

CLIMATE POLICY

There is now a consensus on the causal link between human activity and global warming. The conclusions of the 6th IPCC report(1), published in 2023, indicate that CO_2 emissions must be rapidly and drastically reduced to avoid severe consequences for ecosystems and humanity.

The impact of global warming on economic activities will increase over the coming years, requiring companies to review their business models in light of the associated risks and opportunities.

EMZ Partners is committed to addressing this reality by fully integrating the objectives of its climate policy into the core of its operations and investment strategy. By publishing its climate policy, EMZ Partners pledges to contribute to the fight against climate change and, through its activities, help limit global warming to well below the 2°C threshold by 2100.

This publication is aligned with the financial performance objectives of the investments under management, consistent with EMZ Partners' fiduciary duty to its clients.

(1) IPCC CLIMATE CHANGE 2023 Synthesis Report https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_FullVolume.pdf

EMZ Partners' Commitments

Responsability and Collective Action

In line with Principle 5 of the UN PRI ("We will work together to enhance our effectiveness in implementing the Principles."), EMZ Partners recognises the value of collective action in implementing the necessary mitigation and adaptation measures.

EMZ Partners has been a signatory of the UN PRI since 2016, a member of the Francophone Reference Group, and a member of the Initiative Climat International (iCI) — a collective commitment of private market actors, under the auspices of the UN PRI, aimed at understanding and reducing companies' carbon emissions to ensure sustainable investment performance.

Additionally, EMZ Partners is a member of the IIGCC (Institutional Investors Group on Climate Change). The mission of the IIGCC is to mobilise capital for the transition to a Net Zero and climate-resilient economy by working with businesses, policymakers, and investors.

Wherever possible and relevant, EMZ Partners also implements its climate engagement policy with its portfolio companies, in collaboration with other stakeholders, particularly other financial co-investors.

Net Zero Asset Management Initiative

EMZ Partners participates in the Net Zero Asset Management (NZAM) and is committed to managing 100% of its portfolio in alignment with the Paris Agreement by 2050.

These alignment targets are defined using the Net Zero Investment Framework, applied to Private Equity, developed by the IIGCC.

Operational Commitments

EMZ Partners measures its operational emissions annually, providing a detailed analysis of the main emission sources and tracking changes in these emissions over time.

Intégration of the climate policy in the investment policy

Preinvestment phase

Exclusion Policy

The first pillar of EMZ Partners' Climate Policy is to exclude from its investments sectors whose development has been scientifically proven to be incompatible with maintaining global temperatures well below 2°C(1).

EMZ Partners' exclusion policy is outlined in its Responsible Investment Policy.

EMZ Partners excludes from its potential investment scope companies that plan to expand their activities in the production, exploitation, transport, and storage of both conventional and unconventional fossil fuels (thermal coal since 2022, oil and gas since 2023), as well as companies directly involved in these activities without a transition plan(2).

EMZ also excludes any investment in the thermal coal sector (mining, storage, transport, trade, transformation), including production of electricity from coal.

ESG Due Diligence ESG covering the Climate topic

Since 2024, all potential investments have been subject to external ESG due diligence, which includes climate-related issues. For companies operating in sectors with a high climate impact, the carbon and climate strategy component of this due diligence is enhanced.

Particular attention is given to the exposure of the company's business model to the risks and opportunities of the transition, the physical impacts of climate change, and the alignment of its decarbonisation trajectory with the Paris Agreement.

Holding Phase

EMZ Partners is committed, throughout the holding phase, to promoting the climate agenda within its portfolio companies, taking into account the level of influence it can exert and adapting to the specific characteristics of each company.

(1) « Estimates of future CO_2 emissions from existing fossil fuel infrastructure (…) already exceed the remaining carbon budget for 1.5°C. Projected cumulative future CO_2 emissions over the lifetime of existing and planned fossil fuel infrastructure (…) are approximately equal to the remaining carbon budget for limiting warming to 2°C", CLIMATE CHANGE 2023 Synthesis Report

(2) EMZ Partners applies the NGO Urgewald's definition for this exclusion.

Shareholders agreement

Right from the investment stage, the inclusion of an ESG clause in shareholder agreements confirms the importance for EMZ Partners of climate issues in the selection and monitoring of its investments.

This clause requires EMZ Partners to carry out a carbon assessment in the year following the investment. Where appropriate, this clause may also provide for the implementation of a 5–10-year reduction target in line with the Paris Agreement.

Analysis of the risks and opportunities linked with Climate change

Each year, EMZ Partners assesses the climate risks and opportunities affecting its portfolio companies.

The consequences of climate change directly impact the economic viability and business model of companies: impact on resources, physical risks related to extreme weather events, climatic hazards impacting production chains and the quality of life of employees, regulatory changes, changes in demand...

The requirements arising from the Paris Agreement also create opportunities for companies which are positioning themselves to offer specific products or services in response to climate change, and develop a competitive advantage by adapting earlier than other companies in the same sector.

EMZ Partners ensures that companies affected by material risks and/or opportunities have put in place preventive and mitigating measures, including the development of new offers and services, enhanced risk analysis and monitoring, changes in production methods and plans to reduce greenhouse gas emissions.

The climate issue is monitored throughout the investment period, in particular through the governance bodies in which EMZ Partners participates.

Stewardship with portfolio companies

In line with its NZAM targets, EMZ Partners wishes to play a role in reducing its financed emissions, with the aim of managing 100% of its holdings in line with the Paris Agreement by 2050.

The carbon footprint is measured annually across the entire portfolio, with the aim of covering scopes 1, 2 & 3. Data on greenhouse gas emissions is consolidated based on information gathered during the annual ESG campaign. EMZ Partners provides its portfolio companies with a tool enabling them to calculate their GHG emissions, if the company has not already done so independently.

The annual ESG campaign also enables EMZ Partners to assess the maturity of its portfolio companies with regards to climate change and to take appropriate measures if necessary.

In addition, EMZ Partners is committed to supporting its portfolio companies in the implementation of an appropriate greenhouse gas emissions reduction plan and intends to develop the inclusion of criteria linked to climate risk (decarbonisation trajectory) in the management packages.

Investments in Climate Solutions

Achieving the climate objectives of the Paris Agreement will require not only a reduction in CO_2 emissions, but also an increase in financing for the development of climate solutions(1).

EMZ Partners is therefore invests in companies at the core of the energy transition and the fight against climate change: decarbonisation of electricity production, energy efficiency, technological innovations in favour of decarbonisation, the circular economy to rationalise the use of resources, decarbonised transport…

Investments in such companies with attractive growth prospects fully contribute to the requirements of financial profitability of the funds under management.

(1) « Average annual modelled investment requirement for 2020 to 2030 in scenarios that limit warming to 2°C or 1.5°C are a factor of three to six greater that current levels", CLIMATE CHANGE 2023 Synthesis Report

Governance

Internal responsabilities and organisation

EMZ Partners has set up a dedicated governance structure, to ensure that its climate policy is properly implemented.

The climate policy is implemented by the ESG team, under the responsibility of the Managing Director of EMZ Partners.

Awareness raising and training

The investment team is responsible for implementing this strategy with the companies in the portfolio, with the support of the ESG team. The investment team receives regular training and awareness-raising on climate issues. Members of the management team receive the same training as other employees.

Transparency and reporting

Transparency and communication are key elements of EMZ Partners' climate strategy. EMZ Partners communicates the climate indicators it monitors on a regular basis:

- consideration and annual calculation of climate PAI (Principle Adverse Impact) indicators defined by the Disclosure Regulation (EU) 2019/2088 (PAI 1 to 7);
- annual publication of the report required under Article 29 of the French Energy and Climate Act no. 2019-1147;
- *ad hoc* communication at the request of investors;
- publication of the carbon footprint in the management company's annual ESG report.