



2022  
ARTICLE 29  
OF THE FRENCH  
ENERGY AND  
CLIMATE LAW  
REPORT

**emz**<sup>7</sup>

# CONTENTS

GENERAL APPROACH ON SUSTAINABILITY	1
ESG DEDICATED RESOURCES	5
ESG GOVERNANCE	7
ENGAGEMENT STRATEGY WITH INVESTEE COMPANIES	9
EUROPEAN TAXONOMY AND FOSSIL FUELS	11
ALIGNMENT WITH THE PARIS AGREEMENT	12
ALIGNMENT WITH LONG-TERM BIODIVERSITY OBJECTIVES	15
ESG RISK MANAGEMENT	17
LIST OF FINANCIAL PRODUCTS MENTIONED UNDER THE SFDR REGULATION	20

*This report follows the requirements of Article 29 of law n°2019-1147 of November 8, 2019 and its implementing decree n°2021-996 published on May 27, 2021. It is based on the structure described in Appendix B of AMF instructions DOC-2008-03 and DOC-2014-01.*

# GENERAL APPROACH ON SUTAINABILITY

## I Summary of the ESG approach

### EMZ' approach as a Responsible Investor

EMZ has been present on the French private equity market since 1999. Since then, EMZ has gradually built up a unique positioning among the various market players by placing entrepreneurs and management teams at the heart of its investment strategy. EMZ places all the relevant stakeholders, managers, executives, shareholders family members or founders, at the heart of the creation of stable and sustainable shareholding structures.

EMZ believes that an efficient ESG framework is a necessity for a long-term value creation. Investee companies showing high environmental, social and governance practices are better managed, tend to have lower business risks and ultimately deliver strong value. Fostering good governance, integrity and accountability, addressing obstacles to a sustainable investment strategy will help EMZ achieve the objective of conducting business in a responsible manner.

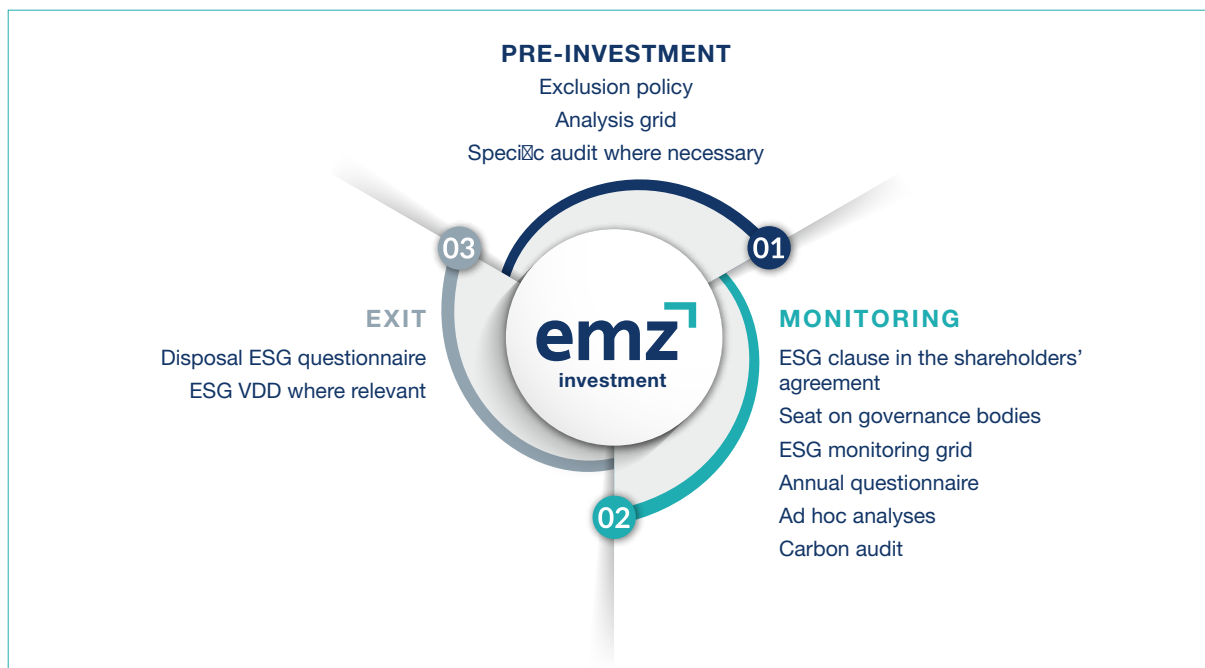
## ESG integration into investment strategy

EMZ is committed to integrating ESG principles into all investment decisions, and subsequently requires portfolio companies to take ESG aspects into account in their activities.

The analysis and integration of ESG factors into investment decisions are embraced in the investment process. It provides

EMZ an additional level of risks analysis, helping to evidence exposure that can be financially material.

The ESG framework is put into practice throughout the investment cycle: from the investment selection phase to the divestment process.



EMZ' ESG policy includes:

- 1. An exclusion policy**, which excludes 5 business sectors from the scope of potential investment:
  - 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 programs or solutions relating to Internet, gambling, online casinos or pornography;
  - food speculation.

Furthermore, the 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.

EMZ extended its exclusion policy in 2022 to include the coal sector as part of the fundraising of EMZ 10. As such, EMZ does not invest in any coal-related companies in its EMZ 10 Fund.

### 2/ Pre-investment analysis

Once compliance with the exclusion policy has been ensured, EMZ' ESG criteria are taken into account in the pre-investment phase using an ESG analysis grid, developed with the help of an external consulting firm, which represents a key decision tool for the investment team.

The analysis grid is aimed at assessing, through a selection of 26 criteria, the target company's level of maturity on ESG matters, its specific governance, environmental, labor and social risks, as well as its relations with suppliers and customers.

As necessary, a specific ESG audit might also be conducted to better evaluate the company's situation with regards to these aspects.

### 3. The inclusion of ESG clauses in all shareholders agreements

Once an investment has been validated, EMZ signs a shareholder agreement with the investee which notably commits to:

- do its best efforts to have regards for ESG considerations and principles, with respect to its activities;
- provide its ESG reporting on an annual basis to EMZ, if applicable;
- use its reasonable best efforts to complete upon request of EMZ any ESG questionnaire that EMZ may send to it on an annual basis (or at higher frequency as might become required by law, regulatory or any other binding decision or resolution of a competent authority, as the case may be).

The investee also commits, within its respective powers, to make its best efforts to:

- ensure that its subsidiaries cooperate;
- obtain, as far as possible and at no additional cost, from their suppliers, subcontractors and service providers, both French and foreign, that they make a commitment to carry out their activities, in respect to ESG considerations.

At least once a year, if possible, the Supervisory Committee / Board will use its reasonable best efforts to add to the agenda governance, social and environmental risks and performances topics.

### 4. Holding Period

During the holding period, ESG performance is monitored through:

- EMZ' systematic participation on the supervisory boards of the portfolio companies: this role enables it to encourage best practices, particularly in relation to the independence, diversity and transparency of management bodies;
- Each year, all portfolio companies are asked to complete an EMZ questionnaire: this questionnaire is not only a tool for collecting information, it is also a channel that companies can use to highlight their own issues and challenges.

The questionnaire includes a detailed list of questions covering environmental, labour, societal and governance issues, as well as questions about customers and suppliers, allowing qualitative analyses to be carried out on the integration of ESG issues by the portfolio companies and the associated risks. It also includes quantitative indicators, such as measurements of companies' carbon footprints for instance.

### 5. The Exit Phase

Upon exit, EMZ may recommend to the company to proceed with an external ESG audit to be provided to potential acquirers.

## I Content, frequency and means used to inform subscribers about the ESG criteria considered in the investment policy and strategy

Transparency and communication are key elements that drive EMZ' ESG framework. To that end, EMZ does its best to provide a set of regular communications to its investors:

- EMZ' responsible investment policy is updated on an annual basis and is available on its website;
- ESG performance and progress of investee companies are consolidated in a dedicated report and sent annually to investors;
- the ESG report is available on the EMZ website;
- the UCI annual report for each Fund is shared with investors;
- the annual PRI transparency report is available on the dedicated platform;

- regular and ad-hoc ESG communications through meetings and tailor-made ESG reporting at the request of investors;
- information on the ESG characteristics of the Funds is also detailed in the periodic and pre-contractual reports;
- a specific section on the ESG policy is included in the PPM (Private Placement Memorandum).

EMZ contractual materials including LPAs and shareholder agreements have ESG-dedicated sections. In the event of an ESG breach, EMZ is committed to disclose any incident deemed material to its investors.

## I EMZ' involvement in ESG initiatives and charters

Engaging in responsible investment associations or initiatives is paramount for EMZ as it set the grounds for implementing and improving its sustainable journey.

Signatory of:



EMZ has been a signatory of the **United Nations' Principles for Responsible Investment ("PRI")** since 2016. EMZ has therefore been dedicated to integrating and formalizing their six Principles:

- incorporate ESG issues into investment analysis and decision-making processes;
- be active owners and incorporate ESG issues into ownership policies and practices;
- seek appropriate disclosure on ESG issues by investee companies;
- promote acceptance and implementation of the Principles within the investment industry;
- work collectively to enhance effectiveness in the Principles' implementation;
- report on activities and progress towards implementing the Principles.



In addition to the PRI, EMZ is a member of **France Invest**. As a member of the Association, the ESG team regularly participates to ESG workshops. By reporting to France Invest on the ESG performance of its investee companies, EMZ contributes to France Invest's annual report. In addition, EMZ is a signatory of the Parity Charter, demonstrating its commitment to gender equality and inclusion.

# ESG DEDICATED RESOURCES

## I Internal and external resources

### A dedicated ESG team

EMZ' ESG framework is built around a sound governance structure. All teams at EMZ are involved in the implementation of the ESG agenda at different levels. This agenda is steered by a dedicated ESG team responsible for defining the ESG strategy and coordinating and deploying ESG initiatives in close collaboration with the investment and operating teams.

The ESG agenda is driven by a dedicated ESG team including the Managing Partner, the General Secretary and, since the beginning of 2022, a Head of ESG. François Carré, as Managing Partner, oversees ESG strategy at EMZ level. The Head of ESG is responsible for regulatory compliance and ESG communication. In particular, the Head of ESG is responsible for collecting data from investee companies and transmitting them to investors.

The investment team is heavily involved in identifying and measuring sustainability risks when making investments, using dedicated ESG grids. In addition, a member of the investment team assists the ESG team with specific reports and due diligence questionnaires received from investors.

EMZ pays great attention to raising awareness and training its team members on ESG issues. EMZ is well aware that sustainability has become central over the last decade and requires all team members to get proper training and tools in order to effectively integrate ESG in their various roles.

### External support

Depending on its specific needs, EMZ may appoint external service providers chosen for the quality of their expertise.

It can be either in the context of an ESG due diligence prior to an acquisition or divestment, for the annual ESG assessment of the portfolio or to respond to investors' questionnaires.

Among external service providers, EMZ notably worked with:

- Indefi, for the ESG questionnaire used in the pre-investment assessment process;
- Burgeap, to define the ESG assessment and estimate the carbon footprint of portfolio companies that had not carried out their own carbon assessment in 2022.

### Technical and financial resources dedicated to ESG

EMZ uses a web-based platform, Tennaxia, dedicated to the collection and monitoring of ESG data from all investee companies.

As a firm, EMZ has not allocated a specific budget to ESG projects but is committed to dedicate the financial resources deemed necessary to successfully implement its ESG strategy. The financial resources dedicated to supplement EMZ' ESG strategy will depend on the needs and the projects validated by the ESG team.

## I Strengthening EMZ' capacities on sustainability

The Head of ESG and the management of EMZ share the responsibility to make sure that all employees at EMZ develop and strengthen their ESG knowledge and skills.

First and foremost, ESG training sessions on specific topics are provided on an ad-hoc basis to investment professionals as well as to operating staff as the case may be. For example, in January 2022, training was provided on the principles and criteria of the European Taxonomy. EMZ will soon organize a follow-up on ESG training courses to assess their impact and identify any additional needs.

In addition, the investment team can rely on the ESG team to provide information, tools and updates on ESG topics, share good practices and analyses needed to manage ESG issues in the most efficient way.

The role of the ESG team is also to coordinate as proactively as possible with the investment team throughout the investment cycle. This monitoring allows to properly manage ESG risks, notably by requiring all investee companies to answer EMZ's annual ESG questionnaire that includes 142 qualitative and quantitative KPIs. The data collected highlights the companies' progress and areas of improvements. The ESG performance is included in EMZ' annual ESG report.

EMZ may solicit external consultants when it comes to the ESG due diligence, the annual report and the climate change risks assessment. In 2022, the ESG team revised the annual ESG questionnaire (type of platform used, data collected, monitoring capabilities).

Furthermore, in 2022, EMZ introduced the integration of ESG criteria into the Management Package of one of its investee companies. The team intends to develop this practice further, in order to better integrate ESG considerations into the decision-making process and raise awareness of these issues among both the investment teams and the management of the investee company.



# ESG GOVERNANCE

## I Description of EMZ' ESG governance: organization, knowledge, skills and experience of governance bodies

EMZ's governance puts emphasis on the respect of ESG principles and the development of ESG's expertise within the team.

### At management company level

Karine Callec, General Secretary, François Carré, Managing Partner, and the Head of ESG, are involved in channeling the implementation of the ESG process. The team has ultimate oversight for defining the ESG strategy of EMZ.

This team oversees the ESG strategy, notably by reviewing the ESG page in the Information Memorandum (IM) and by monitoring key ESG indicators. These qualitative and quantitative indicators enable ESG performance to be measured and assessed, and may include, for example, Principal Adverse Impact (PAI) indicators, carbon emission reduction measures, biodiversity and climate measures.

As EMZ considers ESG as a key aspect of its overall investment strategy, all ESG-related strategic decisions are made collectively with the investment team during investment committees which the ESG team attends.

### At operational level

ESG is a matter for all at EMZ, with the head of ESG, the investment team and the finance team working together to ensure ESG is embedded at all stages of the investment process and of the life of the Funds.

The investment team is thus responsible for conducting the ESG analysis prior to any investment decision and, together with the head of ESG, making sure that ESG issues are addressed on a regular basis when meeting with the management of investee companies, and covered during Board meetings. Likewise, the head of ESG works closely with the finance team on all matters relating to ESG reporting.

EMZ pays particular attention to the governance of the companies in its portfolio and has made this a specific focus with the following actions:

- developing a partnership-based approach to support 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 is systematically part of governance bodies, most often as member of the supervisory board or, otherwise, as board observer.

## Managing governance issues

EMZ promotes the following best practices:

- a well-structured sharing of duties in governance bodies to have a clear definition of each body's role and facilitate decision-making;
- transparency among the members of the governance bodies and, to a certain extent, with employees, to enable informed decision-making based on internal or external realities;
- external monitoring of governance bodies to avoid downward drifts, which also become more likely when information sharing is impeded.

## EMZ' remuneration policy

EMZ' remuneration policy outlines the criteria relating to remuneration, taking into account the group's strategy, objectives and risk policy, in order to align the long-term interests of all stakeholders (shareholders, customers, employees and the community as a whole).

The main criteria of EMZ' compensation policy prevent excessive risk taking and include quality, performance, and extra-financial criteria.

The fixed part represents the most part of the investment team and managers' total compensation and is not correlated with the number of investments completed nor the performance of the Funds managed. It is set for each employee according to their responsibilities, skills and experience. It is significant enough not to encourage excessive risk-taking by the members of the investment team.

The allocation of the variable portion is correlated with the creation of wealth generated by EMZ' activity over the long term. Therefore, it does not depend solely on the number of investments completed or the performance of the Funds managed and does not encourage risk taking that would be incompatible with risk profiles, both financial and in terms of sustainability (including risks relating to good governance and ethics' principles, risks relating to climate change, or other environmental or social risk considered material).

Individual salary increases and variable part allocation are determined according to objective criteria:

- qualitative criteria, including deals analyzed, management of investee companies, involvement in teamwork, commercial representation, etc.;
- quantitative criteria, including number of deals analyzed and investments completed, investments under management, exits of investee companies, amount, etc.;
- consideration of environmental, social and good governance criteria in business practice.

EMZ fosters a reasonable and appropriate approach to remuneration and ensures that employees are not encouraged to take risks that might be considered excessive or inappropriate. For these purposes, EMZ takes all risks (financial risks, sustainability risks, etc.) into account.

In line with its inclusion and diversity policy, EMZ is committed to non-discrimination in the recruitment and subsequent compensation evolutions. Any decision concerning remuneration, training, classification, promotion, work organization or working conditions is based strictly on business criteria that exclude all discriminatory considerations (such as marital status, gender, sexual or gender orientation, religion, ethnic or social origins, disability, age, etc.) and, in particular, respect gender equality. EMZ' commitment is notably illustrated by its signature of the France Invest's Parity Charter.

## Integration of ESG quality criteria in the by-laws of EMZ' Board

There are no sustainability criteria formally integrated into the by-laws of the management company's governance bodies.

However, EMZ already promotes good governance practices, notably through the diversity of experience and skills within its

governance bodies. In addition, the ESG team is headed by EMZ' Managing Director François Carré which demonstrates that ESG issues are taken into account at the highest level of the management company.

# ENGAGEMENT STRATEGY WITH INVESTEE COMPANIES

## I EMZ' engagement strategy

In terms of corporate governance, EMZ complies with a procedure setting the conditions for the exercise of voting rights for the managed Funds.

It is important to note that the investment policy of the Funds managed by EMZ is to intervene in general up to 75% *via* subordinated loans and for the remaining 25% in equity with the purpose to not invest in instruments traded on regulated or organized markets.

However, exceptionally, in connection with portfolio investments, EMZ may:

- acquire securities traded on a regulated or organized market;
- exercise its warrants and be entitled to securities traded on a regulated or organized market.

For all unlisted securities held in the various Funds managed by EMZ, the voting policy is inseparable from the investment strategy applied to these Funds.

Active management of securities listed by EMZ is by nature infrequent. In all cases, EMZ will exercise the voting rights attached to the securities held in the interest of the investors of the managed Funds. However, when the securities held by the managed Funds are admitted to regulated or organized markets in a State party to the European Economic Area

agreement or a recognized foreign market, EMZ may not exercise its voting rights if the percentage of the rights held by the managed Fund(s) is less than 5% of the voting rights of the meeting concerned.

EMZ is committed to ensuring consistent exercise of voting rights associated with the shares held in the Funds and exercises the voting rights with the sole view of preserving the interest of its investors. In any event, EMZ endeavours to systematically exercise its voting rights in compliance with its conflict of interests' prevention and management measures.

Regarding the voting rights attached to the unlisted securities of the managed Funds, EMZ reports on its responsibilities within all corporate bodies of investee companies in the annual reports of each Fund.

All investee companies are covered by EMZ' engagement policy.

The voting policy is available upon request.

In addition, EMZ has not experienced any premature exits from an investment for ESG reasons, demonstrating that the engagement policy and the measures taken to support companies in improving their ESG performance are effective.

## I Outcomes of the strategy of engagement

The outcomes of the engagement strategy are available upon request.

EMZ does not invest in listed equities, and consequently has no established process for tracking all votes. Thus, there is no process in place to track votes taken in 2022 on environmental, social or governance issues. However, when it comes to voting on a company's annual financial statements, EMZ participates in the voting process and exercises its right in accordance with its voting policy.

In all cases, EMZ will exercise the voting rights attached to the securities held in the interests of its investors.

With regards to voting rights attached to the unlisted securities held by the Funds under management, EMZ reports on its responsibilities within the corporate bodies of the portfolio companies in the Funds' annual reports.

## I Sector exclusions

Since inception, EMZ' investment strategy has been focused on midsize companies operating mostly in France and the DACH region. Within this investment universe, some target companies may be excluded for ethical values. Indeed, the identification of investment opportunities begins with a negative screening by excluding companies based on sector, products or services, or certain behaviours that EMZ deems unethical.

EMZ' exclusion policy has been defined to exclude proactively companies operating in sectors entailing high reputational risks. Five business sectors have been 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, the 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.

Lastly, when the EMZ 10 Fund was raised, the coal sector was also excluded from the scope of investment.

Should EMZ make any changes to its exclusion policy, these would be recorded in its policies and legal documentation.

# EUROPEAN TAXONOMY AND FOSSIL FUELS

## I Proportion of investments aligned with the European Taxonomy

The Funds managed by EMZ have not defined an objective to invest in economic activities qualified as environmentally sustainable in accordance with EU Taxonomy.

In addition, the participations are not subject to the reporting obligations set out in Article 8 of Regulation (EU) 2020/852. The Funds have assessed the possibility to collect KPIs relating to the Taxonomy from participations. However, information

gathered does not allow to draw conclusions on the alignment of the Funds' investments with the EU Taxonomy. Consequently, no investment is qualified as Taxonomy-aligned to date.

EMZ is committed to improving the quality and transparency of data and reporting. When data becomes available and/or more reliable, the alignment of investments with Taxonomy will be assessed.

## I Exposure to companies active in the fossil fuel sector

The share of investments on companies active in the fossil fuel sector is very limited as only the Jacky Perrenot Group is concerned.

The Jacky Perrenot Group is a road transport and logistics company serving a large base of customers, mostly active in the retail and food industries. Only a small portion of its activities relates to the transport of fossil fuels, which accounted for

less than 4% of its sales in 2022 (€43.8 million out of total sales of €1,070 million). This is equivalent to 0.20% of the total sales generated by the EMZ 9 Fund portfolio companies (which amounted to €21,908 million in 2022). Moreover, Jacky Perrenot is very active in the ecological transition – it notably operates the largest green fleet in Europe – which was rewarded by the EcoVadis Gold certification obtained in 2022.

# ALIGNMENT WITH THE PARIS AGREEMENT

## I EMZ climate strategy<sup>(1)</sup>

The implementation of the Paris Agreement requires economic and social transformation based on scientific research and consensus. Although EMZ has not yet formalized a “Paris-Agreement trajectory”, nor set GHG emission reduction target, the team endeavours to address climate change issues through specific initiatives and greater involvement with investee companies.

EMZ is already taking measures to raise awareness on climate change amongst investee companies and advocates for concrete measures. To achieve these goals, EMZ started by implementing the following measures to understand the environmental policy pursued by investee companies:

- introduction of environmental indicators to assess the environmental performance of investee companies;
- assessment of investee companies’ climate risk exposure (physical and transition risks) based on EMZ’ ESG analysis grid;
- assessment of the carbon footprint of the portfolio on scope 1, 2 & 3. For investee companies which may not yet measure their carbon footprint, such assessment is conducted by an external consulting firm mandated by EMZ;
- monitoring of the environmental performance of investee companies through an annual ESG questionnaire that includes climate change and biodiversity-specific indicators;
- raising of awareness about global warming and the need to assess carbon footprint and implement climate strategies among investee companies that may be less mature on this topic.

EMZ is willing to share the outcome of the ESG questionnaire more widely in the future, including among EMZ employees and investee companies. This exercise enables EMZ to collect and evaluate the performance of each company and thereby highlights companies for which climate change risk is material and action plans required.

### Assessment of portfolio companies’ carbon footprints

EMZ considers that, as an investment fund, it must contribute to the reduction of greenhouse gas emissions, in particular by:

- being fully aware of the externalities associated with its portfolio companies’ businesses and operations;
- supporting the implementation of policies to meet the Paris Agreement targets on climate change, in particular by supporting investee companies’ commitments and efforts to assess and reduce their carbon footprint.

The carbon footprint assessment is conducted every year and covers scope 1, 2 & 3. It enables EMZ to understand where investee companies stand regarding climate change and take appropriate action if and when necessary. EMZ is committed to support its investee companies in the implementation of carbon emission reduction plans.

### Increasing the level of information

During the ownership phase, EMZ supports its investee companies in the implementation and monitoring of their climate action plan.

*(1) From section 6 onwards and unless otherwise stated, the notion of EMZ covers both the entity as Management Company and the EMZ 9 Fund, for which publication of an Article 29 is also required by regulation.*

EMZ annually tracks the environmental performance of its portfolio by monitoring and reporting a set of climate-related indicators, as described below.

If climate risks have been evidenced as being material for an investee company, the issue will be prioritized and closely monitored throughout the ownership phase, notably through the governance bodies that EMZ participates in.

### Methodology & Results

GHG emissions data are compiled based on the information provided during the annual ESG campaign.

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.

To make sure that investee companies are tackling climate change, EMZ tracks the progress through a set of climate-related indicators including:

- geographic location of assets to assess exposure to physical climate risks;
- energy consumption (total and by type or usage);
- carbon footprint scope 1, 2 & 3;
- carbon intensity: emissions per unit of revenue;
- exposure to the fossil fuel industry;
- production of renewable energy on site;
- energy consumption intensity by sector with high climate impact.

EMZ pays specific attention to the carbon footprint and mandates an external expert every year to measure the carbon footprint of portfolio companies that have not carried out their own carbon footprint in the previous year.

### Formal exclusion of coal

EMZ has already taken several steps towards climate change. Yet, further strengthening of its climate strategy remains a priority for the ESG team. EMZ has notably extended its exclusion policy in 2022, as part of the fundraising of EMZ 10, to exclude the coal sector from its investment policy.

### EMZ 9 CLIMATE STRATEGY

The EMZ 9 Fund has taken steps to integrate climate issues into its investment processes and actively supports portfolio companies in their ecological transition.

In line with the strategy described above, every year, climate-related indicators are analysed as part of the reporting campaign, with a particular focus on measuring the portfolio’s carbon footprint on Scopes 1, 2 & 3. In 2022, some of the EMZ 9 Fund’s investee companies carried out a carbon assessment and took initiatives to reduce carbon emissions and align with the Paris Agreement. For companies that have not conducted a carbon assessment, the evaluation was carried out by an external consulting firm commissioned by EMZ, which calculated the value of their total Scope 1, 2 and 3 emissions. To ensure a more accurate assessment and better monitoring of the carbon footprint evolution of its investee companies, EMZ has selected a new service provider, SWEEP, to carry out a more detailed assessment of the portfolio’s carbon footprint in 2023. This assessment will then be updated on an annual basis, based on the same methodology, to ensure the comparability of successive measurements.

## I EMZ alignment plan to the Paris Agreement

EMZ has already carried out several initiatives to gain a better understanding of the environmental policies pursued by its investee companies, assess the materiality of climate issues through, among other things, the analysis of their carbon footprint in terms of scopes 1, 2 and 3, and support the definition and implementation of appropriate action plans.

In order to pursue its efforts and fully align itself with the Paris agreements, EMZ is committed to:

### 1. Accurately measure its carbon footprint and that of its investee companies, then build a climate action plan:

- Continue to assess the carbon footprint of all investee companies on an annual basis.
- Improve the methodology for calculating carbon footprints to ensure greater accuracy of measurement and better comparability from one year to the other, which is essential to define and monitor EMZ' decarbonization strategy. Until now, external advisors mandated by EMZ would estimate the carbon footprint of portfolio companies based on their sector of activity and sales. Since 2023, EMZ has been working with SWEEP, a platform specialized in carbon assessment, based on "real" data which provides a more reliable measurement of the carbon footprint of portfolio companies. As a result, EMZ will be able to assess the environmental impact of its investee companies in a more accurate manner (notably by identifying their most significant categories of emissions), and

will be in a better position to support them in defining action plans aligned with the objectives of the Paris Agreement.

- Measure and regularly update the management company's carbon footprint.
- Define a climate action plan by 2025 (based on the now finer and more reliable carbon measurements of the portfolio) to stay within the 1.5 °C trajectory of the Paris Agreement.

### 2. Obtain a climate certification

- Make every effort to obtain the SBTi (Science Based Targets Initiative) certification by 2025, which encourages companies to set ambitious and measurable targets to reduce greenhouse gas (GHG) emissions, based on the latest scientific knowledge available.

### 3. Train EMZ teams and investee companies on climate issues

- EMZ employees: every EMZ employee shall have received at least a half-day of training on climate issues by 2024.
- Investee companies: EMZ plans to offer training courses for investee companies covering sustainability topics including carbon matters to raise awareness on this exercise and facilitate the adoption of reduction trajectories. In addition, from 2023 onwards, portfolio companies will benefit from preferential rates to carry out their full carbon assessment with SWEEP.

## PLAN TO ALIGN THE EMZ 9 FUND WITH THE PARIS AGREEMENTS

As the EMZ 9 Fund will approach to the end of its holding period, the Paris Agreement alignment plan will focus on two aspects: (i) continue to assess the carbon footprint and impact of portfolio companies, and (ii) continue to train the EMZ team on climate issues and to raise awareness among portfolio companies on best practices that actively contribute to the transition towards a low-carbon economy.



# ALIGNMENT WITH LONG-TERM BIODIVERSITY OBJECTIVES

## I EMZ biodiversity strategy

### Biodiversity commitments

The Convention on Biological Diversity sets three global objectives to achieve sustainable development:

- the preservation of biological diversity;
- the sustainable use of its elements;
- the fair and equitable sharing of the benefits arising from the exploitation of genetic resources.

### Inclusion of biodiversity criteria in the investment process

The global assessment of biodiversity and ecosystem services published in 2019 by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), identifies five major direct pressures responsible for erosion on biodiversity: land and soil use change, exploitation of species and habitats, climate change, pollution, and invasive alien species.

The absence of an established methodology, the complexity and diversity of the issues to be assessed and the lack of data available from investee companies make biodiversity erosion a difficult issue to assess and address at this stage.

As a responsible investor, EMZ is however fully aware of the necessity to gradually include biodiversity as a key component of its ESG strategy and more broadly in its investment process, as it does with climate change.

EMZ' strategy of alignment with long-term biodiversity objectives is reinforced by the collection and monitoring of KPIs in the ESG questionnaires sent to portfolio companies. These KPIs, integrated into EMZ' analysis grid, enable to assess and monitor companies' impacts on biodiversity. Examples of KPIs collected on biodiversity:

- does the company have a formal environmental policy?
- if yes, has the company formalized a biodiversity preservation policy (commitments and objectives)?
- if so, is the biodiversity preservation policy in line with international objectives?
- has the company mapped its sites and activities to identify its Key Biodiversity Areas (KBAs)? (Key Biodiversity Areas being defined as "sites that contribute significantly to the persistence of global biodiversity" in terrestrial, freshwater, and marine ecosystems. The Global Standard for the Identification of ZCBs (IUCN 2016) setting criteria for the identification of ZCBs at the global level);
- has the company carried out an assessment of its biodiversity footprint (on land use and conversion in sqm)?

### EMZ 9 FUND BIODIVERSITY STRATEGY

The EMZ 9 Fund collects and monitors the key biodiversity-related indicators presented above, through the ESG questionnaire sent each year to all portfolio companies. This approach helps to raise awareness among the management teams of the portfolio companies, and to monitor their initiatives and progress. In 2022, all the companies in the Fund have declared that they have no activities with a negative impact on biodiversity-sensitive areas.

## I EMZ alignment plan to long-term biodiversity objectives

EMZ is committed to going beyond the collection and monitoring of key indicators and has set itself the goal to fully include biodiversity in its investment strategy, as well as to support participations in their own strategies relating to the erosion of biodiversity.

To pursue its efforts and fully align itself with long-term biodiversity objectives, EMZ is committed to:

### 1. Define and implement a biodiversity policy by 2026:

- this policy will define the company's commitments to biodiversity protection, including the objectives and targets with regards to biodiversity conservation, the identification of key biodiversity areas and the engagement with all stakeholders.

### 2. Measure the materiality of ESG issues for investee companies and take measures to mitigate pressures on ecosystems:

- include questions on this topic in the ESG questionnaire grid by 2025. Specific indicators, such as the volumes of hazardous waste generated by certain processes that can affect biodiversity, will be monitored during the holding period;
- consider using a tool enabling to carry out an initial analysis of sectoral impacts and dependencies on biodiversity;
- in a second phase, based on these results, select an external service provider capable of carrying out a more detailed analysis of resource dependencies and impacts on biodiversity, and defining a biodiversity footprint indicator. This way, analyses will be carried out on portfolio companies with the greatest impact on biodiversity, in order to measure their impact and take appropriate mitigation measures with the investee companies.

### PLAN TO ALIGN THE EMZ 9 FUND WITH LONG-TERM BIODIVERSITY OBJECTIVES

As the EMZ 9 Fund portfolio companies will approach the end of their holding period, the plan to align with long-term biodiversity objectives will focus on measuring the materiality of ESG issues specifically relating to biodiversity for each investment. This will be done by including specific questions on biodiversity in the annual ESG questionnaire. In addition, to the extent possible given the time available, the Funds will collaborate with investee companies to adopt measures to mitigate potential pressures on ecosystems.

# ESG RISK MANAGEMENT

## I EMZ' ESG risk management

A sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, would cause a negative material impact on the value of an investment. Should such event occur, the value of EMZ' investment would be negatively impacted.

**Prior to each investment decision**, EMZ completes a process that identifies the material risks associated with the investment opportunity. The incorporation of ESG criteria in the investment phase is primarily guided by EMZ' exclusion policy. This policy has been defined to exclude from the scope of potential investments certain business sectors that are considered as controversial and against the building of sustainable businesses from an environmental or social point of view.

Five business sectors are excluded from the scope of potential investments:

- 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 programs or solutions relating to Internet, gambling, online casinos or pornography;
- food speculation.

EMZ has also extended its exclusion policy in 2022 to include the coal sector as part of the EMZ 10 Fund. As such, EMZ does not invest in any coal-related companies in its EMZ 10 Fund.

The analysis of risks and opportunities during the pre-investment phase includes extra-financial criteria based on an ESG analysis grid that was drawn up in association with an external advisor and which enables the investment team to ascertain the ESG profile of the companies in which it is considering investing.

This grid covers several dimensions such as governance, human resources, the environment, and external stakeholders (e.g. 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 on:

- labor practices (including labor risks, human resources management, diversity, health and safety, dialogue, employee sentiment, reporting);
- environmental practices (including environmental risks, the implementation of an environmental management system, energy use and greenhouse gas emissions, soil, water and waste criteria, biodiversity, reporting);
- risks relating to external stakeholders (monitoring of suppliers and subcontractors, quality approach, risks or benefits of products and services).

Based on the outcomes of this analysis, EMZ can assess the risk relating to ESG issues. If necessary, depending on the profile of the company under review, a specific environmental audit may also be conducted to better assess how the company positions on these issues.

During the **holding period**, ESG risks are monitored through:

- EMZ's systematic participation to supervisory board, either as board member or, otherwise, as observer: this position enables EMZ to encourage the implementation of best practices;
- the annual ESG questionnaire sent out to all portfolio companies: this questionnaire does not only collect information, but also gives companies the opportunity to share their own challenges and specificities.

The questionnaire includes a detailed list of questions covering environmental, social, societal and governance issues, as well as questions relating to customers and suppliers, which enables to qualitatively assess the integration of ESG matters by investee companies, as well as the associated risks. It also includes quantitative indicators, notably carbon footprint measurements.

At **exit**, EMZ may recommend that the company carry out an external ESG audit. In some cases, an ESG divestment questionnaire is completed by EMZ.

In 2022, EMZ has not measured the financial impact of the main sustainability risks, nor the share of assets exposed to those risks.

### Consideration of negative impacts

In sustainability terms, negative impacts refer to the negative environmental, social or governance impacts resulting from investment decisions (*i.e.* non-financial risks).

As part of its sustainability risk management policy, EMZ endeavours to identify the main negative impacts applying to the companies in its portfolio, giving priority to the indicators detailed by the European authorities. Data on the EMZ 10 Fund's consideration of negative impacts are available in the annual periodic report.

The exclusion policy, detailed in EMZ's "ESG Risk Integration Policy", also contributes to mitigating negative impacts.

### Climate risk assessment

Physical and transition risks are annually reviewed for investee companies with the assistance of an external consulting firm specialized in environment and climate issues. EMZ's analysis of its portfolio's vulnerability to climate change is two-fold:

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

### Biodiversity risk assessment

At the investee companies' level, EMZ is already working in this direction by including biodiversity issues in the annual ESG assessment of its investee companies through indicators covering, *inter alia*, land use, water pollution and waste. EMZ has not identified any asset that would be exposed directly to biodiversity. When deemed possible based on the type and quality of information available, EMZ aims to assess, for companies that may be concerned by the objectives of the Convention on Biological Diversity, the way they manage those risks and how their contribution meets the criteria set by the Convention.

At the management company level, EMZ has not identified any direct impact of its activity on biodiversity.

### ESG RISK MANAGEMENT FOR THE EMZ 9 FUND

As part of its investment process, EMZ 9 identifies sustainability risks that could affect the value of its investments. The Fund also assesses whether potential negative medium or long-term effects on both social and natural environments are considered.

The EMZ 9 Fund's risk management approach takes extra-financial and/or non-financial risks into account. The analysis of risks and opportunities in the pre-investment phase is based on the EMZ ESG analysis grid, which was developed with external consultants and represents a key decision-making aid for the investment team.

The analysis grid is used to determine the ESG profile of the company that is analysed, based on 26 criteria relating to governance, human resources, the environment, and external stakeholders (customers, suppliers, civil society).

If necessary, depending on the company's profile, a specific environmental study can be carried out to assess the company's situation on these issues.

In addition, the exclusion policy helps mitigate potential negative impacts.

## I Action plan for taking ESG criteria into account in risk management

To further integrate ESG criteria into risk management, EMZ plans to:

### 1. Better define ESG risks

- Assess environmental, social and governance factors (initially through a qualitative approach) linked to each company in the portfolio, using the ESG analysis grid. This initial assessment will enable EMZ to identify the risks associated with these matters, classify them according to their category (e.g., transition, physical, responsibility) and hierarchize them.
- Consider conducting a quantitative estimate of the financial impact of these key ESG risks, using for example MSCI's Climate VaR methodology, which aims to provide a future monetary valuation of climate-related risks and opportunities within a portfolio.

### 2. Define a strategy to mitigate identified risks

- Once all ESG risks have been identified, EMZ will develop appropriate strategies to manage them and minimize their negative impact on the performance and sustainability of the companies in the portfolio. By 2025, EMZ will be able to define a policy and specific guidelines to guide these actions. The policy will include thresholds and limits for ESG risks, investment verification processes and guidelines for engagement with portfolio companies to mitigate risks.

### 3. Raise awareness of ESG risk identification and management among EMZ employees and investee companies

- Continue to make all employees aware of ESG issues, and train them to new policies implemented by EMZ and to the management of potential risks identified.
- Offer training on ESG risks and best practices in their industry to portfolio companies who are interested to participate, starting in 2025.

#### EMZ 9 FUND ACTION PLAN ON TAKING ESG CRITERIA INTO ACCOUNT IN RISK MANAGEMENT

Given the approaching end of the EMZ 9 Fund portfolio companies' holding period, EMZ will prioritize the qualitative definition of ESG risks and mitigation actions that can be implemented quickly and will have a significant impact on ESG risk reduction.

In addition, EMZ 9 will encourage portfolio companies to participate in training sessions on risks and best practices in their industry. The implementation of a system for monitoring and assessing the risks of companies, even after their holding period, will be included in the internal risk monitoring and management tool.

# LIST OF FINANCIAL PRODUCTS MENTIONED UNDER THE SFDR REGULATION

This regulation aims to strengthen transparency obligations on ESG matters that asset management professionals take into account when designing or managing financial products.

In particular, the regulation defines 3 types of products:

- “Article 9” products with a sustainable investment objective;
- “Article 8” products, which take into account environmental or social features;
- “Article 6” products, which do not have a sustainable investment objective and do not claim to promote environmental or social characteristics. These are all other investments that are neither “Article 8” nor “Article 9”.

The SFDR (Sustainable Finance Disclosure Regulation<sup>(1)</sup>) classification of the EMZ Funds is as follows:

FUND NAME	SFDR CLASSIFICATION	AUM (€M)	SHARE TAKING ESG CRITERIA INTO ACCOUNT
EMZ 7	Article 6	41.3	100%
EMZ 8	Article 6	494.8	100%
EMZ 9	Article 6	1,185.7	100%
EMZ 10	Article 8	418.4	100%

The EMZ 10 Fund is classified Article 8 in accordance with SFDR regulations, as it promotes environmental or social characteristics.

EMZ Funds 7, 8 and 9 are classified as Article 6. The marketing of these financial products was completed before

the Disclosure regulation came into force. Nevertheless, these Funds are still covered by EMZ’ ESG strategy. In line with its responsible investment policy, 100% of the Funds managed by EMZ include ESG criteria in their investment thesis.

*(1) Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on sustainability disclosure in the financial services sector.*



Cover photo credit : ©Istock



[www.emzpartners.com](http://www.emzpartners.com)

**EMZ Partners SAS**

9 rue Saint-Florentin - 75008 Paris - France

+33 (0)1 53 30 23 30

[emz@emzpartners.com](mailto:emz@emzpartners.com)

Société par Actions Simplifiée au capital de 500 000 euros  
Immatriculée au Registre du Commerce et des Sociétés  
de Paris sous le N° 423 762 814

**EMZ Partners GMBH**

Dienerstrasse 20 - 80331 Munich - Germany

+49 (0)1 70 4485 718

[www.emzpartners.com](http://www.emzpartners.com)

RCS Munich HRB 25400