

ESG Charter

Environmental ♣ Social ♣ Governance

Investing in tomorrow's future

ESG Charter

Our Commitments

This charter aims to clearly state our commitments in a formal manner. At Abénex, we strongly believe that incorporating ESG (Environmental, Social and Governance) practices in our investment process will benefit both the economy and the society we live in. We are convinced that implementing ESG criteria also contributes to the value creation and long-term success of each of our portfolio companies. ESG criteria include among other things a strong focus on reducing carbon footprint, promoting gender parity and increasing trainings.

Adherent of the United Nations' Principles for Responsible Investment (PRI) since 2010, we have reinforced our positioning by becoming a signatory of the "Engagement" & "Parity" charters of France Invest and joining Initiative Carbon International.

As an institutional shareholder, we want to hold our commitment through the following actions.

1. Our Portfolio Companies

We systematically integrate our ESG values throughout the investment process.

Pre-investment Phase

- ✿ We do not invest in sectors such as: weapons, tobacco, alcohol, gambling, coal, porn industry and prostitution, as well as companies not compliant with International Treaties (Human Rights, child labour, forced labour, etc.).
- ✿ Systematic ESG due diligences are carried out prior to the investment process. Based on sectorial relevance, a wide range of criteria are covered such as: ethical issues, environmental impacts, gender parity, activities' impact on biodiversity, circular economy actions, etc.
- ✿ We determine the most appropriate ESG indicators to monitor progress on a yearly basis to drive positive change.
- ✿ An ESG clause is included in shareholders' agreements.

Holding Phase

- ✿ An ESG roadmap established with the management team of portfolio companies, allows us to monitor their key ESG initiatives.
- ✿ An ESG action plan for portfolio companies is defined and follow-up processes are implemented. Areas which we typically cover include: carbon footprint assessment, nominating independent board members, reducing turnover and absenteeism rates, etc.
- ✿ We annually collect and analyse ESG data from portfolio companies through a well-documented and formalised process. The deal team, and if necessary external consultants, monitor each portfolio company, which are also assigned an Abénex ESG coordinator to oversee the process.

Exit

- ✿ Extra-financial data is typically made available in the *Information Memorandum* in the *dataroom*.
- ✿ Wherever possible, an ESG vendor due diligence will be completed.

We allocate internal resources to ensure our ESG commitments are delivered.

- ✿ An ESG Abénex board meets quarterly to review our SRI & ESG strategy.
- ✿ An ESG Officer (CFO) as well as a fully dedicated ESG team member are in charge of monitoring and coordinating ESG topics and actions.
- ✿ A continuous team dialogue and annual ESG training are implemented to guarantee a collective commitment of all team members each at his/ her respective level of responsibilities.

2. Our Management Company

Environment

- ✿ We continually review our internal operations with a view to minimizing our carbon footprint.
- ✿ For example, key initiatives include: shifting to a green electricity provider, installment of a water fountain to prevent the use of plastic bottles, encouraging our employees to use trains instead of planes for business travels.

Social

- ✿ Our corporate values are based on transparency and promote a continuous internal dialogue among team members.
- ✿ A profit-sharing scheme has been implemented and benefits all employees.
- ✿ All team members receive an individual follow up process which includes a documented annual performance appraisal review and specific objectives set for each individual.
- ✿ For the Investment teams, a variable remuneration is linked to responsible investment performance and to the impact of sustainability risks on the investment decision making process.

Governance

- ✿ A quarterly ESG Committee has been set up to discuss our ESG policy with regards to Abénex as well as its portfolio companies.
- ✿ Abénex is independent and benefits from a stable shareholding structure with 100% of the capital owned by the management team. The control procedures include a number of committees which facilitate, within their respective scopes, a collective approach.

Societal

- ✿ Some of our Investment team members are mentoring women in the private equity industry, as part of the initiatives taken by Level 20, a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry. Additionally, we have become signatory of France Invest Parity Charter to promote gender equality in private equity and within companies.

With an objective of leading by example, we make sure that the business agenda of our portfolio companies include sustainability as a top priority.

- The Abénex Team



ABENEX CAPITAL | SOCIETE PAR ACTIONS SIMPLIFIEE AU CAPITAL DE 2.000.001 EUROS

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SRI Policy

Socially Responsible Investment



Socially Responsible Investment (SRI) Policy

Introduction

As an investor, Abénex feels a responsibility towards society as it can influence its portfolio companies to act in a socially responsible manner. Investors belong to society, and we believe that their interests are aligned with those of the companies they invest in, their employees, customers, suppliers and more generally the communities in which they operate. Therefore, while remaining driven by results, Abénex is committed to act in a manner which is respectful of Environmental, Social and Governance issues (ESG). It was this commitment that led Abénex to become a signatory of the ONU sponsored Principles of Responsible Investment (PRI). The firm also believes that this commitment benefits from an organized and documented approach so that it not only consists of a general philosophy but it also impacts the way the team runs its daily business and operations. Our structured approach is documented through the following documents:

- ✿ **SRI & ESG Commitment:** our key values;
- ✿ **SRI Policy:** the processes in place that enable the team to invest in, follow up and divest portfolio companies in a socially responsible manner;
- ✿ **ESG Policy:** the processes in place that enable the team to run its own internal operations with a view of ESG considerations.

SRI & ESG-Internal organisation

Abénex integrated its SRI & ESG strategy within its organization through a formal governance so that the strategy benefits from:

- ✿ **Leadership:** the SRI strategy is sponsored by top management;
- ✿ **Ownership:** responsibilities are clearly identified;
- ✿ **Collective effort:** initiatives are encouraged and taken at all levels of the company.

Abénex SRI/ ESG governance consists of:

Body	Responsibilities
Abénex ESG Board	<ul style="list-style-type: none"> ✿ Approve and endorse the corporate SRI & ESG strategy & guidelines and policies ✿ Monitor proper implementation of this strategy & guidelines
ESG Leader: Patrice Verrier	<ul style="list-style-type: none"> ✿ Define corporate SRI & ESG strategy
ESG Analyst: Sandra Pekle	<ul style="list-style-type: none"> ✿ Facilitate the ESG process for each portfolio company with ESG coordinators ✿ Set up internal ESG policy for the managing company including certifications, labels, environment-friendly actions, etc. ✿ Coordinate ESG communication together with ESG Officer
ESG Officer : Laurent Chevreau	<ul style="list-style-type: none"> ✿ Set up internal ESG & SRI documented policies ✿ Communicate policies to all staff member ✿ Ensure proper training is in place to enable awareness of ESG & SRI related topics and policies by all staff members ✿ Coordinate ESG communication together with ESG Analyst
Midcap ESG coordinator: Jérôme Vandermarcq	<ul style="list-style-type: none"> ✿ Ensure proper implementation of ESG policies across the PE mid-cap investment team members and portfolio companies
Smallcap ESG coordinator: Paul Bertrand	<ul style="list-style-type: none"> ✿ Ensure proper implementation of ESG policies across the PE small-cap investment team members and portfolio companies
REIM ESG coordinator: Vincent Brunswick	<ul style="list-style-type: none"> ✿ Ensure proper implementation of ESG policies across the REIM investment team members
All team	<ul style="list-style-type: none"> ✿ Implement ESG & SRI policies ✿ Show pro-activeness and initiative in sharing with the team any new ideas and initiatives which may have a positive impact on ESG & SRI areas

Since 2019, we have created a partnership with an external ESG consultant to strengthen the monitoring as well as the improvement of portfolio companies' ESG performance. The process includes, among other actions, the following steps:

- ✿ An ESG due diligence is systematically completed prior to any investment. It includes among others the completion of an ESG checklist and the documentation of ESG findings in the investment memo
- ✿ Once an investment has been made, an annual ESG questionnaire is sent to all portfolio companies, a follow-up meeting is then scheduled with key executives in charge of ESG-related matters
- ✿ An ESG assessment is produced for each portfolio company and discussed with members of the Investment Team
- ✿ Key ESG risks and opportunities are then discussed internally and during Board meetings, whenever appropriate

SRI - Acquisition process

SRI objectives when investigating investment opportunities: We are incorporating ESG issues when considering an investment opportunity. The degree of understanding the potential related ESG issues will grow as the investment team moves closer to making an investment decision. Where a quick initial screening may be sufficient at an early stage, a more thorough ESG assessment will be expected when presenting an investment proposal to the investment committee.

Scope of analysis when completing ESG assessment:

Depending on each investment' specificities, our evaluation should:

- ✿ consider both current and reasonably foreseeable ESG issues, so providing maximum visibility into the risks and opportunities;
- ✿ cover not only legal compliance but also non-regulatory issues;
- ✿ encourage both positive and negative due diligence reporting;
- ✿ cover both the inherent business risks and existing mitigation strategies;
- ✿ look into opportunities to support ESG value creation, with the help of management;

The assessment is part of the overall due diligences performed on the opportunities and the conclusion can be integrated in reports from general external advisors.

Sector pre-screening: The evaluation must include overall sector pre-screening to ensure that investment opportunities do not operate in the following businesses: Weapons; Gambling; Alcohol; Pornography; Prostitution; Coal, Drugs and any other illegal activities (child labour, forced labour; etc.)

Examples of ESG information sources & diligences :

The degree and depth of diligences undertaken to assess ESG issues will be tailored to each investment opportunity, considering its specificities. The diligences may include various approaches including, among others:

- screening & analysis of publicly-available information on the target (target public reports, press, web, industry specialized magazines...) and sectorial benchmarking;
- screening & analysis of target information disclosed by the sellers;
- Interviews with insiders and third parties who may have an opinion on the ESG issues regarding the target. This could involve suppliers, customers, competitors, current employees, prior employees, and all other key stakeholders. The completion of the above diligences can be done either internally or externally especially when concerned ESG issues appear very complex (sector specific environmental issues for instance).

Documentation of our ESG assessment

- The overall conclusion of our ESG assessment is documented in the Investment Proposal and in the Completion Note.
- The detailed ESG diligences will be documented among the investment due diligences ("DD"). Indeed, ESG issues will often appear in all types of DDs (a financial DD may identify ESG related litigations provisions, a legal DD may identify breaches of ESG regulatory rules, a social DD could identify working environment issues).

Environmental assessment - Examples of potential issues to be considered

Investee companies must take a cautious and responsible approach to the environment. Environmental issues will vary materially from one industry to the other and from one company to the other. The investment team will adopt a tailor-made approach focusing on the areas that appear sensitive for the targeted company. Sensitive topics may include, among others:

- ✿ Compliance with relevant environmental laws;
- ✿ Material, energy and water usage, recycling and saving initiatives;
- ✿ Carbon emissions and all forms of pollution (effluents, wastes, sound...) should be considered in both normal and abnormal conditions (e.g. accident);
- ✿ Impacts on biodiversity and mitigation of harmful impacts on the environment;
- ✿ Indirect impacts (supply chain, distribution, consumption...) on the environment;
- ✿ Carbon footprint associated with business travel and commuting (scope 1, 2 and 3);
- ✿ Stakeholders' perception and its consequences on the target's long-term viability;
- ✿ Expected environmental expenditure (for legal compliance or for best practice).

As the investment team analyses the business of a specific target, it will encounter all types of specific environmental issues that should be incorporated in this analysis.

Social/ societal assessment - Examples of potential issues to be considered

Investee companies are part of the society. As employer, supplier, customer and more generally economic agents, they have a strong impact on society. The investment team will assess whether the investment opportunities act responsibly towards society, taking an approach that is sustainable in the long term.

At a pre-requisite, investee companies must:

- ✿ Respect the protection of human rights and avoid complicity in their violations;
- ✿ Uphold the right to freedom of association and collective bargaining; abolish child labor; eliminate forced and compulsory labor;
- ✿ Ban corruption in all its forms, including extortion and bribery, and seek compliance with relevant antifraud and money-laundering regulations.

Areas of social focus will vary across sectors, locations and may include, among others:

- ✿ Compliance with all regulations. This includes common laws, sector specific laws, competition laws, international laws for overseas subsidiaries...
- ✿ Firm stance on anti-corruption;
- ✿ Public policy positions, e.g. lobbying and political donations, community programs ...
- ✿ Health and safety records for employees;
- ✿ Equal opportunities policy (relative to gender, age, ethnic origin...)
- ✿ Career development policies for employees including training, performance assessments, and development reviews;
- ✿ Socially related litigation underway or anticipated. As the investment team analyses a specific target, it will encounter all type of specific social issues that should be incorporated in this analysis.

Governance assessment - Examples of potential issues to be considered

We believe that investee companies benefit from rigorously structuring their operations, and documenting their processes. The investment team will assess whether the investment opportunity has high governance standards in place. In many circumstances, what matters most is the corporate culture and its openness to change and to implement new best practices. A deficient governance structure may not be an issue where management is keen to improve corporate practices. As part of this assessment, the team may look through various respects including:

- ✿ Attitude of management to the overall control environment (controls, documentation, disclosures, escalation processes, accountability of individuals...)
- ✿ Mechanisms promoting transparency, sharing of ideas, escalation of issues;
- ✿ Definition and documentation of responsibilities both at individual level (job descriptions) and organization level (Committee attributions);
- ✿ Internal financial control and performance monitoring at all levels of the organization (budgets, Key Performance Indicators, qualitative reviews, quality control, etc.);
- ✿ Risk management approach including insurance policies;
- ✿ Processes in place to address potential conflicts of interests. As the investment team analyses a specific target, it will encounter all types of specific governance issues that should be incorporated in this analysis.

SRI - Investment monitoring process

Once we become shareholders, we have the opportunity to get a more thorough understanding of the portfolio company attitude towards ESG issues and to have a positive impact on the matter. The pre-acquisition due diligences could have been limited in their scope and/ or depth (often due to management and/or information issues).

- ✿ As a socially responsible investor, we must encourage our portfolio companies to adopt and pursue responsible business practices. We also have a financial interest in doing so: overseeing the management of ESG issues during the investment period has the potential to enhance value on exit. This is not a one-off exercise but an ongoing commitment which takes place in various ways.
- ✿ We sit on each investee company's board where we seek to promote a dialogue with the managers on the ESG factors that appear key to us. As Board members, we will not hesitate to engage portfolio companies on these factors and monitor progress informally or more formally depending on the circumstances.
- ✿ We send an annual ESG questionnaire to investee companies: this questionnaire is analysed internally and often lead to further exchange with the portfolio company where a topic of concern or of interest is identified.
- ✿ Data gathered in ESG questionnaires is then completed by annual qualitative interviews with key stakeholders of the portfolio company, done by an external consultant. Through a well-documented and formalised process, an ESG follow-up report is created every year to oversee the ESG progress of each portfolio company.
- ✿ ESG coordinators of portfolio companies set up annual ESG internal meeting for the team, to share key ESG issues and actions to be implemented within the year.
- ✿ We communicate Abénex Capital's PRI & ESG strategy to the portfolio company management to raise their ESG awareness.
- ✿ We support our portfolio companies to drive value from ESG issues. For example, this could be through providing access to experts, or facilitating knowledge sharing and good practice across the portfolio companies.
- ✿ We encourage management teams to inform their employees of the actions taken on ESG issues. As well as raising the awareness of issues with staff, highlighting positive action on

ESG issues can help to increase employee motivation, productivity, recruitment and retention.

SRI - Exit process

Where an ESG concern is anticipated prior to exit, a dialogue with top management should take place to allow sufficient time for action to be taken to correct or mitigate problems.

On exit, a high-level review may be pertinent to identify “lessons learnt”, both positive and negative. The original acquisition due diligence report may serve as a baseline against which improvements (or otherwise) in ESG performance can be assessed.

We will assess the benefit of using data rooms to provide additional information to potential bidders, on the business’s ESG performance.