



ESG POLICY

The presentation of sustainability risks (“Definition of sustainability risks”) and the way in which these risks are integrated into EMZ’s investment process (“Sustainability Risk Policy”), as described below, are intended to meet the regulatory transparency obligations imposed by Articles 3, 4 and 5 of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”).

The Disclosure Regulation, or SFDR, introduces the principle of dual materiality: by distinguishing between two types of ESG risks, it requires sustainability risks and negative impacts to be integrated into the investment process.

I Definition of sustainability risks

Sustainability risk means any environmental, labour or governance event or situation that, if it occurs, could have a material adverse impact on the value of an investment. Sustainability risks have three aspects, which focus on governance risks and environmental and labour issues. The significance of these three aspects varies depending on the specific characteristics of the company and its business sector.

Governance risks

Governance risks refer to the risk of an investment or a portfolio falling in value due to a shareholder structure that does not serve the interests of the company, poor managerial or operational practices, and poor integration of sustainability issues within the company. They also refer to risks associated with inadequate dialogue with the company’s internal and external stakeholders. Finally, governance risks include potential breaches of human rights, corruption risks, breaches of professional conduct or ethical rules, and reputational, regulatory and legal risks. Governance issues are particularly crucial because they affect exposure to other sustainability risks, *i.e.* environmental and labour risks.

Environmental risks

Environmental risks are defined as the risks of an investment or a portfolio falling in value as a result of environmental issues, such as the impact of climate change, pollution, water resources or damage to biodiversity, etc.

More specifically, climate-related risks fall into two categories:

- physical risk: any risk leading to an interruption of production, supply or distribution. Physical risks covers the companies’ sites, their energy supply and all access routes required for their operation (access for employees, raw materials, etc.). Examples of physical risks include the flooding of electricity distribution stations, the destruction of buildings by strong winds or landslides and certain roads becoming inaccessible due to rising water levels;
- transition risk: any risk that may have an impact on the company’s value chain. Transition risks may concern the company’s reputation, input prices, customers’ purchasing capacities or legal or regulatory constraints that may suspend some or all of the company’s business activities. Examples of transition risks include a significant carbon tax driving

up the price of a raw material, the failure by a company to take climate issues into account, which is attacked on social media and regulations on refrigerants requiring all refrigeration equipment to be replaced.

In particular, biodiversity risks concern land use and land take, agricultural practices and water pollution. They are closely related to climate risks, which have a significant impact on ecosystems, whereas biodiversity erosion magnifies the effects of climate change and increases the likelihood of physical risks occurring.

| Policy on integrating sustainability risks into the investment process

EMZ's ESG approach is, in practice, implemented throughout the entire investment cycle as soon as the investment selection phase begins.

ESG governance

EMZ has a dedicated ESG team, which includes the Chief Executive Officer, Corporate Secretary and ESG Director, which operates independently but closely with the investment teams and the finance and risk teams, from the pre-investment phase to the disposal phase. Depending on specific needs, this team is supported by external service providers chosen for the quality of their expertise. The ESG team is tasked with assisting the investment team in carrying out ESG due diligence and ESG monitoring of portfolio companies during the investment phase and, in particular, with identifying sustainability risks and opportunities, assisted by external partners where necessary; coordinating ESG reporting; holding awareness-raising and training sessions on ESG issues for the teams; promoting the adoption of best ESG practices by portfolio companies; etc.

General principles for integrating sustainability risks

Since 2017, the analysis of companies' ESG profiles has been based on specific systems developed in collaboration with an external consulting firm that specialises in environmental issues and a consulting firm that specialises in social and governance issues and ESG ratings. The analysis grid developed covers the following ESG aspects:

Labour risks

Labour risks are defined as the risks of an investment or a portfolio falling in value as a result of issues concerning working conditions, diversity in the workplace, discrimination, occupational health and safety, training and skills development, etc. They can affect the company in various ways, such as making it difficult to hire employees or negatively impacting employee retention, increasing the risk of legal proceedings and damaging the company's operations.

Governance

EMZ encourages good governance practices, such as diversity, transparency, the independence of governance bodies and the widest possible use of share-based incentive schemes. EMZ's investment policy is based on setting up long-lasting and balanced partnerships with management teams. Therefore, EMZ is particularly attentive to ensuring that governance risks are properly identified and assessed and has made governance risk management a key aspect of its ESG risk management policy.

Labour

Companies' labour practices are analysed through the prism of human resources management, diversity, working conditions, and the reporting on these issues.

Environment

Companies' environmental practices are analysed by integrating environmental risk considerations, the existence of an environmental management system, energy and greenhouse gas emissions issues, and water and waste management. Due to the importance and urgency of the climate issue, EMZ in particular analyses, with the assistance of a specialised firm, the climate strategy of its portfolio companies and, more specifically, the management of physical and transition risks associated with climate change, as well as the carbon footprint of portfolio companies.

The risks associated with biodiversity erosion are not assessed at this stage due to the lack of an established methodology, the complexity and diversity of the issues to be assessed, and the lack of data available from the portfolio companies. However, an estimate of sustainability risks, as well as the main negative impacts associated with the deterioration of biodiversity, are included in EMZ's roadmap, in accordance with the obligations set out in Article 29 of the French Energy and Climate Law.

Societal

Risks relating to external stakeholders (monitoring of suppliers and subcontractors, quality approach, risks or benefits of products and services).

This analysis grid is systematically used to assess ESG risks when selecting investments and, subsequently, throughout the life cycle of the transaction in order to monitor and encourage the ESG system at each portfolio company.

Because the availability of information varies between the companies within its investment portfolio – companies are mostly unlisted and certain companies, especially small companies, do not hold a wide range of ESG data – proxies are calculated whenever possible. In this regard, EMZ is committed to making continuous improvements to ESG data collection and processing. EMZ is also considering how best to assist its portfolio companies in implementing their CSR approach and providing the corresponding reports.

I Sustainability analysis during the various investment phases

Pre-investment phase

Exclusion policy

The integration of ESG criteria during the investment phase is guided primarily by EMZ's exclusion policy, which excludes five sectors 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 relating to online gambling, online casinos or pornography programs or solutions;
- food speculation.

Our exclusion policy also provides that, where technical applications relating to human cloning, for research or therapeutic purposes, or GMOs are financed, the Management Company must ensure that all legal, regulatory and ethical issues are duly verified.

Investment analysis and decision-making

Risks and opportunities are analysed during the pre-investment phase based on the ESG analysis grid and the systems developed in conjunction with an external firm that specialises in climate and environmental issues, as well as by a CSR and ESG rating consultancy firm. These systems provide key decision-making assistance to the investment team. The analysis grid is used to determine the ESG profile of companies by reference to 26 criteria relating to governance, human resources, environment and external stakeholders (customers, suppliers and civil society).

Before making a decision, the investment committee systematically refers to the ESG work that is carried out. All decisions are made jointly as a team. This makes for a responsible and transparent investment process.

Where necessary, depending on the profile of the company under review, a specific environmental audit may be carried out to assess the company's approach to such issues.

During the investment phase

As soon as a deal is reached, an ESG clause is included in the shareholders' agreement that is signed by the parties at the time of the investment. This clause asserts the importance of environmental, labour, societal and good governance issues for EMZ and the company. It invites the company to commit to a continuous improvement approach on these issues.

During the period in which the investment is held in the portfolio, ESG performance is monitored through:

- EMZ's 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 also includes a section specific to the company that completes it, which provides a granular view

of ESG integration at the portfolio companies, thereby allowing each company's ESG performance to be assessed and their progress to be monitored over time.

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 analysis 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.

These questionnaires are then analysed and summarised in the ESG report, which EMZ publishes annually and which presents the overall results of this analysis.

During the disposal phase

On disposal, EMZ may recommend that the company arranges for an external ESG audit to be carried out, which it can use for the purposes of the sale. In some cases, EMZ may complete a disposal ESG questionnaire.

Consideration of negative impacts

Negative sustainability impacts mean the negative environmental, social or governance impacts that may result from investment decisions (non-financial risks).

In applying its policy on managing sustainability risks, EMZ seeks to identify the main negative impacts on the companies in its portfolio, with particular focus on the indicators identified by European authorities. However, because of the types of

companies in EMZ's portfolio, the data required to assess the main indicators of negative impacts are not always available at this stage.

The exclusion policy with respect to certain activities, as described in the "ESG risk integration policy" section above, helps to mitigate the negative impacts.

Integration of sustainability risks into the remuneration policy

EMZ's remuneration policy sets out remuneration principles that reflect the group's strategy, objectives and risk policy, and that strive to align the long-term interests of all stakeholders (shareholders, customers, employees and the community as a whole).

The main principles of EMZ's remuneration policy prevent excessive risk-taking and incorporate quality, performance and non-financial criteria.

The fixed component of the remuneration of the investment teams and officers accounts for the majority of the overall remuneration paid and is not correlated with the performance of the funds managed. It is set for each employee based on their responsibilities, level of expertise and experience. It is sufficiently large to discourage excessive risk-taking by members of the investment team.

The award of the variable component is correlated with the wealth creation generated by EMZ's business activity over the long term. It is therefore not solely dependent on the performance of the funds managed and does not encourage risk-taking incompatible with financial and sustainability risk profiles (including those relating to good governance and ethical principles, climate change risks, or other environmental or social risks deemed material).

The qualitative and quantitative criteria used to determine individual pay rises and the award of the variable component of remuneration include:

- qualitative criteria (review of matters handled, management of investments, contribution to teamwork, sales representation, etc.);
- quantitative criteria (number of matters handled and investments made, investments under management, disposals made and amounts, 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 of employees and in awarding pay rises. Any decision concerning remuneration, training, classification, promotion, work organisation 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, that respect gender equality.

ESG disclosures

EMZ discloses the ESG performance of its portfolio to investors every year through the following reports:

- the Management Company's annual ESG Report, which is sent to its investors and is available on the company's website;

- the annual Report of each Fund;
- the UNPRI annual Report.

At the same time, EMZ communicates regularly with its investors, through specific ESG meetings and reports held or provided at their request.