	Complication	Opportunity
Resource efficiency	• Most resources (e.g. fresh water, raw materials, land/physical space) will become increasingly scarce • Many resources (e.g. fossil fuels, fossil energy sources, plastics, chemicals) will become increasingly unwelcome, either by consumers or regulators, as they induce GHG emissions, pollution, damages to health and other adverse effects	• Resource-efficient solutions will provide competitive advantage to their owners, both on the revenue and cost sides. Such solutions will be driven by digitalization, breakthrough product design, advanced manufacturing processes, new construction methods, or change in consumers' assumptions and expectations
Products and services	• Consumers are increasingly aware of the environmental problems and will seek to satisfy their needs in an environmentally conscious way (e.g. low carbon, low resource, preventing or limiting pollution, chemical-free, vegan, produced organically) • New problems and hence new customer needs will emerge	• Companies able to provide environmentally conscious products and services (e.g. thanks to leading R&D capability) will secure competitive advantage. • Companies able to recognize newly emerged customer needs (e.g. in areas of climate adaption, pollution containment, extreme weather protection) and offer

[2] With current levels of GHG emissions, the carbon budget to limit global warming to 1.5 C relative to preindustrial levels will be depleted by 2030; IPCC Special Report and internal calculations [also The Global Risks Report 2020, World Economic Forum as secondary source]

[3] Inspired by TCFD Report on environmental financial reporting and non-financial disclosure

	because of environmental problems such as climate change, loss of biodiversity and pollution	timely and effective solutions will secure asymmetrical benefits
Markets	• Major shifts in consumer preferences will disrupt some of the old markets and many new markets will emerge • Many of the newly emerged markets will be closely tight to governments, regulators, and other public institutions as they will drive the transition to net-zero economy	• Companies that understand these shifts will be able to benefit from the disruptions of the old markets and early entry to new markets (diversification, first-mover advantage) • It will be also important to understand the regulatory environment not only to adjust products and business models but also get funds from public institutions to finance further development and growth
Energy source	• The patterns of energy production, distribution and consumption are likely to change as the solar, wind and other renewables function differently • Exposure to GHG emissions will bear reputational risk • Price of fossil fuels is likely to increase in the future as governments will drive the transition to low carbon economy	• Companies using low emission energy source are likely to be better positioned in the future relative to their competitors as their business model will be more compatible with new grid patterns, their reputational risks will be mitigated and they will potentially save costs once/if renewable energy gets cheaper then energy from fossil sources
Resilience	• Climate change, loss of biodiversity and other environment-related issues bring unprecedented shifts in global and local societies that humanity has never experienced. World will become increasingly unpredictable and most industries will undergo fundamental transformation • Companies might as well face physical risks, both acute and chronic, such as extreme weather, change in precipitation patterns, or rising sea levels	• Companies able to dynamically react to changing environment will survive and succeed. Such companies are likely to have adaptive business models, flexible supply chains, resource substitutes/diversification and good network across stakeholders

Social Issues = Responsibility

No company could function without participation and support of various stakeholders in society. Nowadays, it is increasingly important to incorporate interests of stakeholders both within and outside companies to their decision-making process to retain legitimacy and ensure conditions for sustainable growth.

We are convinced that any successful start-up shall ensure responsible conduct in all following areas:

Sub-area	Required response
Customers	• Customer-centric product design with customer's well-being at its heart (i.e. exploitation of vulnerability in human psychology avoidance, etc.) • Functional process of customer feedback collection, open analysis of the collected data and incorporation of the conclusions in product development, process design and other aspects affecting customer experience • Fair and ethical Terms and Conditions • Fair and ethical treatment of customers (customer care, customer complaints resolution) • Fair and ethical marketing
Employees	• Fostering long-term above-average talent attraction and retention • Fair and transparent recruitment process • All employees are respected and treated fairly, especially in relation to gender, race, colour, religion, or sexual orientation • Company culture nurturing original ideas, sense of ownership, adequate work-life balance, and personal development of individual employees • Prevention of harm to employees, especially physical injuries, psychological damage, or harassment • Fair renumeration of all employees
Supply chain actors	• Responsible choice of suppliers that do business in a fair and ethical way • Promoting ESG compliance across supply chain • Fair and ethical treatment of suppliers (negotiations, cooperation in solving supply chain issues)
Society	• Employment and wealth generation through creation of new jobs, R&D and Capex investments and fair tax payments • Fostering social cohesion, innovation, and effective solutions to societal problems • Operating to the benefit of local communities, considering both positive and negative externalities of the business (community engagement, participation in improvement of communities' education/skill level and infrastructure, pollution prevention, etc.)

Governance Issues = Actionability

Good governance is increasingly important for businesses as they become more and more embedded in society. Therefore, businesses are not anymore expected to create value only for themselves, but also for communities they are part of. Failing to do so often results in abrupt loss of legitimacy and hinders growth or even existence, hence thorough governance principles shall be put in place in every company.

We are convinced that appropriate conduct in the following areas shall be ensured to achieve long-term value[4]:

Sub-area	Required response
Governing purpose	• The company should formulate and adhere to a purpose that encompasses the role of the company in solving society's needs or problems in a profitable way[5]
Quality of governing body	• Well-defined division of competence between Board of Directors and senior executive team • Transparent chain of command on the senior executive level (responsibility and accountability) • Motivational (fixed and performance-based pay, equity-based pay) and fair renumeration schemes aligned with ESG objectives • Functional processes of strategic and financial planning • Accurate and diligent financial and non-financial records

Stakeholders	• Shareholders
	  ○ Provision of objective and true information about company's performance and conduct in a regular and timely manner (shareholder reporting, board meeting minutes)
	  ○ Shareholder rights proportional to shareholdings and invested capital
	• Regulators and policy makers
	  ○ Compliance with binding laws and regulations
	  ○ Provision of all legally required information in a regular and timely manner
	  ○ Active participation in design of new policies and regulations

Ethical behaviour	• Employees' incentives aligned with customers' interests • Anti-corruption measures in place
Risk management	• Structured oversight of risks within and outside the organization • Contingency planning regarding revenue and supply chain instability (diversification) and geo-political risks • Strict measures to safeguard customer privacy and data security, and cybersecurity • Appropriate fraud controls

[4] Inspired by the report "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation", World Economic Forum, January 2020

[5] "The purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems."; Principles for Purposeful Business, British Academy

Rockaway Ventures Fund ESG Policy

Rockaway Ventures Fund (the Fund) - as an article 8 fund promotes environmental and social characteristics, provided that the companies in which the investments are made follow good governance practices. These include namely the consideration of the following criteria in the targeted investments:

- **Environmental:** general knowledge and requirements regarding environmental characteristics
- **Social:** customers, employees, supply chain, society.
- **Governance:** quality of governing body, governing purposes, ethical behaviour.

The investment strategy and analysis will be performed by the Investment Managers of the Fund and overseen by Rockaway Venture Partners (the GP) in accordance with their SFDR disclosure and Policy.

The Fund integrated ESG criteria into the investment analysis, evaluation, due diligence and ownership. Investment decisions will be a result of a process of analysis, evaluation and due diligence, following a two-stage process [with the third stage focused on KPI's, valuation and deal structure being always optional]. The process may be amended from time to time to best meet the ESG objectives and SFDR Policy of the GP. The Fund's ESG Policy concerns following areas of activity:

- Investment analysis, evaluation and due diligence
- Exclusionary screening: Opportunities clearly in conflict with our ESG principles to be excluded
- Positive screening: Each investment target is analysed and evaluated on our ESG principles to inform our investment decision
- Optional phase – KPIs, valuation and deal structure" Identification of relevant KPIs and incorporation of ESG analysis conclusions to valuation model and/or deal structure.
- Active ownership = Engagement policies
-

The characteristics and factors set out in the RVF's ESG Statement and Policy will be reviewed annually and updated, when necessary, with the aim of continuously improving the promotion of environmental and/or social characteristics by the Fund.

In addition to the strategy described above, the Fund intends to play an active role in its investee companies and commits to advocate ESG principles during the entire ownership cycle of the investee companies by

- seeking a seat in the investee companies' Board of Directors (Board member or Observer) or Advisory Board and exercising influence towards setting ESG agenda topics when appropriate and influencing ESG related decisions
- collecting annual ESG reports from the investee companies to document performance on previously defined ESG related KPI's and/or objective
- working with the management teams of the investee companies and offering help in ESG related areas.

All investments of the Fund will be done pursuant to the ESG analysis set out in the ESG Statement and Policy. The investments of the Fund are not expected to be aligned with the EU Taxonomy provided by the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation"). With regards to the insufficiently accurate data in the market of venture capital related to the alignment with the EU Taxonomy, the investments of the Fund do not contribute to either the climate adaptation and/or climate mitigation objectives. The Fund doesn't have as its objective sustainable investment.

The appropriate execution of this ESG Policy is a responsibility of the [RVF Managing Partner/s] who shall ensure adequate processes and allocate enough resources for the fulfilment of the ESG Policy's purpose.

The ESG Policy applies to everyone involved in the RV Fund including the Investment Partners, Investment Committee members, Investment Managers, other employees, advisors, and business partners. Material compliance issues with this ESG Policy shall be escalated to the Investment Partners, logged and dealt with immediately.

RV Fund will prepare internal/external annual report on ESG matters in the portfolio companies and will monitor environmental or social characteristics by sending out standardized questionnaires covering environmental and/or social characteristics promoted by the Fund.

There are several limitations to the methodology which are primary due to lack of market data and benchmarking. Currently none of the investee companies at an early stage can monitor environmental and or social characteristics because they don't have the data. Therefore, the methodology we are using is based on rating while collecting an ongoing data from the investees.

Rockaway Ventures Fund Investment Strategy

The investment strategy integrates ESG criteria into the investment analysis, evaluation, due diligence and ownership.

Investment decisions will be a result of the well-defined two-phase process.

1/ Exclusionary screening: to exclude opportunities in conflict with the ESG principles of the Partnership. For this purpose, the following, non-exhaustive, criteria would contribute to the exclusion of the investment at an early stage:

a) Environmental: Cause of extensive pollution, greater loss of biodiversity or other significant damage to the environment given by the type of the business and compared to the market/vertical benchmarks. Exclusion criteria will also include for instance exploration and extraction of oil, gas, or coal; for production; known instances where the company's activities are conflicting with current or foreseen regulatory trends.

b) Social: Exclusion criteria will include the unfair or unethical approach to customers; supply chain reliant on unfair or unethical working conditions (child labour etc.); clear evidence of toxic company culture; excessive risk on society that company's activities may create (for example: production and sale of personal weapons, manufacturing of tobacco, gambling activities, pornography, or other adult entertainment)

c) Governance: exclusions criteria will include the company's purpose in conflict with interest of society or environment, events or previous corruption of fraud, events of previous regulatory non-compliance.

Rockaway Ventures Fund has a clear ESG Statement and Policy published externally which encompasses the entire investment process and ownership cycle of any RV Fund's investee company. The governance screening process consists of two steps:

- Governance Exclusionary screening: Opportunities clearly in conflict with our ESG principles to be excluded. Reasons for exclusion from further investment consideration include but are not limited to (in case of governance): a/ Company's purpose in conflict with interest of society or environment; b/ Events of previous/recent corruption or fraud; c/ Events of previous/recent regulatory non-compliance. During the screening process we are looking at relevant sub-areas for each investee company using scoring system, therefore not all responses are applicable
- Screening of Sub-areas: Looks at relevant Sub-areas for each investee company requiring response and summary with detailed data where possible to evaluate good governance by using a scoring system.

Sub-area	Required response
Governing purpose	-The company should formulate and adhere to a purpose (mission, vision, value) that encompasses the role of the company in solving society's needs or problems in a profitable way (source: Principles for purposeful Business, British Academy)
Quality of governing body	-Well defined division of competence between Board of directors and senior executive team -Transparent chain of command on the senior executive level (responsibility and accountability) -Motivational (fixed and performance-based pay, equity-based pay) and fair renumeration schemes align with ESG objectives -Functional processes of strategic and financial planning -Accurate and diligent financial and non-financial records
Stakeholders	**Shareholders** -Provision of objective and true information about companies' performance and conduct in a regular and timely manner (shareholder reporting board meeting minutes) -Shareholder rights proportional to shareholdings and invested capital **Regulators and policymakers** -Compliance with binding laws and regulations -Provision of all legally required information in a regular and timely manner -Active participation and design of new policies and regulations
Ethical behaviour	-Employees' incentives align with customers interests -Anti corruption measures in place
Risk management	-Structured oversight of risks within and outside the organization -Contingency planning regarding revenue and supply chain instability diversification and geopolitical risks -Strict measures to safeguard customer privacy and data security -Appropriate fraud controls
Economic performance	-Taxes paid in the country where business is conducted -Number of new jobs created - R&D expenditures into ESG-related topics - Direct economic value generated: revenue

2/ Positive screening: the evaluation process shall be done in cooperation with the target company's team, in as a great extent as possible and shall entail:

Detailed evaluation of material ESG areas to inform investment decision. The evaluation process shall be done in cooperation with the company's team in as a great extent as possible and shall proceed as follows:

1. **Material ESG sub-areas identification**: Identify ESG sub-areas relevant for each investment opportunity; all material sub-areas shall be selected
2. **Key factors identification**: Identify key factors within each material ESG sub-area relevant for target company's product, operations, supply chain or any other area of activity
3. **Key factors rating**: Rate each of the factors on a five-point scale: "high risk", "mild risk", "neutral", "slight (foreseen) competitive advantage", "strong (foreseen) competitive advantage" *(see Table 1 in Appendix for exact definitions)*
    a. Such rating should be based on research, previous knowledge and experience; arguments shall be recorded
    b. If a company scores "high risk" or "mild risk", define and argue for adequate mitigation strategies. If no sufficient strategy can be defined, the company shall be excluded from further investment considerations, especially for "high risk" ratings
4. **ESG analysis conclusions**: Based on previous analysis, formulate conclusions regarding ESG factors. Outline following:
    a. List key ESG-related current or foreseen competitive advantages
    b. List key ESG-related current or foreseen risks together with the mitigation strategies (if available)
    c. Suggest go/no-go decision in terms of ESG considerations

3/ Optional phase – KPI's, valuation and deal structure: this stage will be used when deemed adequate, and engage the company's management team as much as possible:

- KPI's identification: identify non-financial ESG related KPI's and or objectives to track companies' performance on the way to reach-harvest ESG related competitive advantages and mitigate ESG related risks;
- valuation adjustment: incorporate conclusions of the ESG analysis to the company's business plan and/or internal valuation model;
- deal structure: structure the deal terms with respect to previously identified ESG related KPI's.

Active Ownership

In addition to the strategy described above, the Fund intends to play an active role in its investee companies and commits to advocate ESG principles during the entire ownership cycle of the investee companies by

RVF intends to play an active role in its investee companies and commits to advocate ESG principles during the entire ownership cycle of the investee companies in several ways:

- **BoD membership**: By seeking a seat in the investee companies' Boards of Directors and exercising influence towards setting ESG agenda topics when appropriate and influencing ESG-related decisions
- **ESG reporting**: By collecting annual ESG reports from the investee companies to observe performance on previously defined ESG-related KPIs and/or objectives; these shall be reviewed annually to reflect changes both within and outside the company
- **Advisory & assistance**: By working with the management teams of the investee companies and offering help in following areas:
    - Understanding climate change and other environmental and social challenges relevant for the company's business as well as their potential impacts on the company; consequently, enhancing strategic planning, harvesting ESG-related opportunities, and mitigating ESG-related risks
    - Advice and/or guidance regarding ESG-related regulatory trends relevant for the company

- Advice and/or assistance with access to public finances to fund various company's projects
- Assistance with setting good governance principles

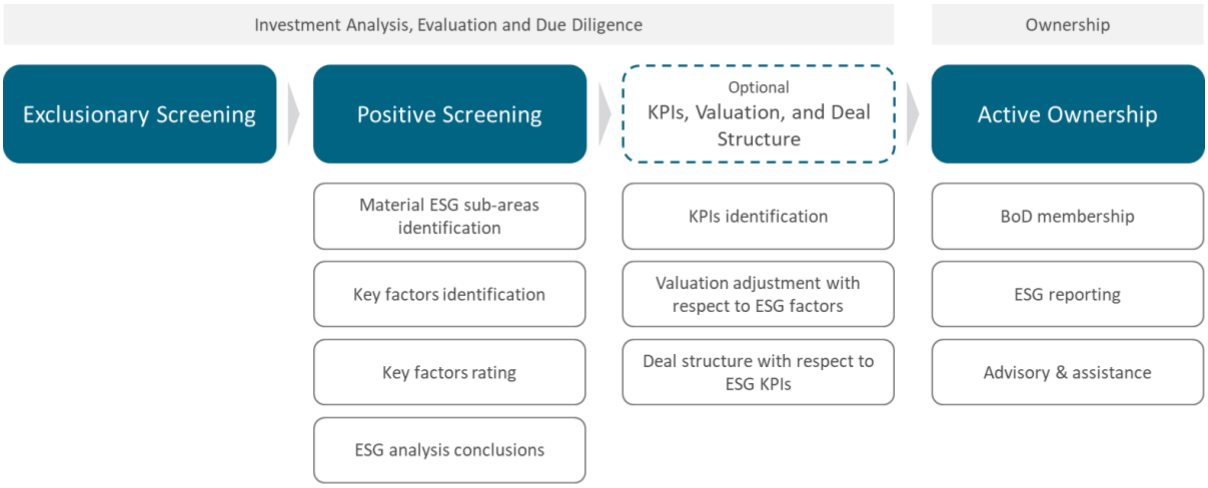
Rockaway Ventures Fund has a clear ESG Policy published externally which encompasses the entire investment process and ownership cycle of any RV Fund's investee company.

Methodologies

RV Fund is using following methodology:

- **Exclusionary screening** and as part of that Governance exclusions criteria using EBRD-based screening;
- **Positive Screening**;
- **Optional – KPIs, Valuation and deal structure**.

Rockaway Ventures Fund ESG Policy Flowchart



For all steps is used the same approach of standardized questionnaire for Exclusionary screening; Positive screening and equal data gathering, and ESG rating scale system defined in Table 3. in the Appendix.

Data sources and processing

The process of data gathering is done with in cooperation with the company's team in as a great extent as possible through a standardized questionnaire and is processed in following manner:

- Material ESG sub-areas identification: Identify ESG sub-areas relevant for each investment opportunity; all material sub-areas shall be selected
- Key factors identification: Identify key factors within each material ESG sub-area relevant for target company's product, operations, supply chain or any other area of activity
- Key factors rating: Rate each of the factors on a five-point scale: "high risk", "mild risk", "neutral", "slight (foreseen) competitive advantage", "strong (foreseen) competitive advantage" (ref to RV's ESG Policy - Table 1 in Appendix for exact definitions) Such rating should be based on research, previous knowledge and experience; arguments shall be documented
- ESG analysis conclusions: Based on previous analysis, formulate conclusions regarding ESG factors. Outline following:
- List key ESG-related current or foreseen competitive advantages
- List key ESG-related current or foreseen risks together with the mitigation strategies (if available)
- Suggest decision in terms of ESG characteristics and progress

There are several limitations to the methodology which are primary due to lack of market data and benchmarking. Currently none of the investee companies at an early stage can monitor environmental and or social characteristics because they don't have the data. Therefore, the methodology we are using is based on rating while collecting an ongoing data from the investees.

Internal Governance

The appropriate execution of this ESG Policy is a responsibility of the Fund and Investment Managers who shall ensure adequate processes and allocate enough resources for the fulfilment of the ESG Policy's purpose.

The ESG Policy applies to everyone involved in the RV Fund including the General Partners, Investment Committee members, Investment Managers, other employees, advisors, and business partners.

Material compliance issues with this ESG Policy shall be escalated to Investment Partners, logged and dealt with immediately.

The ESG Policy shall be reviewed annually and updated, when necessary, based on RV Fund's experience, external best practices and SFDR requirements of the GP.

RV will prepare an annual report on ESG matters in the portfolio companies.

Appendix

Table 1: Standardized Exclusionary screening questionnaire

	RV Fund is in line with the EBRD Environmental and Social Exclusion List, which indicates activities that should be excluded from financing. RV Fund will not knowingly finance, directly, or indirectly companies, which undertake the following activities:	
	Please indicate whether the potential investee company is compliant with the below:	**Yes/ or No option**
1.	Production of arms or military equipment.	
2.	Production or export of tobacco products or hard liquor.	
3.	Casinos and other gambling facilities	
4.	The production of or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements, or subject to international phase out or bans, such as: (i) Production of or trade in products containing PCBs (PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals) (ii) Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances. (iii) Production of or trade in ozone depleting substances (Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicised 'ozone holes') (iv) Production or use of or trade in persistent organic pollutants. (v) Trade in wildlife or production of or trade in wildlife products regulated under CITES. (vi) Transboundary movements of waste prohibited under public international law.	
5.	Forced evictions ("Forced eviction" refers to the acts and/or omissions involving the coerced or permanent or temporary involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources which they occupy or depend on, thus eliminating or limiting the ability of an individual, group or community to reside or work in a particular dwelling, residence or location, without the provision of, and access to, appropriate forms of legal or other protection).	
6.	Thermal coal mining or coal-fired electricity generation capacity.	
7.	Upstream oil exploration.	
8.	Upstream oil development projects, except in rare and exceptional circumstances where the proceeds of the project exclusively target the reduction of GHG emissions or flaring from existing producing fields.	
9.	Activities involving force-feeding of ducks and geese.	
10.	The keeping of animals for the primary purpose of fur production or any activities involving fur production.	
11.	The manufacture, placing on the market and use of asbestos fibres, and of articles and mixtures containing these fibres added intentionally.	
12.	The export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury-added products.	
13.	Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage.	
14.	Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.	
15.	Shipment of oil or other hazardous substances in vessels, which do not comply with IMO requirements (International Convention for the Safety of Life at Sea (SOLAS) certificates (including, without limitation International Safety Management Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU) and tankers due for phase out under MARPOL regulation 13G. No single hull vessel over 25 years old should be used).	
16.	Trade in goods without required export or import licenses or other evidence of authorisation of transit from the relevant countries of export, import and, if applicable, transit.	

Table 2.: Example of Positive screening

Positive screening

Company name	Apaleo GmbH
Responsible person	
SFDR Qualification if any	None
Investment structure	Equity investment
Date of Exclusionary screening	20.1.2023

Positive screening rating	Slight competitive advantage

Background
Rockaway Ventures Fund (the Partnership) – [illegible]
1/ **Exclusionary screening:** to exclude opportunities in conflict with the ESG principles of the Partnership. [illegible]
[illegible]
2/ **Positive screening:** [illegible]
a.Material ESG sub-area identification;
b.key factors identification;
c.key factors rating with a five-point scale: 'high risk', 'mild risk', 'neutral-slight foreseen competitive advantage', 'strong foreseen competitive advantage;
d.ESG analysis conclusion

ESG analysis conclusion (based on the below data, please summarize ESG conclusion and recommendation)

Owner: Based on the positive screening process and rating Apaleo has shown that they follow clear ESG Policy respecting local law and regulations. They are focused on diversity and inclusion, respecting customers while having good governance structure in place. Due to the character of their business - they are a software company relying on a 3rd party solution such as AWS, they don't produce any carbon footprint or any direct emissions, or waste. Therefore, we consider them as ESG compliant with Slight competitive advantage across most areas which are relevant for their business.

	Sub-area	Positive screening and key factors	Yes/ NO	Comment or Action for Risk Mitigation (please explain if risks identified)	Key factors rating
Environmental	Resources (water, waste, energy, material emissions)	Does the company shows interest in water usage and recycling or green resources?	NO	Not relevant	
		Is the company monitoring materials used (recycled vs non recycled)?	NO	Not relevant	
		Does the company show any other significant damage to the environment given by the type of the business?	NO	Not relevant	
		Is the company showing heavy waste production in operations or offices?	NO	Not relevant	
	Carbon Footprint	Is the company extensive producer of carbon emission?	NO	Not relevant	
		Is the company cause of any extensive pollution (Direct GHG emissions from industrial processes and waste?)	NO	As a software development company we are relying on 3rd party services such as AWS which are in charge of reducing carbon emissions.	Neutral
		Does the company have any carbon footprint reduction strategy?	NO	Not relevant	
	Climate impact	Does the company produces any chemicals, oils, or gas?	NO	Not relevant	
		Does the company shows high negative impact on climate (loss of biodiversity, deforestation etc) due to specifics of the business?	NO	Not relevant	
		Does the company has any sustainability policies?	NO	Not relevant	
Social	Employees	Is the company compliant with recognised labour standards?	YES		Slight competitive advantage
		Is the company compliant with employment safety and health protection?	YES	Driving partnership with office health with 3rd parties. Taking care of furniture complying with health standards.	Slight competitive advantage
		Does it show appropriate remuneration, fair working conditions, diversity, and training?	YES	Regular workshops on diversity. High diversity on nationalities.	Slight competitive advantage
		Is the company compliant with trade union rights and freedom of assembly?	YES	Culture around ownership and transparency	Slight competitive advantage
	Customers	Does the company has fair and ethical approach to customers?	YES	Fully open API, partnership approach to customer relationships	Slight competitive advantage
	Supply chain	Is the company using application of the same requirements to entities in the supply chain?	YES	Data privacy standards, PCI conformity with integration partners	Slight competitive advantage
	Society	Does the company consider the interests of communities and social minorities?	YES	Apaleo is driving a community of hospitality professionals and bringing them together. We have high standards in our hiring against discrimination of minorities.	Strong competitive advantage
Governance	Governing purpose	Does the company have a clear mission, vision, value?	YES	Can be provided upon request. Find our values here: https://apaleo.com/careers	Strong competitive advantage
	Governing body	Does it have clear competences defined and transparent chain of command?	YES	Professional Advisory Board --> Management Board --> Executive Leadership Team	Slight competitive advantage
	Ethical behaviour	Is the company compliant with tax honesty principles (taxes paid in the country where business is conducted)?	YES	All business is conducted from Germany and we pay taxes locally.	Neutral
		Does it apply anti-corruption and discrimination measures?	YES	Part of our working contracts to avoid corruption. Annual anti-corruption audit by PWC.	Strong competitive advantage
		Does it have board remuneration based on sustainability?		The board is not remunerated.	Strong competitive advantage
		Facilitation of whistle blowing?	YES	Open culture. Mentorship programme.	Slight competitive advantage
		Does it have clear employee rights, incentives aligned with customer interests?	YES	Platform approach and employees are focused to be independent from us as a supplier by providing highest availability services with a self-service approach.	Slight competitive advantage
	Data and privacy	Does it have strict data protection, customer privacy, fraud controls, and data security?	YES	Complying with highest local standards and PCI requirements. Established role of data privacy and information security officer.	Strong competitive advantage
	Economic performance	Does it provide information disclosures about R&D expenditures into ESG, revenue, number of jobs created?	YES	No data on jobs created but Apaleo is able to disclose all economic performance upon request.	Neutral

Table 3: ESG rating scale points definitions

Scale point	Definition
Strong competitive advantage	The identified factor within a specific ESG sub-area is already or realistically can be turned to a strong competitive advantage for the company, i.e. to reach and sustain a leading or very significant market position and/or substantially improve its financial performance.
Slight competitive advantage	The identified factor within a specific ESG sub-area is already or realistically can be turned to a slight competitive advantage for the company, i.e. to support its growth relative to competitors and/or positively affect its financial performance.
Neutral	The identified factor within a specific ESG sub-area is neutral in terms of risk to the company or potential for a competitive advantage.
Mild risk	The identified factor within a specific ESG sub-area poses mild risk to the company's future, i.e. has potential to limit its growth opportunities or margins but not to jeopardize its market position.
High risk	The identified factor within a specific ESG sub-area poses a high risk to the company's future, i.e. has potential to substantially harm its financial performance, jeopardize its market position or even existence (e.g. due to compromised ability to serve customers, damaged reputation or any other adverse effect to the company of a such significance).

Table 4: Example KPIs frequently considered within individual ESG sub-areas

Area	Sub-area	Typical KPIs
Environmental	Resource efficiency	• Volume of resources (water, energy, land, raw materials, etc.) saved annually in production relative to benchmarked solution (total / per output scaling factor) • GHG emissions saved annually relative to benchmarked solution (total / per output scaling factor) • Volume of resources consumed annually (total / per output scaling factor) • GHG emitted annually (total / per output scaling factor)
	Products and services	• Volume of resources saved annually in product/service usage by the customer relative to benchmarked solution (total / per output scaling factor) • GHG emissions saved annually in product/service usage by the customer relative to benchmarked solution (total / per output scaling factor) • Market share relative to benchmarked product/company • R&D expenditures into ESG-related topics (climate adaption, pollution containment, etc.)

	Markets	• Revenues (absolute and proportional) from new markets
	Energy source	• Proportion of energy consumed from renewable / low carbon energy sources
	Resilience	• Revenue diversification • Supply chain diversification • Substitutability of production resources • Total R&D expenditures • Number/proportion of internal R&D staff
Social	Customers	• Customer retention rate • NPS or similar customer satisfaction metric • Customer feedback return rate • Number/proportion of developments based on customer feedback • Proportion of customer queries resolved in a given time frame
	Employees	• Employee engagement • Employee retention rate • Average tenure of an employee • Expenditures on employee development (courses etc.) • Number of employee complaints recorded and resolved • Number of work-related injuries / hospitalizations
	Supply chain actors	• Number of suppliers (total, per material/service)
	Society	• Number of new jobs created • Taxes paid in the country where business is conducted • Net investments • R&D spend ratio (R&D spend as a % of sales)
Governance	Governing purpose	• n.a. / TBD
	Quality of governing body	• n.a. / TBD
	Stakeholders	• n.a. / TBD
	Ethical behaviour	• n.a. / TBD
	Risk management	• n.a. / TBD