



EMZ PARTNERS' RESPONSIBLE INVESTMENT POLICY

Active since 1999 on the French private equity market, EMZ has gradually elaborated a unique positioning among its competitors while recognising the management teams and the company managers as an essential value creating factors.

In this respect EMZ undertake investment operations allowing the managers and management teams, together with employees, family owners and founders to become or remain as significant and reference shareholders of their businesses. Thus, EMZ participates in the incorporation of stable and durable shareholding structures in a long term partnership between the different stakeholders.

The balanced and durable partnership with management teams is the heart of EMZ ESG policy. In parallel, EMZ has undertaken several initiatives over the past few years in order to strengthen EMZ ESG positioning in its investment and management policies. In this respect, EMZ has signed off the UN Principles for Responsible Investment in 2016 and is thus committed to respect the responsible and durability investment criteria endorsed by governmental and supranational organisations.

I A committed and responsible management company

EMZ integrates ESG matters on a daily basis both as an employer at Management Company level, and as an investor:

- senior dedicated ESG taskforce including a Managing Partner, the Company Secretary and the Head of ESG;
- management company: ESG challenges team members sensitization and training, respect of our Code of Ethics, waste recycling, privileged use of ESG committed service providers, support of initiatives and sponsoring of social and cultural themed projects brought by portfolio companies (through the Donation and Sponsoring Committee created in 2018);
- investment: accounting of ESG criteria all along the investment cycle, active promotion of ESG challenges towards management teams in a dialogue mode; communication to investors on the ESG practice and its performance with a systematic reporting in the annual reports.

Every year, EMZ communicates with its investors about the ESG performance of its portfolio companies to comply with sustainable finance regulations, through the following reports:

- EMZ annual ESG Report;
- dedicated Annual Report for each fund managed by EMZ, in accordance with Article 11 of the Regulation (EU) 2019/2068 ("SFDR Regulation"), Articles 5 and 6 of the Regulation (EU) 2020/852 ("Taxonomy Regulation") and Article 29 of the French "Energy and Climate Law" (as detailed in Article D. 533-16-1 of the *Code monétaire et financier*);
- report of the Management Company, in accordance with the Articles 4 and 10 of the Regulation (EU) 2019/2068 ("SFDR Regulation") and Article 29 of the French "Energy and Climate Law" (as detailed in Article D. 533-16-1 of the *Code monétaire et financier*);
- UNPRI annual report.

I Implementation through the whole investment cycle

The ESG approach is implemented throughout the whole investment cycle, starting with the investment selection phase.

Since 2017, the portfolio companies' ESG profile is analysed using specific tools developed in collaboration with external consulting firms. These tools use the analysis grid described hereunder and allow EMZ to evaluate the ESG risk level of a targeted investment and are also used during the investment monitoring phase and may be used at exit. The analysis framework developed in collaboration with external consultants includes the following dimensions:

- governance: EMZ promotes the implementation of good governance practices such as diversity transparency and independence of the board members as well as the wide implementation of employee shareholding schemes;
- labour: the company's labour practices (taking into account labour risks, management of human resources, diversity, health and security, dialogue and social climate, reporting);
- environment: environment practices of the company are analysed (environmental risks awareness, environment management systems, energy consumption and greenhouse gas emission, soils, water, waste and biodiversity, reporting);
- social and community: risks inherent to external stakeholders (suppliers and service providers monitoring, quality management, impact, positive or negative, of products and services).

This analysis framework is systematically used upon initial investment due diligence, then updated along the lifespan of the investment to foster the ESG approach within every portfolio company.

Pre-investment: selection and due diligence phase

ESG within the selection phase is primarily driven by the EMZ exclusion policy that disqualify 5 sectors from the EMZ investment strategy perimeter :

- the manufacture or sale of tobacco or 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, 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 SWOT analysis in pre-investment phase includes elements from the ESG analysis framework, together with other tools developed in collaboration with external consultants, which are a key decision support for the investment team. The analysis framework helps determine the ESG profile of a targeted investment through 26 criteria relating to governance, labour and human resources, social and environmental subjects. The framework also encompasses the analysis of the portfolio company different stakeholders (outsourcing service providers, suppliers, civil society).

The Investment Committee always leans on the outcome of the ESG analysis made through the ESG framework before making a decision. All decisions are taken jointly by the investment team, the investment process is therefore transparent and virtuous.

If necessary, depending on the risk profile and durability factor of the targeted investment, a further and deeper environmental analysis may be carried out in order to find out the company's situation with respect to this specific subject.

Monitoring during investment phase

An ESG provision is systematically included in the portfolio company's Shareholder Agreement signed by EMZ at closing of the initial investment.

The company acknowledges the importance of the ESG matters for EMZ, including but not limited, to challenges related to environment and social and governance matters. This provision invites the company to commit to a continuous progress towards such challenges.

During the holding period, monitoring of the ESG key performance parameters by EMZ is done through:

- EMZ systematic participation to board meetings or supervisory board meetings of the portfolio companies; such positioning allows EMZ to encourage the implementation of good governance and social practices and in particular on subjects like independency and transparency of the company's governance bodies;
- conveyance of an ESG questionnaire to all portfolio companies on an annual basis: such questionnaire helps EMZ to retrieve necessary information to comply with regulatory requirements, produce the Funds' and Management Company's annual ESG reports, but also monitor the ESG performance and maturity of portfolio companies and provide the basis for constructive dialog and support, and, as the case may be, the definition of ESG targets.

The ESG questionnaire provides a detailed view of ESG's implementation by each portfolio company and allows the monitoring of their ESG performance evolution over time. Assessment of portfolio companies' exposure to climate risks and measurement of the portfolio companies' greenhouse gases emissions are performed, in accordance with Article 29 of the French "Energy and Climate" law.

Those questionnaires are analysed and summarised in order to evaluate each portfolio company's ESG performance. The annual EMZ ESG report present the global result of this analysis.

Realisation phase

Upon exit, EMZ may recommend to the company to proceed with an external ESG audit to be provided to potential acquirers. In some cases, an exit ESG questionnaire is filled in by EMZ.