

Principal Adverse Impact Statement

Statement on principal adverse impacts of investment decisions on sustainability factors

Pursuant to Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Disclosure Regulation or SFDR).

Principal Adverse Impacts (PAIs) are negative effects that investment decisions or advice could have on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

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1. Summary

Korelya Capital (LEI: 969500NHZVWJG6VM4X39) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Korelya Capital.

This statement on principal adverse impacts on sustainability factors covers the reference period from January 1st 2023 to December 31st 2023.

This PAI statement will be reviewed at least annually.

Korelya Capital considers the following Principal Adverse Indicators, further developed in the statement below and in annexes:

- The 14 environmental, social and governance mandatory indicators;
- Investments in companies without carbon emissions reduction initiatives as an additional environmental indicator;
- Investment in companies without any supplier code of product as an additional social and governance indicator.

2. Description of the principal adverse impacts on sustainability factors

Korelya Capital's goal is to identify and analyze any risks and opportunities related to sustainability factors throughout the investment cycle. Principal Adverse Impacts indicators are a way of measuring how Korelya's investments negatively impact sustainability factors.

The table below provides the list of mandatory and additional PAI indicators monitored, with a description of the actions taken to avoid and reduce our adverse impacts. It also describes the actions planned and targets set for the next reporting period to avoid and reduce our adverse impacts.

To monitor investee companies' impacts and progress plans on adverse sustainability impacts, Korelya Capital collects ESG indicators on a yearly basis.

Korelya Capital is currently unable to measure PAI indicators on a more frequent basis as the team currently doesn't have the resources to report more frequently.

The below PAI indicators were collected for Korelya's fund K-Fund II.

Indicators applicable to investments in investee companies							
Adverse sustainability indicator	Metric	Impact [year n] ¹	Impact [year n-1] ²	Explanation ³	Actions taken, and actions planned and targets set for the next reference period		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	26.9	2.15	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.	
		Scope 2 GHG emissions	18.53	8.81	N/A		
		Scope 3 GHG emissions	2994.2	1440.69	N/A		
		Total GHG emissions	2968.63	1451.65	N/A		
	2. Carbon footprint	Carbon footprint	34.32	27.23	N/A		
	3. GHG intensity of investee companies	GHG intensity of investee companies	88.67	232.81	N/A		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil	0.00	0.00	N/A		This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets

¹ Korelya Capital measures performance on Principal Adverse Impact as of 31 December 2023.

² Korelya Capital measures performance on Principal Adverse Impact as of 31 December 2022.

³ This column will provide an explanation on the evolution of principal adverse impact indicators against the different reference periods, in relation to the actions taken and targets set.

		fuel sector				with the management when it makes sense.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	42.6%	100%	N/A	<p>This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.</p> <p>None of the K-Fund II portfolio companies produce energy, this PAI thus only covers energy consumption.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0.00	0.0000000059	N/A	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of	0.00	0.00	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.

		those investee companies negatively affect those areas				
Water	8. Emissions to water	Tones of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.00	N/A	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.
Waste	9. Hazardous waste and radioactive waste ratio	Tones of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.00	0.00	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational	0.00	0.00	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.

	Enterprises	Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	100.00	100.00	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	25.29	29.21	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.
	13. Board gender diversity	Average ratio of female to male board members in investee companies expressed as a percentage of all board members	84.45	32.3%	N/A	This indicator is assessed in Korelya Capital ESG reporting. the team monitors this indicator on a yearly basis and aims at reaching 30% of women on the boards of directors and executive committees of portfolio companies by 2030. No data was available at the time of

						this disclosure.
	14. Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00	0.00	N/A	This indicator is assessed in Korelya Capital ESG reporting. The team monitors this indicator on a yearly basis and plans to set realistic targets with the management when it makes sense.
Other indicators for principal adverse impacts on sustainability factors						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	62.12	36.23	N/A	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working	48.86	70.66	N/A	

		conditions, precarious work, child labour and forced labour)				
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3. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Korelya Capital has been actively integrating ESG criteria into investment decisions since its first ESG strategy, built back in 2018.

Sustainability factors, i.e. environmental, social, human rights and anti-corruption matters, are considered at different stages of the investment decision-making process via different policies and procedures, including:

The sourcing phase

Sectoral exclusion: the Korelya Capital team excludes companies operating in sectors deemed immoral and harmful to the environment and society.

Korelya also excludes some sector of activities, i.e. companies that:

- are active in the production, trade and/or distribution of weapons, munitions cluster bombs and/or anti-personnel mines;
- are active in the production, trade and/or distribution of tobacco products;
- are active in the production of pornography, the activity of prostitution or procuring of prostitutes;
- generate any revenues from coal-based activities, including, but not limited to, coal extraction and/or coal power generation and/or electricity via a coal-powered plant and/or coal mining;
- are directly or indirectly engaged in activities resulting a severe and/or systematic breaches of conventions, norms or protocols to which France is a signatory and which are internationally recognized;
- are associated with material corruption;
- are domiciled in countries subject to trade embargoes imposed by the United Nations or the European Union;
- are deliberately and repeatedly violates the law laid down by the national/governmental authorities in the markets in which such a company or corporation operates.

Thematic-focused investments: the Korelya Capital team selects companies working in sectors related to sustainable development or whose activities have a positive social and/or environmental impact.

Korelya is a generalist fund with a focus on tech-related companies. Korelya Capital invests in all tech segments (consumer, fintech, SaaS, Infratech, etc.) with the aim to contribute positively to major social and environmental issues through the actions implemented by our portfolio companies.

Positive screening: The team only selects companies that are committed to sustainability and that are virtuous in terms of ESG.

Korelya Capital considers ESG criteria alongside other business and financial factors in our analysis of investments. Besides, Korelya Capital commits to enforcing fair project selection processes, especially by using an indicative list of non-gendered questions provided by SISTA in order to become aware of possible biases. Korelya is also certified by the label Diversity VC.

The due diligence phase

The team carries out ESG due diligence on all prospective investments to identify and analyze any risks of controversies or issues related to social, environmental, human rights, ethical and governance matters.

K-Fund II invests in portfolio companies from various sectors and promotes three (3) social and environmental characteristics:

- Characteristic n°1 – Climate action: Mitigating climate change by assisting our portfolio companies in identifying their associated risks and opportunities.
- Characteristic n°2 – Gender equality and inclusion: Promoting equal opportunities and treatment between genders.
- Characteristic n°3 – Good governance practices and value creation sharing: Participating in the implementation of good governance practices within portfolio companies and involving employees in value creation.

The management company commits to integrate ESG and those three characteristics through various tools and processes through the investment processes:

- The pre-investment grid allows to assess the investment opportunities on ESG factors. This investment grid outcomes are discussed at the Investment Committee.
- During final negotiations, the management company discusses with founders and other investors the adequate ESG clauses to be included in legal documentation, and that may include clauses related to the characteristics.
- To the extent that it will be possible to do so (depending on our role in a given investment round), Korelya Capital will request the inclusion of an ESG reporting covenant in the shareholders' agreements, possibly based on the following model.

The holding phase

- ESG reporting: Korelya Capital collects data from our portfolio companies to measure the implementation, progress and results of their ESG initiatives. The ESG reporting is performed with all portfolio companies on a yearly basis.
- ESG improvement plan: Korelya Capital supports portfolio companies in setting up an ESG progress plan, specific to their industry, size and maturity.

More information can be found in our Exclusion Policy and in our Responsible Investment Policy (<https://www.korelyacapital.com/wp-content/uploads/2022/10/ESG-Charter-Korelya-Capital.pdf>)

The identification and prioritisation of principal adverse sustainability impacts of our investments is the ultimate responsibility of the ESG Committee, composed of Fleur PELLERIN, Franco DANESI, Grégoire PONTOIZEAU and Loreley MAC DONALD.

All our policies and procedures to identify and prioritise principal adverse sustainability impacts of investments are reviewed annually and approved by our highest governing body.

Our approach on principal adverse impacts and consideration of sustainability factors in the investment decision-making process relies on methodologies that are taking into account the probability of occurrence and severity of adverse impacts, including their potentially irremediable character.

Korelya Capital uses various resources and methodologies to identify and prioritise principal adverse sustainability impacts, and therefore the practices to be adopted and indicators to be measured. Our approach relies on materiality, measurability, data quality and availability, using the following sources notably:

- Internal materiality assessment (proprietary industry-specific methodology);
- Korelya developed its own ESG reporting format that enables us to monitor the PAIs;
- Internal ESG research (i.e. insights from Korelya Capital's ESG analysts assessing ESG risks and impacts of investee companies, based on direct contacts with academics, institutions, civil society research or issuers of official publications).

Korelya Capital is aware that these methodologies and resources are not necessarily perfect and complete and has identified the following margins of error:

- Different definitions and interpretations of materiality depending on the organization (i.e. financial materiality vs double materiality);
- Error from proxy data usage.

4. Engagement policies

Korelya Capital strongly believes that engagement with investee companies on sustainability issues can have a positive impact on investment results and on society at large.

We view engagement as a means to enter into a dialogue with a company to positively influence its behavior. It can be conducted either as a response to a specific incident that has had an adverse sustainability impact, or done proactively to steer companies towards the 'safe' and 'just', or 'positive' impact.

Korelya Capital exercises active ownership through the following principles:

- Continuous engagement: we discuss ESG issues with portfolio companies to improve their handling, including disclosure, of such issues.
- Voting: we formally express approval or disapproval through voting on resolutions and propose shareholder resolutions on specific ESG issues.

As an active investor seating on the board of most of its portfolio companies, the Korelya team can formally express approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues.

- Cooperation: when necessary, we cooperate with other shareholders to exert influence over how ESG issues should be considered by the portfolio company.
- As an active investor seating on the board of most of its portfolio companies, the Korelya team can, when necessary, engage with other shareholders to exert influence over how ESG issues should be considered by the portfolio company.
- Management of conflict of interests: we identify, manage and, where necessary, prohibit any action or transaction that could pose a conflict between the portfolio manager and the portfolio company. Korelya Capital strives to manage any conflicts in a manner consistent with the highest standards of integrity.

As an active investor seating on the board of most of its portfolio companies, the Korelya team can identify, manage and, where possible, prohibit any action or transaction that could pose a conflict between the portfolio manager and the portfolio company.

Korelya Capital's engagement activities are reviewed and adapted to ensure full consideration of sustainability adverse impacts that have been identified and prioritised.

5. References to international standards

Korelya Capital's ESG commitments and consideration of principal adverse impacts are illustrated by the adoption of the following responsible business conduct codes and internationally recognised standards for due diligence and reporting:

- The United Nations Sustainable Development Goals (SDGs):

Among the 17 UN's Sustainable Development Goals, we will focus our action plan on the goals that are the most likely to be in line with our investment activity and for which we are able to make a difference or have a measurable impact.

We will periodically assess the relevance of the goals pursued and may add new objectives if relevant. The action plan will be reassessed every three years.

General guidelines selected by Korelya Capital are No. 5 (Gender Equality), No. 8 (Good jobs and Economic Growth), No 10 (Reduced Inequalities) and No. 13 (Climate Action).

Other goals may be the subject of more targeted actions, on a case-by-case basis: No. 3 (Good Health), No. 4 (Quality Education), No. 7 (Renewable Energies), No. 9 (Innovation and Infrastructure), No. 11 (Sustainable Cities and Communities), and No. 12 (Responsible Consumption).

- The Principles for Responsible Investment (PRI):

The PRI standards are monitored through a specific reporting.

- Other standards endorsed:
 - SISTA
 - Initiative Climat International
 - Diversity VC standards

Those three additional standards are monitored through the Korelya ESG reporting exercise.

6. Historical Comparison

Korelya Capital is publishing its first PAI Statement covering the year 2023. The analysis and comparison of 2022 and 2023 results is available in our ESG Reporting.