ESG Policy

**Why?**
As a partner of the Giesecke+Devrient Group, we follow the Group’s sustainability and social responsibility principles and incorporate Environmental, Social and Governance (“ESG”) factors into our investment decisions. By doing so, we aim to generate more sustainable and long-term returns as well as to reduce investment and reputational risks associated with unethical or negligent conduct of the startups we invest in.

We also believe that the majority of any startup’s employees, customers, partners and suppliers, expect a high level of ethical and sustainable behavior. An ESG evaluation and monitoring can help startup founders and management teams become more aware of the key issues involved, set measurable goals to and suggest concrete and practical ways to achieve them.

**How?**

**Investment Evaluation**

**Negative Screen**

We do not invest in companies that engage in any unethical, polluting or controversial activities even if they are deemed legal in certain jurisdictions. To that end, we employ a list of excluded activities, against which we screen each investment.

**Due Diligence**

When we evaluate an investment in a company, we also examine the following ESG aspects:

**Environmental**

The vast majority of our investments are made in software companies, whose environmental footprint is lower in comparison to other industries. Still, we give preference to such companies, whose technology choices minimize their environmental footprint, for example by hosting their data and software on carbon-neutral Data Centers or avoiding excessive computational resources.

We also encourage startup teams to implement simple measures to reduce their everyday carbon footprint such as a Travel Policy.

**Social**

We strongly believe that team diversity leads to better decision making and creativity, and would therefore evaluate how the team looks like from a gender, age and nationality point of view.

In addition, we are interested to learn how management is holding itself responsible for the well-being of its employees, by evaluating working conditions and staff turnover.

**Governance**

Ethical conduct starts with clear guidelines, and we encourage startups to have a written and verbally communicated Code of Conduct, establishing clear red lines around unethical behavior both in the workplace and with external stakeholders.

As part of our investment process, we conduct Compliance and AML checks on the company and its key existing and would-be shareholders.
Lastly, we take data security and privacy very seriously and would evaluate the company’s collection, storing and management of personal data as well as its approach to protecting its data from internal and external attacks.

Pre-Closing

Following our ESG Due Diligence, we work with the management team and other shareholders to agree on a small, material and measurable set of ESG goals to reach within a realistic timeframe. We may incorporate these in the investment documents or as a side letter, in addition to contractually require the company to adhere to the applicable ESG regulations and standards of the EU

Follow-On Investments and Exits:

We typically support our portfolio companies over multiple funding rounds and sometimes through their exit, during which we may re-evaluate and document the company’s compliance with our ESG standards and may ask the company to renew its ESG commitments in the investment documents or as a side letter.

Monitoring and Reporting

As part of the ongoing monitoring of our investment portfolio, we also incorporate ESG metrics for each of our investments, and will ask each startup to provide relevant data for the report.

We periodically report the key ESG metrics to our Limited Partners, and will flag to them any material ESG violation that may arise as soon as we encounter it, outside of the normal reporting cycle.

Our measurement methodology encompasses the above mentioned ESG evaluation criteria but is continuously evolving. We carefully monitor the legislative developments in the field of sustainability in financial services and will consequently modify our methodology, processes, documentation and contractual agreements to comply with legislations and guidelines in this rapidly evolving field. Should material ESG-related issues arise during the monitoring phase, we will engage in discussions with the company’s management team to resolve or reduce the potential consequences of these issues and we reserve the right to disassociate ourselves from the company in cases of substantial ethical, governance or environmental violations that remain unresolved.