



ENTREPRENEURS EN CAPITAL



2019 ESG annual report



ENTREPRENEURS EN CAPITAL

Naxicap Partners is a French private equity firm specialized in leveraged buyouts and growth capital. Naxicap is committed to responsible investing, and as a majority shareholder, promotes sustainable development in its portfolio companies.

Editorial

Eric AVEILLAN,
CEO Naxicap Partners



The business we have built over several years is based on solid foundations. Our values and convictions drive our core strategy and investment decisions. In 2015, when we decided to affirm our position on environmental, social and governance issues, it was a pragmatic approach, based on our vision to be a responsible financial partner ensuring superior returns for our investors and sustainable growth of our portfolio companies.

At Naxicap, we identify ourselves with three core values: Commitment, Agility and Excellence.

Commitment is our deepest value, driving the purpose and the trust that we want to share with every stakeholder: our employees, our investors and our portfolio companies. All the commitments we have undertaken concerning ESG are formalized in our ESG charter. Among others, we have signed the PRI, allowing us to join and contribute to a leading organization whose mission is to promote responsible finance across the world.

Agility defines our curiosity, and the necessity to continuously adapt to an ever-changing society, in order to anticipate and consider new trends and developments. We need to act with agility to efficiently meet our companies' financing needs and to ensure that their strategies are robust and adaptable.


Furthermore, we need the agility to create optimal working conditions for our own employees. We seek to sustain a culture where expertise and skills are valued. Offering appropriate training and career development programs is therefore key for us.

Excellence. We contribute to company development by being a connector of ideas, capital, resources and talents. We work with the management to establish a roadmap including ESG performance targets, which are monitored annually at Supervisory Boards. We also believe that excellence implies transparency for our investors, in providing them with high quality reports of the funds they entrust to Naxicap.

As well as highlighting the recent developments of our portfolio companies regarding key ESG indicators, this fourth ESG report offers something new. For the first time, an estimate of the portfolio's carbon footprint is disclosed. You will also find case studies on four portfolio companies, presenting best ESG practices relative to their sectors of activity.

I wish you good reading.

Eric Aveillan



**We aim to be
a responsible
financial partner
for our portfolio
companies
and for our
investors.**

**“The future
depends
on what you
do today”**

Mahatma Gandhi

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An investment approach based on our core values







A commitment to responsible investment management

ESG charter



NAXICAP'S INVESTMENTS



We undertake to make investments compliant with our values

We do not invest in:

- illegal economic activity: any production, trade or other activity not permitted by law or regulations,
- production of or trade in tobacco,
- manufacture of or trade in weapons and ammunition of any kind,
- pornographic activity and prostitution,
- casinos, betting enterprises and equivalent.

Our most recent funds include these criteria in their By-Laws.

For all new investments, we aim to know the companies' suppliers and to be sure they act responsibly (no child labor or undeclared work, in France or abroad).



We undertake to examine ESG criteria before investing in a company

Our teams highlight the main ESG risks and opportunities of every company before investing. We try to identify industry best practices and to deliver first recommendations, discussing these with the management team of the company. This pre-analysis is systematically included in our investment memorandums.

In the more advanced stages of the investment process, we aim at a deeper awareness of the company's practices. ESG audits are then carried out by external auditors, delivering a more detailed analysis of the ESG criteria and providing a roadmap for the coming years. An ESG clause is included in every Shareholder agreement; companies undertake to report on ESG data annually and to inform us regularly on their actions.



We undertake to monitor and support our portfolio's ESG initiatives from investment to exit

Based on the customized ESG roadmap built with the management team, we maintain a continuous dialogue with our portfolio companies on their ESG initiatives, year after year, and support their efforts. The main objectives are assessed periodically at the Supervisory Board allowing us to validate their satisfactory improvement. We particularly aim at seeing regular progress on:

- efforts towards reducing environmental footprint,
- development of a relevant and well-functioning Human Resources Management System,
- well-balanced governance instances,
- control of suppliers and subcontractors,
- monitoring of client satisfaction.

The companies answer an annual questionnaire of c. 120 indicators allowing Naxicap to monitor their progress and to compare them to other companies in our portfolio. We undertake to actively fulfill our role as Supervisory Board member, and to support the ESG action plan with the management.

NAXICAP'S INVESTORS

We undertake to report our ESG actions transparently to our LPs

Our investors are concerned by the implementation of good ESG practices in the companies of the portfolio they have invested in. Naxicap Partners undertakes to report transparently its actions and the companies' initiatives to its investors. We collect ESG data annually from our portfolio companies through an online reporting tool and analyze the answers using our in-house methodology. We provide our LPs with dedicated reports by fund based on this methodology and the companies' answers to the indicators. In turn, we reply to our LPs' questionnaires, detailing our ESG initiatives.



WITHIN NAXICAP

We undertake to offer our associates the best possible work environment

As a Management Company, our employees represent our most important asset. Providing our associates with a positive and dynamic working environment is one of our key priorities. We undertake to offer equal working conditions to our employees, with no difference based on gender. We undertake to train our employees every year and to support them in their career development. We conduct annual interviews with each staff member to review their objectives and to understand their expectations. A tutoring program allows junior staff to spend time with more experienced staff in order to share their experience.



We undertake to be law compliant, internally well controlled and to limit our risks

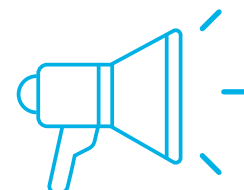
Inherited from Natixis's culture, Naxicap Partners focuses on operational excellence. The Risk & Compliance and the Middle Office departments are added-value in-house expertise functions of Naxicap in which we have invested heavily. Beyond complying with legal provisions and mitigating operational risks, our processes enable us to provide a safe and high level of service to our portfolio companies, and to our LPs for all of our transactions.



OUTSIDE NAXICAP

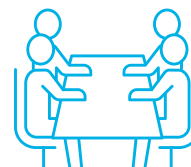
We undertake to promote responsible investment within our profession

We believe that investing more responsibly involves all the actors of the profession, from LPs, through management companies such as Naxicap, down to the companies in which we invest as well as their employees. We undertake to participate in workshops to increase public awareness, to communicate and demonstrate the benefits of good practices for companies and for the investment industry. In the long run, we believe that responsible practices will have a positive impact on profitability.



We undertake to support initiatives related to economic progress, our know-how and our values

We support the chair « Resilience & Leadership » launched by the Ecole Navale, HEC and the Université de Bretagne Occidentale. The objective is to develop an indicator measuring and analyzing management resilience. This is a subject concerning every stakeholder of an organization (Board members, employees, suppliers, customers, etc.), where the role of the leader is central. Naxicap supports Live for Good - an association fostering, training and promoting young (and at times disadvantaged) social entrepreneurs. Each employee within Naxicap has the opportunity to contribute to a project by offering his/her expertise, such as coaching and advisory based on his/her professional and private experiences.



NAXICAP



Scoring range:

E

A+

The results of
the annual PRI audit 2017:
Naxicap awarded score **A**

Signatory of the PRI since January 2016



Supported by the United Nations, the PRI is the world's leading proponent of responsible investment, joined by near **2,400 investment managers, asset owners and service providers worldwide, representing US\$86.3 trillion AUM** (PRI, 2019).

It works to understand the implications of environmental, social and governance (ESG) factors on investment performances. It supports its investor signatories in incorporating these factors into their investment and ownership decisions.

As a signatory of the PRI, Naxicap Partners undertakes to respect and incorporate the six PRI principles.



The PRI in Person conference takes place each year, bringing together PRI signatories and other investment professionals to learn, network and collaborate.

Naxicap was attending the annual PRI conference in September 2018 in San Francisco to learn more about the current and future trends related to responsible investing, to share experiences and practices with other responsible investors and to identify ESG issues to watch out for in 2019.



Signatory of the iC20 since October 2016



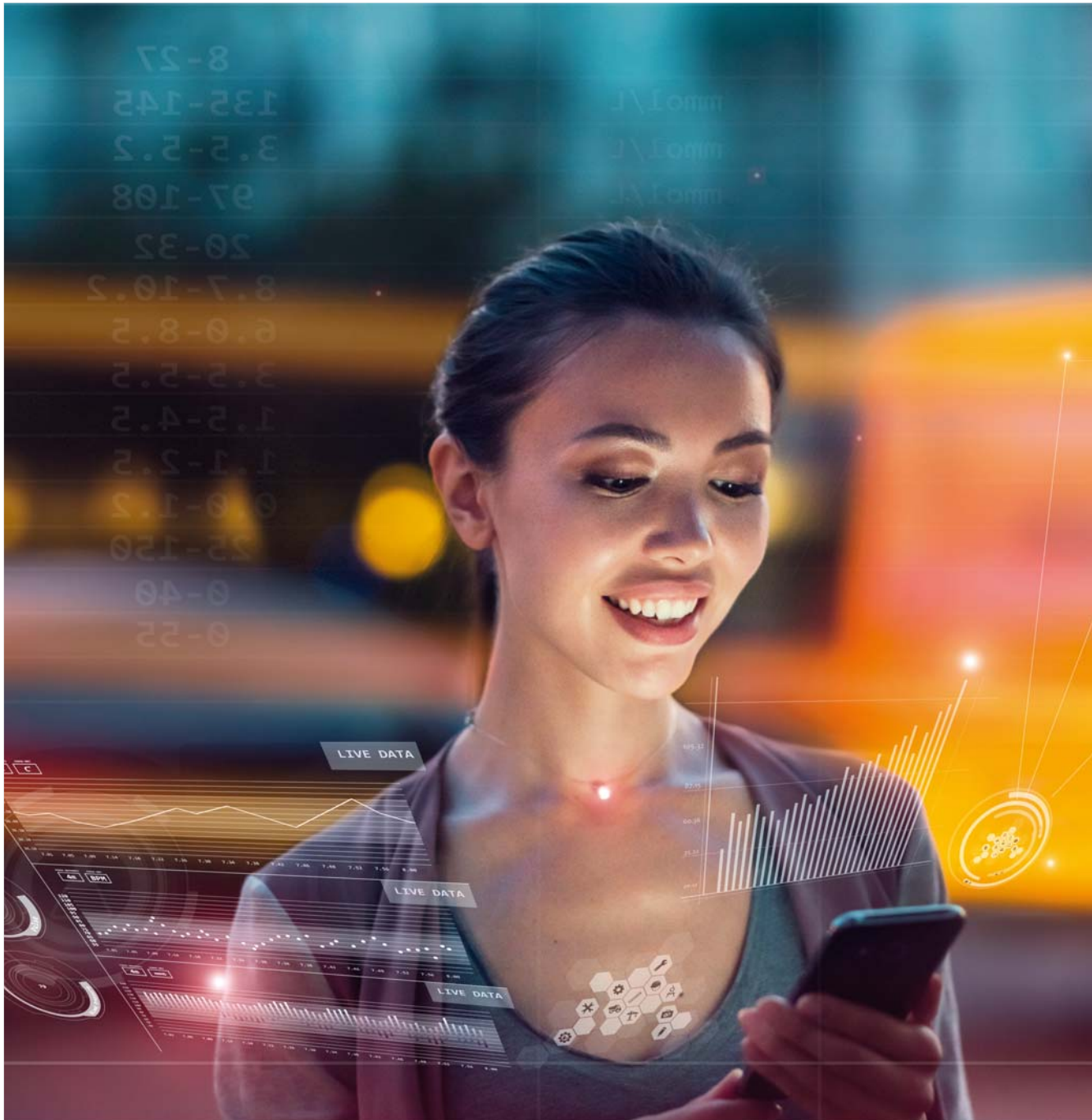
In order to take the inclusion of sustainable development criteria one step further and to anticipate future regulations of the Article 173 of the French Energy Transition Law, Naxicap Partners signed the iC20 (Initiative Climate 2020) in October 2016.

Conscious of their responsibility as shareholders, the **27 iC20 signatories** decide to unite and take action in order to make their own contribution to the COP21 objective of limiting global warming to 2°C.

All signatories commit to:

- Engage publicly through the signature of the iC20
- Include climate issues in the investment process
- Carry out gradual measurement of the carbon footprint of carbon-material companies
- Define with the management of the companies an emissions reduction and adaptation to climate change action plan for these companies.

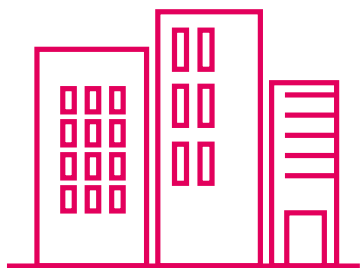
iC20 is thus a long-term commitment for Naxicap aiming to reduce the GHG (greenhouse gases) emissions of its investments and to ensure the sustainability of their performance.



A photograph of a server room with rows of server racks. The racks are illuminated with blue and red lights, creating a futuristic atmosphere. A person is standing in the aisle, looking at a device. The text "The agility to continuously adapt to a changing world" is overlaid in white, framed by a red L-shaped border.

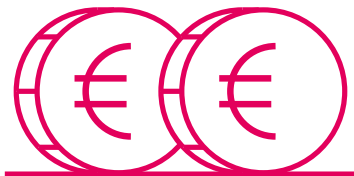
**The agility
to continuously
adapt to a
changing world**

To be responsible investment managers for the companies we support



100

portfolio companies
(Mid and Small Caps)



**€15m
to
€200m**

investment
tickets



40

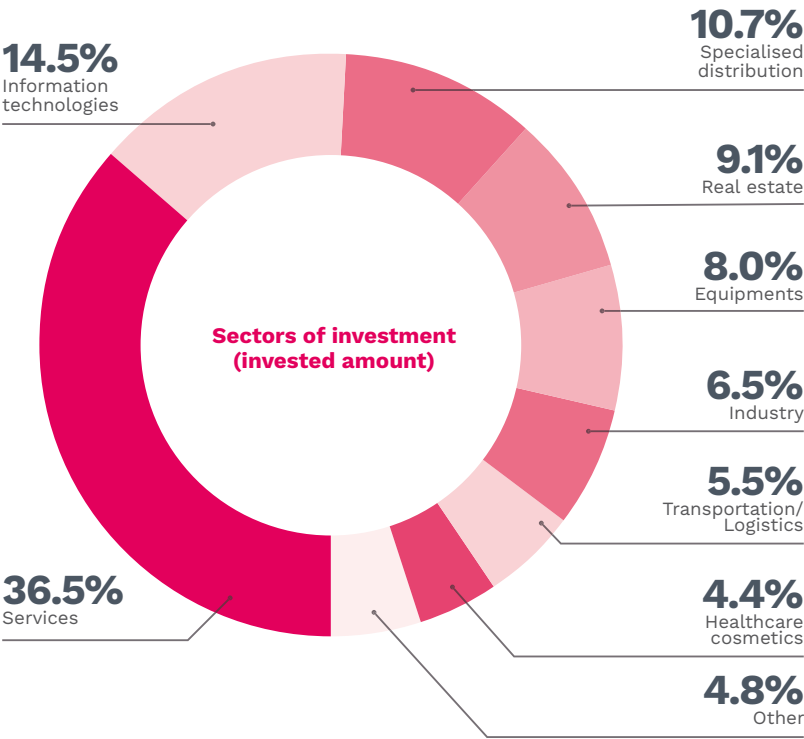
majority investments

representing

76%

of the invested
amounts

Ability to cover a large range of sectors



We want to act as responsible investment managers and work with managers of companies who share our vision of business. Curiosity and anticipation of mutations are essential to guarantee the sustainability of the companies. With a portfolio of 100 companies, and a majority position in 40 of them, this is our role, as the management company, to encourage their responsible initiatives. Agility is essential to understand the challenges of the portfolio company, in every sector. We demonstrate a continuous interest, a careful listening, a true consideration. We believe that sharing knowledges and good initiatives contributes to effectiveness and performance.

Everywhere in France

Our teams are spread over 4 cities in France and an office in Germany.

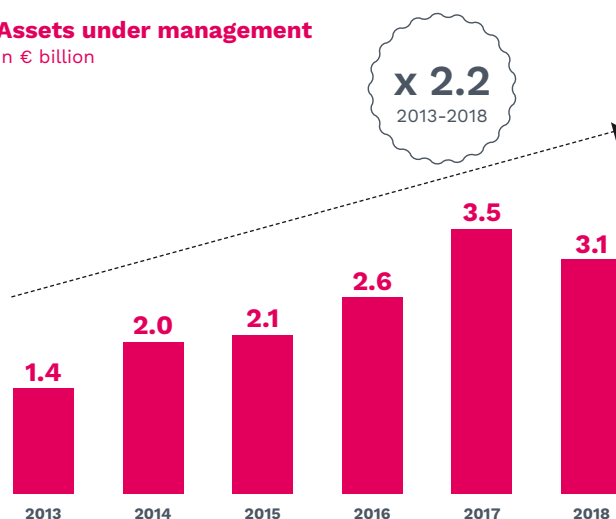


And to meet our clients' expectations

Increasing & diversified fundings

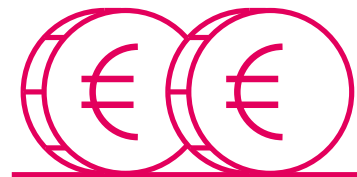
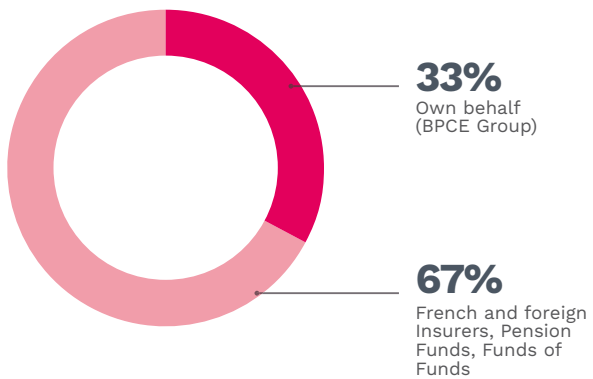
French and foreign Insurers, Pension Funds, Funds of Funds trust us and have increased the amounts we manage over the years. We believe that responsible investments, which take into consideration people and environment, will bring more security. This is a higher trend from our LPs who are aware of their major role and request that GPs include extra-financial criteria in their investment and management processes.

Assets under management
In € billion





Source of fundings



**€3.1
billion**

**under
management**

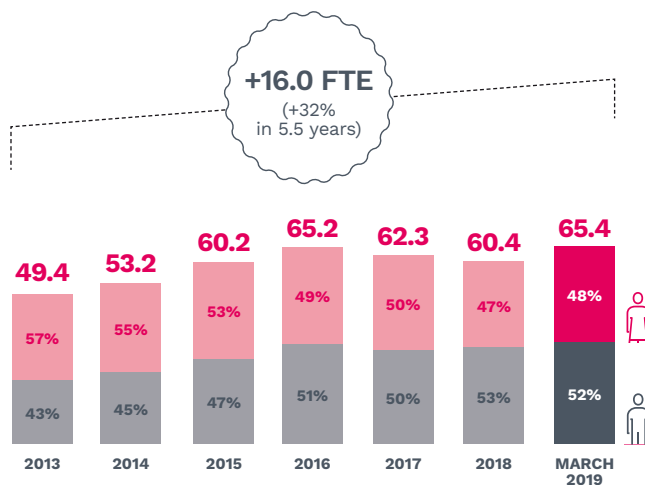
With proactive and adaptable teams



66

professionals

Open-minded, agile, motivated and enthusiastic employees are our main asset.



Working with people with diverse outlooks

Culture

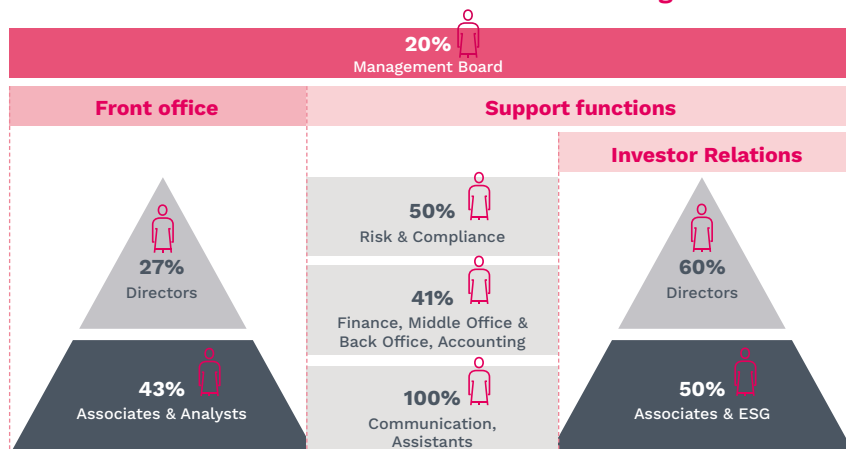


We work with people with different nationalities and diverse backgrounds and we believe that points of view from both men and women are essential to understand our business and to adapt to the needs of our portfolio companies.

Parity



1 Woman at NAXICAP's Management Board



Offering our employees stable and flexible work conditions

Contracts

100%



of our employees have a **PERMANENT CONTRACT** (CDI - Contrat à Durée Indéterminée).

3



employees have a **PART-TIME CONTRACT**. Part-time contracts give the possibility to work from 80% to 99% of the legal time in France.

5



employees have benefited from **INTERNAL MOBILITY** within Naxicap since 2013. Mobility has been geographical - from one office to another - or a change of function between the front office and the support functions.

Empowering our employees to contribute to change



Naxicap encourage its Front Office teams to implement environmental, social and good governance initiatives into the companies they daily work with. It is a real incentive from the Naxicap Board and the ESG team.



Naxicap offers its employees the opportunity to support young (and sometimes disadvantaged) social entrepreneurs. Each Naxicap employee can provide its expertise such as coaching, advisory and network based on his/her professional and private experience.

A team dedicated to ESG to better answer to the challenges of tomorrow



Angèle FAUGIER,
Board Member
and Managing Director

The ESG approach is a continuous process of improvement, both in our portfolio and Naxicap itself; it forces to review the company with a complementary perspective to our usual audits and highlights axes of major progress.



Isabelle GUERIN,
Investor Relations
Director

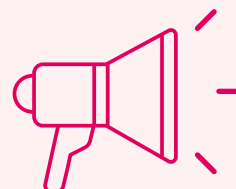


Kyrre Johan KNUDSEN,
ESG Analyst



Elodie PAVOT,
Investor Relations
Associate

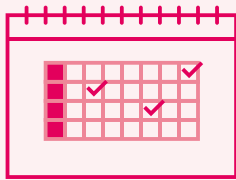
Leading the Naxicap ESG journey over the last 5 years



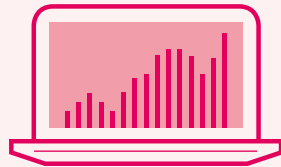
2015

Raising awareness & action plan

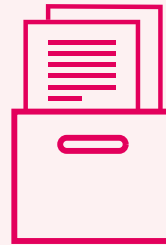
- Overview of best market practices
- “Flash” ESG audits of our portfolio
- **A Partner dedicated to ESG**
- Elaboration of an action plan for the Management Company
- First ESG audits



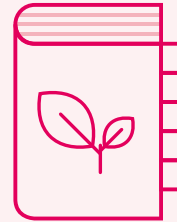
→ **2016**



→ **2017**



→ **2018**



→ **2019**

Implementation & commitment



- ✗ **Signature of the PRI**
- ✗ **Creation of a dedicated ESG team**
- ✗ Formalization of a HR policy for the Front Office
- ✗ **Integration of ESG criteria in the investment process**
- ✗ Reinforcement of the Risk & Compliance process within Naxicap
- ✗ Development of an in-house ESG scoring methodology
- ✗ Implementation of an online reporting tool
- ✗ **ESG Charter**
- ✗ ESG clause in the Shareholder Agreements
- ✗ ESG roadmap in our portfolio companies
- ✗ First annual ESG report
- ✗ Signature of the iC20



Communication, reporting, development

- First PRI audit
- Carbon footprint assessment of the Management Company
- First climate analysis in the investment memorandums
- **First ESG VDD**
- Second annual ESG report
- **Rated A on first PRI audit**
- PRI Annual Conference in Berlin
- iC20 workshop
- Beginning of regular meetings between the ESG team and the Investment teams

Deployment of the ESG strategy in portfolio companies

- ✓ Oral restitutions of the ESG audits with the management of the company and the ESG experts
- ✓ Third annual ESG report
- ✓ PRI Annual Conference in San Francisco
- ✓ **Implementation of an estimation methodology for calculating the Scope 1 & 2 emissions of our portfolio companies**
- ✓ Hosting iC20 bi-annual meeting
- ✓ Case studies with selected portfolio companies regarding their ESG initiatives

Acceleration

- Climate training to the Front Office teams by PWC
 - Implementation of a climate guide to take into consideration climate challenges into the investment process
 - Naxicap's Social report internally published
 - **Winner of the Grand Prix**
- PRIVATE EQUITY**
MAGAZINE
- in the category
"ESG - Sustainable Development"
- **First portfolio carbon footprint estimation**
 - Fourth annual ESG report



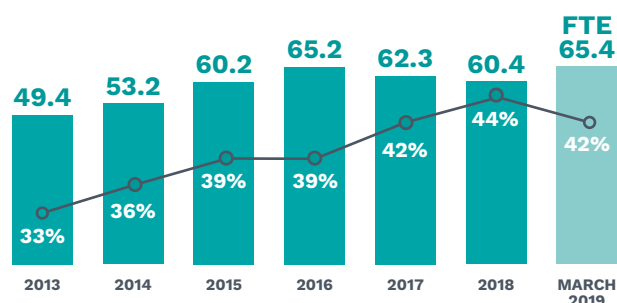


**Encouraging
excellence
at every step**

With resilient processes

Increasing the share of our support functions

Support functions are part of our excellence ensuring the highest level of security for our clients.



—○— Support functions

Naxicap aims at strict compliance with internal and external rules to ensure a complete risk control for our LPs.

Nicolas Marcque,
Head of Risk & Compliance

Support functions

- 8 Investor Relations
- 1 ESG
- 2 Middle Office
- 3 Back Office & Finance
- 2 Risk & Compliance
- 2 Accountants
- 1 Communication
- 8 Assistants

Ensuring secured processes at every step of our investments with special focus on ESG at entry, during holding and at exit

In 2018, we performed:



Pre-investment (% of the deals done in 2018)

ESG analysis
in investment memos

86%

Climate analysis in investment
memos

71%

ESG audits

86%

ESG clause in Shareholders
Agreements

100%



Holding period

Annual questionnaire

91%

of the companies in Naxicap ESG scope
(55 companies in 2018) answered the
questionnaire

ESG roadmap approved
in Supervisory Board

50%

In-house company ESG analyses

20



Exit

VDD

2

Ensuring transparency

We offer our LPs great transparency, with quarterly and annual financial reports, including attached ESG reviews. Furthermore, we answer our LPs' ESG questionnaires thanks to data collected through our online tool connected to our portfolio companies.



**Reporting &
transparency**



**Annual and
quarterly financial
reports**

12

**LPs ESG
questionnaires**

5

**Dedicated ESG
fund reports**

1

**Annual
ESG report**

Delivering high-quality
and transparent
financial reports to our
LPs is one of our
topmost priorities.

Fabien FILLIETTE,
Board Member and Corporate Secretary



Providing training to our employees

Continual training to keep upgrading & updating their skills



830

hours of training in 2018,
an average of 14 hours
per employee

Finance
Tax & Legal
Compliance
IT & Digital
ESG
Languages

Our ESG team continuously stays informed on new subjects and carries out annual trainings for the investment teams



Learning & sharing

10 ESG conferences

- France Invest
- iC20
- PRI Annual Conference in San Francisco
- Others (Consulting companies, industry peers...)



Raising awareness

2 internal presentations

4 ESG trainings to investment teams

Being exemplary

We produce a social report



Excellence is also about knowing its human capital in order to understand our historic human resources trends and to anticipate the needs of tomorrow. We produce an internal social report providing key information regarding our staff: gender by team, contracts, age, seniority, hiring, departures, internal mobility, promotion, training.

Being more responsible in our own offices



ELISE

In January 2019, Naxicap, in collaboration with the other companies sharing its offices building, implemented a waste recycling with Elise, a French company ensuring stable jobs to people with employability difficulties.





3,935

**plastic bottles
avoided in 6 months.**

In November 2018, Naxicap installed water fountains for its employees in its Paris offices (45 people). Since then, it has enabled to avoid 3,935 plastic bottles of 1 L. It is the equivalent of 431 kg of CO₂ (109 g of CO₂ per bottle – production, transport and recycling).

The avoided emissions represent:



1

**one-way flight
Paris-Stockholm
for one person**



110

**one-way trips
Paris-Marseille
for one person**



5

**one-way trips
Paris-Rennes
(Bretagne)**

Over a year

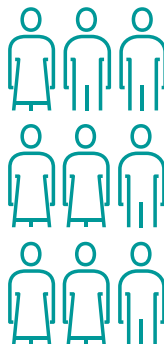
**It represents 7,870 plastic bottles avoided,
i.e. 862 kg of CO₂, i.e. 20.1 kg of CO₂ per
Naxicap employee.**



It represents:

0.3%

**of the emissions of
a French citizen per year**



6,900 kg

**CO₂ emitted today, per year
and per French citizen**

While we should limit it
to **2,000 kg** in the 2°C scenario
of the Paris Agreement and
to **800 kg** in the 1.5°C scenario!*

* Paris Agreement (December 2015) to limit the global warming increase to 2°C, and if possible to 1.5°C by year 2100 (compared to pre-industrial era).





**Focus on
a portfolio
company:
HTL**

Social and environmental challenges of rapid growth



Date of transaction with Naxicap:
February 2017

Sector:

Pharmaceuticals
(hyaluronic acid production)

Staff (March 2019):
130 (FTE)

BUSINESS Located in Javené (Brittany, France), HTL has specialised in the production of raw hyaluronic acid since 1992, produced by bacterial fermentation (*streptococcus*). As a result of its natural properties, this acid has numerous applications in the medical and aesthetics fields.

The company was created in 1977; its founder Michèle Ranson, pharmacist, built the business and made HTL the world leader of hyaluronic acid (« HA »). HTL has developed unique know-how, with unparalleled product quality. This allows the company to offer customized products to its clients. Naxicap became shareholder of the company in February 2017 with the goal to provide support in the development, structuring and investments necessary to back HTL organic growth ambitions. HTL is now well prepared to engage in the next development phase.



1/ Maintaining the activity of the production site. First of all, to keep it in Brittany: **no relocation**; no local jobs lost. For Yvon Bastard, concurrently appointed as CEO of the company (53 years old, native of Redon, Brittany, graduate of Molecular Chemistry, Rennes University, Brittany, and National School of Chemistry of Rennes) it was a strategic decision to remain based in the region where the know-how is. Furthermore, the CEO has been very determined to federate teams and create **strong cohesion** around the new HTL project, which was essential to retain « talents ». The management team has been reinforced, including the arrival of an HSE officer and a Sales manager, while most manager positions evolved and key persons were identified to lead different projects.

The **rehabilitation of the employer brand** was also an objective when investing; the challenge was to strengthen the public image of the company to the press and local authorities. Yvon Bastard met the local economic players (Chamber of Commerce, City Hall, etc.) to inform and improve visibility and recognition. Internally, compensations have been adjusted (wage increase, gift vouchers). And corporate events are now periodically organized.

2/ Strengthening the HR. HTL boosted hirings to structure the company; it had consequently a positive impact on the employment in the region. A **recruitment plan** was quickly implemented (+59% FTE between 2017 and 2019) to reinforce the teams of certain departments of the company. Advertising was launched in the local newspapers and HTL worked with recruitment firms.



What does « talent » mean for an SME?

Employees who:

- are competent and committed
- are hard workers
- adjust to the team diplomatically
- propose initiatives
- are hard to replace if they leave the company



Sharing value creation

When selling to Bridgepoint, Naxicap decided to redistribute part of the value creation to every HTL employee. All 112 employees at that time were rewarded.

Publishing job offers with permanent contract (instead of temporary) position has boosted the number of applications.

Anne-Laure BERTHOU,
HR Manager HTL

« Word of mouth » also helped, as the reputation of the company improved, and spontaneous applications significantly increased.

It was also decided to recruit people directly under **permanent contracts**, rather than temporary contracts; secure work conditions led to more motivated workers.

3/ Limiting the impact of the production on the environment.

With its existing production site of 3,850 m², the company has to take into account its environmental impact.

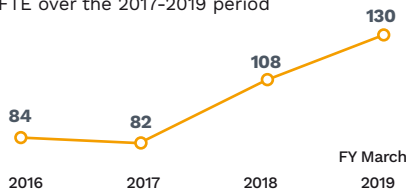
Waste management: HTL has implemented an active waste management policy; the company identifies and treats dangerous wastes. Managing waste helps to limit more costly specific wastes.

Air pollution: HTL monitors its greenhouse gas emissions. They also installed an energy saver

Key indicators

+59%

FTE over the 2017-2019 period



CSR charter



Existence of a collective labor agreement



Waste management policy implemented

on existing boilers. Besides limiting gas emissions, it allows HTL to save money: the saver cost €9,000, but enables savings of €20,000 in 2018 (6% of the gas bill).

Water treatment: water used in the production process is collected and retransferred to the public water treatment plant in Fougères. HTL has launched projects of buffer tanks to neutralize as much as possible the pH emitted (aiming to reach a pH = 7).

Regulations: the company is subject to the ICPE* regulation. Local authorities work with HTL to adapt public decrees according to the evolution of the company's activity.

The arrival of a recognized shareholder such as Bridgepoint will help HTL to support its sustainable expansion.

HTL has identified several focus areas for its environmental strategy aiming at significantly reducing the impact of its existing sites. The objective is to become a local benchmark on environmental responsibility.

Fabien THOMAS,
HSE Manager HTL



Javené

1977

Javenech was created by Michèle Ranson: production of DNA for cosmetics

1992

HTL was launched by Michèle Ranson: production of hyaluronic acid for cosmetics then for pharmaceuticals

February 2017

Naxicap acquired 100% of HTL from the founding family; Yvon Bastard was hired to lead the company

July 2018

Opening of the new **R&D building** 1,500 m²

October 2018

Bridgepoint became the majority shareholder to support the future international expansion; Naxicap remains involved as a minority shareholder

* ICPE means Classified Installation for the Protection of the Environment.



Global Portfolio Performance

ESG portfolio performance summary



Environment



Social



Governance



Stakeholders

Portfolio performance
by selected ESG subject

- 1 | Environmental management
- 2 | Energy consumption and Carbon footprint
- 3 | Waste management

- 4 | HR strategy, policy and reporting
- 5 | Health and Safety
- 6 | Training and Career management
- 7 | Diversity and Equal opportunities
- 8 | Working environment

- 9 | CSR* policy and strategy
- 10 | Risk management and Business ethics
- 11 | Governance structure

- 12 | Responsible procurement
- 13 | Product/service quality & safety
- 14 | Community involvement

2014 2015 2016 2017 2018



Scoring:

- 0 > 4 Poor practices/not formalized
- 4 > 7 Good practices
- 7 > 10 Very good practices

* Corporate Social Responsibility.

Global portfolio performance

Social

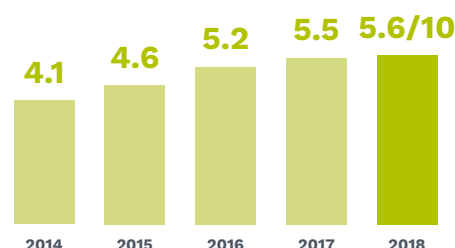
has the highest materiality in Naxicap's portfolio, resulting from its dominant position in the services sector

Portfolio summary

The global ESG score demonstrates that the portfolio companies execute good ESG practices of their business activities, as according to Naxicap's methodology. The global ESG score of 2018 is based on a detailed assessment of 45 portfolio companies under Naxicap Partners' management.

All figures in the following analysis are based on data from Naxicap's annual online ESG questionnaire answered by the portfolio companies.

Increasing global ESG Score



Stelliant

(loss adjustment for insurance companies)

has obtained the highest ESG score among the portfolio companies analyzed in 2018. Stelliant has among many instaurated a dedicated CSR Committee meeting semi-annually and formalized a CSR policy of its activities.



ECF

(BtoB distribution of small equipment to the hospitality and catering sectors)

has obtained the highest ESG score in the consumption sector and is among the top performers in 2018. In addition to optimization of transport and packaging activities and the launching of an environmental-friendly product range, the Group has integrated a CSR charter in all supplier contracts.

FOCAL&NAIM

Vervent audio

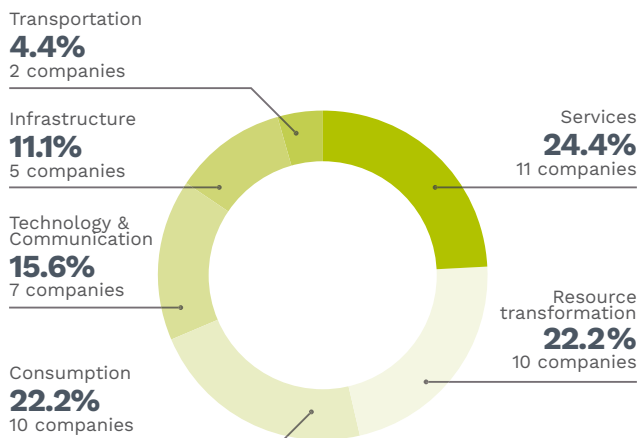
(manufacturing of high fidelity audio products)

has obtained the highest score among manufacturers and is among the top performers in 2018. The Group has established contracts with its suppliers setting out the Group's requirements on the suppliers' environmental and social practices.

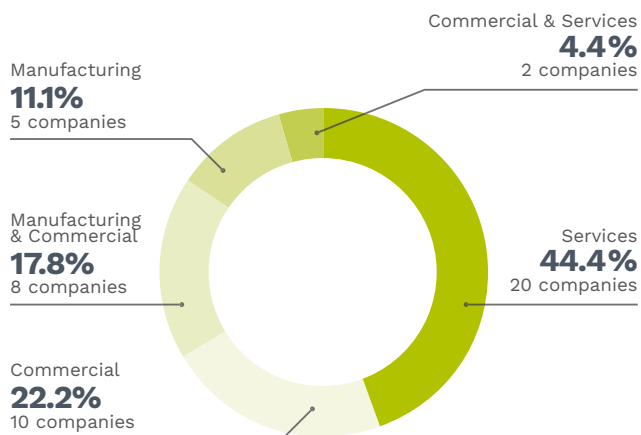
The 45 portfolio companies assessed in 2018 represent a wide range of sectors and activities:

Representing 81% of the amounts invested in the companies under Naxicap's ESG scope.

% and number of companies, by sector



% and number of companies, by activity



ESG score by dimension

ESG DIMENSION	SCORE 2014	SCORE 2015	SCORE 2016	SCORE 2017	SCORE 2018	MATERIALITY
# companies	60	60	56	50	45	
Environment	2.6	3.0	4.1	4.9	4.9	Medium
Social	5.6	6.1	6.4	6.3	6.3	High
Governance	2.6	2.9	3.6	4.0	4.5	Medium
Global ESG Score	4.1	4.6	5.2	5.5	5.6	

0 > 4 Poor practices/not formalized
4 > 7 Good practices
7 > 10 Very good practices

Materiality

Naxicap defines “material” ESG issues as those issues determined to substantially affect, or have the potential to substantially affect, the financial condition or operating performance of an organization, as well as their ability, or the potential ability, to create environmental and social value for itself and its stakeholders.





Portfolio Review

This portfolio review includes companies which partially completed the ESG questionnaire. The following study is based on up to 50 companies.



Environment

When the energy transition becomes a business opportunity



GROUPE ABF

Isolez aujourd'hui, économisez à vie

Investment year:
2018

Sector:
Blown-in loft insulation

Revenues 2018:
€50 million

Staff:
220 (FTE)

BUSINESS ABF is the leading French player for loft insulation, serving both professionals (house building companies) and end-user clients (individuals). The Group is mainly based on glass wool blown-in technics (or trays), representing 90% of the activity and which can be used for broad applications (new-built and retrofitting housing).

Regulatory environment:

Energy Saving Certificates: implemented by the French government in 2006.

The French Energy Transition Law: adopted in 2015 aiming at a reduction in final energy consumption of 50% within 2050.

Thermal Regulation 2020, also referred to as the "Responsible Building Regulation": these new standards require construction of "positive" energy buildings based on more efficient insulation.



THE ENERGY TRANSITION: AN EMERGING OPPORTUNITY FOR GROUP ABF

The residential and tertiary sectors are the largest consumers of energy in France, counting for 45% of final energy consumption (2015). Thermal insulation being considered one of the key sectors of energy renovation, the energy transition represents an opportunity for Group ABF.

Repositioning the offer of insulation services

In 2006, followed by the emergence of France's legislative budget to promote energy efficiency in the residential and tertiary sectors, ABF repositioned itself in the energy renovation market for individuals. As a result, ABF is today present in both the residential and tertiary markets. Moreover, a gradual reorientation of the Group's activities, which was

initially specializing in the insulation of new buildings, towards renovation, was made in response to the strong increase in demand generated by the measures taken by the government.

The impact of the Energy Saving Certificates

ABF has faced significant expansion with the development of the French Energy Saving Certificates, supporting ambitious energy efficiency measures on buildings. These certificates, credited by registered agencies, are generated by companies like ABF for their services in favor of the energy transition: ABF's insulation services result in improved energy efficiency and therefore reduced energy consumption of buildings. Thanks to its activity and m² insulated, ABF can sell the ESC it generates to companies which need to fulfill their energy saving targets.

In the third period after inauguration, between 2015 and 2017, the Energy Saving Certificates of loft insulation represented 10% of the total ESC available on the market.

The importance of certifications

In a context where obtaining the RGE (Reconnu Garant de l'Environnement) certification is essential for generating the Energy Saving Certificates, the quality of the services is a material issue for ABF. The RGE certification enables to identify companies qualified to carry out energy renovation work and whose expertise is certified in terms of building energy efficiency.

Within ABF, the necessary criteria to be met in order to obtain the RGE certification, which is to be renewed every 4 years, is verified through the Group's quality management system. Practically, each entity follows a quality protocol aligning the energy efficiency features of the insulation materials with the quality standards of the certification.

Energy Saving Certificates in brief:

Energy Saving Certificates (ESC), or white certificates, are a market-based policy instrument implemented by several European countries. Based on the "polluter pays"-principle, energy saving obligations are allocated at the beginning of a 3-year period to energy suppliers, as according to their market share.

The energy saving targets to be fulfilled by suppliers of electricity, fuel and gas can be reached by either buying energy saving certificates from others that exceeded their pre-assigned targets, or from certified companies in different industries. Saving obligations are met by holding an equivalent amount of certified energy savings to these obligations, or pay a financial penalty.

Key indicators

ABF has put in place an ESG roadmap which is discussed regularly during Supervisory Boards. The Group is in the process of formalizing its environmental policy.



47%

Revenues generated

by ABF through the Energy Saving Certificates (2017)



100%

Companies within ABF certified RGE -

certification issued by Qualibat to a company that meets certain criteria in terms of renovation work that promotes energy savings of buildings.

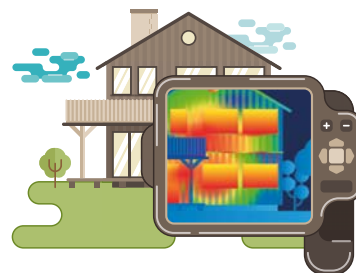
R&D and eco-innovation

The Director of the production site is currently in charge of the Group's R&D activities. The ecological features of the insulation materials is at the core of the Group's value proposition.

ABF's R&D approach is based on offering thermally and economically optimal home insulation solutions respectful of the environment. The RT 2020 regulation requires a more sustainable life cycle of materials and equipment used throughout the construction process. Today, the Group's products includes bio-sourced materials such as cork, wood fiber and cellulose wadding as alternatives to traditional insulation materials as glass wool and stone wool. In its R&D process, ABF is also focusing on developing fully recycled insulation materials contributing to the circular economy. For instance, recycled glass wool

The transition to a low-carbon economy represents an opportunity for ABF and its subsidiaries. Indeed, the political willingness to reduce GHG emissions by focusing on building energy renovation will allow us to develop our client portfolio.

Issam SIDQI,
Chief Executive, ABF



and bio-sourced cotton derived from industrial waste is used as input raw materials.

Due to the large number of sites between which the workers and sales teams must travel daily, the main direct source of GHG emissions by the ABF Group is transportation. In the context of the RT 2020 regulation, the reduction of the carbon footprint related to transportation of the raw materials is already being studied. ABF also works with some of its clients on these matters.



Environment

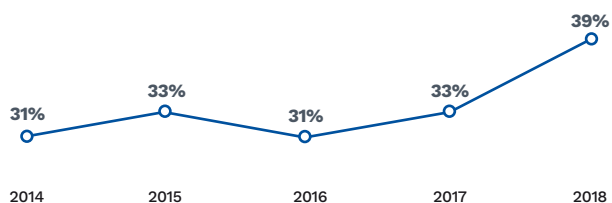


0

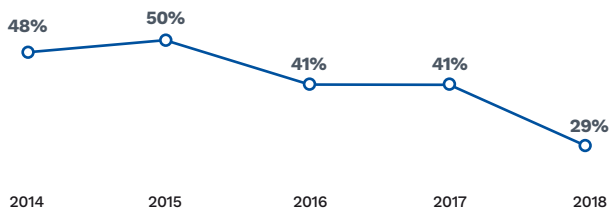
portfolio companies
have been subject
to major environmental
litigations during
the last 3 years



Companies with a formalized environmental policy



Companies with external environmental certifications





29 (57%)

v. 24 (44%) in 2017

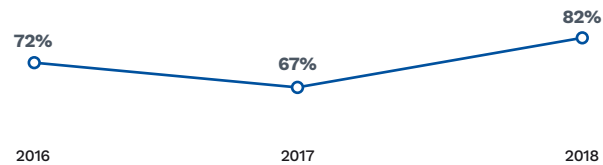
portfolio companies have identified climate change risks (physical and/or transitional) with the potential of impacting their business operations

21 (41%)

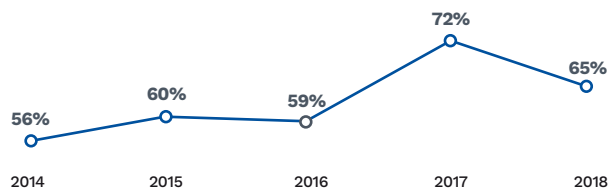
v. 21 (42%) in 2017

portfolio companies monitor the waste generated by their operations

Companies monitoring their energy consumption



Companies with a formalized waste management policy



Onduline®

(manufacturing of lightweight roofing solutions and structural work cladding)

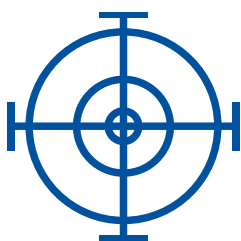
has formalized an environmental policy of its activities in 2018. OFITECH (R&D division of the Group) is studying various solutions to optimize energy consumption and reduce the environmental impact of the production process, while conserving the features designed for fast and easy installation. Ondutiss is a already developed roofing solution not dependent on water as input factor. The division is studying alternatives to bitumen as an input raw material in the production process.



Environment

Carbon footprint estimation of portfolio

Recently, Naxicap has added indicators to its annual ESG questionnaire relative to the sources of carbon emissions. This allows an estimation of the scope 1 & 2 carbon emissions of the portfolio companies.

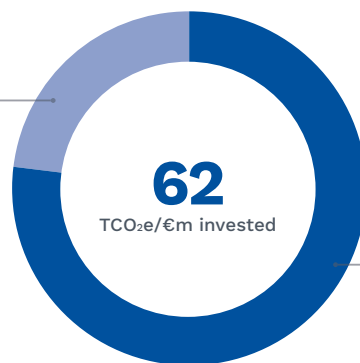


58%

The 20 companies included in this estimation represent 58% of the total amount invested in Naxicap's ESG monitored companies.

Greenhouse gases intensity of portfolio, 2018
Scope: 20 portfolio companies

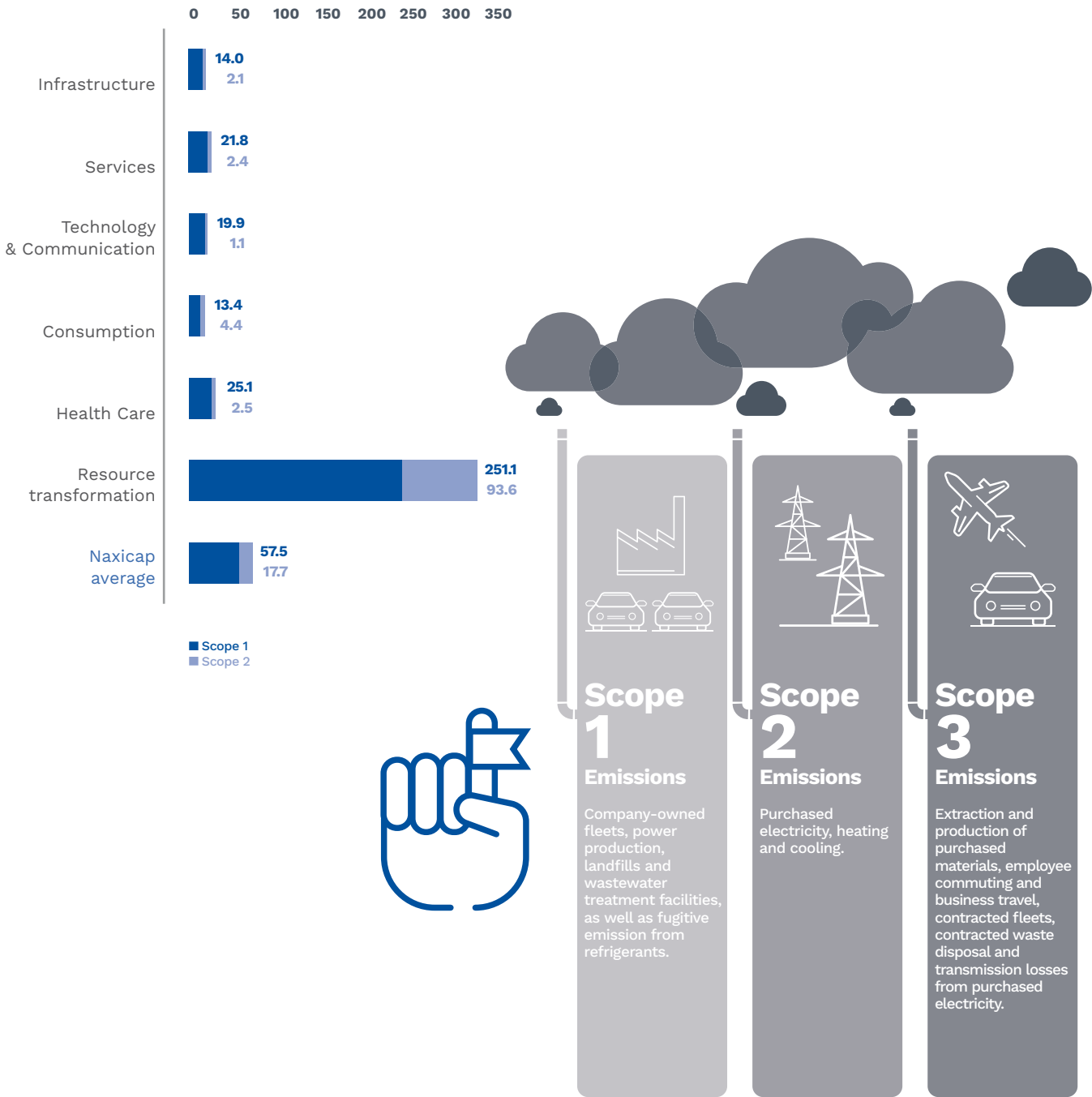
23%
Scope 2



77%
Scope 1

62
TCO₂e/€m invested

Carbon intensity, by sector (tCO2e/€m invested)





Social

Portfolio snapshot: Good practices and initiatives



(group of fitness centers)

sets daily objectives for its instructors over a monthly period. The objectives cover several categories such as number of training programs, sales, number of test sessions and number of club members. These and other operational KPIs related to client inquiries are used to assess the performance of employees. Performance evaluation is followed up on a weekly basis. Trainings at the company's own Academy are offered to employees to help them reach their objectives.



(online real estate agency with independent agents)

has formalized an HR policy including a welcome booklet, an induction plan for employees, training policies as well as annual and monthly meetings with employees. IAD conducts an annual employee satisfaction survey focused on wellbeing. Further, monthly and annual meetings are set up between managers and employees to solicit feedback. In 2018, 90% of the company's employees went through a training program.



(IT infrastructure integration services)

commits, as according to the Group's Social policy, to offer a variety of trainings to its employees to accelerate their career development. For instance, the Group provides the opportunity to acquire a variety of certifications attesting of their knowledge in specific technological skills. In 2018, DCI also implemented a discretionary employee profit-sharing scheme.



newrest

(catering services)

focuses on optimum employee management and the development of each person's talents in the Group's training policy. In certain entities, some employees are given titles such as 'employee of the month' and 'employee of the year'. These titles are intended to recognize and value employees who stand out through their commitment, performance, attitude and skills as well as encouraging a healthy working environment while respecting working and safety conditions.



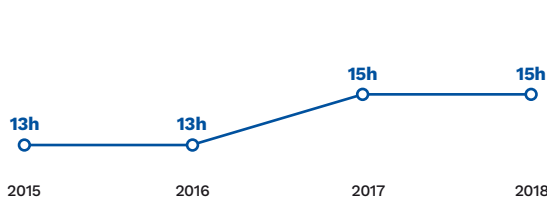
(manufacturing and distribution of protective sport & leisure equipment: helmets, apparel, accessories)

has defined clear Health & Safety roles and responsibilities at site levels: H&S aspects are periodically discussed during meetings of the established H&S team. Procedures have been implemented to govern specific matters and track key indicators. Training on H&S matters is delivered to workers (both direct and temporary).

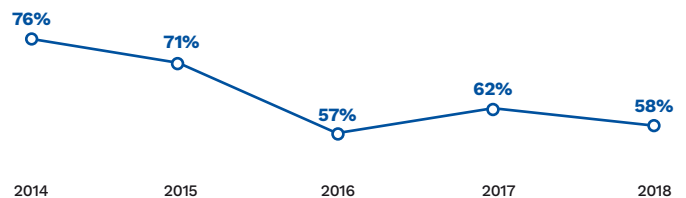
Portfolio indicators



Hours of training per employee per year

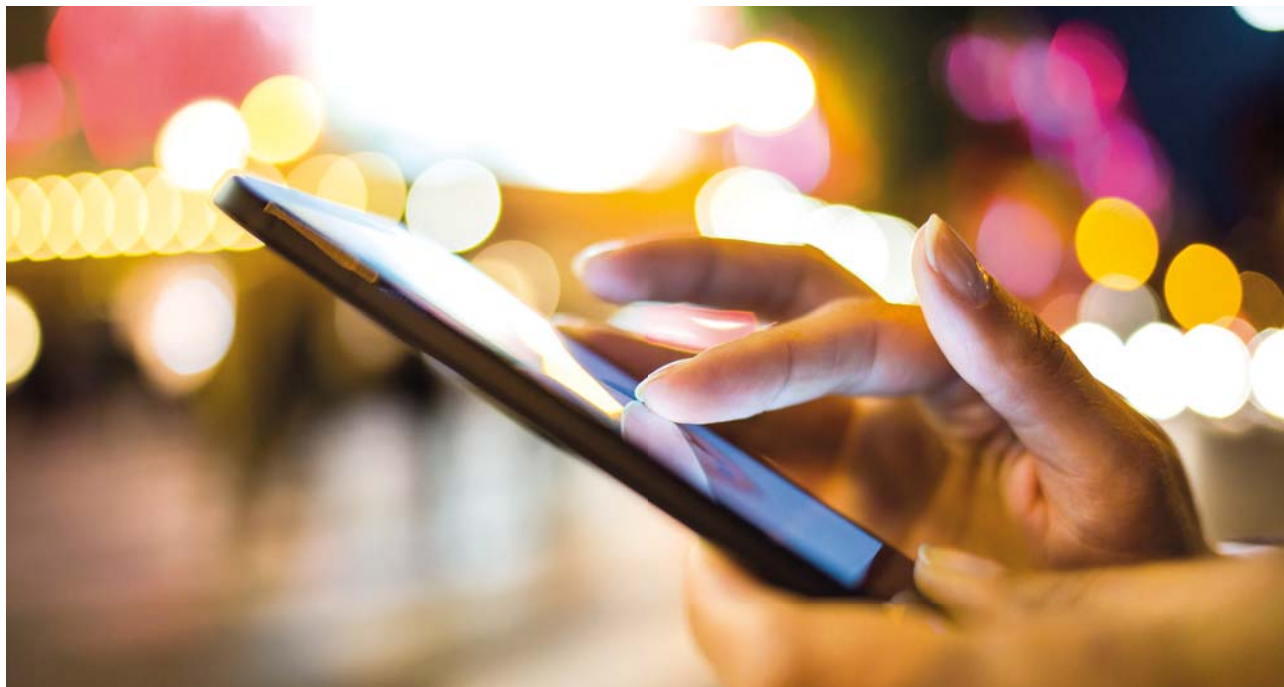


Companies with a discretionary employee profit sharing scheme (intéressement)

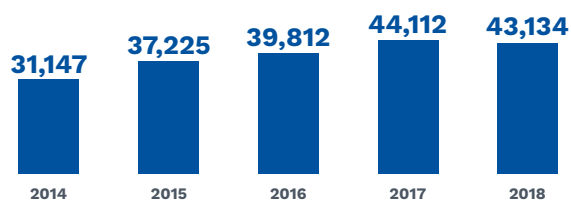




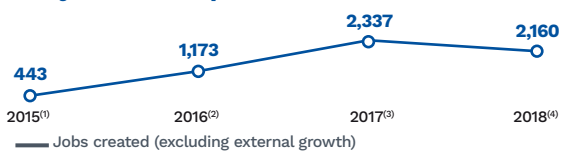
Social



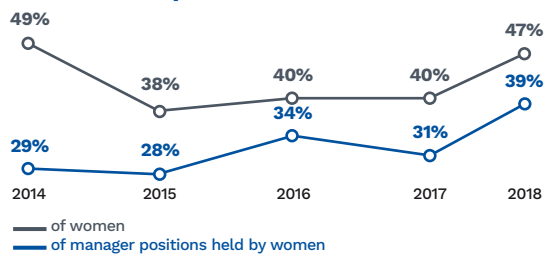
Full time equivalent portfolio



Net job creation portfolio



Portfolio companies' women ratio to total FTE



(1) Based on 36 companies.

(2) Based on 51 companies.

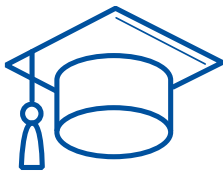
(3) Based on 45 companies.

(4) Based on 37 companies.



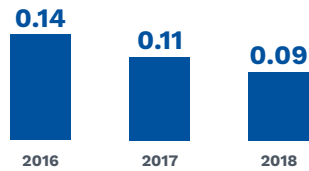
1

**fatal accident
in 2018
v. 0 in 2017**

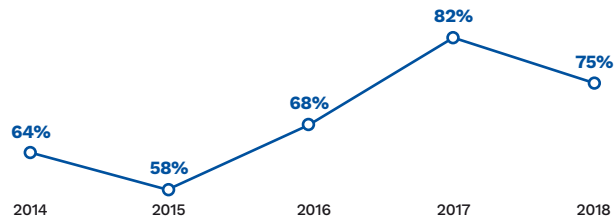


Accident severity rate portfolio

(Number of days lost due to working accidents/total of number of hours worked) x 1,000



Companies with a formalized training policy



HOUSE OF HR

HUMAN RESOURCEFULNESS

(HR outsourcing and consulting services)

gathers and tracks employee data on a yearly basis, including employee breakdown by gender, turnover rate, training hours, women and disability ratio. A risk dashboard monitors staff turnover, vacancies and work accidents for all entities on a quarterly basis. Regarding career development and talent retention, the Group develops training programs in all entities. In 2018, 89% of employees went through at least one training program.



Governance

Business ethics when operating accross the world



Date of transaction with Naxicap:
May 2018

Sector:
Air cargo logistics and optimisation

Revenues 2018:
€1.4 billion

Staff:
1,105 (FTE)

BUSINESS ECS is a General Sales & Services Agent (GSSA) providing outsourcing solutions to airlines, acting on their behalf to sell their cargo spaces to freight forwarders (organising the logistics of shippers). ECS markets and manages their cargo capacities. The Group also offers a wide range of services such as administrative support, yield management and handling supervision.



With worldwide operations, **anti-corruption and respect of human rights** are key thematic that ECS closely monitors. The Group also has to pay attention to **conflict of interests** having a large number of clients from the same industry. Furthermore, ECS must ensure its **compliance with existing anti-corruption regulations** applicable to the different countries of operations, such as the UK Bribery Act (UKBA) or the USA Foreign Corrupt Practices Act (FCPA).

For us, it was primordial to ensure that the Group complies with all the relevant regulations in order to avoid regulatory and reputational risks. Moreover, as ECS is expanding, the Group is more and more subject to **new regulations**. In France, the Sapin II anti-corruption law is viable to companies with more than 500 employees and revenues of more than €100m. When we entered the capital in May 2018, the company did not fall under the Sapin II scope. Today, however, it is the case and the Group has been anticipating its obligations.

Several initiatives already implemented

When reviewing the company during our due diligences, we were pleased to see that ECS was already well organized with regards to Governance issues and had already settled several actions. For instance, a **Compliance and Risk Assessment Officer** was appointed to handle business ethics issues, reporting directly to the Chairman. Furthermore, the Group contracted **lawyers to assist them in achieving**

47
countries

137
offices



Caroline LACHAUD,
Director at Naxicap
Partners, in charge
of ECS transaction
and monitoring

Created in 1998, ECS has experienced significant growth both organically and through acquisition of local companies, and in line with the globalization of its business activity. Operating in 47 countries, it quickly appeared essential to focus on the Group's governance.

The ESG audit systematically conducted by external experts before investing, highlighted the material ESG thematic that, as newly

majority shareholder in ECS, we wanted to discuss with the management of the company. We organized a meeting with the top managers in our Paris office. Alongside the financial criteria, we intended to discuss the main points of concerns on extra-financial criteria and worked on the implementation of the ESG roadmap. In this case study, we focus on the "G" and more specifically on Business Ethics.

compliance with relevant regulations.

We were also pleased to learn that ECS formalised a **Code of Ethics and Business Conduct** communicated to Local Managers and every employee. **A mandatory e-learning module** ensures that the Code is well understood across all entities. The Code has been translated in 5 languages (French, English, Italian, Spanish and German) and was integrated to the Group's internal rules of procedures.

The **whistleblowing alert procedure** states that all alerts should be directed to the lawyer who supported ECS in writing the Code of Ethics and Business Conduct.

The Management anticipated the **Sapin II** regulation and started implementing adequate measures and processes before it fell under the legislation. In this context, the Group formalised the below-mentioned

ECS' Code of Ethics & Business Conduct

- ✓ Compliance with applicable international and national laws
- ✓ Human Rights and business
- ✓ Discrimination and harassment
- ✓ Diversity, inclusion and equal opportunity
- ✓ Health and safety
- ✓ Respect for the environment
- ✓ Zero tolerance for corruption and bribery
- ✓ Conflicts of interests
- ✓ Anti-trust and fair dealing
- ✓ Confidential and proprietary information
- ✓ Whistleblowing alert procedure

Companies subject to Sapin II (anti-corruption)

- Headquarter in France
- Revenues ≥ €100m
- Employees ≥ 500

Key indicators



Public CSR policy



Compliance and Risk Assessment Officer

Code of Ethics and Business Conduct and implemented a thorough business ethics programme (risk analysis, anti-corruption policy, anti-corruption training and monitoring systems, etc.)

Spreading the good practices across the Group

When the Group targets a new acquisition, the decision is partly based on the target firm's Top Management business ethics. In particular, ensuring **fair commercial relationships** with clients across ECS's network is important. The Group has set **Chinese walls** between subsidiaries, especially those operating in the same country in order to prevent exchanges or communication that could lead to conflicts of interests.

Information Security

The Group is in the process of being certified **ISO 27001**. This international standard demonstrates that companies are in line with international best practices regarding their Information Security Management System.

The ESG roadmap

When working on the ESG roadmap with the management, both short-term and long-term objectives were settled. Among others, the management expects to finish its risk mapping analysis by the end of the year and to formalise suppliers and clients questionnaires.

When conducting the ESG due diligences, we were pleased to see that ECS was already in advance with regards to business ethics and compliance thematic, in line with increasing clients' expectations.

Caroline LACHAUD



ISO 27001 certification - Information Security Management System

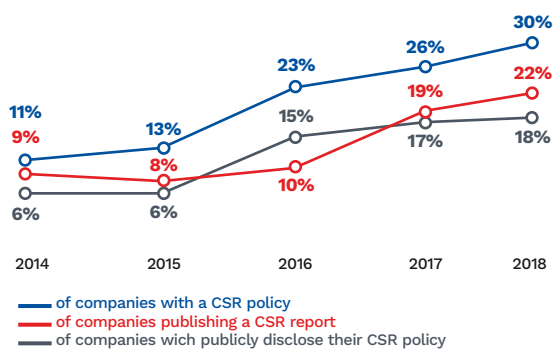
Based on an international benchmark, ISO/IEC 27001 Certification demonstrates the ability to identify crucial information for the company's organization. It defines the appropriate protective measures to implement a secure and effective information security management system.



Governance

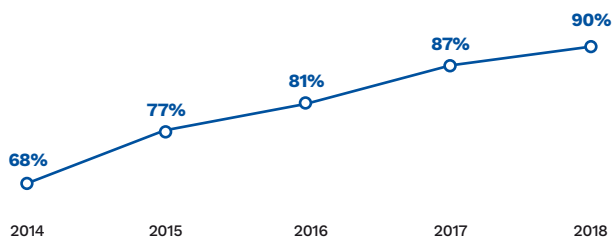


CSR Management: policy and reporting

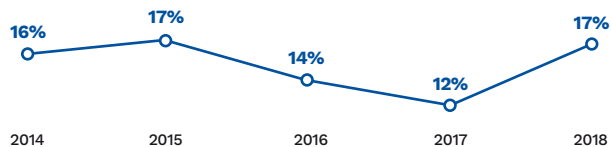


Companies with dual Board system

(Supervisory board and Executive board)



Women on Board, portfolio (% of women)



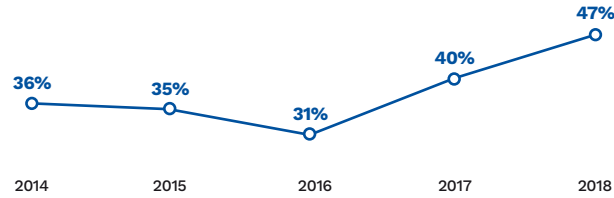


16
(35%)

v. 13 (25%) in 2017

portfolio companies have a system intended to collect employee reports of breaches of the Code of Conduct (whistleblowing system)

Companies with a risk & crisis management policy



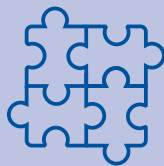
INDICATORS Business ethics	% companies in 2014	% companies in 2015	% companies in 2016	% companies in 2017	% companies in 2018
Code of Conduct	20%	28%	28%	35%	56%
Anti-corruption Policy	17%	18%	30%	34%	46%
Anti-money laundering Policy	17%	20%	23%	28%	36%
Competitive Practices Policy	20%	22%	31%	34%	52%
Conflicts of interests Policy	20%	22%	22%	30%	44%
Gift policy	18%	20%	31%	40%	61%
Operating in high-risk countries	13%	13%	13%	13%	17%



EMERIGE

(property development, renovation and asset management)

has set up a dedicated CSR committee made up of external stakeholders such as architects, elected officials, financial as well as cultural partners to share and raise awareness on the Group's CSR approach and progress. A CSR director has been appointed and oversees the Group's CSR policy.



Stakeholders

Responsible procurement in the electronics & audio business

Teufel

Investment year:
2018

Sector:
Electronics & audio products

Revenues 2018:
€106.2m

Staff:
206 (FTE)

BUSINESS Teufel is the leading online brand for audio solutions in Europe. The German Group designs and distributes a wide range of audio products on a direct-to-customer business model. The Group operates mainly in Western Europe & China through localized web shops and a growing number of brand stores. The Company's business model is characterized by its R&D team, asset-light, co-development and a direct sales approach.



A STRUCTURED AND STRATEGIC APPROACH TO RESPONSIBLE PROCUREMENT

Why the need for a responsible supply chain management approach?

Teufel's products are conceptualized and designed in Germany and later co-developed with different international suppliers. Most of the company's products are manufactured in Asian countries which, according to several ESG indices, possess relatively elevated risks with regards to human rights, corruption and environmental management.

Teufel has implemented several measures to manage the relevant ESG issues facing its supply chain:

A dedicated organization

Teufel has structured a specific organization to manage its supply chain. The Supply Chain organization and its dedicated team is responsible for the Group's purchase & procurement processes. Teufel is constantly in direct contact with all its suppliers. To ensure good coordination, Teufel has 35 on-site staff for logistics management, product development monitoring, quality control and supplier negotiations. The Group's main managers travel regularly to China for meetings with the suppliers.

Formalization of a CSR policy outlining requirements for sustainable procurement

Teufel has formalized a CSR policy based on the UN Global Compact (ten sustainable business principles). The policy was communicated to all

staff in 2018 and outlines the Group's expectations towards its suppliers to ensure a resilient management of the supply chain, inter alia, it stipulates:

- Environmental obligations: respect applicable environmental laws, regulations and industry standards as well as any special requirements regarding the delivery of the products.
- Human rights and labor conditions: support and respect the protection of internationally proclaimed human rights.

Supplier Code of Conduct

A Supplier Code of Conduct has been formalized to ensure suppliers and subcontractors comply with the requirements for a sustainable supply chain as outlined in the CSR policy.

This document includes specific ESG standards for suppliers and their sub-suppliers with regards to compliance, corruption, money laundering, consumer protection and conflict minerals. All relevant suppliers have signed the document.

Supplier Certification Monitoring System

The possession of relevant certifications is a key criteria in the Group's selection process of suppliers. All suppliers are ISO 9001 (quality management system) certified and many possess

an ISO 14001 (environmental management system) certificate. Teufel has constructed a supplier certification monitoring system providing a holistic overview of existing supplier certificates, and enabling timely updates or renewal of the certificates.

Supplier audits: going beyond quality

Teufel has implemented a Quality Control Inspection Standard describing the criteria assessed during the quality inspections carried out by its own Quality Control department. For each item, a grade (out of 10) is given. Results are then classified between "Accepted", "Conditional Accepted" or "Not Qualified". As soon as Teufel finds irregularities, Teufel is working with the supplier to correct them. To monitor the manufacturing quality, Teufel is running a DPPM (Defect Parts Per Million) system, continuously monitoring quality performance. Furthermore, Teufel has developed a supplier audit system which is completed with all suppliers on a regular basis. In addition to quality standards, the supplier audits include central ESG criteria such as child & forced labor, health & safety, freedom of association, discrimination, disciplinary practices, working hours, compensation and environmental management. In case a supplier does not meet

For us at Teufel it is important that suppliers understand how meeting our CSR criteria is beneficial to their performance. For example, how an improvement of workplace conditions is impacting staff satisfaction and ultimately results in improved employee performance and staff retention.

Matthias PARATSCH,
General Manager,
Corporate Strategy, Teufel

all requirements, Teufel is creating a development plan with the supplier and makes sure the supplier understands the relevance of meeting the criteria.

All the actions put in place are listed in Teufel's ESG roadmap and are discussed regularly during Supervisory Boards meetings.



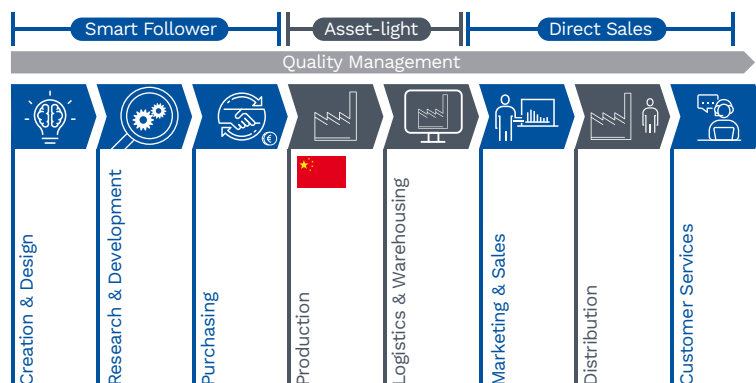
Assessing suppliers on ESG criteria

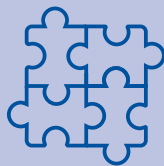


Existence of a Supplier Code of Conduct

■ In-House
■ Trusted Partner

Value Chain

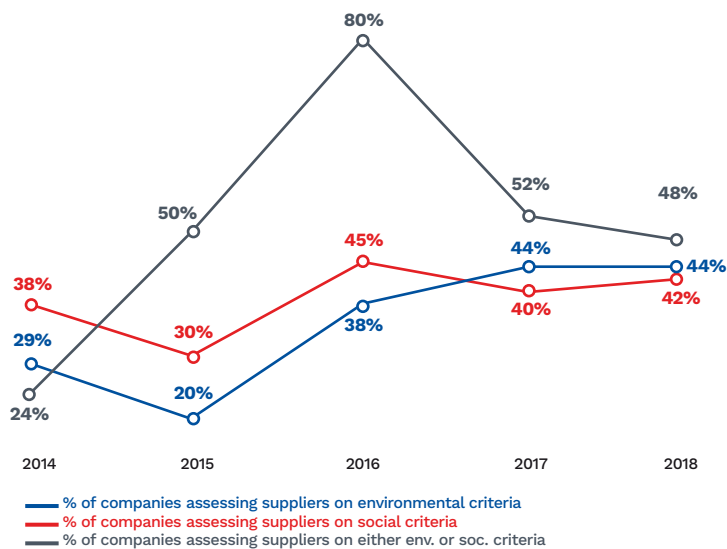




Stakeholders



Companies assessing their suppliers on ESG criteria



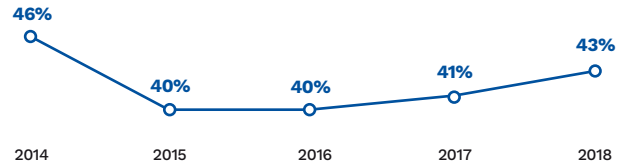


17
(35%)

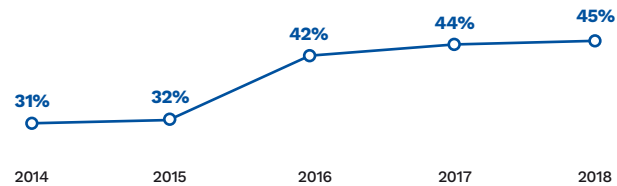
v. 15 (30%) in 2017

**companies assess
their suppliers on both
environmental and
social criteria**

Companies with a health and safety policy of their customers



Companies engaging in community involvement projects



(B2B2C distribution of household equipment)

donates to a non-profit organization aiming at developing individual societal actions. The Group also distributes parts of its “slow moving” inventory to charitable organizations.





Appendices

SCORING Methodology

The global ESG score of the portfolio and the ESG score of each portfolio company are based on an in-house methodology built on the answers of each company to our ESG questionnaire (more than 120 indicators). The questionnaire has been distributed to companies where Naxicap's funds investment exceeds €5 million.

**Defining
a scoring scale**

**Developing
the scoring system**

**Elaborating coefficients
to highlight particular
important issues**

**Consolidating scores
of each dimension of ESG
for each company**

**Calculating a global
portfolio score of each
subject and dimension**

**Deriving a global
ESG score of the portfolio**

-
- A scoring scale from '0 – 10' is defined in order to have a well-balanced system where annual improvements can easily be reflected on the scoring scale.
 - Different intervals are created to categorize the scores. '0 – 4' is classified as **'Poor or not formalized ESG Practices'**, '4 – 7' is classified as **'Good ESG Practices'** and the category '7 – 10' is classified as **'Very Good ESG Practices'**.
-

- The majority of the indicators in the questionnaire is scored. Some indicators are scored in a binary system, e.g. an indicator is awarded a score of either '0' or '10', depending on the answer. This is especially the case for indicators answered by 'Yes' or 'No' or/and indicators where the company can report or disclose information.
 - Other indicators are scored based on a progressive or regressive model or a combination of the both.
-

- Coefficients are created for each indicator to give higher importance to the questions regarded as **'Key Performance Indicators'** (KPI).
 - The KPI's selected are regarded as more material issues compared to questions not used as KPI's.
 - A question selected as a KPI is given a coefficient equal to the value of '2', while other questions are given a coefficient equal to the value of '1'.
-

- Each dimension of ESG (**'Environment'**, **'Social'** and **'Governance'**) consists of different subjects in the questionnaire. For instance, 'Environment' consists of subjects such as 'Environmental management', 'Energy consumption' etc. An average score is calculated for each subject and then forms a consolidated score for each dimension **'Environment'**, **'Social'** and **'Governance'** for each company.
 - An ESG Score for each company is derived by weighing the average score of **'Environment'**, **'Social'** and **'Governance'** with the materiality of the company's sector and activity.
-

- These three different average portfolio scores of **'Environment'**, **'Social'** and **'Governance'** are not weighted with the materiality of each sector and activity.
-

- Finally, a global ESG score of the portfolio is derived through the average of all companies' ESG score, already weighted with the materiality of the companies' sectors and activities.
-

SCORING Methodology

Methodology tool

- The weights of the different industries and types of activities are derived based on our own interpretation of the publicly available materiality framework of the Sustainability Accounting Standards Board (SASB).
- SASB is a non-profit organization where standards are designed for the disclosure of material sustainability information in mandatory SEC filings, such as Form 10-K and 20-F.
- The SASB Materiality Framework is a quantitative model designed to prioritize the issues that are likely to have material impacts on companies within the industry. Further, a qualitative research process are done by the SASB's research team.
- The framework relies heavily on investor interest and evidence of financial impact, and adjusts to changes in long-term sustainability principles which could have potential financial impact.
- SASB is not responsible for any of the conclusions or assumptions made by **Naxicap Partners** related to the creation of the sector weights and the ESG scores that are provided in this report.

Materiality weights by sector and activity

Sector	Environment	Social	Governance
Consumption			
Agricultural products	0.40	0.40	0.20
Apparel, Accessories & Footwear	0.25	0.25	0.50
Appliance manufacturing	0.10	0.80	0.10
Household and Personal Products	0.40	0.40	0.20
Multiline and Specialty Retailers & Distributors	0.125	0.75	0.125
Processed foods	0.30	0.50	0.20
Health care			
Biotechnology	0.25	0.60	0.15
Managed care	0.15	0.71	0.14
Infrastructure			
Engineering & Construction services	0.14	0.57	0.29
Home Builders	0.45	0.45	0.10
Real estate owners, Developers & Investment trusts	0.45	0.45	0.10
Real estate services	0.10	0.45	0.45
Resource transformation			
Construction materials & Industrial Machinery & Goods	0.54	0.31	0.15
Electrical/Electronic equipment	0.30	0.40	0.30
Electronic manufacturing services & Original design manufacturing	0.30	0.60	0.10
Industrial Machinery & Goods	0.25	0.50	0.25
Services			
Asset management & custody activities	0.04	0.64	0.32
Hotels & Lodging	0.375	0.50	0.125
Leisure facilities	0.25	0.50	0.25
Professional services	0.05	0.75	0.20
Technology & communication			
Internet media & Services	0.30	0.50	0.20
Software & IT Services	0.30	0.40	0.30
Transportation			
Air freight & logisitcs	0.33	0.33	0.33
Auto Parts	0.33	0.33	0.33
Activity			
Manufacturing	0.50	0.40	0.10
Commercial	0.33	0.33	0.33
Services	0.20	0.60	0.20
Manufacturing & Commercial	0.42	0.36	0.22
Manufacturing & Services	0.35	0.50	0.15
Commercial & Services	0.27	0.46	0.27

GLOBAL PORTFOLIO PERFORMANCE IN DETAIL

ESG score – Breakdown by sector

Sector	ESG Score Portfolio 2014	ESG Score Portfolio 2015	ESG Score Portfolio 2016	ESG Score Portfolio 2017	ESG Score Portfolio 2018
Resource transformation*	4.2	4.3	5.6	5.7	5.9
Consumption	4.0	4.4	5.1	5.5	5.5
Services	4.1	4.7	5.1	5.1	5.6
Technology & communication	3.6	4.6	5.2	5.2	5.5
Infrastructure	4.7	4.9	5.3	5.8	5.4
Health Care	4.0	4.7	4.8	5.7	not applicable
Transportation	5.2	5.2	5.5	5.9	5.6
Non-renewable resources	5.0	5.3	not applicable	not applicable	not applicable

ESG score – Breakdown by activity

Activity	ESG Score Portfolio 2014	ESG Score Portfolio 2015	ESG Score Portfolio 2016	ESG Score Portfolio 2017	ESG Score Portfolio 2018
Services	4.1	4.8	5.3	5.6	5.5
Commercial	4.6	4.6	5.2	5.5	5.4
Manufacturing & Commercial	2.7	3.4	5.3	6.2	6.1
Manufacturing	5.0	5.2	6.0	5.5	5.6
Commercial & Services	3.0	4.1	4.2	3.7	4.4
Manufacturing & Services	4.5	4.6	3.4	4.3	not applicable

0 > 4 Poor practices/not formalized

4 > 7 Good practices

7 > 10 Very good practices

* Includes the sub sectors "Electrical/Electronic Equipment" and "Industrial Machinery & Goods."

CHANGING OF SCOPE

Companies out of Scope 2018* ESG performance in 2017 (when leaving)

Company	Sector	Activity	Environment	Social	Governance	ESG
Company 1	Technology & Communication	Services				
Company 2	Infrastructure	Services				
Company 3	Health Care	Services				
Company 4	Infrastructure	Services				
Company 5	Health Care	Commercial				
Company 6	Technology & Communication	Services				
Company 7	Services	Services				
Company 8	Health Care	Manufacturing				
Company 9	Consumption	Commercial				
Company 10	Resource transformation	Manufacturing & Commercial				
Company 11	Resource transformation	Manufacturing				
Company 12	Consumption	Commercial				
Company 13	Resource transformation	Manufacturing & Services				
Company 14	Services	Commercial & Services				
Total (average)			4.2	5.5	3.2	4.8

Companies integrated into Scope 2018** ESG performance in 2018 (when entering)

Company	Sector	Activity	Environment	Social	Governance	ESG
Company 1	Transportation	Services				
Company 2	Services	Services				
Company 3	Resource transformation	Commercial				
Company 4	Resource transformation	Manufacturing				
Company 5	Consumption	Commercial				
Company 6	Services	Services				
Company 7	Consumption	Manufacturing & Commercial				
Company 8	Services	Services				
Company 9	Services	Services				
Total (average)			3.3	5.9	4.8	5.1

0 > 4 Poor practices/not formalized 4 > 7 Good practices 7 > 10 Very good practices

* Includes exits and companies which have not responded or not completely responded to our ESG questionnaire in 2018 for valid reasons.

** Includes new investments and companies not responding to the indicators last year.

CARBON FOOTPRINT PORTFOLIO SCOPE

Scope and methodology

- Additional indicators have been added to the annual ESG questionnaire of Naxicap Partners, allowing an estimation of the carbon emissions (scope 1 & 2) of the portfolio companies monitored.
- 20 companies, representing 58% of the amount invested in the companies which Naxicap annually monitors on ESG issues, count for the calculated portfolio carbon intensity in 2018.
- The carbon emissions generated by the portfolio companies are estimated by using emission factors published by ADEME (Agence de l'environnement et de la maîtrise de l'énergie).
- The energy sources used for the carbon emissions estimation do not reflect a company's entire energy consumption, but is rather a selection of a company's most common energy sources when estimating its scope 1 & 2 carbon emissions.

Carbon emission source	Scope emissions	Emission factor	Emission factor uncertainty*
Electricity (excl. renewable)	Scope 2	Country specific	Country specific
Renewable electricity	Scope 2	0.03	Origin specific
Gas (PCI)	Scope 1	0.21	5%
Fuel	Scope 1	0.28	5%
Heating	Scope 2	0.22	30%
Other energy	Scope 2	Energy specific	Energy specific
Gasoline	Scope 1	2.28	10%
Diesel	Scope 1	2.51	10%

* Source: ADEME (Agence de l'environnement et de la maîtrise de l'énergie).

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In the alphabetical order:

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NEWREST
OBER
ONE DIRECT
OMIA**

**ONDULINE
ORGANIC ALLIANCE
PEACE OF CAKE
QUARTUS
SATECO
SHARK
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