2020 CORPORATE AND INVESTMENT RESPONSABILITY REPORT

emz

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ENVIRONMENT

LABOUR ISSUES

GOVERNANCE

SOCIAL ISSUES

SNAPSHOT

26
Portfolio
COMPANIES

144
DEALS

Investment tickets
ranging between
10 AND 150
MILLION EUROS

4.2
BILLION EUROS
invested since 1999

An experienced team of
19
HIGHLY-SKILLED
PEOPLE

7
FUNDS
since 1999

emz

INTRO

SHARING VALUE

EMZ has been active in the French unlisted investment market since 1999, EMZ has gradually forged a unique positioning among the various market players since then by recognising the key role that entrepreneurs and company managers have to play in the creation of value.

EMZ undertakes transactions that enable these managers, executives, family shareholders or founders to become or remain the principal shareholders of their company. This enables us to help form stable and sustainable shareholder structures by working over the long term with all the company's stakeholders.

A lasting and balanced partnership with the management teams is therefore a core component of the EMZ ESG (Environmental, Social and Governance) policy. Alongside this, we have embarked on a number of initiatives in recent years to assert the importance of ESG criteria in our investment policy and in the management of the company itself. EMZ therefore satisfies the sustainable and responsible investment criteria of governmental institutions and inter-governmental organisations.

JACKY PERRENOT

Olivia SCAIA
QHSE Officer

JACKY PERRENOT IS A FRENCH ROAD CARRIER WITH A FLEET OF 8,500 VEHICLES. BEYOND ITS POSITION OF MARKET LEADER, IT STANDS OUT AS PIONEERS IN THE SECTOR'S ENERGY TRANSITION.

What action does Jacky Perrenot take in favour of the environment?

Our involvement in the road haulage industry, which is a high source of carbon emissions, means that we have a key role to play in sustainable development issues. We have been a signatory to the *Objectif* CO_2 charter since 2014. We secured *Label* CO_2 certification in 2020, in a reflection of our commitment to tackling climate change by lowering our CO_2 emissions by 5% over the next three years.

In practical terms, do your initiatives in this area involve "greener" transport solutions?

They do indeed. We are making our fleet greener every day by increasing our use of non-diesel fuel. We now boast the largest "eco" fleet in Europe with more than 600 vehicles running on alternative energy (natural gas or electricity, nitrogen refrigeration systems in our articulated lorries, etc.). This represents 13% of the engines in our vehicles, well above the sector average, which unfortunately remains below 2%.

What are the benefits for Jacky Perrenot?

There are countless benefits. For starters, this has a major impact on the Jacky Perrenot brand as an employer, as well as on staff retention. There are also very positive repercussions on sales.

Are your customers looking for these new transport solutions?

Yes, of course. Our customers are becoming increasingly sensitive to ESG issues. They are also aware of the growing restrictions on road traffic (noise pollution, low-emission zones in city centres, etc.), which can be overcome by using green vehicles. Our leading position in alternative energy vehicles makes us a go-to partner for customers who want to reduce their carbon footprint. This puts us at a definite competitive advantage.

1st EUROPEAN GREEN FLEET

600 vehicles on alternative energy

8,000 FEWER TONNES OF CO_2

in 2021 thanks to gas-fuelled trucks

Can you give us any examples?

We are constantly working with customers and vehicle manufacturers to come up with more innovative solutions. Most recently, we began to operate our first fully-electric truck for Franprix in early 2021, which offers a range of 150 km with no CO_2 or NO_X emissions.

Lastly, how are you planning to "stay ahead" when it comes to green vehicles?

We put new green vehicles on the road every month. They are gradually replacing older vehicles, and we will be looking to bring the proportion of green trucks in our fleet up to 30% by 2025. We are also constantly on the look-out for solutions that use emerging alternative energies, particularly hydrogen, and are hoping to launch our first hydrogen-powered truck in 2022.

ANKERKRAUT

Stefan LEMCKE
Founder and CEO of Ankerkraut

FOUNDED IN 2013, ANKERKRAUT DEVELOPS, PRODUCES AND SELLS PREMIUM AND ORGANIC SPICE MIXES, SAUCES AND TEAS. LOCATED IN JESTEBURG NEAR HAMBURG, THE COMPANY EMPLOYS AROUND 100 FTE AND OPERATES ITS OWN PRODUCTION SITE. ANKERKRAUT HAS EXPANDED RAPIDLY AND HAS BECOME A KEY PLAYER IN THE GERMAN MARKET FOR HIGH QUALITY SPICES.

How did the idea to support a school building project originate?

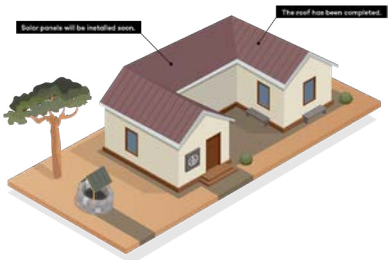
Being the son of an aid worker, I grew up in Africa and learned early on the importance of helping others. For the growing number of primary school students in landlocked Malawi, access to education, like in many other countries, is not certain. A shortage of teachers, school fees, a lack of facilities and excessively large classes lead to particularly high rates of illiteracy.

Can you tell us more about Ankerkraut's project?

Yes, of course. Our project is to fund the construction of a school in Kombola, Malawi. We have used Ankerkraut's 2020 savings from the reduction in value added tax from 7% to 5% in Germany for the project. Together with our donation partner Bücherbörse e.V., a school with 8 classrooms is being built. The school will be a primary and secondary school, with all the necessary teaching materials.

How is the school´s infrastructure built in a sustainable and self-sufficient manner?

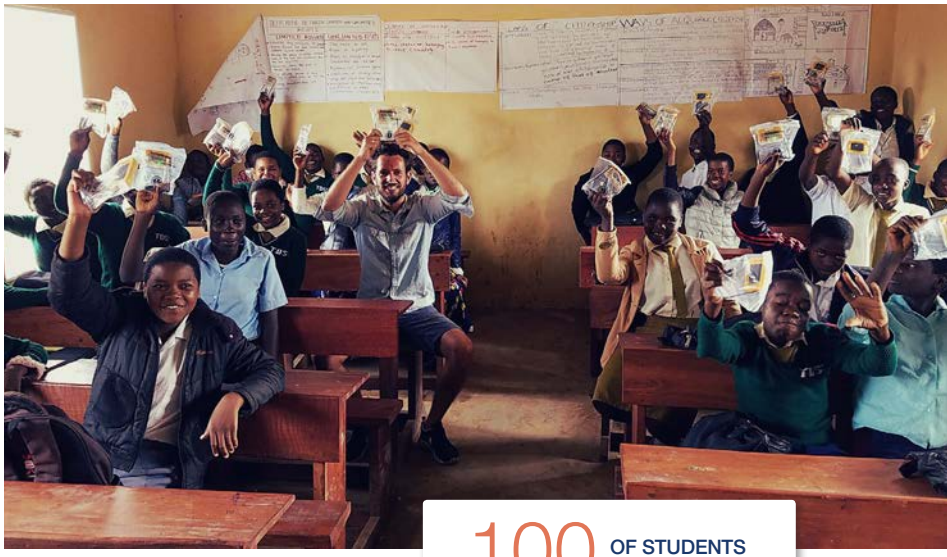
The idea was to build a sustainable and self-sufficient school. In addition to the classrooms, sanitary facilities and adequate power supply through solar panels are installed.



The solar panels aim to fully supply the school self-sufficiently with electricity to illuminate the school inside and out.

What about the water supply, how do you ensure it?

A well is also being built nearby to ensure access to drinking water for the students and staff. The provision of fresh water is critical given Malawi´s exposure to hot weather conditions from November to April. The country generally lacks the infrastructure to channel water coming from the rainfall, making the well a central water source in the daily life of the students.



100 OF STUDENTS PER YEAR

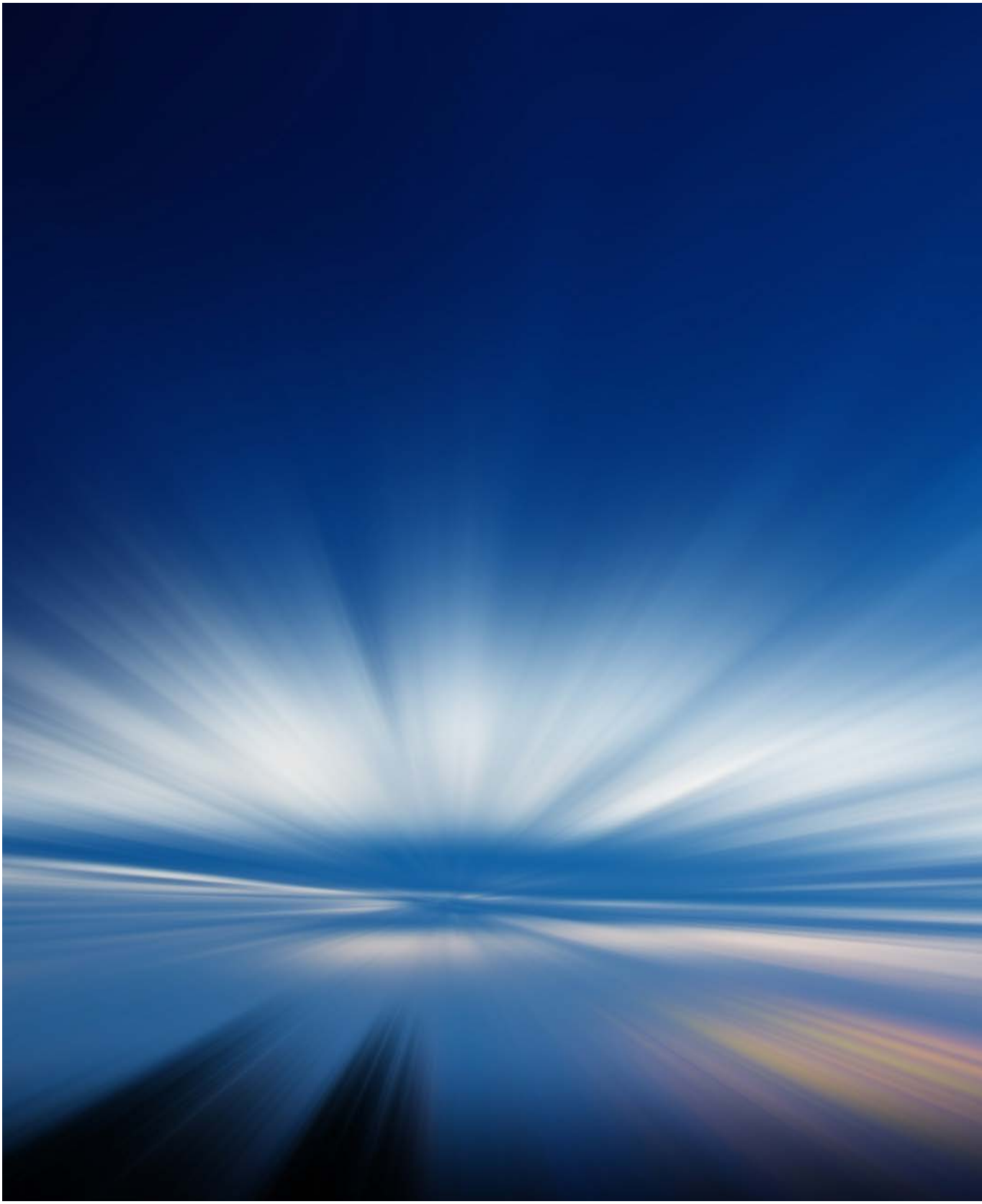
How are these charitable values reflected in your company internally?

The values I gathered during my time in Africa play an important role in my private life and in Ankerkraut's philosophy. Both internally and externally, we attach great importance to the topic of charity. In 2021, for example, we worked on a special spice box to help raise c.€6,000 which was donated to the Ankerland non-profit organization, which assists traumatized children here in Hamburg. We also implemented a specific action in July to raise funds for the flood victims in Germany which enabled us to donate €26,000 to this cause. For us at Ankerkraut, it is key to act "glocally", hence being charitable in both faraway destinations as well as at home.

Do you also plan internal initiatives?

Yes, we try to promote charitable values within our organization, by for instance encouraging our employees to order hybrid vehicles and offer the JOBRAD service as a CO_2-neutral way of getting around.

Additionally, we report internally as well as externally on the progress of the school in Malawi and thus encourage our colleagues to engage in similar social projects. We even have colleagues who contractually reduced their working hours to engage in charitable work.



1.

OUR CSR POLICY

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EMPHASISING THE CORE ISSUES

For more than five years now, we have been stepping up our efforts to assimilate ESG and have consolidated the operational roll-out of our policy.

2006

The Principles for Responsible Investment (PRI) are a United Nations initiative that Kofi Annan launched in 2006 to encourage financial investors to voluntarily incorporate environmental, social and governance issues into the management of their portfolios.

There are more than 1,700 signatories to the UN PRI, each one undertaking to adhere to six fundamental responsible investment principles and to issue an annual UN PRI report.

Signatory of:

PRI Principles for Responsible Investment

GROUPE CARSO

TESTING LABORATORY

Date: 2011 - 2016

2016

EMZ Partners has been a signatory to the United Nations Principles for Responsible Investment (UN PRI) since 2016, illustrating our commitment to taking ESG criteria into consideration in all our operations.

Asserting the role of ESG

- Signature of the PRI
- Update of the ESG charter
- Inclusion of an ESG clause in the shareholders' agreement

Implementation of tools and methods

- Development in conjunction with an ESG analysis tool during the pre-investment phase
- Update of the ESG monitoring questionnaire in order to better adapt it to the private debt asset class

VIGNAL LIGHTING GROUP

LIGHTING AND SIGNALLING FOR INDUSTRIAL AND COMMERCIAL VEHICLES

Date: 2018

2018

In 2018, our Donations and Sponsorship Committee provided financial support to the Onet Foundation, Fondation de France and the Espérance Banlieues Foundation.

Asserting the role of ESG

- Update of the ESG monitoring questionnaire
- Creation of the EMZ Donations and Sponsorship Committee

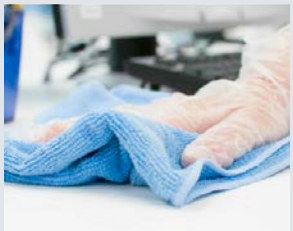
Implementation of tools and methods

- ESG report
- UN PRI report

ONET DE L'INGÉNIERIE, DES SERVICES, DES HOMMES

CLEANING SERVICES

Date: 2017



2019

Implementation of tools and methods

- Update of the ESG monitoring questionnaire

Communication

- ESG report
- UN PRI report

RAIL INDUSTRIES

ELECTRONIC COMPONENTS FOR RAILWAY

Date: 2019

2020

Asserting the role of ESG

- Establishment of a dedicated ESG team
- Briefing and training of team members as regards ESG issues

Communication

- ESG report
- OPC report
- UN PRI report

ANKERKRAUT

SPICE MANUFACTURER

Date: 2020

The progress made since 2016 in the application of ESG criteria has led to a number of positive developments.

- Through our participation in various conferences, and with the help of consulting firms, the EMZ team has become more proficient in sustainable investment practices.
- In 2018, we set up a Donations and Sponsorship Committee, which enables us to provide financial support to the portfolio companies that are involved, or wish to get involved, in projects with a social and cultural focus.
- The EMZ ESG approach has fostered the emergence of a regular and appropriate dialogue on ESG issues with qualified contacts at our portfolio companies.
- By improving our understanding of how companies take ESG issues into account, we are able to consistently learn more about the solutions that companies have already put in place and we can circulate this knowledge among our portfolio companies. This facilitates networking and the sharing of best practices.
- EMZ Partners factors sustainability risks and Environmental, Social and Governance criteria into its remuneration policy.

The progress and all the related developments we have made lend weight to our efforts to stand out as a responsible investor.

PRACTICAL IMPLEMENTATION

The EMZ ESG approach is now put into practice throughout the investment cycle from the investment selection phase. It continues during the investment monitoring phase and also has a bearing on our divestment process.

FIGURE 1. ESG PROCESS IN THE INVESTMENT CYCLE

Pre-investment: selection and analysis phase

The incorporation of ESG criteria in the investment phase is primarily guided by the EMZ exclusion policy. This policy has been defined so as to exclude certain business sectors from the scope of our potential investments.

Five business sectors are excluded from the EMZ investment scope:

- the manufacture or sale of tobacco or distilled alcoholic beverages and related products;
- the manufacture and sale of weapons and ammunition;
- casinos and equivalent activities;
- research, development or technical applications in connection with programmes or solutions relating to Internet gambling, online casinos or pornography;
- food speculation.

Furthermore, our exclusion policy stipulates that, in the event of financing of technical applications relating to human cloning, for research or therapeutic purposes, or GMOs, the Management Company will ensure that all legal, regulatory and ethical issues are duly verified.

The analysis of risks and opportunities during the pre-investment phase includes non-financial criteria. An analysis grid has been drawn up for this purpose in association with an external research department. This makes it possible for the EMZ team to ascertain the ESG profile of the companies in which it is preparing to invest. The grid covers governance, human resources, the environment and external stakeholders (customers, suppliers and civil society). It is a decision-making tool that has been systematically used since 2017.

The grid covers several areas with a view to identifying companies' ESG profiles:

- **the company's labour practices** (taking into account labour risks, human resources management, diversity, health and safety, dialogue and employee sentiment, together with reporting issues);
- **the company's environmental practices** (factoring in environmental risks, the environmental management system, energy use and greenhouse gas emissions, soil, water and waste criteria, biodiversity and reporting issues);
- consideration of **risks relating to external stakeholders** (monitoring of suppliers and subcontractors, quality approach, risks or benefits of products and services).

Based on the outcome of this analysis, we are able to assess the risk relating to these issues.

If necessary, depending on the profile of the company under review, a specific environmental audit may be conducted to assess the company's situation with regard to these issues.

Monitoring during the investment phase

As soon as a deal is reached, an ESG clause is incorporated into the shareholders' agreement that is signed by the parties at the time of the investment.

This clause stipulates the importance of environmental, social, societal and good governance issues to both EMZ and the portfolio company, and invites the company to constantly strive to improve in these areas.

During the investment phase, the ESG performance of portfolio companies is monitored through:

- EMZ's participation as a member of, or an observer on, strategic boards or management committees; EMZ is a member of the governance bodies of most of the companies in its portfolio. This position enables us to encourage the implementation of best practices, particularly in relation to the independence, diversity and transparency of management bodies;
- the transmission of an annual ESG questionnaire to all portfolios companies.

We stepped up our ESG approach in 2019 by improving our understanding of the ESG status of our portfolio companies. To do this, we worked with the GINGER BURGEAP and ESG Score consulting firms to develop and implement a new methodology designed to give us a thorough understanding of how each company integrates ESG issues.

Companies are asked to complete a questionnaire. Not only does this questionnaire give us insight into their ESG policy, it is also a channel for the companies to highlight their own issues and specificities.

The questionnaire's new format is more geared towards understanding a company's existing procedures, in order to imagine future improvements, rather than towards annual results that reflect a situation at a particular point in time and not an evolving one. Part of the questionnaire is specifically tailored to each company depending on its line of business. Lastly, social issues are explored further in a section specifically focusing on customers, suppliers and civil society.

The completed questionnaires have been analysed for each individual company. The results of this analysis have been compiled in company fact sheets, which outline their performance in relation to various ESG aspects.

The analysis grid identifies the ESG profile of the companies in the portfolio, particularly in the following areas:

- **the company's labour practices** (taking into account labour risks, human resources management, diversity, health and safety, dialogue and employee sentiment, together with reporting issues);
- **the company's environmental practices** (factoring in environmental risks, the environmental management system, energy use and greenhouse gas emissions, soil, water and waste criteria, biodiversity and reporting issues);
- **consideration of risks relating to external stakeholders** (monitoring of suppliers and subcontractors, quality approach, risks or benefits of products and services).

Based on the outcome of this analysis, we are able to assess the risk relating to these issues.

Exit

At exit, EMZ may recommend that the company have an external ESG audit conducted, which it can use for the purposes of the sale. In some cases, EMZ may complete an exit ESG questionnaire.

2. ESG REVIEW

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OUR METHODOLOGY

The ESG performance of the EMZ portfolio is monitored through an annual questionnaire.

The purpose of this questionnaire is to report on ESG/CSR issues specific to each company according to its line of business, and to focus the analysis on the company's ESG/CSR procedures and processes rather than on their ESG/CSR performance (for instance, on whether a security management system exists rather than on the frequency of workplace accidents).

The questionnaire contains two sections: the first section is a set of common questions for all the companies, while the questions in the second section are more focused on a company's specific line of business and issues.

The questionnaire has been designed to cover all non-financial areas of corporate responsibility:

- **Governance:** the principle of good governance and sound management in the manner in which business is conducted and in the company's development;
- **Labour issues:** relations with the company's workforce and its representatives;
- **Environment:** direct and indirect impacts on all natural environments, on both a local and a global level;
- **Social issues:** the company's duties towards its upstream partners (suppliers, subcontractors and service providers), its downstream partners (customers and users) and its relations with all social stakeholders (institutional, associative, territorial, etc.).

OUR PRINCIPLES

ESG analysis is based on the SustainBox© model, developed by ESG Score. It has been focused on identifying, for each area, the management principles that make it possible to take an issue into account. These principles are as follows:

- **Principle 1 – The narrative and leadership:** values linked to leadership are the main driver of a company's responsible behaviour. They guide decision-making and represent the foundations of a sustainable business;
- **Principle 2 – Organisation of duties:** a company that relies on robust operating principles and governance rules that take market signals into account will be able to adapt to the new demands of its internal and external stakeholders (human and technical resources put in place, effective deployment of strategic orientations, etc.);
- **Principle 3 – Transparent disclosure:** fluidity and transparency of disclosure when reporting to all the company's internal and external partners (reporting tools, internal/external communication, etc.);
- **Principle 4 – Commitment and action:** dialogue with stakeholders, definition of goals and action plans;
- **Principle 5 – Independent control:** welcoming and acting on external opinions enhances collective knowledge and promotes independent control of the manner in which a company operates (monitoring and control procedures, performance measurement, etc.);
- **Principle 6 – Innovation:** a company's capacity to innovate is essential to its survival. This does not only relate to its ability to develop and deliver new products and services but also to its flexibility when it comes to rethinking its business as a whole, together with its organisational structure (technical and managerial innovation, industry monitoring, dissemination of best practices, etc.);
- **Principle 7 – Long-term vision:** a successful company takes a long-term view in its strategic decisions when it comes to organisation, investment and development. These decisions concern all the company's partners, both internally and externally (forward thinking, partnerships and strategic reviews).

OUR CRITERIA

Whatever a company's line of business, our analysis focuses, for each reference area, on the management principles deemed strategic and set out below.

Main analysis criteria by area

Management principles	ENVIRONMENT	LABOUR ISSUES	GOVERNANCE	SOCIAL ISSUES
1. The narrative and leadership		✓		✓
2. Organisation of duties			✓	✓
3. Transparent disclosure		✓	✓	✓
4. Commitment and action	✓			✓
5. Independent control	✓		✓	
6. Innovation	✓			
7. Long-term vision	✓			

Key performance criteria

We have assessed companies' performance in relation to fundamental management principles and ranked them as follows: Scarce, Satisfactory and Effective.

This assessment is supplemented by 26 more specific indicators based on the management principles set out above and which are considered to be a good gauge of the ESG performance of a company's organisation.

ENVIRONMENT

11
INDICATORS

Companies' commitment to the environment
—
Environmental innovation
—
Exposure and resilience to physical and transition risks

LABOUR ISSUES

4
INDICATORS

Managing human capital
—
Gender equality
—
Working conditions and quality of work life

GOVERNANCE

7
INDICATORS

Decision-making
—
Strategy

SOCIAL ISSUES

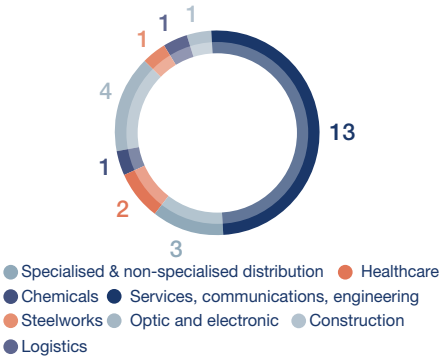
4
INDICATORS

Relations with civil society
—
Relations with suppliers
—
Relations with customers

SCOPE

EMZ asked 26 companies in its portfolio to complete its annual ESG questionnaire.

These 26 companies operate in a variety of sectors with variable risks.



AN INCREASING RESPONSE RATE

21

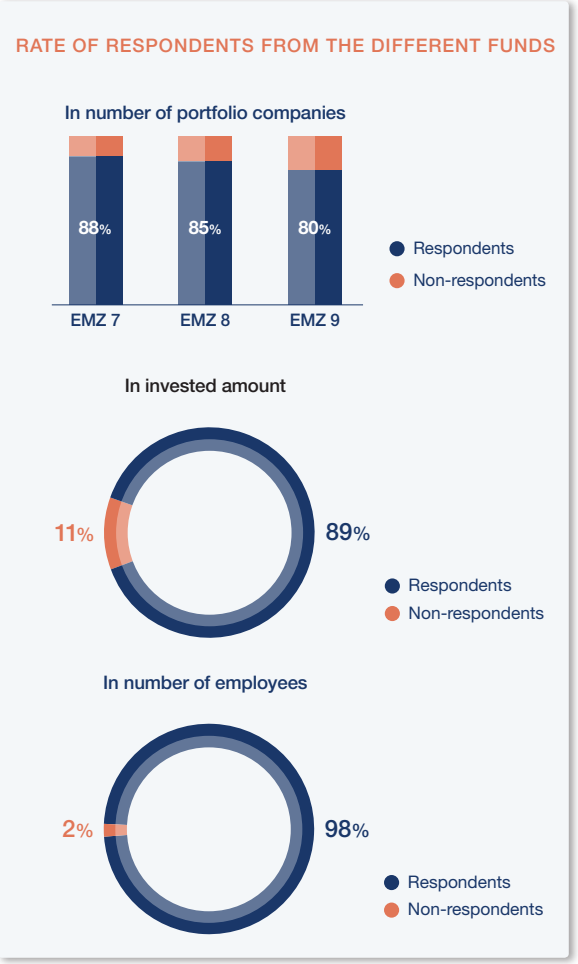
RESPONDENTS TO THE QUESTIONNAIRE,
the response rate for the three funds exceeds 80%

89%

OF INVESTED CAPITAL COVERED
Proportion of respondents in the portfolio as a % of invested amount
(Total value as at 31/12/2020)

98%

OF THE EMPLOYEES CONCERNED COVERED
Distribution of respondents by headcount
(2019 workforce)



ENVIRONMENT

LABOUR ISSUES

GOVERNANCE

SOCIAL ISSUES

ENVIRONMENT

EMZ has taken the following measures to understand the environmental policy pursued by portfolio companies:

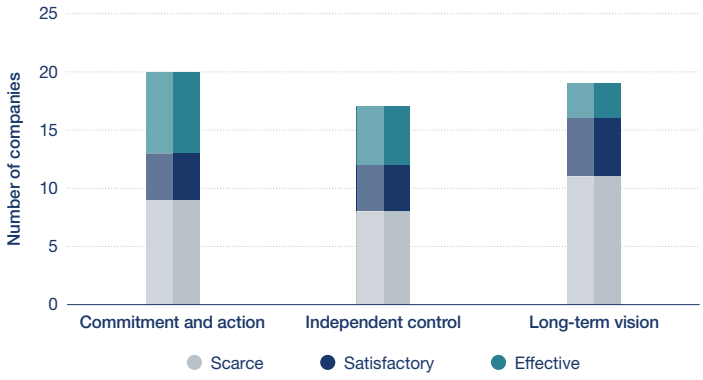
- **introduction of environmental indicators to assess the environmental performance of portfolio companies;**
- **assessment of companies' climate risk exposure (physical risks and transition risks) based on a matrix that follows the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD);**
- **assessment of the carbon footprint of the portfolio;**
- **support for and sponsorship of companies that are committed to environmental issues.**

I Managing environmental issues

In order to be taken on board effectively, environmental issues require operational commitments and related action, which must be planned and financed. Environmental issues evolve rapidly, which is why certain indicators (evaluation and control) must absolutely be monitored to enable companies to manage them effectively.

It is possible to monitor these indicators as they are generally associated with physical and chemical data. Fast-changing environmental issues also require a long-term view of the potential risks and the solutions that can be provided, which often also require innovation.

FIGURE 2. INCORPORATION OF KEY MANAGEMENT PRINCIPLES FOR ENVIRONMENTAL ISSUES

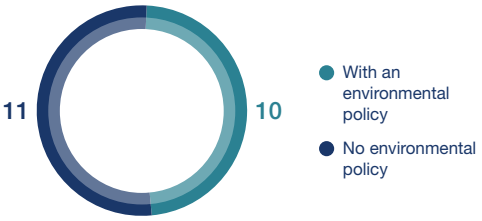


INDICATORS

Companies' environmental commitment

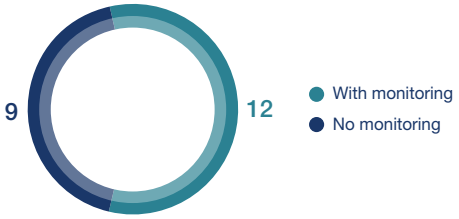
- PROPORTION OF COMPANIES THAT HAVE FORMALLY DEFINED AN ENVIRONMENTAL POLICY (INCLUDING SEVEN COMPANIES WITH A CERTIFIED POLICY)

An environmental policy requires a company to commit to its environmental vision and objectives.



BEST PRACTICE
ONET and its environmental governance with the presence of the group Chair on the SD committee.

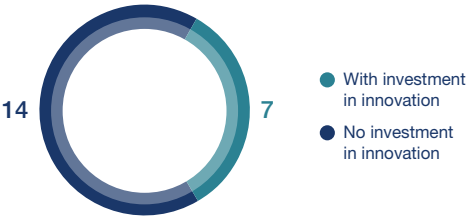
- PROPORTION OF COMPANIES THAT HAVE INTRODUCED MONITORING OF ENVIRONMENTAL AND ENERGY INDICATORS



"More than half of the companies analysed have put tools in place that enable them to continually improve their management of environmental issues, modelled on the environmental management system (EMS)."

Environmental innovation

- PROPORTION OF COMPANIES THAT HAVE INVESTED IN ENVIRONMENTAL INNOVATION



BEST PRACTICE
Jacky Perrenot has embarked on a pilot experiment involving a hydrogen-fuelled truck, which will be operational starting from 2022.

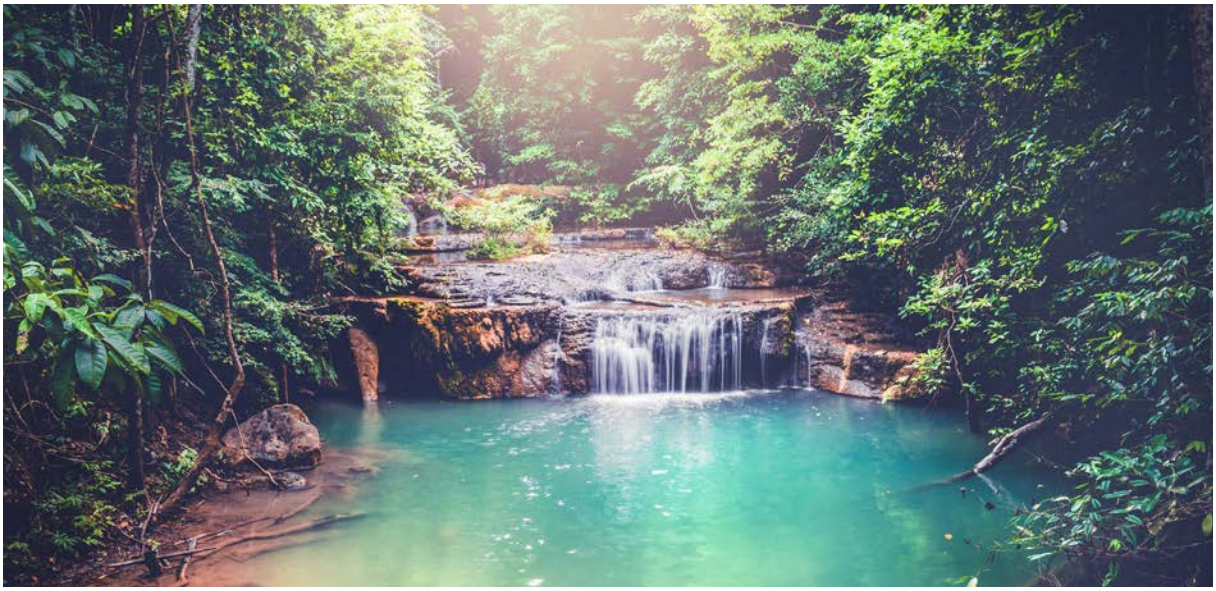
Climate change

Failure to mitigate and adapt to climate change is now seen as a major systemic risk, as already noted by the Financial Stability Board (FSB) in 2015. It is particularly vital that companies understand and factor in this risk, given the impact they have on the environment and their vulnerability.

On the one hand, economic activity has a major role to play in reducing greenhouse gas (GHG) emissions. Transport and industry are responsible for approximately 23% and 19% of global CO_2[1] emissions respectively. The latest IPCC[2] report highlighted the need to reduce emissions by 49% between 2017 and 2030 and achieve carbon neutrality by 2050 in order to limit global warming to 1.5°C, and stressed that drastic action was required as a matter of urgency through a change in the way that governments, society and economic agents (companies and industries) behave.

On the other hand, the effects of climate change (rising temperatures, high frequency of extreme events, etc.) can significantly affect businesses' operations (supply problems, production process disruptions, etc.), pushing them to adapt and develop the resilience of their business model. Equatorial and tropical parts of the world, together with emerging countries, are particularly vulnerable, but are also areas where value can be created, a crucial factor for companies that are expanding internationally[3].

Therefore, it is essential that economic agents help tackle climate change and consider the related risks in order to ensure the sustainability of their activities. With this in mind, investment funds have a crucial role to play by integrating climate risk into their financing criteria and by ensuring the responsibility and sustainability of their portfolio companies. This has become an international concern since COP 21: in March 2018, the European Commission made sustainable finance one of its priorities with the launch of an action plan. This followed on from the launch, in 2015, of a Task Force on Climate Disclosure, whose recommendations to highlight climate-related financial disclosure and make markets more efficient and economies more stable and resilient were presented to the G20 in July 2017.



(1) "Chiffres clés du climat France et Monde", 2017, I4FC, French ministry of the environment.
(2) Intergovernmental Panel on Climate Change report, October 2018.
(3) Entreprises Pour l'Environnement, ONERC, "Les entreprises et l'adaptation au changement climatique", 2014.

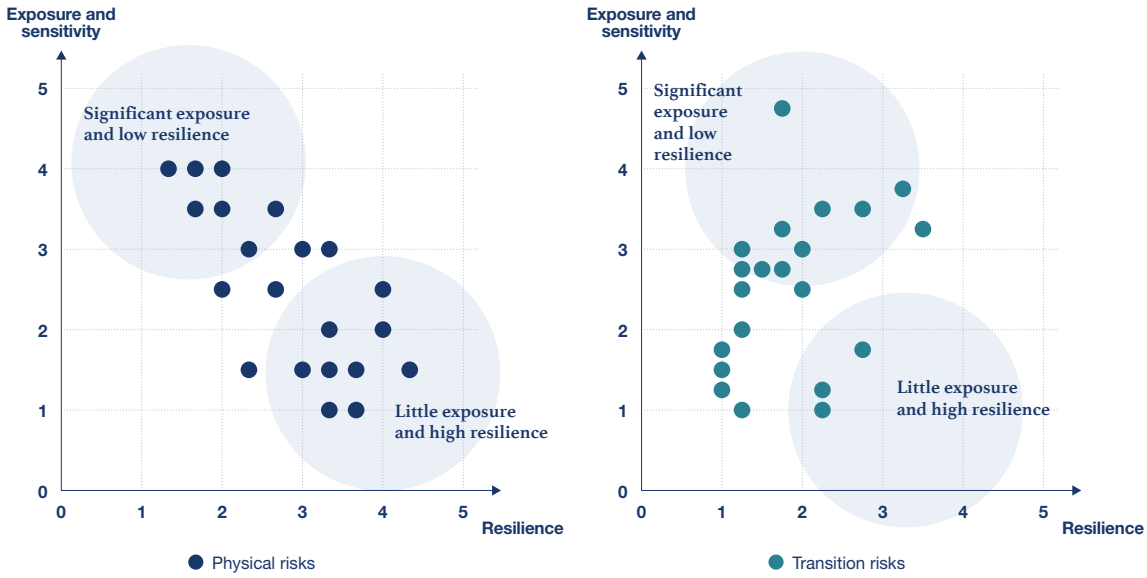
Managing climate change risks

Our analysis of companies' vulnerability to climate change is two-pronged:

- exposure and sensitivity to physical risks and transition risks;
- the ability to withstand these risks.

Physical risks result from the effects of climate change such as variations in temperature and rainfall, rising sea levels, etc. They are the combination of the probability of a hazardous event occurring and the severity of its consequences. Transition risks relate to technological and economic/legal risks connected with climate change, the impacts of which could affect the company.

FIGURE 3. VULNERABILITY OF THE EMZ PORTFOLIO TO PHYSICAL RISKS AND TRANSITION RISKS LINKED TO CLIMATE CHANGE



Most of our portfolio companies are affected to varying degrees by the physical and transition risks associated with climate change.

Carbon footprint

EMZ considers that, as an investment fund, it has a role to play in reducing greenhouse gas emissions, in particular through its in-depth insight into the negative externalities caused by its portfolio companies and by supporting efforts to improve. The EMZ portfolio has been analysed in accordance with ISO 14064-1. The emissions data has been compiled based on the responses provided in the company questionnaires or recalculated using information that typically applies to the companies, where such data was available. Nineteen companies have been included in the analysis.

The quantification of emissions has been divided into four scopes:

- **Scope 1** covers the company's direct emissions caused at its premises or during transport at its own expense: fossil fuel combustion, refrigerant fluid leakage, processes, etc.;
- **Scope 2** covers emissions relating to the company's energy consumption but caused off premises: production of electricity, production of cold and heat to supply a network, etc.;
- **"restricted Scope 3"** includes other sources of emissions directly attributable to the company's business: extraction, processing and transportation of raw materials used by the company, waste and water treatment, distribution of finished products and employee travel;
- **"extended Scope 3"** relates to other emissions indirectly caused by the company's business: the energy consumed in the use of the products it produces, the movements generated by the company's activity, the recycling of products at the end of their useful life, etc.

FIGURE 4. ANNUAL GREENHOUSE GAS EMISSIONS (2019) BY PORTFOLIO COMPANIES

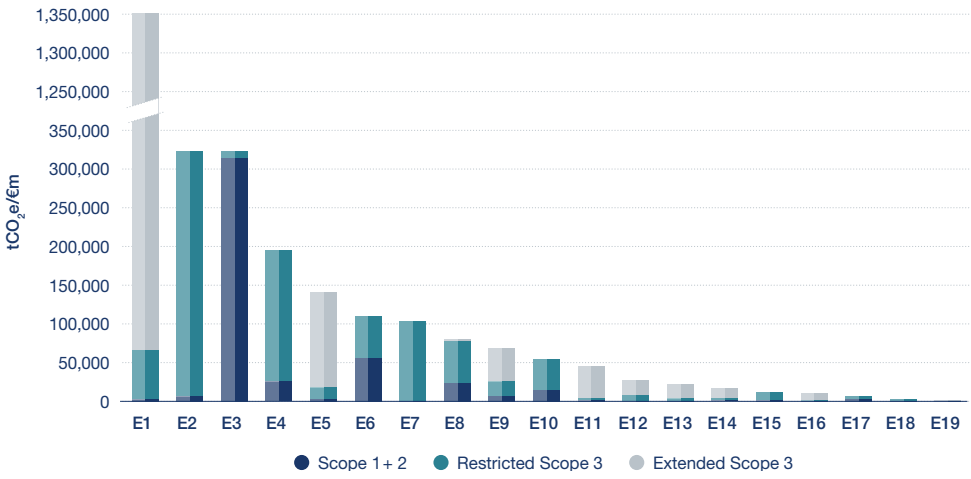
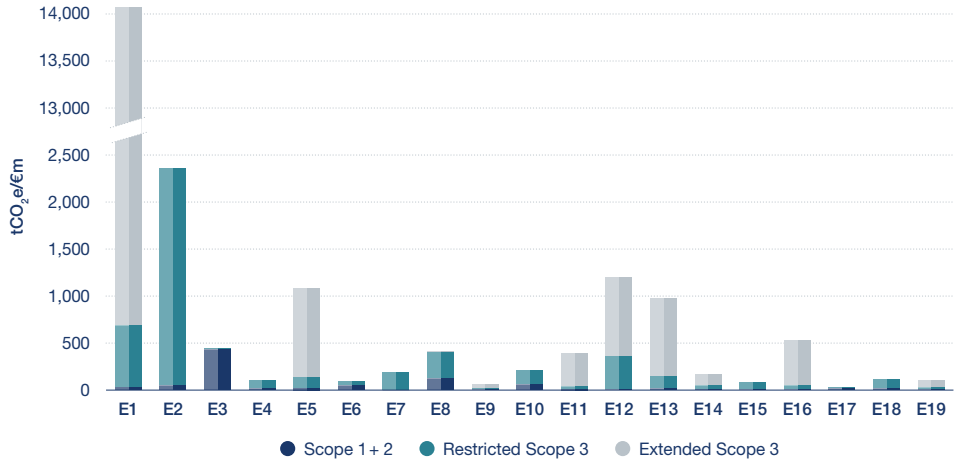


FIGURE 5. RATIO OF GREENHOUSE GAS EMISSIONS TO ANNUAL REVENUE (2019) OF PORTFOLIO COMPANIES



At portfolio level, the main emission sources are, in decreasing order of importance:

- the use of sold products (energy consumed to use and maintain it) (extended Scope 3), although not all companies are concerned, the carbon emissions of some of them through the use of sold products are enough to make this the main source of greenhouse gases;
- operation of buildings and production sites (Scope 1 and 2);
- the consumption of raw materials and materials required for the company's operations (restricted Scope 3);
- customer and visitor travel (extended Scope 3);
- building-related fixed assets (restricted Scope 3);
- the transport of finished products (restricted Scope 3).

BEST PRACTICE

Ankerkraut: reduction of GHG emissions related to employees' commutes by wisely locating sites close to public transportation, assisting employees in their shift towards electric or hybrid cars and supporting a bike rental program.

Carbon intensity averages 233 tCO_2e per €1 million of company revenue.

In an effort to keep global warming below 2°C, international climate agreements, materialised in France by the SNBC (national low carbon strategy), provide for carbon neutrality to be reached in 2050.

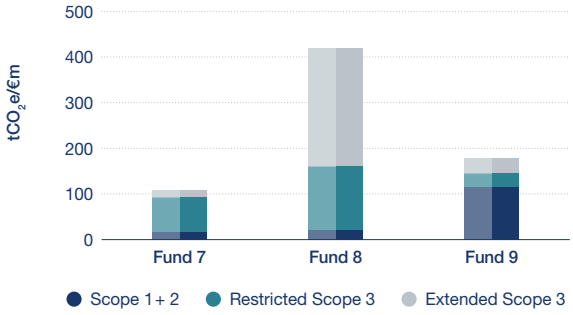
This will necessitate:

- almost doubling carbon wells by 2050;
- dividing GHG emissions by a factor of 6 between 2021 and 2050. That will entail cutting GHG emissions by more than 5% year-on-year, starting now.

Emissions for the EMZ portfolio

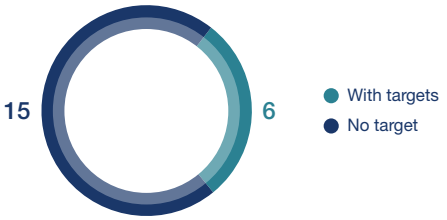
A few companies account for most GHG emissions, such as Vignal in EMZ 8 Fund (Scope 3 factors in the use of electrical products throughout their entire useful life) and Jacky Perrenot in EMZ 9 Fund (Scope 1 incorporates fuel used for road haulage). Both of these companies are firmly committed to reducing their carbon footprint.

FIGURE 6. RATIO OF GHG EMISSIONS TO ANNUAL REVENUE (2019) BY FUND



INDICATORS

- PROPORTION OF COMPANIES THAT HAVE SET TARGETS FOR REDUCING GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION



BEST PRACTICE

VIGNAL: the company has steadily improved its carbon footprint, notably through the roll-out of more energy-efficient products (using LEDs) and its strategy to "design globally and produce locally" aimed at producing and sourcing products on each continent to avoid intercontinental shipments.

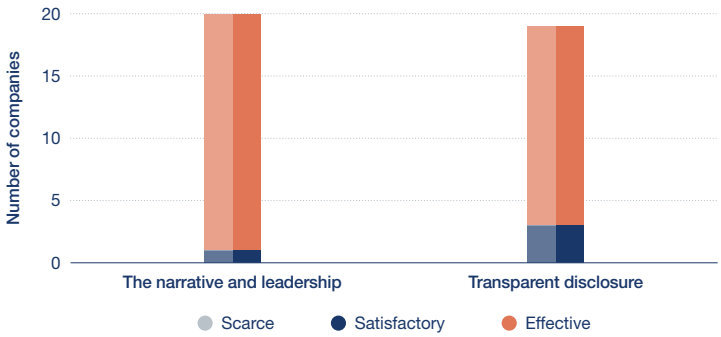
LABOUR ISSUES

EMZ is particularly attentive to labour issues throughout the investment cycle. We monitor specific indicators each year in the following themes: human resources management, workplace equality, employee sentiment and health and safety.

Managing labour issues

A narrative that reflects the commitment of Management is the first essential step in implementing an effective labour policy that is adhered to by all. Transparent information and procedures provide an accurate view of the labour-related factors within a company. This is key in making real-life decisions. The EMZ portfolio companies all score very high in both of these indicators.

FIGURE 7. INCORPORATION OF KEY MANAGEMENT PRINCIPLES FOR SOCIAL ISSUES

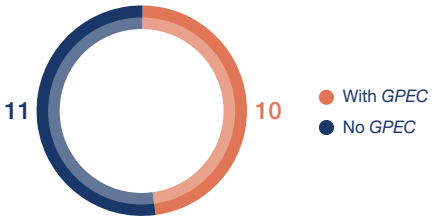


INDICATORS

Managing human capital

- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED FORWARD-LOOKING EMPLOYMENT AND SKILLS MANAGEMENT ("GPEC") OR AN EQUIVALENT TOOL

GPEC concerns all companies. It is mandatory for companies with more than 300 employees. It is designed with a view to adapting employees' skills to changes in their professions. This makes it a powerful tool to sustain jobs.

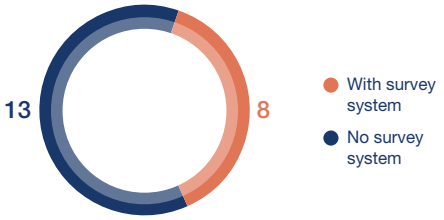


"Almost all of the companies analysed have put in place tools to manage their employees' skills."

- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED A SYSTEM TO SURVEY OVERALL EMPLOYEE SATISFACTION

Company performance hinges on employee commitment.

Workplace satisfaction survey mechanisms enable companies to welcome feedback from their employees and identify areas for improvement.



BEST PRACTICE

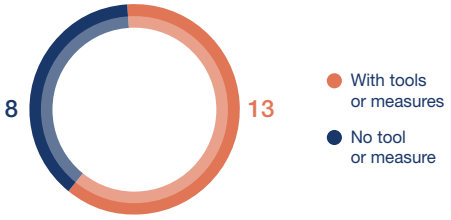
SAFIC ALCAN: the company has introduced a system whereby "fresh eyes" reports are drawn up based on feedback from new hires gathered six months after they have joined the company. These reports are submitted to management.

Gender equality

- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED TOOLS OR MEASURES TO ENSURE GENDER EQUALITY

Tools or measures are sometimes necessary to ensure gender equality within an organisation.

This can take the form of signed agreements, regular analysis, training and awareness campaigns, etc.



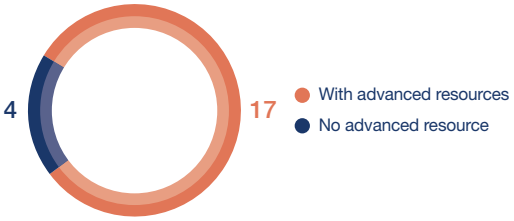
BEST PRACTICE

Weyou Group: there is a majority of women on the management team, particularly in key sales & marketing and operational roles.

Work conditions and quality of work life

PROPORTION OF PORTFOLIO COMPANIES THAT HAVE DEVELOPED TOOLS OR MEASURES TO PREVENT WORKPLACE ACCIDENTS AND OCCUPATIONAL DISEASES

Employers have a legal obligation to ensure the health and safety of their employees. There are tools and measures to enable action to be taken as early as possible. This can take the form of training, a review of the risks of occupational diseases, etc.



"All portfolio companies engaged in industrial operations have introduced extensive procedures to reduce workplace accidents."

BEST PRACTICE

VIGNAL: creation of a group of seven "resource" officers who have followed training in the prevention of musculoskeletal disorders provided by the French occupational health agency (CARSAT).

GOVERNANCE

EMZ pays particular attention to the governance of the companies in its portfolio and has made this issue one of its specific focuses.

EMZ's governance actions:

- developing a partnership-based approach in its support for managers;
- facilitating employee share ownership among companies and investors;
- encouraging good governance practices at portfolio companies.

More broadly, EMZ provides support for managers in areas such as independence, diversity and transparency of governance bodies. EMZ can hold the following positions on governance bodies:

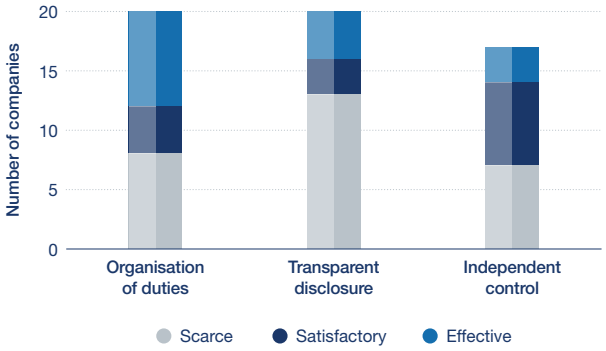
- member of the board or director;
- non-voting board member;
- no representation.

In terms of governance, the high-impact management principles are generally information transparency, evaluation and control.

Managing governance issues

- A well-controlled organisation of duties on governance bodies facilitates the clear definition of the role of each body, as well as decision-making.
- The provision of transparent information among the members of the governance bodies, and to a certain extent to employees, enables informed decision-making based on internal or external realities.
- External monitoring of decision-making bodies can prevent non-compliance in some instances, which can be all the more significant when the circulation of information is impeded.

FIGURE 8. INCORPORATION OF KEY MANAGEMENT PRINCIPLES FOR SOCIAL ISSUES

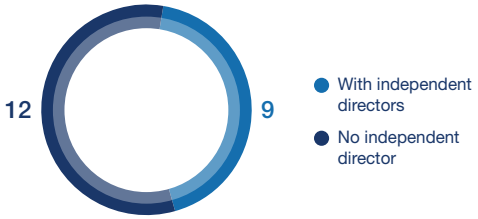


INDICATORS

Decision-making

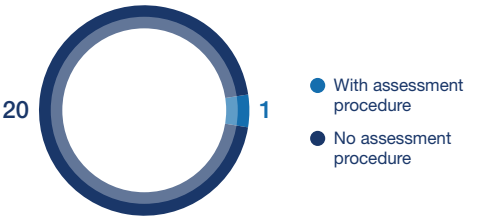
- PROPORTION OF INDEPENDENT DIRECTORS ON MANAGEMENT BODIES OR NUMBER OF COMPANIES WITH INDEPENDENT BOARD MEMBERS

  The presence of independent members provides assurance to minority shareholders, lenders, financial partners and employees that conflicts of interest will be avoided, particularly when it comes to executive compensation, oversight of the audit of the accounts, etc.



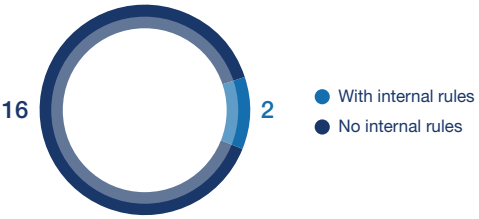
- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED AN ASSESSMENT PROCEDURE FOR ITS BOARD OF DIRECTORS OR THE BODY THAT PERFORMS SUCH DUTIES

  An assessment of the Board of Directors or equivalent body makes it possible to take a step back and take a close look at how it operates. It also provides an opportunity to objectively identify areas for improvement.



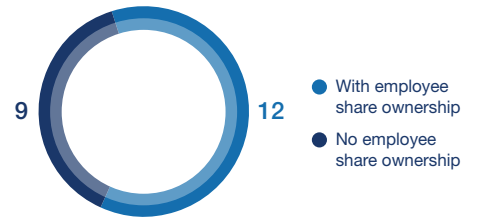
- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED A DIRECTOR'S CHARTER AND/OR INTERNAL RULES FOR THE BOARD OF DIRECTORS OR THE BODY THAT PERFORMS SUCH DUTIES

  Internal rules for the Board of Directors contain provisions for the organisation and operation of the Board of Directors or equivalent body. They provide a framework and are a powerful tool to promote good corporate governance.



- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE INTRODUCED EMPLOYEE SHARE OWNERSHIP SCHEMES

  Share ownership is a way to bring stability to the share capital of a company and ensure its independence. It also gives employee shareholders decision-making powers.



"More than half of the companies reviewed have developed employee share ownership schemes, directly reflecting EMZ's commitment to this issue."

BEST PRACTICE

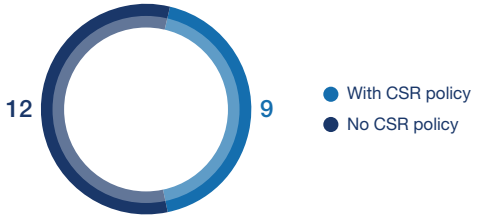
GINGER: the company began the employee share ownership process in 2014 when it launched a company mutual fund (FCPE). Today, 370 employees and 70 managers are part of the scheme and own 42% of the share capital. This saw Ginger being awarded the 2018 Grand Prix of the French federation of associations representing shareholders who are current and former employees (FAS).

INDICATORS

Strategy

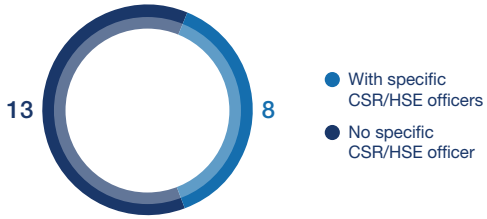
- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE FORMALLY INTRODUCED A CSR/ESG POLICY

CSR can be a corporate governance tool. The existence of a CSR policy underpins the involvement of the management bodies, which is essential for propelling a CSR approach forward. The formal introduction of a CSR policy generally involves the drafting of a Charter that is circulated internally or to the general public, together with a roadmap.



- PROPORTION OF PORTFOLIO COMPANIES THAT HAVE SET UP A SPECIFIC CSR TEAM

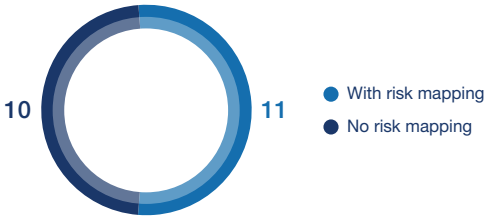
The assignment of specific human resources to CSR is a key factor in the success of any CSR approach.



"Most of the companies reviewed have introduced a formal CSR or HSE (Health, Safety and Environment) policy and have assigned specific human resources to roll it out."

- PROPORTION OF PORTFOLIO COMPANIES THAT MAP THEIR OPERATIONAL RISKS

Operational risk is the risk of losses being incurred due to internal processes or external events. Operational risk mapping is an essential first step in risk management.



BEST PRACTICE

MCI Group: 90 risks analysed across nine categories: market development, fraud, governance, HR, new information technologies, regulation and legal framework, reporting control and reputation.

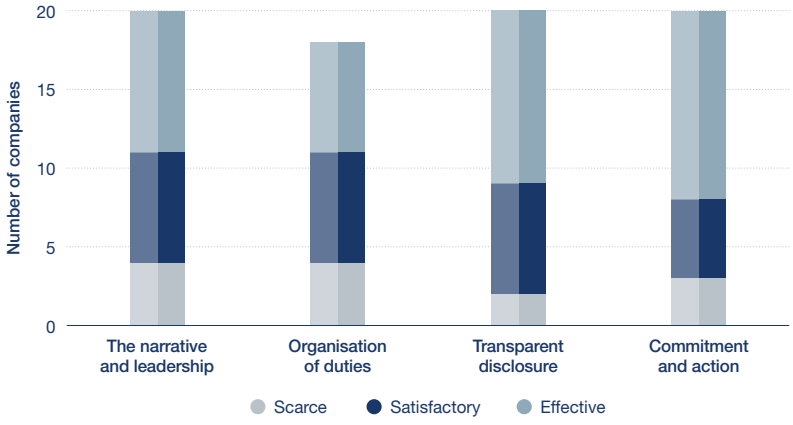
SOCIAL ISSUES

The social aspect of ESG focuses on relations with stakeholders – suppliers, customers and civil society – who play a part in companies' performance and value creation. EMZ encourages its portfolio companies to commit to a responsible quality and purchasing approach and to maintain good relations with their stakeholders.

Since 2018, EMZ has been providing support to companies in the social aspect of ESG through its Donations & Sponsorship Committee, which helps finance some of the projects of portfolio companies. In 2018, the Donations & Sponsorship Committee supported the Onet Foundation.

It is not innate for a company to have an outward-looking view on society (except when it comes to its customers). A company can only work hand in hand with all its stakeholders if Management shows a strong and clear ambition to do so. For this ambition to be turned into action, duties need to be clearly organised so that employees know the role they have to play. The transparency and free circulation of information is fundamental for stakeholders to respond to and follow the company's lead. Social issues can only be truly taken into account if words are turned into actions. The company will be largely judged by these actions.

FIGURE 9. INCORPORATION OF KEY MANAGEMENT PRINCIPLES FOR SOCIAL ISSUES

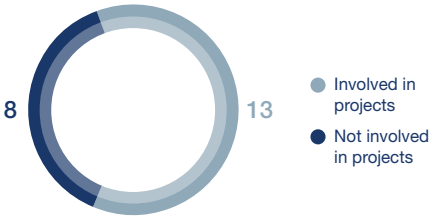


INDICATORS

Relations with civil society

- PROPORTION OF COMPANIES INVOLVED IN SOCIAL, CULTURAL AND ENVIRONMENTAL SPONSORSHIP PROJECTS

Sponsorship is a way for a company to demonstrate its commitment to society. It can take the form of donations to third-party non-profit organisations or an organisation founded by the company itself.



BEST PRACTICE

GINGER: the Ginger endowment fund has been set up to finance general interest initiatives, directly or through non-profit organisations, to encourage diversity and support community-based sustainable development projects. The first such actions include *Nos Quartiers ont du Talent, Sport dans la Ville* and *Wake up Café*.

Relations with suppliers

- PROPORTION OF COMPANIES THAT HAVE INCORPORATED CSR/ESG CRITERIA INTO THEIR SUPPLIER SELECTION PROCESS

The incorporation of CSR/ESG criteria into the supplier selection process can change the way things are done, both internally and externally. This can involve drafting a charter or code of conduct, or including a clause in contracts with suppliers. Some companies also conduct supplier assessments.

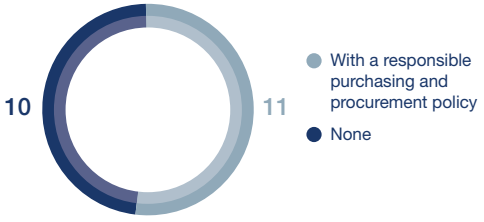
"Most of the companies reviewed have incorporated CSR or ESG criteria into their supplier selection processes, usually in the form of a supplier charter or code of conduct."

BEST PRACTICE

MCI Group: communication of environmental, labour-related and ethical requirements *via* a code of conduct that must be signed by each supplier.

- PROPORTION OF COMPANIES WITH RESPONSIBLE PURCHASING AND PROCUREMENT POLICIES

Responsible purchasing and procurement are effective levers for implementing sustainable development within a company. As with suppliers, responsible purchasing practices are a vector for internal and external change. The environment, ethics and labour-related issues are the most frequent responsible purchasing criteria.



"Most of the companies reviewed have responsible purchasing and procurement policies."

BEST PRACTICE

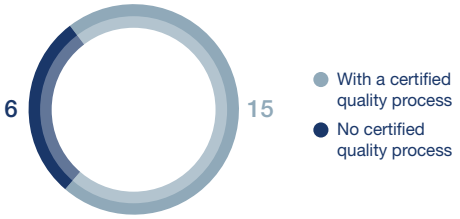
DIAM: sourcing of 100% of its electricity from renewable energy sources at French sites under certified contracts.

Customer relations

PROPORTION OF COMPANIES WITH A CERTIFIED CUSTOMER QUALITY PROCESS

A quality-based approach guides a company's organisation and production according to the customer's expectations.

Quality certification (ISO 9001) is a guarantee that a company is striving at all times to improve customer satisfaction.



BEST PRACTICE

Ankerkraut: natural additive-free products essentially sold in glass jars with paper labels and cork lids.

3. CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS

In 2015, United Nations Member States pledged to address global challenges relating to social, environmental and economic development. These commitments are reflected in 17 Sustainable Development Goals (SDGs). These 17 SDGs provide a roadmap for a sustainable planet and society.

Through its 26 portfolio companies, EMZ contributes to achieving a number of SDGs. These goals provide financial investors with a cross-cutting framework for analysing the global impacts of the companies in their portfolios.

Together, the 17 goals are perhaps the clearest embodiment of companies' ESG efforts. It is the next step, in which a company is not only responsible but also becomes involved in creating a more sustainable world.

Many of our portfolio companies already make a considerable contribution to achieving these goals. Many play a part in achieving these goals through their corporate purpose alone, particularly when it comes to the environment, with companies that operate in the recycling and environmental expertise sectors.

CARSO
Solutions developed for the agri-food industry with the aim of ensuring food safety throughout the food chain

AZAE
Homecare services for the elderly and/or people with disabilities

CARSO
Analysis of polluting substances in water, air, soil, etc.

BIOGROUP LCD
Medical testing

GINGER
All trades relating to asbestos removal in buildings

CARSO
Analysis of polluting substances in water

GINGER
Helps reduce water pollution

GINGER
Contributes to the development of renewable energies under the best possible conditions

ONET
Integration process aimed at people who are struggling to enter or return to the workforce (people with disabilities, people from diverse backgrounds)

FORLAM
Recruitment and training of people who are struggling to enter or return to the workforce

CARSO
Solutions developed for asbestos removal and comprehensive sustainable building, environmental and industrial hygiene solutions

GINGER
Working to improve infrastructure sustainability and help industries be more environmentally friendly

LUMIBIRD
Development of innovative laser solutions

DIAM
Commitment to social inclusion at its factories

GINGER
Advising all stakeholders in sustainable city programmes

RAIL INDUSTRIES
Production of equipment for tramways and trains

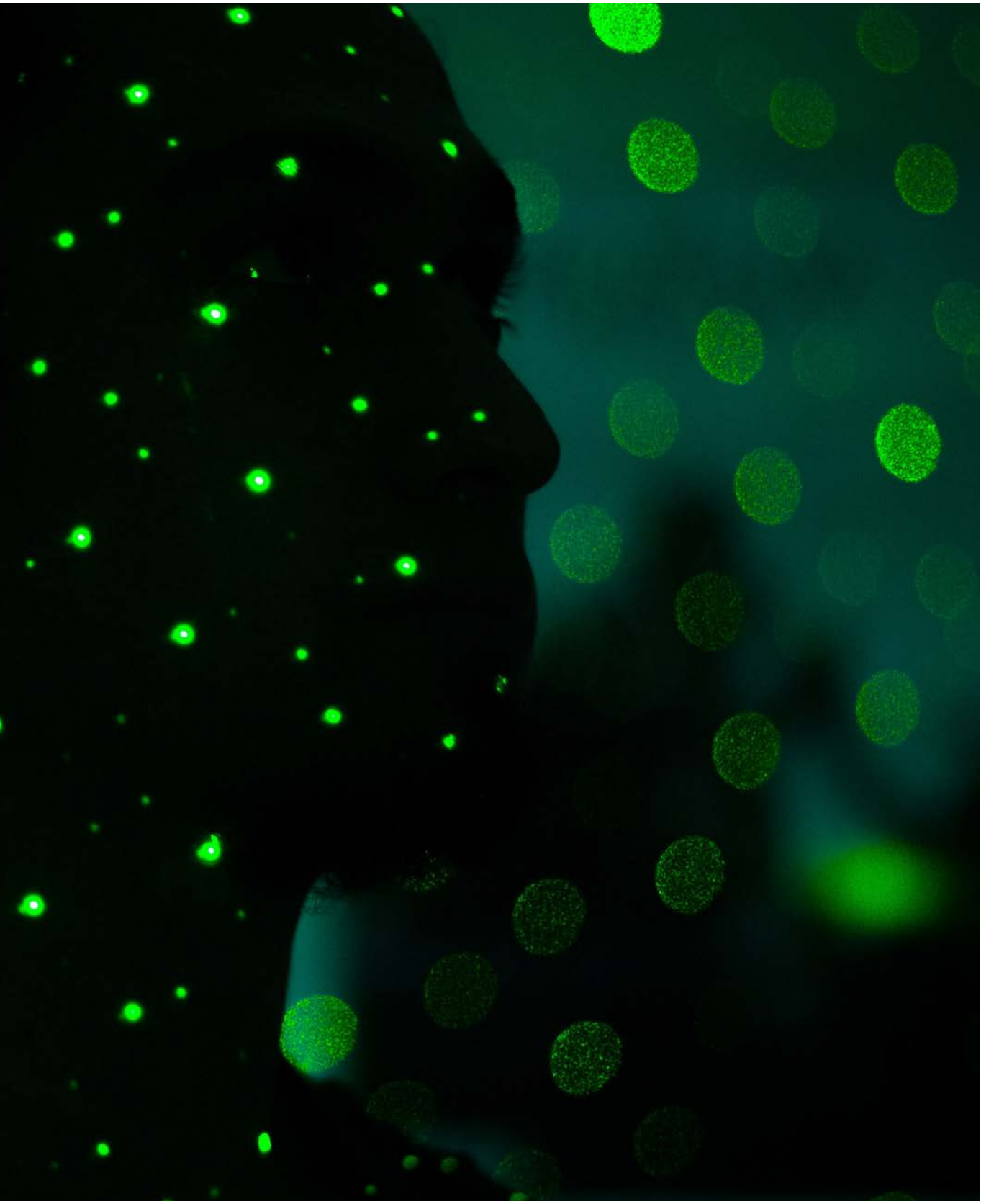
ANKERKRAUT
Sale of natural additive-free products in glass jars with paper labels and cork lids

GINGER
Helping local authorities and companies to reduce their impact on the climate

VIGNAL
Helping to cut GHG emissions by reducing the energy consumption of the products it sells

CROUZET
Helping to cut GHG emissions by reducing the energy consumption of the products it sells

4. INVESTMENTS



PORTFOLIO COMPANIES

BIOGROUP biologie médicale

MEDICAL BIOLOGY LABORATORIES

Date: 2015 - 2019 - 2020

HR works

HUMAN RESOURCES SOFTWARE PROVIDER

Date: 2020

ANKERKRAUT

SPICE MANUFACTURER

Date: 2020

ceva

VETERINARY PHARMACEUTICALS LABORATORY

Date: 1999 - 2003 - 2007 - 2014 - 2020

AIRVANCE GROUP

DISTRIBUTOR OF AIR HANDLING SOLUTIONS

Date: 2020

JACKY PERRENOT

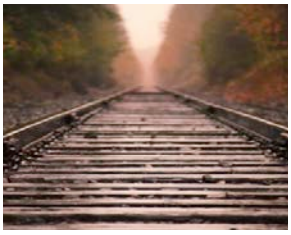
ROAD CARRIER

Date: 2020

RAIL INDUSTRIES

ELECTRONIC COMPONENTS FOR RAILWAY

Date: 2019



weyou Group

B2B TRADESHOWS

Date: 2019

LUMIBIRD MORE THAN LASERS

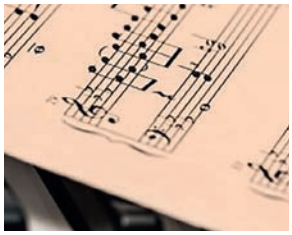
LASER DEVICE MANUFACTURER

Date: 2019

ARTURIA

MUSICAL SOFTWARE AND EQUIPMENT

Date: 2019



spie batignolles

CONSTRUCTION & CIVIL ENGINEERING

Date: 2019

VIGNAL LIGHTING GROUP

LIGHTING AND SIGNALLING FOR INDUSTRIAL AND COMMERCIAL VEHICLES

Date: 2018

SAFIC ALCAN innovative solutions

SPECIALITY CHEMICALS DISTRIBUTION

Date: 2018

DIAM create.develop.enhance

MERCHANDISING SOLUTIONS FOR THE LUXURY GOODS INDUSTRY

Date: 2018

mymedia .group HEROIKS

MEDIA BUYING AGENCY

Date: 2018

CROUZET

PRODUCTION AND SALE OF ELECTROMECHANICAL COMPONENTS

Date: 2018

CASTELLET HOSPITALITY

BUDGET HOTEL

Date: 2017

GINGER

CONSTRUCTION ENGINEERING EXPERTISE

Date: 2017

FORLAM

STEEL TRANSFORMATION

Date: 2017

mci

ORGANISATION OF CORPORATE EVENTS AND PROFESSIONAL CONGRESSES

Date: 2017

ONET
DE L'INGÉNIERIE, DES SERVICES, DES HOMMES

CLEANING SERVICES

Date: 2017

Azaé
la vie facile

HOMECARE SERVICES FOR THE ELDERLY AND/OR THE DISABLED

Date: 2017

GROUPE CARSO

TESTING LABORATORY

Date: 2011 - 2016

COVENTYA

SPECIALTY CHEMICALS

Date: 2011 - 2016

ubiqus

TRANSCRIPTION AND TRANSLATION SERVICES

Date: 2014

EURODATACAR

VEHICLE MARKING AND GUARANTEES

Date: 2001 - 2004 - 2014

ESG REPORT 2020

www.emzpartners.com

EMZ Partners SAS

11 Rue Scribe - 75009 Paris - France

+33 (0)1 53 30 23 30

emz@emzpartners.com

Société par Actions Simplifiée (simplified French corporation) with capital stock of €500,000

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EMZ Partners GMBH

Dienerstrasse 20 - 80331 Munich - Germany

+49 (0)1 70 4485 718

www.emzpartners.com

RCS Munich HRB 25400