ESG Statement and Policy

Rockaway Ventures Fund

Purpose and Goals

At Rockaway Ventures ("RV"), 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 RV'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 the 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

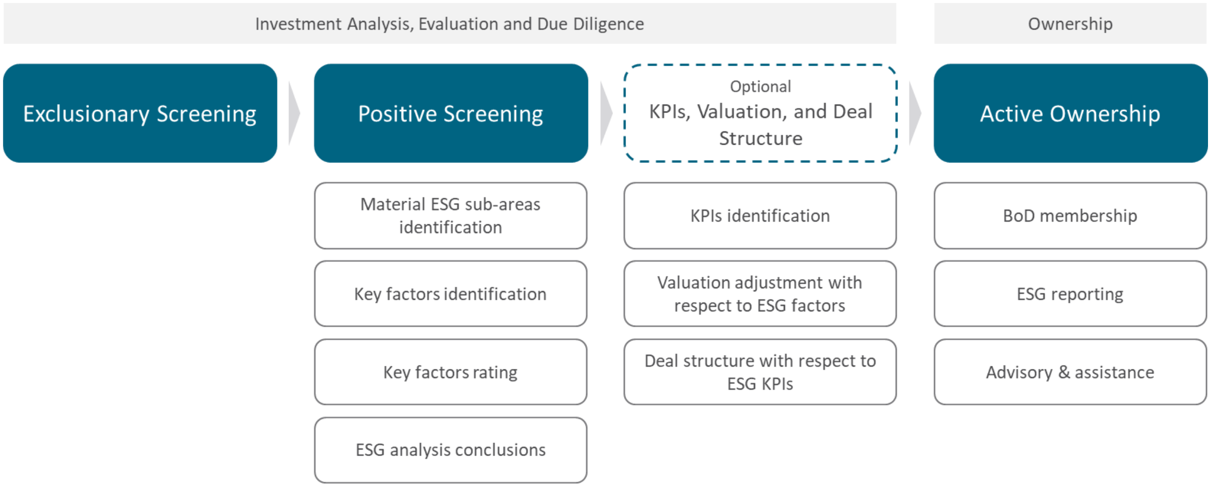
[4] Inspired by the report "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation", World Economic Forum, January 2020

[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 ESG Policy

The Rockaway Ventures ESG Policy ("ESG Policy") is based on the Rockaway Ventures ESG Statement above and shall encompass the entire investment process and ownership cycle of any RV Fund's investee company. Specifically, the ESG Policy concerns following areas of RV Fund's activity:

1. Investment analysis, evaluation, and due diligence
2. Ownership



Investment Analysis, Evaluation and Due Diligence

RV's investment analysis, evaluation, and due diligence in relation to its ESG principles is a three-step process (with the third step being optional):

1. **Exclusionary screening**: Opportunities clearly in conflict with our ESG principles to be excluded
2. **Positive screening**: Each investment target is analysed and evaluated on our ESG principles to inform our investment decision
3. **KPIs, valuation and deal structure** (optional): Identification of relevant KPIs and incorporation of ESG analysis conclusions to valuation model and/or deal structure

Exclusionary Screening

Opportunities clearly in conflict with our ESG principles will be excluded early in the investment process.

Reasons for exclusion from further investment consideration include but are not limited to[6]:

- Environmental
  - Comparing to a benchmark prevalent in the market, product/service or other company's activities including their externalities
    - produce significantly more GHG emissions
    - consume more resources (water, land/physical space, etc.)

[6] In case a company does not satisfy one of the points below, it might still not be excluded under the condition that there is a clear trustworthy plan in place to reach a state in which such a point is satisfied.

        - cause more pollution, greater loss of biodiversity or other damage to the environment
    - Exploration/extraction of oil, gas, or coal
    - Fur production
    - Product/service or other company's activities conflict with current or foreseen regulatory trends
- Social
    - Product/service based on unfair or unethical approach to customers
    - Supply chain reliant on unfair or unethical working conditions (child labour etc.)
    - Clear evidence of toxic company culture (previous issues with harassment etc.)
    - Product/service or other company's activities bear excessive risk to society. These typically include:
        - Production and/or sale of anti-personal weapons or other means of combat
        - Manufacturing and/or trading tobacco
        - Any gambling activities
        - Pornography and other adult entertainment
- Governance
    - Company's purpose in conflict with interest of society or environment
    - Events of previous corruption or fraud
    - Events of previous regulatory non-compliance

Positive Screening

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

KPIs, Valuation and Deal Structure

If deemed possible/adequate, do one or more of the following steps to utilize previous analysis and put ESG considerations to action. Engage the company's management team as much as possible in doing so.

- **KPIs identification**: Identify non-financial ESG-related KPIs and/or objectives to track company's performance on the way to reach/harvest ESG-related competitive advantages and mitigate ESG-related risks *(see Table 2 in Appendix for a list of typical KPIs)*
- **Valuation adjustment**: Incorporate the ESG analysis conclusions to the company's business plan and/or internal valuation model
- **Deal structure**: Structure the deal terms with respect to previously identified ESG-related KPIs

Active Ownership

RV 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 quarterly and 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

Internal Governance

The appropriate execution of this ESG Policy is a responsibility of the [RV 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 General Partners, Investment Committee members, Investment Managers, other employees, advisors, and business partners.

Material compliance issues with this ESG Policy shall be escalated to the [RV Managing Partner/s], logged and dealt with immediately.

The ESG Policy shall be reviewed annually and updated when necessary based on RV Fund's experience and external best practices.

RV will prepare internal quarterly reports and an annual report on ESG matters in the portfolio companies.

Appendix

Table 1: ESG rating scale points definitions

Scale point	Definition
Strong (foreseen) 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 (foreseen) 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 2: 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