2023

ARTICLE 29 OF THE FRENCH ENERGY AND CLIMATE LAW REPORT

CONTENTS

This report meets the requirements set out in Article 29 of Law no. 2019-1147 of 8 November 2019 and its implementing decree no. 2021-996 published on 27 May 2021. It is based on the structure described in Appendix B of AMF instructions DOC-2008-03 and DOC-2014-01.

1. GENERAL APPROACH TO TAKING ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA INTO ACCOUNT

a. ESG approach summary

EMZ's approach as a Responsible Investor

EMZ Partners has been present on the French private equity market since 1999. Since then, EMZ Partners has gradually built a unique position among the various market players by placing entrepreneurs and management teams at the heart of its investment strategy. EMZ Partners structures transactions that enable these managers, executives, family shareholders or founders to become or remain the main shareholders in their companies, and as such contributes to the creation of stable, lasting shareholder structures that keep the company's stakeholders involved over the long term.

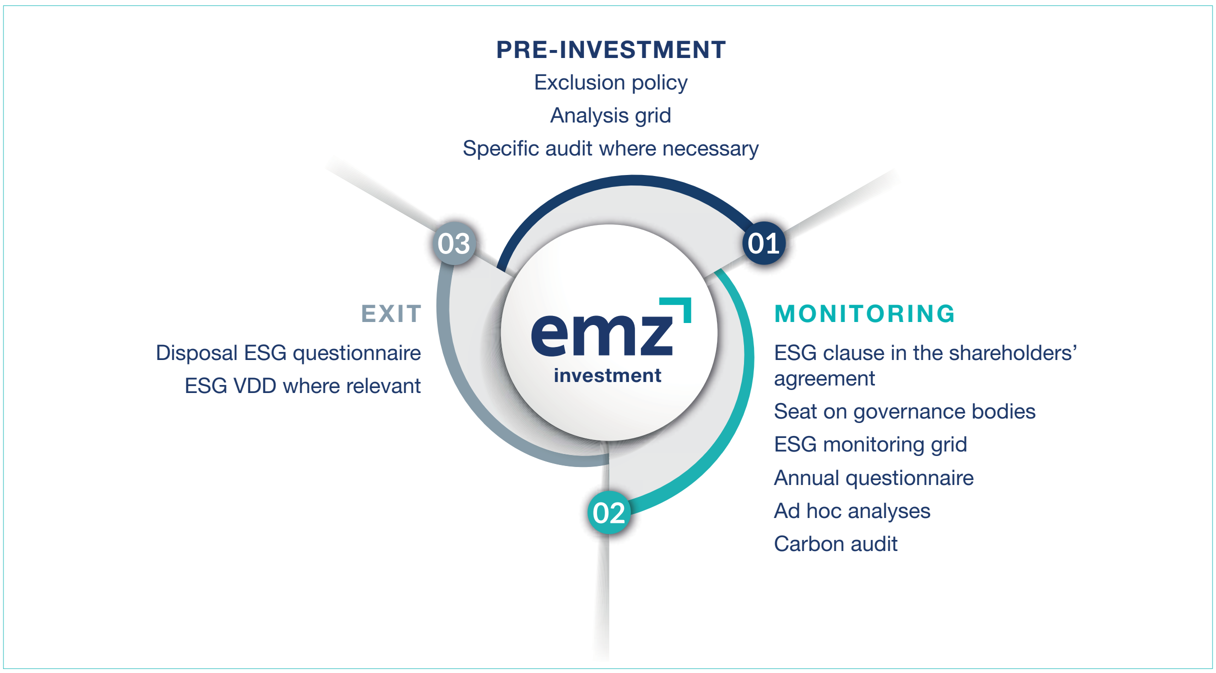
The EMZ team is convinced that an effective ESG (Environmental, Social and Governance) framework is consubstantial to long-term value creation. Companies that have integrated ethical environmental, social and governance practices are better managed, tend to have lower risk profiles, and ultimately generate solid financial returns. Fostering the values of good governance, integrity and responsibility, while removing the barriers to implementing a sustainable investment strategy, will help EMZ achieve its objective of conducting business in a responsible manner.

Integrating ESG Principles into the Investment Strategy

EMZ Partners is committed to integrating ESG principles before making any investment decisions and, subsequently, encourages portfolio companies to take ESG factors into account in their activities.

The ESG framework covers the investment-selection phase, continues during the investment-monitoring phase and influences the terms of exit.

ESG PROCESS THE INVESTMENT CYCLE



In the pre-investment phase

EMZ's ESG policy is based on:

1. An exclusion policy

The incorporation of ESG criteria during the investment phase is first and foremost guided by EMZ Partners' exclusion policy, which excludes the following from the scope of potential investments:

- companies directly involved in the manufacture of tobacco and tobacco products and in the wholesale of tobacco and its derivatives;
- companies directly involved in the manufacture or trade of distilled alcoholic beverages and related products;
- companies directly involved in the manufacture, storage, transfer and trade of weapons or ammunition;
- casinos and companies directly involved in gambling and online betting;
- companies directly involved in research, development or technical applications in connection with programmes or solutions related to internet gambling, online casinos or pornography;
- companies directly involved in food speculation;
- where financing is intended to be used for 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;
- companies planning to increase their activities in the production, operation, transport and storage of conventional and unconventional fossil fuels (coal, oil and gas), as well as companies directly involved in these activities and without a transition plan[1].

(1) EMZ Partners applies the definition of the NGO Urgewald for this exclusion (Global Oil & Gas Exit List and Global Coal Exit List).

2. A pre-investment analysis

The initial analysis also ensures that the target company is not subject to material and proven ESG controversies (violation of UN principles or OECD guidelines), or that if past controversies exist, they have been subject to a suitable action plan.

A detailed analysis of the companies' ESG profiles is then carried out and covers the following topics:

- materiality analysis, taking into account criteria such as sector, size, geography and the company's development stage;
- identification of the Principal Adverse Impacts (PAIs);
- maturity on the themes of decarbonisation and value sharing;
- contribution to the United Nations Sustainable Development Goals.

The analysis is also formally conducted using specific tools developed in collaboration with external service providers specialising in environmental and social issues. This grid includes the following areas:

- **governance:** EMZ encourages good governance practices, such as diversity, transparency, independent board members and share-based incentive schemes;
- **social issues:** the company's labour practices (taking into account labour risks, human resources management, diversity, health and safety, dialogue and employee sentiment, along with reporting issues);
- **environment:** the company's environmental practices (factoring in environmental risks, the environmental management system, energy use and greenhouse gas emissions, soil, water, waste, biodiversity and reporting issues);
- **societal issues:** risks relating to external stakeholders (monitoring of suppliers and subcontractors, quality approach, risks or benefits of products and services).

3. Investment decisions

The Investment Committee makes all decisions jointly, as a team. To make its final decision, the Investment Committee refers to an "IC memo" that includes the investment opportunity analyses and the conclusions of the ESG analysis. As such, the assessment of ESG risks and opportunities, as well as the materiality of PAIs, are part of the investment decision criteria.

Holding phase

During the holding phase, EMZ relies on:

1. The inclusion of an ESG clause in shareholders' agreements

An ESG clause is included in the shareholder agreement signed by the parties at the time of investment. This clause asserts the importance of environmental, social and societal issues as well as good governance practices for EMZ Partners and the company. It engages the company to commit to ongoing improvement on these issues.

2. ESG performance monitoring, which takes place *via*:

- the systematic participation of EMZ Partners in the supervisory boards of portfolio companies;
- in some cases, financial incentives contingent upon the achievement of quantified ESG objectives in key areas, which are set up (ESG ratchets) and monitored throughout the investment;
- an annual ESG questionnaire sent to all portfolio companies: this questionnaire is used to collect the information necessary to comply with our regulatory obligations, to produce the annual reports of the funds and the management company, and to monitor the ESG performance and maturity of the portfolio companies to fostering dialogue, support and, where applicable, the implementation of ESG targets.

This questionnaire provides a detailed view of ESG integration in portfolio companies in order to assess each one's ESG performance and monitor their progress over time. An analysis of companies' exposure to climate risks and an assessment of their carbon footprint are also carried out, as detailed below. The questionnaires are then analysed and summarised to demonstrate the performance of each of the companies on the various ESG streams.

The exit phase

At the time of exit, EMZ Partners may recommend that the company carry out an external ESG audit to highlight the company's work and progress on these themes over the duration of its partnership with EMZ Partners. In some cases, an exit ESG questionnaire is completed by EMZ Partners at the request of the counterparties.

b. Content, frequency and means of informing subscribers about the criteria relating to ESG targets considered in the investment policy and strategy

Transparency and communication are key drivers of EMZ Partners' ESG strategy. As such, EMZ Partners endeavours to provide a set of regular communications to its investors:

- EMZ Partners' responsible investment policy is updated annually or as required and is available on its website;
- the ESG performance and progress of portfolio companies are subject to a dedicated annual report shared with investors;
- the ESG report is available on the EMZ Partners website;
- the annual report for each Fund is shared with investors;
- the annual PRI transparency report is available on the dedicated platform;
- regular ESG communications *via ad hoc* ESG meetings and reporting are organised at the request of investors;
- a section related to the ESG Policy is included in the Private Placement Memorandum (PPM) and in the pre-contractual documentation of the funds.

In the event of an incident related to its ESG strategy, EMZ Partners would share any information deemed significant with its investors.

c. List of financial products mentioned pursuant to article 8 and article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, and the overall percentage of assets under management considering environmental, social and governance quality criteria in the total amount of assets managed by the entity

EMZ Funds are classified under the Sustainable Finance Disclosure Regulation[(1)] (SFDR) as follows:

FUND NAME	SFDR CLASSIFICATION	AUM (€M)	SHARE TAKING ESG CRITERIA INTO ACCOUNT
EMZ 7	Article 6	49.74	100%
EMZ 8	Article 6	518.78	100%
EMZ 9	Article 6	1,266.80	100%
EMZ 10	Article 8	893.52	100%

The EMZ 10 Fund, composed of the EMZ 10 SLP (Sub-funds I and II) and EMZ 10-A SLP funds, is classified as Article 8 in accordance with the provisions of the SFDR regulation since it promotes environmental or social characteristics.

EMZ 7, 8 and 9 funds are classified as Article 6. The subscription period for these financial products was closed before the SFDR entered into force. However, these funds are still part of EMZ's ESG strategy. In accordance with its responsible investment policy, 100% of the Funds managed by EMZ Partners incorporate ESG criteria into the 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.

d. ESG Charters and initiatives

EMZ considers it essential to get involved in initiatives and non-profit organisations dedicated to best practices in responsible investment. This involvement serves as the basis for implementing and improving its ESG strategy.

Signatory of:

EMZ Partners has been a signatory of the **United Nations Principles for Responsible Investment ("UN PRI") since 2016**. As such, EMZ has shaped its strategy to formally incorporate the six Principles:

- incorporating ESG issues into investment decision making processes;
- being active owners and incorporating ESG issues into its ownership policies and practices;
- seeking appropriate disclosure on ESG issues by the entities in which EMZ invests;
- promoting acceptance and implementation of the Principles within the investment industry;
- working collectively to enhance its effectiveness in implementing the Principles;
- committing to individually report on its activities and progress towards implementing the Principles.

EMZ Partners is also a member of **France Invest** and regularly participates in presentations and workshops dedicated to ESG. The management company contributes to the organization's annual report by sharing the ESG performance of its portfolio companies.

EMZ Partners is also a signatory of the France Invest Gender Equality Charter, demonstrating its commitment to gender equality and inclusion.

Lastly, regarding sharing, EMZ Partners signed the France Invest Value Sharing Commitment Charter in 2023.

With regard to climate risk, EMZ Partners is a member of:

- **the Institutional Investors Group on Climate Change (IIGCC):**

The mission of the IIGCC is to mobilise capital for the transition to a net-zero and climate-resilient economy by working with companies, policy makers and investors.

- **the International Climate Initiative (iCI):**

The International Climate Initiative (iCI) was the first international private equity initiative aiming to better understand and fight against climate change.

In 2024, EMZ Partners joined the Net Zero Asset Management initiative.

2. INTERNAL ESG RESOURCES WITHIN EMZ

a. Internal and external resources

A dedicated ESG team

EMZ's ESG strategy is based on sound governance. All teams 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, coordinating and rolling out ESG initiatives, and reporting to the Chief Executive Officer.

The investment team is responsible for rolling out this strategy with the portfolio companies, an endeavour in which the ESG team plays a supporting role. The investment team benefits from regular awareness campaigns and training on ESG issues.

External support

Depending on the specific requirements, EMZ Partners may call on external service providers chosen for the quality of their expertise to assist with the management company's strategy and regulatory changes in sustainable finance, support for ESG due diligence prior to an investment or during exit, the portfolio's annual ESG assessment or the response to investor questionnaires, for example.

In 2023, EMZ Partners worked with the following external service providers:

- PWC – preparation of due diligence reports for exits and for regulatory support;
- Indefi – preparation of due diligence reports for asset acquisitions;
- ERM – preparation of due diligence reports for asset acquisitions and exits.

Technical and financial resources dedicated to ESG

EMZ Partners has not set a fixed ESG budget but commits to use the financial resources deemed necessary to successfully implement its ESG strategy. The financial resources allocated to supplement EMZ Partners' ESG strategy will depend on the requirements and projects validated by the ESG team and by the General Management.

In 2023, to ensure the implementation of its responsible investment policy, EMZ Partners used Tennaxia, a web platform which collected and monitored ESG data from its portfolio companies.

In 2023, EMZ Partners also used the Sweep platform to conduct the carbon assessment of the management company and estimate the emissions of its portfolio companies.

b. Enhancing EMZ Partners' ESG Capabilities

The ESG and management teams at EMZ Partners share the responsibility of ensuring that all employees develop and enhance their knowledge and skills regarding sustainability criteria.

To that end, ESG training is provided on an ad-hoc basis to members of the investment team and members of the operational team on specific topics suited to the needs and requests of the teams. In 2023, all members of the investment team received training on the following ESG themes:

- Implementing a Net Zero strategy;
- Cybersecurity.

The investment team can rely on the ESG team to provide them with the latest information, tools and developments on ESG topics, and to share best practices and the analyses they need to address ESG topics in the most effective way.

3. INCORPORATING ESG CRITERIA INTO EMZ'S GOVERNANCE

a. Knowledge, skills and experience of its governing bodies

At EMZ Partners, promoting and developing expertise in ESG practices is emphasised at the highest levels of the governing bodies.

EMZ Partners has been a signatory of the UN PRI since 2016 and places ESG criteria at the heart of its investment policy. EMZ Partners sees ESG as a key aspect of its investment strategy. All strategic investment decisions are made jointly with the investment team, and particularly during investment committee meetings in which the Head of ESG participates.

The ESG team reports directly to the Chief Executive Officer, who actively participates in defining and rolling out the ESG strategy.

The Chairman and Chief Executive Officer take part in the ESG training provided on a regular basis, just like the rest of the team.

b. EMZ Partners' compensation policy

EMZ Partners' compensation policy sets out the principles linked to compensation, taking into account the group's strategy, objectives and risk policy in order to align the long-term interests of all stakeholders (shareholders, clients, employees and society as a whole).

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

The fixed portion of the investment teams' and managers' compensation represents most of the total compensation paid and is not correlated to the number of investments made or the performance of the funds managed. It is set for each employee based on their responsibilities, skill level and experience. It is significant enough not to encourage excessive risk-taking by members of the investment team.

The allocation of the variable portion is correlated to the wealth created by EMZ Partners' activity over the long term. It does not, as such, depend solely on the performance of the funds managed or the number of investments made, and does not encourage risk-taking that is incompatible with financial or sustainability risk profiles (including those relating to principles of good governance and ethics, risks related to climate change, or other environmental or social risks considered to be material).

The qualitative and quantitative criteria which determine individual pay rises and the allocation of the variable portion reflect the investment team's careful consideration of environmental, social and good-governance criteria throughout the various investment phases.

c. Sustainability criteria in the by-laws of EMZ Partners' Board of Directors and Supervisory Board

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

However, EMZ Partners is already promoting best practices in terms of governance, particularly through the diversity of experience and skill sets within its governing bodies. In addition, the ESG team reports to François Carré, Chief Executive Officer of EMZ Partners, demonstrating that ESG issues are considered at the highest level of the company.

4. ENGAGEMENT STRATEGY WITH ISSUERS AND ASSET MANAGEMENT COMPANIES

a. EMZ Partners' voting and engagement policy

In terms of corporate governance, EMZ Partners has a procedure setting out the conditions for exercising the voting rights of the funds managed.

It is important to note that the investment policy of the funds managed by EMZ Partners is to generally invest 75% in the form of subordinated debt and the remaining 25% in the form of equity. Generally, at the time the investment is made, securities are not admitted to trading on a financial market.

EMZ Partners rarely managed actively listed securities. In all cases, EMZ Partners will exercise the voting rights attached to the securities held in the interest of the investors in the managed funds.

For all unlisted securities held in the various funds managed by EMZ, the voting and engagement policy is inseparable from the investment strategy applied to these funds. EMZ Partners systematically sits on the companies' governing bodies and maintains an ongoing dialogue with the management teams. This position enables EMZ Partners to engage with portfolio companies to encourage and monitor the implementation of best practices, particularly in the areas of independence, diversity and the transparency of management bodies. EMZ Partners undertakes to exercise the voting rights attached to the units held in the funds for the sole purpose of protecting the interests of its investors.

In addition, EMZ Partners recognises the value of collective action in encouraging the ESG development of portfolio companies. Therefore, where possible and relevant, EMZ Partners conducts its ESG engagement policy in collaboration with other stakeholders, and particularly the other financial investors of the portfolio company.

EMZ Partners reports on its responsibilities within the corporate bodies of the portfolio companies in the annual reports of the funds. The procedures for exercising voting rights are described in the "Voting and Shareholder Engagement Policy" available on request.

EMZ Partners' engagement policy applies to all its portfolio companies.

b. Decisions in terms of engagement strategy

Decisions taken as per the engagement strategy and the voting policy are available upon request.

EMZ Partners' strategy is not to invest in listed equities, which is why EMZ Partners does not have an established process for monitoring all votes. As such, there is no process set up for tracking the votes cast in 2023 on environmental, social or governance issues. However, when it comes to voting on a company's annual financial statements, EMZ Partners participates in the voting process and exercises its right in accordance with its voting policy.

In all cases, EMZ Partners will exercise the voting rights attached to the securities held in the interest of the investors in the managed funds.

With regard to the voting rights attached to the unlisted securities of the funds managed, EMZ Partners reports on its responsibilities within the governance bodies of the portfolio companies in the annual reports of the funds.

c. Sector exclusions

The exclusion policy followed by EMZ Partners is described in its responsible investment policy. EMZ Partners excludes the following from the scope of its potential investments:

- companies directly involved in the manufacture of tobacco and tobacco products and in the wholesale of tobacco and its derivatives;
- companies directly involved in the manufacture or trade of distilled alcoholic beverages and related products;
- companies directly involved in the manufacture, storage, transfer and trade of weapons or ammunition;
- casinos and companies directly involved in gambling and online betting;
- companies directly involved in research, development or technical applications in connection with programmes or solutions related to internet gambling, online casinos or pornography;
- companies directly involved in food speculation;
- where financing is intended to be used for 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;
- companies planning to increase their activities in the production, operation, transport and storage of conventional and unconventional fossil fuels (coal, oil and gas), as well as companies directly involved in these activities and without a transition plan[1].

(1) EMZ Partners applies the definition of the NGO Urgewald for this exclusion (Global Oil & Gas Exit List and Global Coal Exit List).

5. EUROPEAN TAXONOMY AND FOSSIL FUELS

a. Share of Assets Aligned with the EU Taxonomy

The funds managed by EMZ Partners have not established an objective of investing in economic activities qualified as environmentally sustainable in accordance with the EU Taxonomy.

The funds have carried out checks in order to collect indicators related to the Taxonomy from the portfolio companies. However, the information collected does not enable conclusions to be drawn at this stage on the alignment of the funds' investments with the EU Taxonomy. As a result, no investment is qualified as Taxonomy-aligned to date.

EMZ Partners 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 the Taxonomy will be assessed.

b. Share of assets in companies active in the fossil fuel sector

The share of investments in companies active in the fossil fuel sector is very limited, as only the Jacky Perrenot Group is concerned, with a downstream position in its value chain. As specified in its responsible investment policy, EMZ Partners refers to the Urgewald list to ensure compliance with its exclusion policy on fossil fuels. Jacky Perrenot is not on this list given its business sector and its positioning in the value chain.

The Jacky Perrenot Group is a road transport and logistics company serving a broad client base, mostly in the retail and food industries. Only a small portion of the group's activity involves the transport of fossil fuels (petrol and domestic heating oil), which represented less than 3% of its revenue in 2023. In addition, Jacky Perrenot is a company that is very active in the ecological transition (Ecovadis gold rating in 2022, with around 20% of its fleet using a low-carbon energy source, an ambitious plan to reduce its carbon emissions, etc.).

6. STRATEGY FOR ALIGNMENT WITH THE PARIS AGREEMENT

a. EMZ Partners' climate strategy[1]

The implementation of the Paris Agreement requires economic and social transformation based on scientific research and consensus.

EMZ Partners' climate strategy is based on the following:

1. A policy to exclude sectors whose development is not compatible with the requirements of the Paris Agreement

EMZ Partners thus excludes companies planning to increase their activities in the production, operation, transport and storage of conventional and unconventional fossil fuels (coal, oil and gas), as well as companies directly involved in these activities and without a transition plan.

2. An analysis of the climate and environmental maturity of its companies at the time of investment and annually during the ESG campaign:

- assessing the portfolio companies' climate-risk exposure (physical risks and transition risks) based on EMZ Partners' ESG analysis grid;
- implementing environmental indicators to assess and monitor the environmental performance of portfolio companies through an annual ESG questionnaire that includes indicators specific to climate change and biodiversity;
- measuring the portfolio's carbon footprint for scopes 1, 2 & 3. For portfolio companies that do not yet measure their carbon footprint, the companies themselves assessed their emissions for 2023 using the Sweep platform made available to them by EMZ Partners;
- raising awareness of global warming and the need to assess the carbon footprint and implement climate strategies among employees and portfolio companies which may be less mature on these issues.

3. An analysis of portfolio companies' exposure to climate risks and opportunities

In 2023, EMZ Partners updated its analysis of portfolio companies' exposure to climate risks. If it has been demonstrated that climate risks are material for a portfolio company, the subject will be prioritised and monitored throughout the investment period, particularly through the governing bodies in which EMZ Partners participates.

The analysis carried out internally was based on:

- the report published by CDP[2] (CDP Climate Change Report) and the sector reports published by UNEP[3] (Sectoral Risk Briefings) identifying the major risks and opportunities for certain business sectors;
- climate indicators collected from portfolio companies:
  - geographical location of companies,
  - energy consumption,
  - carbon footprint,
  - carbon intensity,
  - exposure to companies operating in the fossil fuel sector,
  - renewable energy production on site,

(1) From section 6 and unless otherwise stated, "EMZ" applies to both the entity as an asset management company and the EMZ 9 and EMZ 10 funds, for which the publication of an article 29 report is also a regulatory requirement.
(2) Climate Disclosure Project.
(3) United Nations Environment Programme.

   – intensity of energy consumption per high-climate-impact sector;

- the analysis carried out by the companies themselves, where applicable.

Risk Analysis

The analysis sought to identify physical risks, transition risks and potential opportunities. At this stage, the analysis was carried out for each company's business sector and did not incorporate the geographical location of each company's sites. The risks identified could concretely result in a drop in revenue or an increase in costs, ultimately leading to falling valuations for the companies concerned.

In 2023:

- 55% of EMZ's portfolio was made up of companies operating in high-climate-impact sectors. About half of these companies are in the manufacturing sector;
- 62% of the companies have implemented measures to reduce their GHG emissions;
- 33% of the portfolio companies conducted an analysis of climate risks and opportunities.

The main risks identified are as follows:

- **Transition risks and changes in climate-related regulations,** including increased obligations to measure and report GHG emissions, obligations for certain sectors to develop their activities and services to prevent and/or adapt to climate change, increase in costs related to the Carbon Border Adjustment Mechanism (CBAM), etc. These constraints may lead to additional costs so that companies can evolve in accordance with regulatory constraints, e.g. adaptation of the value chain, changes in supply, price adaptation, etc.
- **Reputational risks** due to the growing expectations of stakeholders and particularly consumers on the subject, which could lead to a drop in revenue.
- **Physical risks,** including a direct negative impact on the production and services rendered because of extreme weather events, the frequency and intensity of which increase with climate change. The companies concerned take measures to protect themselves from this, e.g. an emergency plan for the sites concerned, production at several sites that can be taken in turns in the event of a temporary interruption, insurance policies, etc.

According to the analysis carried out by EMZ, around 60% of the portfolio is concerned by material potential risks linked to climate change.

The companies concerned have implemented measures to prevent and mitigate these risks, including:

- the development of new offers and services;
- increased risk analysis and monitoring;
- changes in production methods (supplier analysis, circular economy, recyclability, etc.);
- a GHG emission reduction plan.

Opportunity Analysis

The requirements of the Paris Agreement also create opportunities for some companies in the portfolio, including:

- the development of special offers or services in response to climate change (e.g. low-carbon offer);
- the development of a competitive advantage for companies that have managed to adapt and evolve earlier than other companies in the same sector.

According to the analysis carried out, 63% of the portfolio benefits from opportunities linked to climate change.

4. The measurement of portfolio companies' carbon footprint and trajectory for cutting emissions

EMZ Partners would like to play a role in reducing greenhouse gas emissions, particularly through:

- in-depth knowledge of the negative external impacts of portfolio companies;
- supporting the implementation of an improvement policy to achieve the objectives of the Paris Agreement, by supporting the commitments and efforts of its portfolio companies.

The carbon footprint is measured annually across all portfolios, with the objective of covering scopes 1, 2 & 3. GHG emissions data is consolidated based on information collected during the annual ESG campaign. The campaign enables EMZ Partners to assess the maturity of its portfolio companies in terms of climate change and to take appropriate measures if necessary.

In addition, EMZ Partners is committed to helping its portfolio companies implement a suitable GHG emissions reduction plan. In 2023, EMZ Partners included climate risk criteria (a decarbonisation trajectory) in the management package of one of its portfolio companies. EMZ Partners intends to expand this practice to encourage its portfolio companies on a broader scale.

b. EMZ's alignment plan with the Paris Agreement

EMZ Partners has already carried out numerous measures to better understand the environmental policies of its portfolio companies and assess the materiality of climate issues by analysing their carbon footprints on scopes 1, 2 and 3, and supporting the creation and implementation of suitable action plans, among others.

To continue its efforts and fully align with the Paris Agreement, EMZ undertakes to:

1. Accurately measure its carbon impact and that of its portfolio companies, and then create a climate action plan

- Continue to assess the carbon footprint of all its portfolio companies each year.
- Improve the methodology for calculating carbon footprints to achieve greater accuracy and comparability from one year to the next, which are critical to defining and monitoring EMZ's decarbonisation strategy. Since 2023, EMZ Partners has been working with Sweep, a platform specialising in carbon assessments based on "real" data, making for a more reliable measurement of the carbon footprints of portfolio companies. With this tool, EMZ Partners can more accurately assess the environmental impact of its portfolio companies (particularly by identifying their greatest sources of emissions) and is better prepared to help them create action plans aligned with the targets of the Paris Agreement.
- Measure the asset management company's carbon impact and update it regularly.
- Create a climate action plan by 2025 (based on the carbon impact figures of portfolio companies, which are now more precise and reliable) to comply with the 1.5°C trajectory of the Paris Agreement.

2. Join a net-zero marketplace initiative

- EMZ Partners prepared to sign a net-zero commitment in 2023 and joined the NZAM initiative in 2024. The next annual Article 29 Energy-Climate Law Report will present the quantitative objectives for 2030 and 2050 that EMZ Partners is in the process of defining.
- To do so, EMZ Partners will use the Net Zero Investment Framework methodology applied to Private Equity.

3. Train EMZ teams and portfolio companies on climate issues

- Train all EMZ teams on climate issues: in 2023, employees were trained on the challenge of defining a net-zero strategy.

4. Invest in climate solutions

- Starting in 2024, EMZ Partners plans to invest in companies offering solutions to prevent or mitigate climate change.

7. STRATEGY FOR ALIGNMENT WITH LONG-TERM BIODIVERSITY TARGETS

a. The EMZ Partners biodiversity strategy and EMZ Partners' plan for alignment with long-term biodiversity targets

EMZ Partners' biodiversity strategy is based on the following components:

1/ The inclusion of biodiversity criteria in the investment process

The impact of EMZ Partners' investments on biodiversity is first and foremost analysed using the ESG criteria analysis grid used for all investments. This grid includes questions on approximately 20 nature-based indicators, including pollution, air and water emissions, risky (Seveso) sites, specific environmental risks, environmental controversies, the management of natural resources and water, activities having an impact on protected areas, etc.

In addition, the materiality analysis carried out during ESG due diligence enables us to identify whether the issue of biodiversity is material for the company under review. Where applicable, a special analysis of impacts and dependencies is conducted.

2/ The analysis and monitoring of companies during the holding period

EMZ Partners' strategy to align with long-term biodiversity targets is bolstered by the collection and monitoring of KPIs in the ESG questionnaires sent annually to portfolio companies. These key performance indicators integrated into the EMZ Partners analysis grid are used to assess and monitor companies' impact on biodiversity. Examples of biodiversity KPIs collected:

- has the company adopted a formal environmental policy?
- if so, has the company adopted a formal biodiversity conservation policy (commitments and objectives)?
- if so, is the biodiversity conservation policy aligned with international targets?
- has the company mapped its sites and activities to identify its Key Biodiversity Areas? (Key Biodiversity Areas (KBAs) are defined as "sites contributing significantly to the global persistence of biodiversity" in terrestrial, freshwater, and marine ecosystems. A Global Standard for the Identification of Key Biodiversity Areas (IUCN, 2016).
- has the company carried out an assessment of its biodiversity footprint (land occupation and conversion in sq. m)?

In 2023:

- 7.5% of portfolio companies reported having a biodiversity policy;
- 8.2% of the companies reported having carried out an analysis of their dependencies on biodiversity;
- 6.6% of the companies reported having carried out an analysis of their impacts on biodiversity and having activities close to sensitive areas in terms of biodiversity.

3/ The analysis of the portfolio's Principal Adverse Impacts (PAIs) on biodiversity

EMZ Partners measures PAI 7 each year during its ESG campaign. This indicator measures the share of investments with one or more sites negatively affecting sensitive areas in terms of biodiversity, natural species and protected areas.

Of the companies in the portfolio, 6.6% reported that they have activities which negatively impact these areas.

4/ The analysis of the portfolio's impact

EMZ Partners conducted an analysis of the negative impacts and dependencies on biodiversity of the companies held at 31/12/2023 using the database ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure).

Methodology

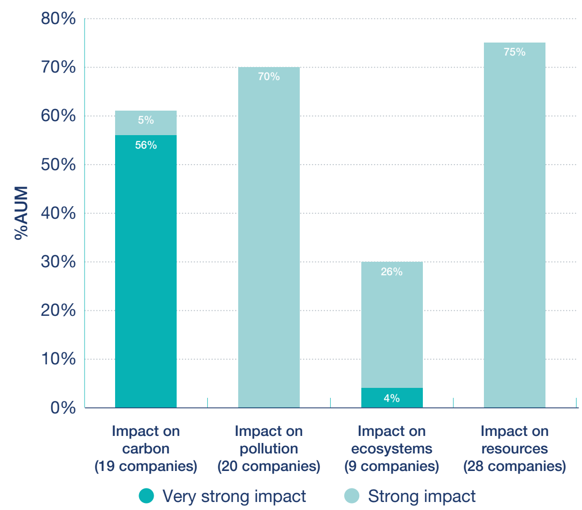
EMZ Partners divided the companies in its portfolio into the sectors and processes identified by the ENCORE methodology. When several sectors or processes could correspond to a company's activity, EMZ Partners selected the most relevant sector/process and analysed its impact.

The impact factors have been grouped into four categories:

1. **Carbon** (GHG emissions);
2. **Pollution** (disturbances, non-GHG air pollutants, soil pollutants, solid waste, water pollutants);
3. **Ecosystems** (freshwater, marine and terrestrial ecosystem use, and biological interferences/alterations);
4. **The use of natural resources** (other resources and water).

The impact analysis of the activities is presented below:

CONTRIBUTION OF HOLDINGS TO
FACTORS IMPACTING BIODIVERSITY



SECTORS	CARBON	POLLUTION	ECOSYSTEMS	THE USE OF NATURAL RESOURCES
Steel	Very strong impact	Strong impact		Strong impact
Furniture	Very strong impact	Strong impact		Strong impact
Communications & Advertising		Strong impact		Strong impact
Advisory				Strong impact
Construction	Very strong impact	Strong impact	Very strong impact	Strong impact
Publishing		Strong impact		Strong impact
Education		Strong impact		Strong impact
Paper Packaging	Very strong impact			
Electronic Equipment & Instruments	Very strong impact			
Automotive Parts & Equipment	Strong impact			
Healthcare & Pharmaceuticals	Very strong impact	Strong impact	Strong impact	Strong impact
Environmental services/engineering/installations	Very strong impact			Strong impact
Commercial companies and distributors	Very strong impact			
Transport and logistics	Very strong impact	Strong impact		Strong impact

● Very strong impact ● Strong impact

The results of this analysis show that:

- **Greenhouse gas emissions** are the factor most impacted by EMZ Partners' holdings, with 48% of companies having a **very strong impact** on biodiversity through their emissions;
- in addition, part of the companies in the portfolio (70%) also impacts biodiversity through the **pollution** factor:
  - the sectors in which EMZ Partners invests have a potentially material impact on **water pollution, soil pollution and the discharge of solid waste**, as air pollution is not material for these sectors. The discharge of substances and waste into water or soil can disrupt their balance and contribute to the erosion of biodiversity,
  - the Principal Adverse Impact (PAI) measurement carried out by EMZ Partners for all companies includes monitoring for the "Water Pollution" and "Hazardous Waste" indicators,
  - EMZ Partners also monitors the action plans of companies in this sector on this subject, as detailed below;
- Of the assets in EMZ Partners' portfolio, 75% have a strong impact on **resources**, mainly through their water consumption:
  - at the end of 2023, 40% of companies had implemented measures to reduce their water consumption;
- **Terrestrial and marine ecosystems** are strongly impacted by three portfolio companies. The sectors identified are construction, healthcare and pharmaceuticals, whose activities can have a direct impact on these two key areas of biodiversity.

To define an action plan, EMZ Partners focuses on biodiversity impact factors that are "very strongly" affected by the sectors in which it invests: GHG emissions and ecosystems.

In addition, EMZ Partners pays particular attention to the construction, healthcare and pharmaceutical sectors, as these sectors have been identified as having a negative impact on the four categories of impact factors in the ENCORE analysis.

GHG emissions

The portfolio analysis revealed that the activities of 61% of portfolio companies have a material impact (strong or very strong) on biodiversity through their GHG emissions. Anthropogenic climate change is a risk factor for the deterioration of natural species (conditions favourable to pathogens, disruption of the food chain, disrupted pollination, etc.) and their habitats (ocean acidification, fires, droughts, soil degradation, etc.).

Measures to reduce the associated risk

The decarbonisation of the companies in the portfolio is part of EMZ Partners' commitments to the climate and biodiversity. As such, EMZ Partners supports its portfolio companies in their decarbonisation approach by adapting to their maturity level:

- at the end of 2023, EMZ Partners established a carbon footprint for 100% of its portfolio:
  - 67% of the portfolio companies carried out an annual carbon assessment independently,
  - 28% of the portfolio used the Sweep tool to carry out a full carbon assessment based on physical and financial data or sector proxies,
  - the emissions of the remaining 5% of the portfolio were assessed using sector proxies from the CDP database;
- by the end of 2023, 21 of the 36 companies in the portfolio had implemented a decarbonisation plan, and 16 companies stated that they had targets aligned with the Paris Agreement.
  - of these companies, two have a trajectory certified by the SBTi and three others are working towards this certification,
  - as part of its net zero commitment, EMZ Partners plans to help its portfolio companies implement decarbonisation trajectories aligned with the Paris Agreement.

The construction sector

The companies in the portfolio concerned know that the construction sector uses and has a significant impact on ecosystems and have set up action plans to use resources sustainably, avoid the negative impact on biodiversity where possible or reduce it, and restore ecosystems.

This is reflected in strategies and dedicated governance (resource-based economy and circular economy), the development of new services (innovative solutions, products and services with a positive impact) and the consideration of ecosystems in business activities (conservation of biodiversity, adaptation of site schedules, waste management, ecosystem restoration, etc.).

The healthcare / pharmaceutical sector

None of the portfolio companies in this sector have adopted a formal policy specifically targeting nature and biodiversity. However, aware of their impact and dependencies, the two largest companies sponsor initiatives aimed at conserving nature, restoring biodiversity in certain affected areas and protecting endangered species. One of these companies has also launched an endowment fund to fund research aimed at protecting wildlife health. These companies also carry out internal initiatives aimed at preserving biodiversity, including employee training and awareness-raising, preservation of the flora and fauna around the sites and more.

5/ The analysis of portfolio dependencies on biodiversity

The portfolio analysis showed that 45% of portfolio companies have at least one strong dependency on an ecosystem service, as shown in the table below.

ECOSYSTEM SERVICES

SECTORS	CLIMATE REGULATION	FLOOD AND STORM PROTECTION	WATER
Construction	●	●	
Healthcare & Pharmaceuticals			●
Environmental Services/Engineering/Installations	●		
Commercial Companies and Distributors	●		

● Strong Impact

The dependencies are explained as follows:

1. Climate regulation:

Companies in the construction, engineering services and distribution services sector are highly dependent on ecosystem services that regulate climate and temperature changes, such as plant biomass, oceans and soils that store carbon dioxide long term, marine currents, winds and vegetation.

The alteration of these ecosystem services leads to an acceleration of extreme natural phenomena that negatively impact these sectors in the form of heat waves, floods, landslides and water stress;

2. Flood and storm protection:

Nature provides protection against floods and storms through natural and planted vegetation, giving shelter, acting as a buffer and mitigating these extreme events. The reduction or loss of this protection may lead to site interruptions, delays completing projects, an increase in the cost of insurance premiums, significant costs for the restoration of assets affected by these phenomena, etc.;

3. Water resources:

Water plays a central role in pharmaceutical production processes and must meet high quality requirements for the manufacture of drugs and for hygiene. Climate change modifies precipitation patterns and the availability of water resources. The alteration of these services is likely to create disruptions in production, higher production costs to ensure the quality of the water used, and reputational risks if water is used at the expense of local communities.

6/ An action plan and outlook

In order to continue its efforts and fully align with long-term biodiversity targets, EMZ Partners undertakes to:

1. **Develop and implement a biodiversity policy starting in 2026:** this policy will describe the company's commitments to protect and conserve biodiversity, including target-setting for biodiversity conservation, the identification of key biodiversity areas and engagement with stakeholders.

   To that end, EMZ Partners signed the Finance For Biodiversity Pledge in 2024 and undertakes to publish a report on its measures in 2026;

2. **Assess the materiality of ESG issues for portfolio companies and take action to mitigate pressure on ecosystems:**

   – based on the analysis carried out in 2023, the company will select an external service provider capable of establishing a biodiversity footprint indicator;

3. **Support the most at-risk companies** in their own biodiversity strategy and in establishing measures to mitigate potential pressure on ecosystems, where possible and relevant.

8. INCORPORATING ESG CRITERIA INTO RISK MANAGEMENT

a. EMZ Partners' ESG risk management

A sustainability risk is defined as an environmental, social or governance event or condition that would have a material adverse impact on the value of an investment if it occurred.

In the pre-investment phase

To improve its ESG risk management, EMZ Partners updated its non-financial risk policy in early 2024. It describes how risks are weighed throughout the investment process:

Before each investment decision, EMZ conducts an analysis identifying the potential material risks associated with the investment opportunity.

Prior to the investment decision, ESG risks are identified based on the following steps:

- the sector exclusion policy: EMZ Partners has defined a list of sectors that are excluded from investments because their impacts are deemed negative on the environment and society or because they involve levels of risk deemed unacceptable (types of activities, geographical areas, etc.);
- the identification of material controversies entailing a significant ESG risk that would not be subject to a satisfactory remediation plan;
- the analysis of ESG risks during targeted due diligence on material ESG themes;
- the identification and calculation or estimation of the Principal Adverse Impacts (PAIs) of the investment;
- the use of an ESG risk score based on an internal analysis grid applicable to governance, social, environmental and societal issues.

Holding phase

During the holding phase of the portfolio investment, ESG risks are monitored through:

- a more in-depth ESG analysis if necessary;
- EMZ Partners' systematic participation in the supervisory boards of portfolio companies: this position enables EMZ Partners to assess risks and encourage the implementation of best practices;
- the implementation of a system for reporting ESG incidents where applicable (included in the ESG clause in the shareholders' agreement);
- the dissemination of an annual ESG questionnaire to all portfolio companies to identify any new sustainability risks.

The exit phase

Upon exit, EMZ may recommend that the company have an external ESG audit conducted for use during the sale. In some cases, EMZ may complete a disposal ESG questionnaire.

In 2023, EMZ Partners did not measure the financial impact of the main sustainability risks, or the share of the management company's assets exposed to these risks.

b. Action plan for incorporating ESG criteria into risk management

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

1. Refine our ESG risks definition

- Consider conducting a quantitative estimate of the financial impact of these key ESG risks using MSCI's Climate VaR methodology, for example, which aims to provide a future monetary appraisal of climate-related risks and opportunities within a portfolio.

2. Define a strategy to mitigate identified risks

- After understanding all of its ESG risks, develop suitable strategies to manage them and minimise their negative impact on the performance and sustainability of the portfolio companies.

3. Raise the awareness of EMZ Partners' employees and portfolio companies on how to identify and manage ESG risks

- Continue to raise all employees' awareness of ESG issues, train them on the new policies implemented by EMZ, and show them how to manage potential risks when identified.
- Provide interested portfolio companies with training on ESG risks and best practices in their industry.

Design & preparation LABRADOR Transparency by design +33 (0)1 53 06 30 80

www.emzpartners.com

EMZ Partners SAS

9 rue Saint-Florentin - 75008 Paris - France

+33 (0)1 53 30 23 30

emz@emzpartners.com

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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

RCS Munich HRB 25400