KAYA

Sustainability and ESG at KAYA (rebranded from ENERN)

We wholeheartedly believe in supporting founders who are building the breakout businesses of tomorrow. They have the potential to shape their industries and in doing so improve the way we live, interact, and consume. Throughout our 13-plus year history, over which time we've backed 50+ companies, we've remained steadfast in our mission to back talent from a region that's often been overlooked by the capital markets.

We encourage our portfolio companies, although very early in their journeys, to start thinking about how to build a sustainable and durable business from our first investment. We believe that the way to build an impactful company that diverse talent will want to be a part of and that contributes positively to the world is to embed these practices from the earliest stages.

What Sustainability and ESG mean for us

ESG issues were first mentioned in the 2006 United Nations Principles for Responsible Investment (PRI). It stands for:

- Environmental. Impact on and conservation of the natural world
- Social. Consideration of people & relationships
- Governance. Standards for running a company

ESG to us means building companies that are ethical, responsible, and sustainable in the way they operate. While a plethora of detailed frameworks and definitions of ESG exist, most are not fit for usage in venture capital and for working with early stage technology startups. We are hence following a definition of ESG developed with and by VentureESG which defines ESG across eight (8) issue areas linked to E, S and G respectively.

1. **Environmental**
   (1) GHG Footprint and Mitigation. Considering the environmental impact from Scope (directly caused by the company/VC, e.g. through facilities) and Scope 2 (indirectly caused, e.g. energy, electricity, waste) to Scope 3 (caused by upstream and downstream activities, e.g. business travel, transportation of the product, customers' energy usage); targeting both measuring but most importantly reducing the impact across all scopes (at fund and portfolio level)
2. **Social**
   (2) Employee/ Contractor Wellbeing. Building a strong culture and being a conscientious organization (e.g. considerate parental leave)
   (3) Diversity, Equity, Inclusion (DEI). Integrating DEI practices across all areas of our business (e.g. diversity of the fund or the founding teams, inclusive hiring practices)
   (4) Responsible Technology & Product Design (incl. use of AI). Designing and building products with consideration of the ethical implications on the end-user and society

(5) Supply chain. Working towards an ethical and environmentally resilient supply chain

3. **Governance**
   (6) Legal, Compliance and Ethics. Legal and regulatory: being on top of and aligned to the latest laws, regulations and compliance standards (e.g. GDPR (and equivalent), UN Guiding Principles of Business and Human Rights, the eight core ILO conventions)
   (7) Data Privacy and Security. Instilling a strong culture of trust, responsibility and best practice (e.g. with internal systems) around data
   (8) Board/ Governance effectiveness. Having appropriate governance structures in place, according to the company's stage (e.g. board structure, share structure); writing out a code of conduct (committing the company to high ethical standards)

How we operationalize Sustainability and ESG in our portfolio

A) Investment Philosophy

While from a regulatory perspective sustainability factors do not play a decisive role in our investment process across funds, we do believe that from a commercial perspective helping companies adhere to ESG principles once we invest makes them more robust and our portfolio stronger over the long term.

Thematically, we tend to avoid "vice industries" (alcohol, tobacco, drugs, adult entertainment, etc.), human cloning, and any activities that would be deemed illegal by national or international laws and conventions. We also won't invest in non-West aligned countries. To the extent military spending becomes a priority for the EU, we would strongly consider supporting the bloc's objectives with our capital.

Where the founder has any history of low-integrity behaviour, or the company has an ethically dubious supply chain, we would likewise disengage. A company's awareness of and attitude towards sustainability is part of our holistic assessment of teams and markets in which they operate.

B) Portfolio Management

Our companies have to attend to a long list of to-dos and sustainability-aligned operations is one of them. We take a developmental approach towards fostering sustainability at our portfolio companies and our main goal is to guide them towards sequential improvement rather than "all or nothing" strict monitoring of compliance from Day 1.

Once we have committed to invest in a company, ESG considerations shall guide our portfolio management with a focus on both risk mitigation and value creation.

We share resources such as a code of conduct and parental leave policies, and health & safety incident reporting mechanisms. These are “low hanging fruits” that can be implemented quickly and adherence to which can be monitored on a regular basis. KPIs can be established where that is sensible and an ongoing raising of awareness and refinement of attitude towards sustainability is expected.

The larger the organisation, the higher our demands would be for detailed tracking and reporting. We’re also cognizant that later-stage investor and eventual purchasers of our companies will be focused on our company’s approach to sustainability and we are keen to avoid any roadblocks in those processes.

C) Community and Communications

We are committed to ensuring a high level of accessibility to us and diversity of our community. Concretely, we have put in place the following mechanisms:

Open application process: to counteract the need for ‘warm introduction’, we have installed a simple form on our website for founders to send us their pitch documentation. All applications are screened by at least one member of the investment team
Partnerships with universities (MFF UK in Prague, for example) and open invitation events in key cities (Prague, Warsaw, Budapest, etc.)
Usage of accessible language: On our website as well as in all communication, we are careful to use accessible language (e.g. gender inclusive)

Our fund is part of the international VentureESG initiative and community, a group of over 150 VC funds between the US, Europe and Israel driving the industry towards more consideration of ESG principles. We intend to further contribute to this development by both embodying the ESG principles set out in this memo within our fund and helping our portfolio to do the same. We aim to work towards a global ESG ecosystem by sharing and encouraging our practices across the VC landscape. In addition, we were the founding sponsors of Included VC which is actively driving diversity and inclusion in the venture capital industry.

How we operationalize Sustainability and ESG in our firm

Sustainability does not only apply to how we help our portfolio companies flourish and grow but it is also part of how we internally manage our fund. Being in a strong position when it comes to ESG ourselves not only makes our demands to portfolio companies more believable, it also strengthens our position as a VC firm.

ESG responsibility: while every member of our team is concerned with ESG when supporting portfolio companies, we have assigned the overall responsibility for ESG to Martin Rajcan (martin.rajcan@kaya.vc). Our approach to ESG will be discussed regularly in our partner

meetings (at least once a year) and any material issues will be brought up during our Quarterly Portfolio Review session, or sooner as needed

Hiring and working environment: we are committed to hiring a diverse team and providing an inclusive working environment.

Good governance: all our decision making in both the LP Advisory Committee and the investment committee is committed to good governance principles.

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