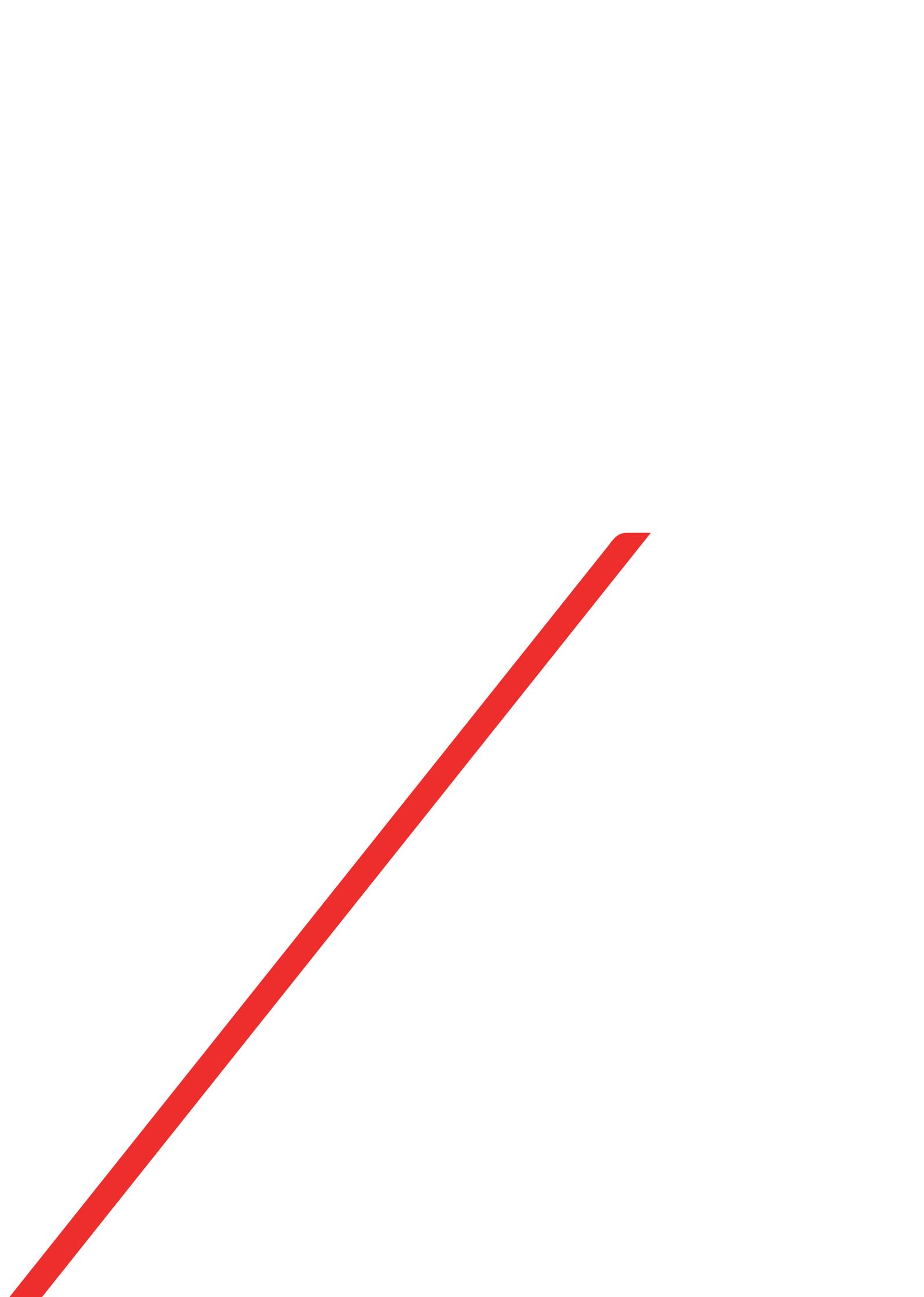


naxicap
PARTNERS

ENTREPRENEURS EN CAPITAL



ESG ANNUAL
REPORT
EDITION 2017



INTRODUCTION

Naxicap Partners is strongly committed to a responsible activity of the companies in which it invests. We believe that encouraging sustainable development of our companies has a real positive impact on our portfolio and generates long-term value.

ESG is about real commitment. In line with the values of Naxicap, we seek to develop our portfolio companies by accompanying them with concrete ideas and development strategies. That is why, together with our portfolio companies, we implement a committed approach helping to sustain and enhance responsible initiatives. We aim at reducing operational risks and support actions making for balanced governance. We wish to contribute to reducing environmental impact, stimulating innovation and creativity as well as ensuring fair social conditions. We are deeply convinced that the accumulation of these processes and collaborations has a genuine positive impact on our companies' performances.

Over the past two years, we have implemented a solid and long-term approach regarding the incorporation of ESG management into the investment process. After raising awareness for ESG among our own employees, we decided that all our investment memorandums should include an ESG pre-analysis, highlighting the main ESG risks and opportunities of an investment.

Furthermore, ESG audits were made mandatory for each new investment, enabling the elaboration of a tailored roadmap to be implemented by the portfolio company. The roadmap is approved at the portfolio company's Supervisory Board at least once a year, as agreed on signing the Shareholders' Agreement. This is a great opportunity to follow up on the companies' actions and to support them in their implementation work. Our companies answer an annual questionnaire enabling us to monitor and report on the progress made by our portfolio companies. The annual reporting process allows our teams to track the progress made by the companies.

ESG is also about learning and sharing best practices. As a Management Company holding a portfolio of 129 companies, Naxicap aims to benefit from the different analysis and experiences made by each company with the goal of creating synergies. Some companies are "best students" and we aim to learn from their successful approach to help improve others on their ESG path.

This second annual report demonstrates what we have achieved over the past two years in the field of ESG, as well as giving a review of our portfolio companies' environmental, social and governance initiatives, that we aim to see improving in the coming years.



Eric Aveillan
CEO Naxicap Partners

Signatory of:



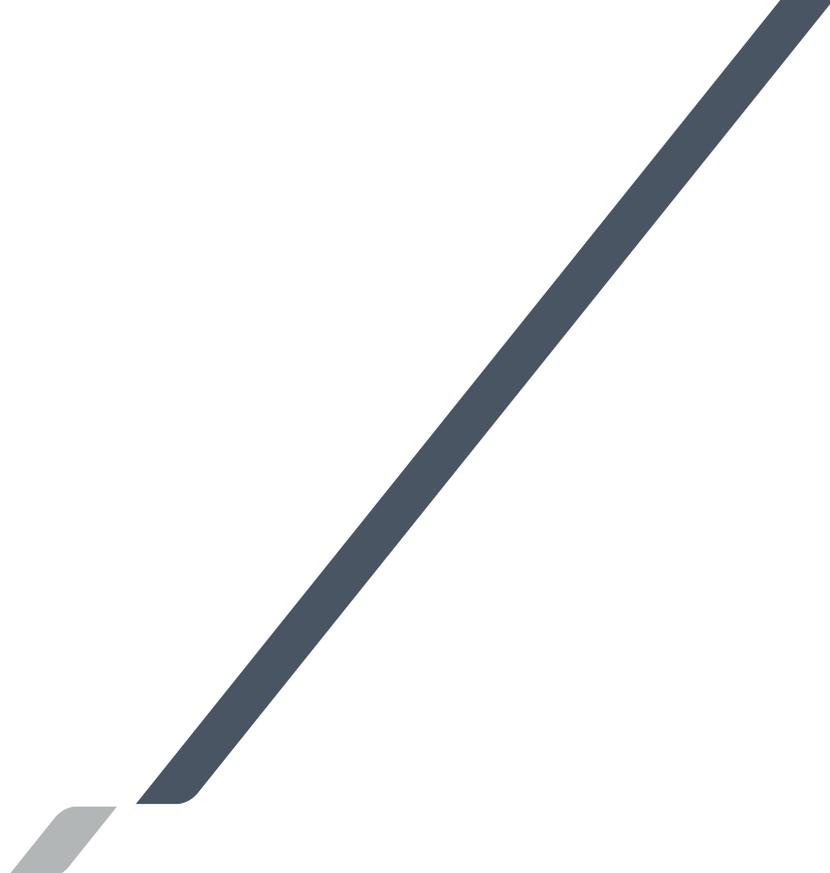
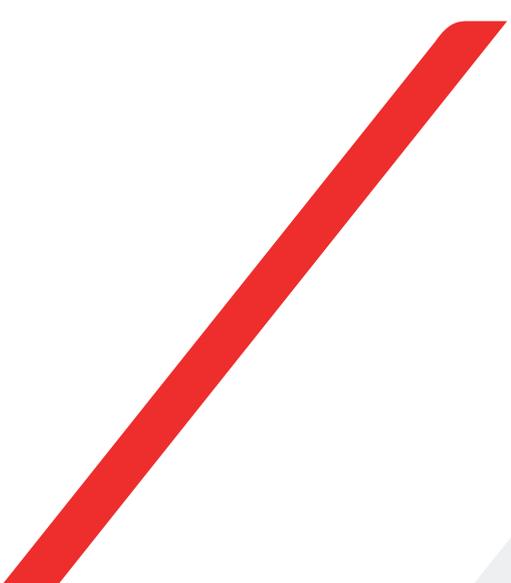


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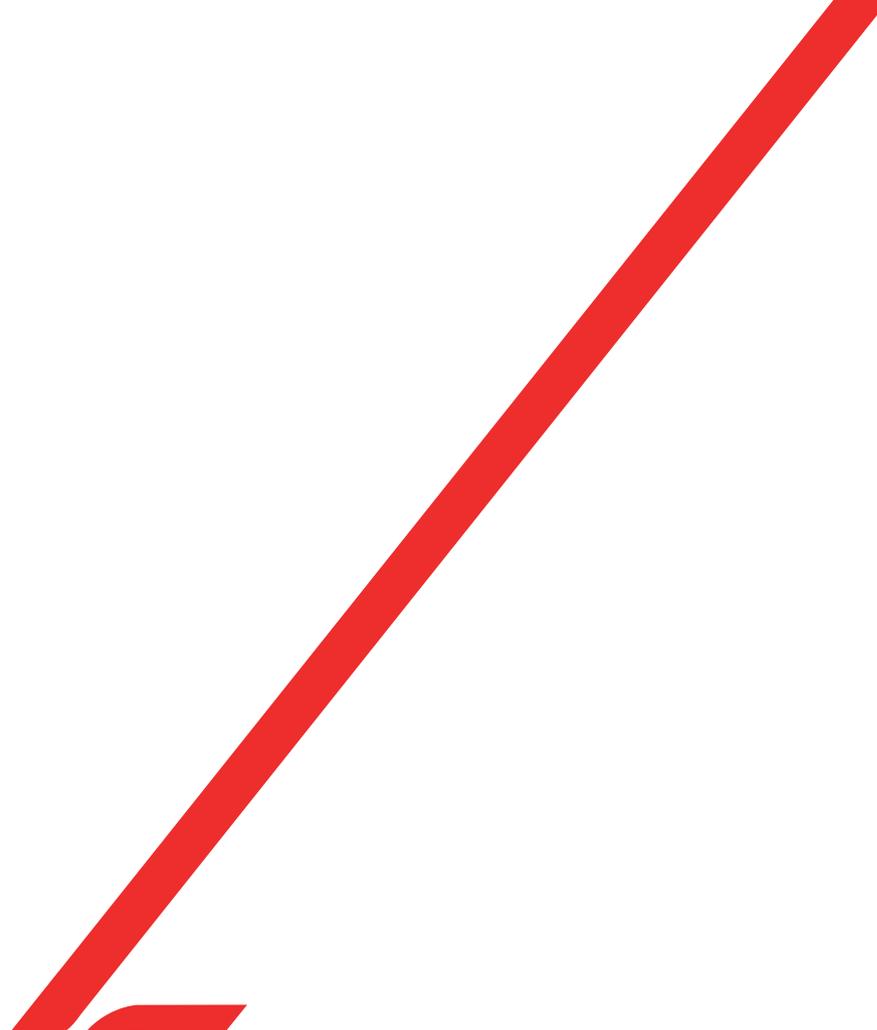
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NAXICAP'S ESG CHARTER



NAXICAP'S INVESTMENTS

1. We undertake to make investments compliant with our values

As our contribution to a more responsible investment industry, our first commitment is to invest in activities in line with our values and to encourage, beyond the regulatory framework, ethical behavior.

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).

2. We undertake to examine ESG criteria before investing in a company

We undertake to make extra-financial analysis a core part of our investment strategy and to examine ESG criteria for every investment decision.

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

3. 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:

- reducing their environmental footprint,
- development of a relevant and well-functioning Human Resources Management System,

- implementing well-balanced governance,
- controlling suppliers and subcontractors,
- monitoring of client satisfaction.

The companies answer an annual questionnaire of c. 100 questions that allows to monitor their progress and to compare them to other portfolio companies.

We undertake to actively fulfill our role as Supervisory Board member, and to support the ESG action plan with the management.

NAXICAP'S INVESTORS

4. 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 invested in. Naxicap Partners undertakes to report transparently its actions and the companies' initiatives to its investors.

We collect ESG data annually through the questionnaires sent to our companies and analyze the answers using our

in-house methodology. We provide our LPs with dedicated reports by fund based on our own scoring methodology.

In turn, we reply to our LPs' questionnaires, detailing our ESG initiatives.

WITHIN NAXICAP



5. 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.

6. 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 and 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

7. 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 we invest in and 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.

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

We provide support to the « College des Bernardins » which maintains the historical "Université de Paris" legacy. In 2015-2017, its research department focuses on « The Human and Digital Challenge » the purpose of which is to establish the cartography of anthropological mutation related to digital uses.

We support the chair « Resilience & Leadership » newly 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 key.







**NAXICAP
PARTNERS:
THE MANAGEMENT
COMPANY**

2 NAXICAP PARTNERS: THE MANAGEMENT COMPANY

KEY FIGURES



NATIXIS GLOBAL ASSET MANAGEMENT
AFFILIATE (BPCE Group)

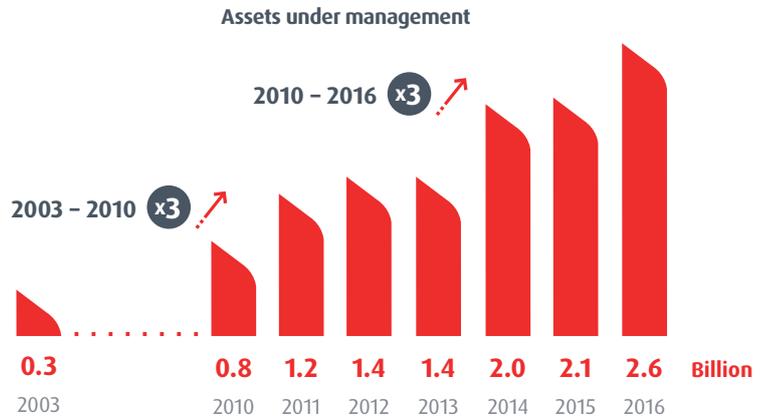


SIGNATORY OF PRI

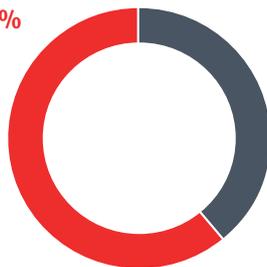


A growing Management Company...

Naxicap Partners has been a responsible and committed financial partner for its companies for nearly 30 years. It has significantly increased its assets under management in the past ten years and is now managing over €2.6 billion of assets. As a Management Company, we encourage sustainable business initiatives and good practices, believing they contribute to improve corporate performances of our portfolio companies.



THIRD PARTIES
61%



OWN BEHALF (BPCE Group)
39%

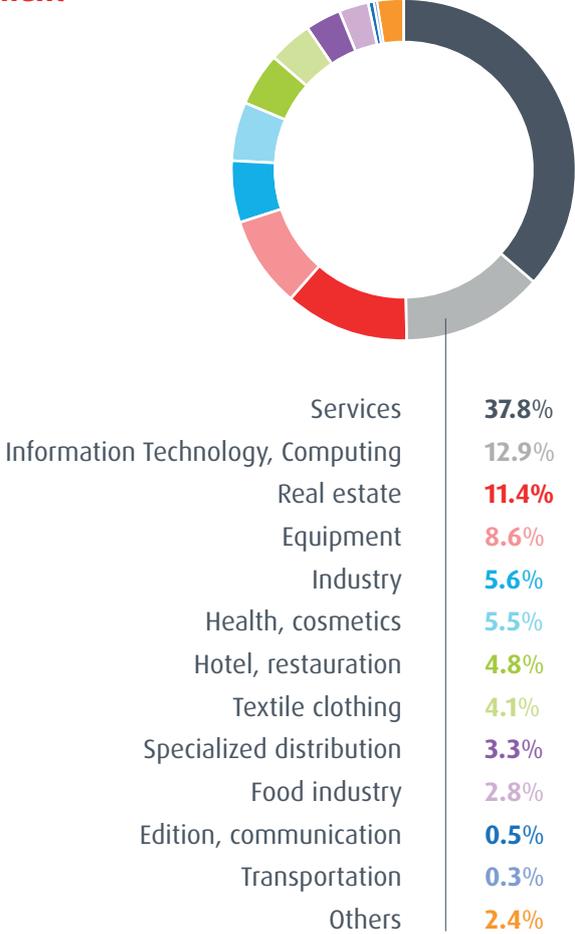
...with a larger portion of fundings coming from institutional investors

Naxicap's share of fundings coming from third parties has been significantly increasing, simultaneously to the increase in managed assets. We have a responsibility of transparency regarding our investors who show an increasing interest for committed GPs and ethical development of the companies they indirectly control, in addition to strong financial performances. We attach great importance to fulfill these expectations, which are in line with Naxicap's values and strategy.

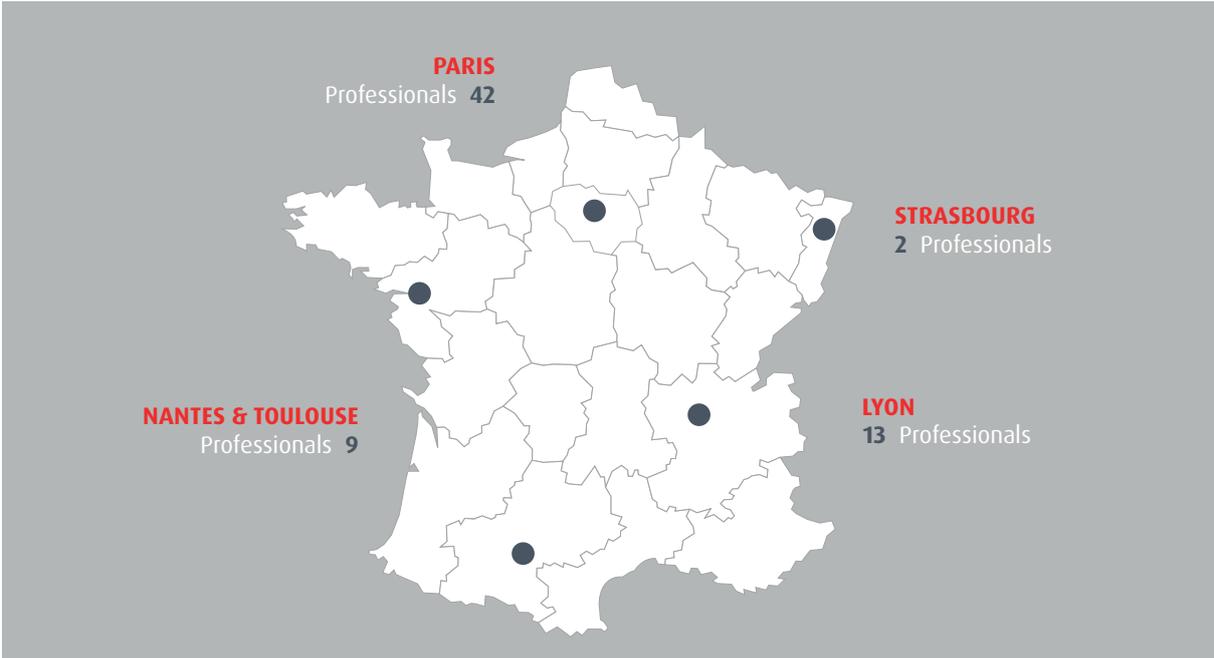
Data as of 31 December 2016

Sectors of investment

(Fair value)



Our teams are based in 5 cities, covering France



Data as of 31 December 2016

2 NAXICAP PARTNERS: THE MANAGEMENT COMPANY

OUR EMPLOYEES

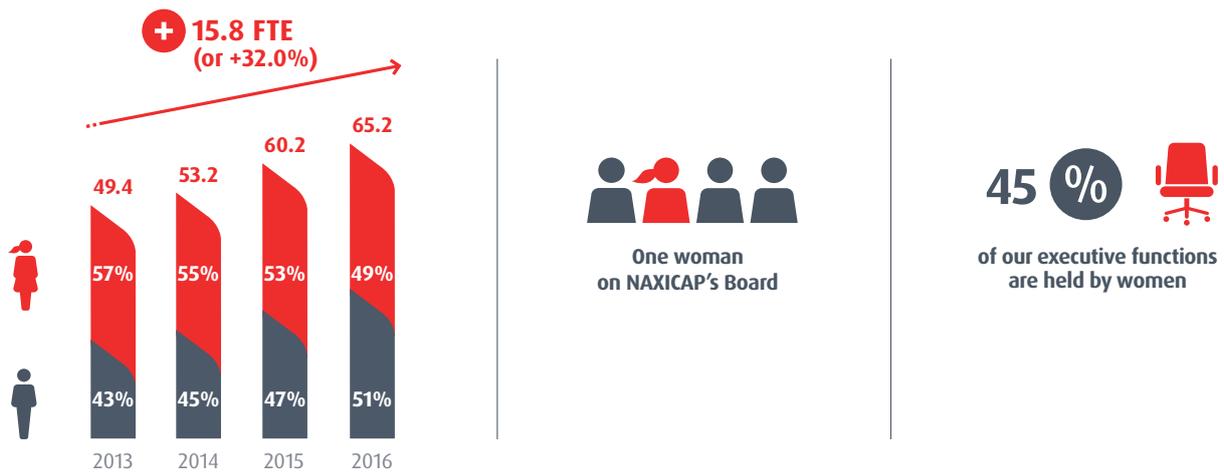
A structured Management Company with significant human resources

As a growing Management Company, we have strongly reinforced our teams in the past years. Simultaneously to the investment team expansion, new functions have been implemented, such as the Investor Relations team (7 members as of today) and the Middle Office Department (2 members). We have re-internalized a Risk and Compliance Director and recruited an ESG officer.

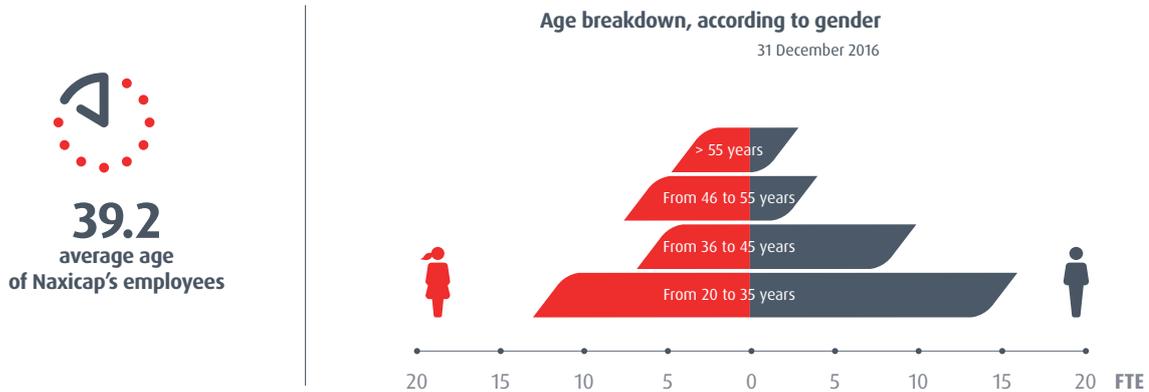
We have produced our first **Social Report** to share our past 4-year growth on an HR view (gender, age, functions, diploma, seniority, training, etc.).

STAFF

Men & Women in Naxicap, Full Time Equivalent (FTE)



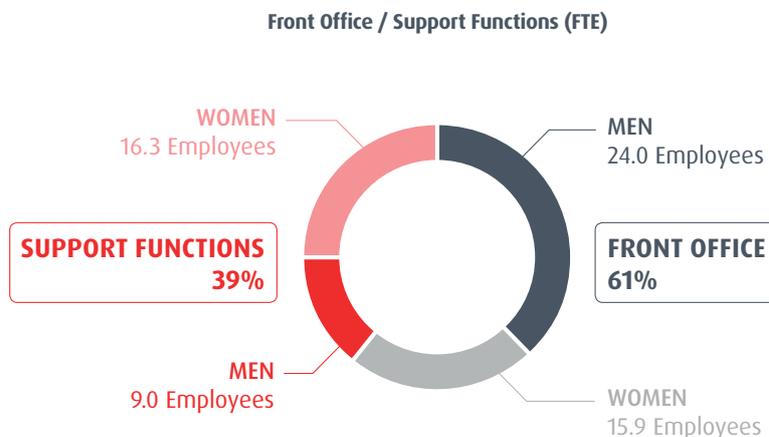
AGE



Data as of 31 December 2016

FUNCTIONS

Acting as a responsible Management Company internally was also possible through stronger Support Functions. These functions have significantly increased and accompanied the growth of the managed assets.



CONTRACTS

98 % of our employees have a permanent contract (CDI - Contrat à Durée Indéterminée)

One of our young employees benefits from a professional training contract, giving the opportunity to obtain a professional diploma with national recognition, while having a first professional experience.

6 employees have a part-time contract

Part-time contracts give the possibility to work 80%, 85% or 90% of the legal time in France (35 hours per week).

4 employees have benefited from internal mobility since 2013

Mobility has been geographical - from an office to another one - or a change of function between the front office and the support functions.

TRAINING PROGRAMS

1,141 hours of training in 2016, an average of 17 hours per employee

A training program has been implemented in 2016, giving our employees tailored training, completed with mentoring sessions and a personal development training.

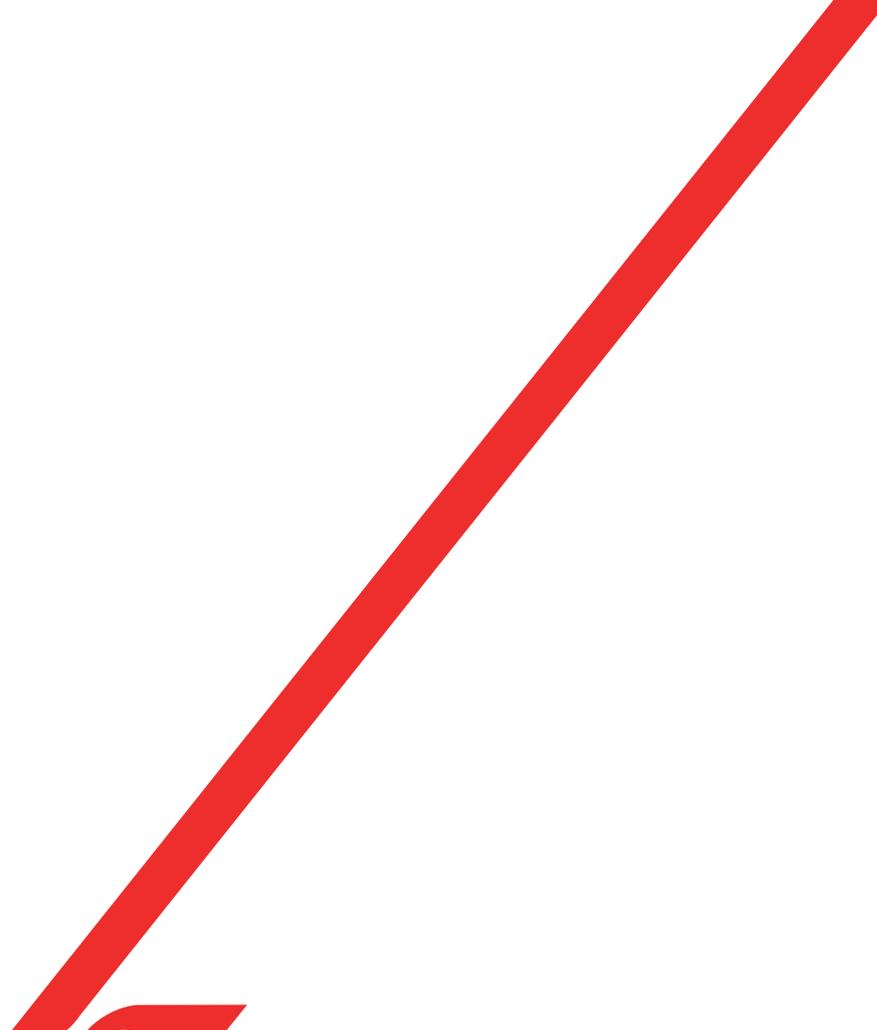
Additionally, we organized in 2016 a training on the responsibility of the societal representatives, as most of our Front Office employees assume the role of representative at Supervisory Boards of our portfolio companies.

We organize ESG presentations two times a year to continuously increase our employees awareness to responsible investment and share good practices.

ZOOM ON THE MENTORING PROGRAM

The mentoring program gives Junior professionals the opportunity to learn from a Senior professional who shares his/her own Private Equity vision and provides feedback on his/her experience. It is an occasion for sharing and responding to the questions of the Juniors in a less formal setting.





3

NAXICAP'S ESG APPROACH



The ESG journey of Naxicap Partners





Angèle Faugier
Board Member and
Investment Partner

Isabelle Guerin
Investor Relations
Director



Elodie Pavot
Investor Relations
Associate

Johan Kyrre Knudsen
ESG Analyst

Our dedicated ESG team

The implementation of ESG within Naxicap and our portfolio companies is supported by our ESG team, composed of 4 members, including a Board Member who has been highly involved in developing a different approach of investment management through ESG.

The team is today composed of three other members with different backgrounds and expertise within the Management Company, thus enabling a more diversified perspective on our ESG approach:

- One Investor Relations Director with 13 years of experience within investment management
- One Investor Relations Associate who has had extensive training in the field of ESG
- One member fully dedicated to ESG, holding a master degree in sustainable development from HEC Paris

SIGNATORY OF THE PRI – PRINCIPLES FOR RESPONSIBLE INVESTMENT



Signatory of the PRI since December 2015

The PRI is the world's leading proponent of responsible investment, joined by 150 private equity firms worldwide of which 61 are French (PRI, 2016).

The PRI has grown consistently and significantly since its foundation in 2006, holding an AUM (assets under management) of 62 US\$ trillion in 2016.

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

The PRI aims at making the global financial system more transparent and sustainable. It acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The PRI is independent. It encourages investors to use responsible investment to enhance returns and to better manage risks, but does not operate for its own profit. It engages with global policy makers, but is not associated with any government. It is supported by, but not part of, the United Nations.

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



PRINCIPLE 1

We will incorporate ESG issues into investment analysis and decision-making processes.

PRINCIPLE 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

PRINCIPLE 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

PRINCIPLE 4

We will promote acceptance and implementation of the Principles within the investment industry.

PRINCIPLE 5

We will work together to enhance our effectiveness in implementing the Principles.

PRINCIPLE 6

We will each report on our activities and progress towards implementing the principles.



Signatory of the Initiative Carbone 2020 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 Carbone 2020) in October 2016.

Through this initiative, initially launched by five private equity firms and now supported by the major French asset management companies, Naxicap commits to contribute to the unified agreement at COP21 (the United Nations Climate Change Conference held in Paris in November 2015) to limit the global warming to 2°C.

All signatories acknowledge the fact that climate change will have significant effects on the global economy, local communities and the ecosystems. As a result, the signatories commit to measure their scope 1, 2 and 3 carbon emissions using estimation methodology, to include climate issues in their investment process and to publish the carbon footprint of their portfolio companies in 2020.

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.



3 NAXICAP'S ESG APPROACH

Integration of ESG criteria in the investment process

Naxicap Partners has adopted a set of procedures for portfolio companies with an investment exceeding €5 millions, aiming to integrate the consideration of ESG issues throughout the investment cycle, as well as developing best ESG practices within the Management Company.

Supported and encouraged by our ESG team, Naxicap's investment managers are responsible for ensuring that

the consideration of ESG issues is integrated into the investment process and throughout the investment cycle by monitoring the ESG roadmap elaborated together with the portfolio companies.

Our Middle Office is responsible for controlling the accuracy of the implementation of ESG criteria throughout the investment cycle.



1. PRE-INVESTMENT

Pre-investment ESG analysis in investment memos

The pre-analysis highlights the main ESG risks, opportunities and recommendations and is considered during the Investment Committee before making an investment decision. As a signatory of the IC20 (Initiative Carbone 2020), the investment memorandums include a special analysis on how the company is exposed to and adapts to climate change, and which actions it has put in place to deal with these challenges. The climate analysis uses the 7 questions formalized by the Sustainable Development team of PwC.

ESG audits

ESG audits are mandatory pre-investment. The audits, carried out by external auditors, deliver a more thorough understanding of the main ESG challenges and areas of improvement aiming to define the roadmap for the coming years.

ESG clause in Shareholders Agreements

An ESG clause is systematically included in the Shareholders Agreement. When signing the Shareholders Agreement, companies commit to implement a detailed action plan, to inform Naxicap regularly on their actions and to annually report on ESG data.



2. HOLDING PERIOD

Annual questionnaire

Our companies answer an annual ESG questionnaire enabling Naxicap to monitor and report on the progress made by its portfolio companies. Our questionnaire has been completed in 2016 by more specific questions on environment. We added questions on the sources of carbon emissions (Scopes 1, 2 and 3) and on the physical and transitional risks that can impact the company.

ESG Roadmap

We monitor the ESG action plan of our companies, at least once a year, during a Supervisory Board. The companies have to show us their actions and their updated roadmap.

Transparency and reporting

Naxicap answers the inquiries of its investors and provide them with detailed ESG reports and reviews throughout the investment cycle. Naxicap provides its investors with detailed ESG reports by funds in addition to an annual ESG report.



3. EXIT

ESG Vendor Due Diligences

ESG Vendor Due Diligences (VDD) are conducted for all investments where a financial Vendor Due Diligence has been undertaken. The ESG VDD highlights the key ESG issues identified and managed throughout the period of ownership in order to limit risks and to create value. Reporting on environment progress made during the ownership period is also done through the ESG Vendor Due Diligences.



18 ESG audits
in 2016, 100% of new investments
(core business)

In 2016, Naxicap has integrated its annual ESG questionnaire and in-house scoring methodology into an online reporting tool

Naxicap requires its portfolio companies to answer annually a set of c.100 questions related to their ESG actions and agreements with stakeholders (clients, suppliers, etc.). To collect this data, Naxicap has implemented an online reporting tool in 2016 - **Reporting 21** - available to every portfolio company.

Naxicap has developed its own detailed in-house ESG scoring methodology, based on the companies' answers to the annual questionnaire. The ESG scoring enables an accurate and detailed monitoring of the portfolio companies' performance on material environmental, social and governance issues including their interaction and impact on stakeholders.

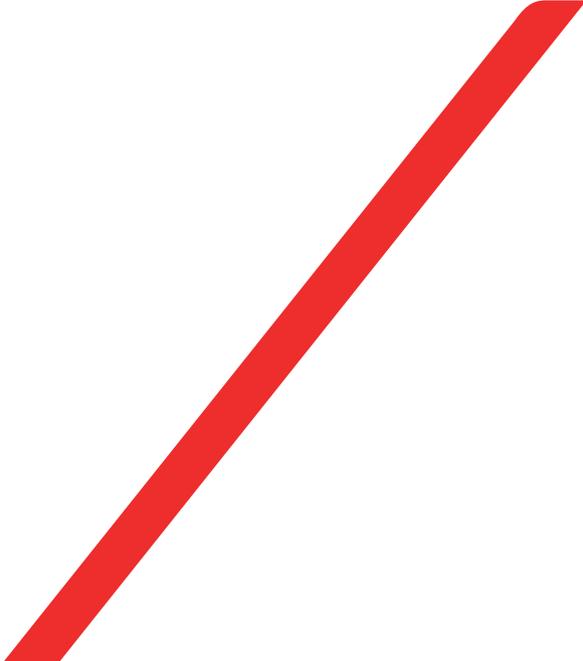
The online reporting tool also serves to answer the inquiries from Naxicap's investors and to provide them with detailed ESG reports by fund throughout the investment cycle.



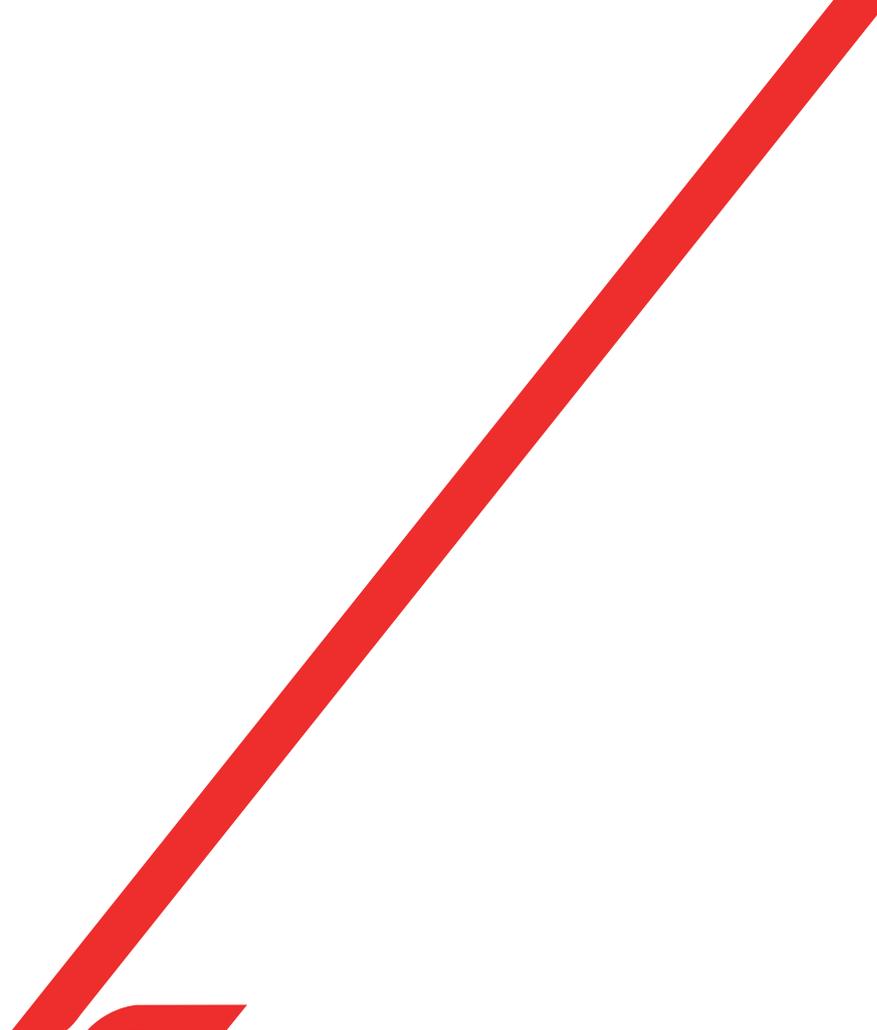
ESG questionnaire sent to **72 portfolio companies** in 2016



89% response rate in 2016 compared to **77%** in 2015







4

FOCUS
CLIMATE



THE GLOBAL ENERGY TRANSITION

GHG (greenhouse gas emissions) are increasingly subject to public scrutiny, legislation and regulation

Current regulations

Mandatory reporting frameworks are emerging for both companies and investors. These include **Grenelle II** in France and the **Article 173** of the French Energy Transition Law.

The French Energy Transition for Green Growth Law (known as the Energy Transition Law) marks a turning point in carbon reporting by setting out a roadmap to mitigate climate change and diversify the energy mix. The law came into force on 1 January 2016. As an investment manager, Naxicap Partners is subject to the Article 173 of the French Energy Transition Law.

In addition to report on the consideration of ESG issues in the investment policy and risk management, Article 173 requires investors to report on the integration of climate change-related risks, including both *physical risks* (exposure to physical impacts directly caused by climate change) and *transition risks* (exposure to the changes caused by the transition to a low-carbon economy). The law's combination of ESG and climate reporting requirements puts the reporting frameworks beyond voluntary initiatives.



The Paris Agreement



The involvement around the Paris Agreement on the climate is still active. At the Paris Climate Conference (COP21) in December 2015, **195 countries** adopted the universal, legally binding global climate deal. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below **2°C**.

The agreement recognizes the role of non-party stakeholders in addressing climate change, including cities, other subnational authorities, civil society, the private sector and others.

They are invited to:

- scale up their efforts and support actions to reduce emissions;
- build resilience and decrease vulnerability to the adverse effects of climate change;
- uphold and promote regional and international cooperation.

On 5 October 2016, the EU formally ratified the Paris Agreement, thus enabling it to come into force on 4 November 2016.



COP 21 commitment to limit the global warming well below 2°C

OUR FIRST CARBON FOOTPRINT ASSESSMENT

Naxicap Partners has assessed the carbon footprint of its Management Company

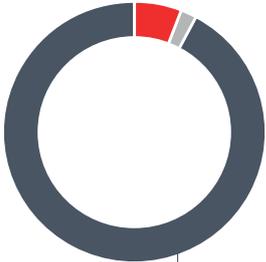
In March 2017, we carried out our first carbon footprint with an external expert, in order to obtain a global picture of our offices' environmental impact and to think about actions to reduce it. It was also a way to increase our employees' awareness regarding our environmental

responsibility as a Management Company. Our offices have participated to collect the data necessary to the measure of the carbon emissions (FTE, office surfaces, energy consumption, IT equipment, cars, professional transportation, purchases of goods and services, waste).



Our carbon emission

The expert compared our carbon emissions to other companies.



Carbon footprint by scope

Scope 1 **6.0%**
 Scope 2 **2.0%**
 Scope 3 **92.0%**

Our carbon emissions, by scope

The emissions from the Scope 3 represent **92%** of Naxicap's total emissions. While Scopes 1 and 2 cover direct emissions sources, Scope 3 emissions cover all indirect emissions due to the activities of Naxicap. These include emissions from both suppliers and consumers, as shown in the table below. As a Management Company, purchased goods and services and business travels represent the main part of our emissions.

<ul style="list-style-type: none"> Transportation Business travels Employees commuting Capital goods Purchases Goods & services 	<ul style="list-style-type: none"> Naxicap vehicles Naxicap facilities Consumer use Electricity consumption Fugitive emissions 	<ul style="list-style-type: none"> End-of-life Activity wastes Sold products Portfolio companies (not in the scope)
<p>SCOPE 3 - UPSTREAM ACTIVITIES</p>	<p>SCOPE 1 & 2 - COMPANY ACTIVITY</p>	<p>SCOPE 3 - DOWNSTREAM ACTIVITIES</p>

Methodology

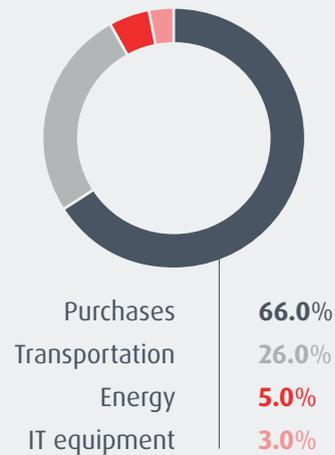
1€ = # tCO₂ Every euro of Naxicap's expense account has been transformed into CO₂, based on the coefficients published by the ADEME (State operator supporting the green transition).

Our carbon emissions, by category

Regarding our office activity, the assessment shows that our carbon emissions mainly result from purchases of goods and services, representing 66% of our total emissions. This category covers consulting services, audits and legal fees, which are our main expenses.

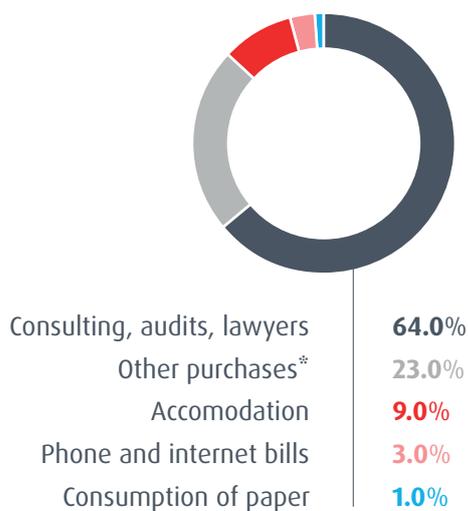
The second main emission source is transportation, i.e. business travels and employee commuting.

Carbon footprint by category



Zoom on our main emissions

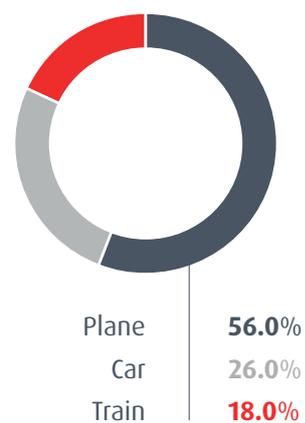
#1 Carbon footprint from Naxicap's purchases



* Advertising, events, computer maintenance, etc.

#2 Carbon footprint from transportation

Business travels





Employee commuting

Breakdown of our employees' means of transport for their everyday journey from home to work

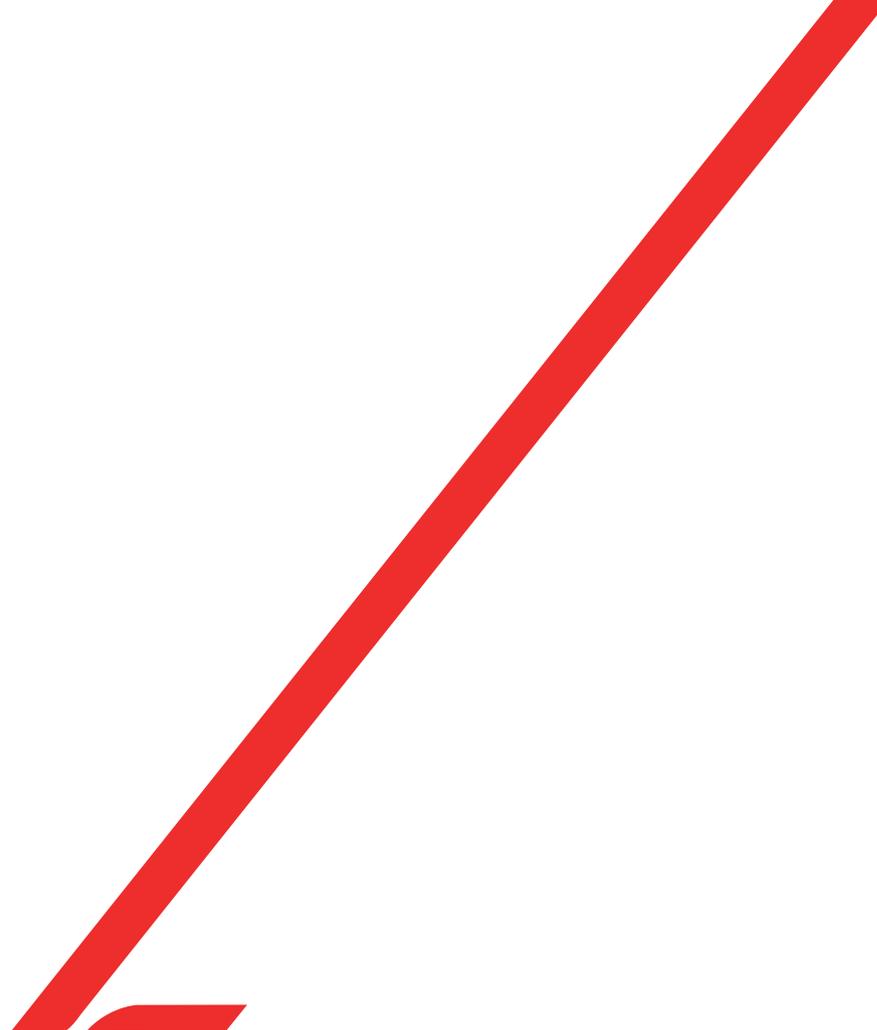
Next steps

Naxicap plans to carry out the carbon footprint of its portfolio companies with a high environmental impact. This will enable identifying their risks and opportunities related to climate change as well as anticipating future regulations and raising awareness among the management teams of the companies.

We aim at contributing to the energy transition and respecting our IC20 commitment to limit global warming to 2°C.







5

COMPANY INTERVIEW



Interview Chêne Vert

PATRICK BORDESSOULE, CEO OF CHÊNE VERT



Investment year: 2012
Sector: bathroom furniture
Staff: 61 (FTE)

Chêne Vert has been a company of Naxicap's portfolio since July 2012. Chêne Vert specializes in the design, manufacturing and marketing of bathroom furniture, targeting real estate development projects and specialized distribution. As a company with good ESG practices, Chêne Vert initiatives and concrete actions are highlighted in this interview.

WHICH ESG THEME (ENVIRONMENT, SOCIAL, GOVERNANCE) IS THE MOST CHALLENGING TO MANAGE FOR YOUR COMPANY?

The environment. While social and governance aspects rely on direct interventions, **environmental management** more depends on external scrutiny, such as regulations with strict deadlines. There are laws with which we have to be compliant quickly.

WHICH ESG RISK COULD BE THE MOST IMPORTANT IN THE COMING YEARS IN YOUR INDUSTRY? AND WHICH OPPORTUNITY?

When reading newspapers, we see that environmental issues are a constant concern. One risk could be on our **raw materials**: the wood. Today, clean energies are increasingly in demand. Electricity production from wood is an environmental-friendly alternative. However, for our business, it could create competition on raw materials and have a price impact.

The change of regulation regarding the products' components we use for our materials could also affect our business. For instance, there could be a change in **European regulation** in the coming years that would imply significant changes. Bathroom materials are composed of 80% wood and 20% glue. The glue can create toxic substances.

In Germany for instance, these materials are forbidden. A stricter regulation at European level would influence our production, implying to review the composition of our materials. It would cost money to adapt our company.

On the contrary, the environmental trends could be an opportunity if the regulation is based on French standards, which we already comply with.

DOES CHÊNE VERT ASSESS ITS CARBON FOOTPRINT?

Yes it does. The company is certified **ISO 14001** (environmental standard that certifies the sustainable responsibility of the company). The certification requires a carbon footprint assessment every year.

CHÊNE VERT HAS SEVERAL CERTIFICATIONS (NF, ISO 14001, PEFC). COULD YOU EXPLAIN WHY THESE CERTIFICATIONS ARE IMPORTANT FOR YOUR COMPANY?

It is a way to differentiate ourselves. 100% of our production is certified NF (certification from an independent organization for product conformity, in line with national, European or international rules). The NF certification is a pledge of security for the consumers: products are controlled for their quality and safety. It is a **tool of differentiation** rather than an obligation. Only a few of our competitors use the NF standard.

We also have a PEFC certification (Programme Européen des Forêts Certifiées - European program of certified forests). 80% of our wood is coming from certified forests. For the consumer, it is a guarantee of ethical production that limits the deforestation and encourage **responsible management of natural resources**.

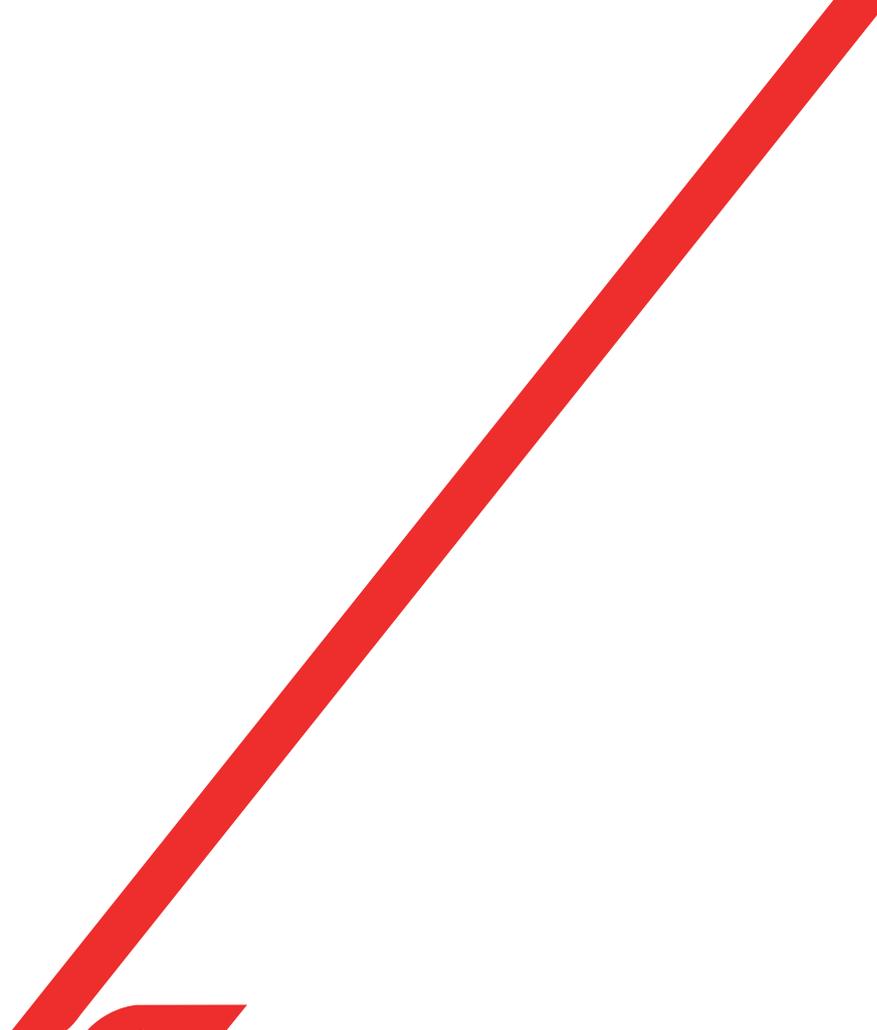
HOW DO YOU ENSURE THE HEALTH AND SAFETY OF YOUR EMPLOYEES IN YOUR FACTORIES?

There are strict rules that have to be followed: every employee on the manufacturing sites must wear helmet, glasses, safety boots, etc. Our sale staff must do the same when visiting a client site. We provide them with the **necessary equipment**. Every position in the factories is secured according to its own risk to limit the arduousness. Moreover, in our factories, there is atmospheric pollution with the emanation of wood sawdust and the production of plastic bathroom basins. We measure the air pollution in order to minimize the risks as much as possible. All our buildings and machines are certified and controlled by external parties. Finally, **safety trainings** are regularly provided to our employees: full training for new employees and temporary workers, and regular reminders of good gestures to every employee. We discuss these themes during the **health and safety committees** with our social partners four times a year.

Naxicap Partners supports Chêne Vert in the implementation of its ESG roadmap listing actions to be deployed by the company in the coming years. As the Management Company, Naxicap follows the deployment of these actions and discusses it with Chêne Vert management at Supervisory Boards, at least once a year. ■







6

GLOBAL PORTFOLIO PERFORMANCE



The portfolio companies under Naxicap Partners management in 2016 demonstrate satisfactory ESG practices, that can be improved to reach the best possible results.

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

Portfolio summary

The global ESG score shows that the portfolio companies execute **satisfactory ESG practices** of their business activities. The global ESG score of 2016 is based on data from **56** portfolio companies under Naxicap Partners' management.

Stable global ESG score in 2016 compared to 2015 (4.6/10)

- **The new integrated companies in 2016 positively impact the global ESG score**

The new integrated companies in 2016 demonstrate higher 'Environment' and 'Governance' practices compared to the companies leaving the portfolio. However, social practices were lower. Overall, the impact on the score was positive.

- **The constant scope positively impact the global ESG score**

40 companies analyzed in 2015 are still in the portfolio of 2016 (constant scope). The global ESG score of these companies has slightly increased in 2016 and on every dimension: formalization and implementation of specific human resources management procedures, as well as an improvement of internal and external governance practices regarding business ethics and risk management (including supply chain risks).

- **New indicators negatively impact the global ESG score:**

The annual ESG questionnaire answered by our portfolio companies in 2016 contains 16 new scored indicators compared to the questionnaire of 2015 (see appendices for more detailed information). The new indicators slightly reduced the global ESG score.



52%

The dominant position of Naxicap portfolio in the services sector results in a

higher 'Social' materiality



The **'Social'** dimension remains the highest scored ESG dimension in 2016



ESG Dimension	Score 2014 ¹	Score 2015 ¹	Score 2016 ²	Materiality 2014-15	Materiality 2016
ENVIRONMENT	2.6	3.0	4.3	27%	26%
SOCIAL	5.6	6.1	5.1	51%	52%
GOVERNANCE	2.6	2.9	3.6	22%	22%
Global Score ESG	4.1*	4.6*	4.6*	100%	100%

* The consolidated ESG scores are weighted with the materiality of a company's sector and activity.

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.



Focal (manufacturer of high-end audio equipment) has obtained the highest ESG score among the portfolio companies analyzed in 2016.



Organic Alliance (organic fruits and vegetables) has obtained the highest ESG score in the consumption sector and is among the top performers in 2016.



ORC Communications (corporate communication expertise) has increased its ESG score significantly compared to 2015. The company has for instance implemented a CSR policy and has appointed a dedicated CSR manager.

1 Based on 60 portfolio companies (only companies which fully completed the ESG questionnaire)
 2 Based on 56 portfolio companies (only companies which fully completed the ESG questionnaire)

6 GLOBAL PORTFOLIO PERFORMANCE

Sector	ESG Score Portfolio 2014*	ESG Score Portfolio 2015*	ESG Score Portfolio 2016*
Transportation	5.2	5.2	6.1
Non-renewable resources	5.0	5.3	Not applicable
Resource transformation**	4.2	4.3	5.0
Infrastructure	4.7	4.9	4.9
Consumption	4.0	4.4	4.6
Services	4.1	4.7	4.4
Healthcare	4.0	4.7	4.3
Technology & Communication	3.6	4.6	4.1

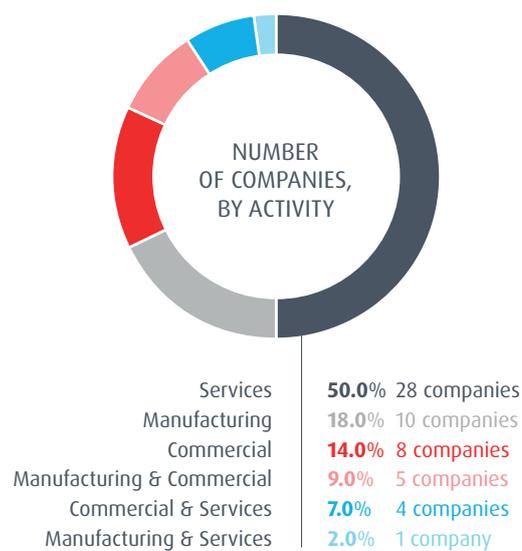
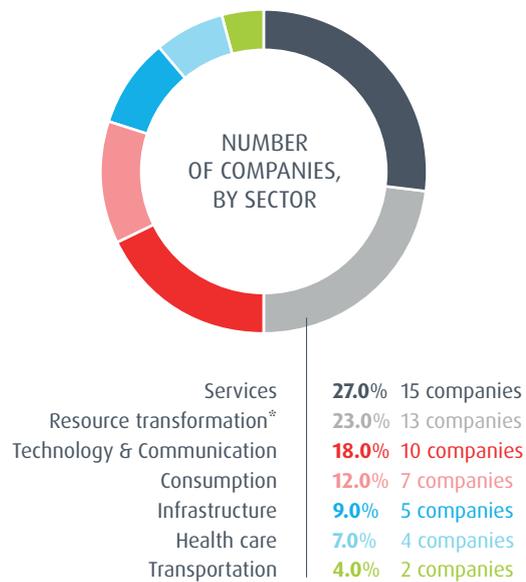
Activity	ESG Score Portfolio 2014*	ESG Score Portfolio 2015*	ESG Score Portfolio 2016*
Manufacturing	5.0	5.2	5.6
Commercial	4.6	4.6	4.7
Manufacturing & Commercial	2.7	3.4	4.7
Services	4.1	4.8	4.4
Commercial & Services	3.0	4.2	3.6
Manufacturing & Services	4.5	4.6	2.5

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

* The consolidated ESG scores are weighted with the materiality of a company's sector and activity.

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

THE **56** PORTFOLIO COMPANIES
ANALYZED IN 2016 REPRESENT A WIDE RANGE
OF SECTORS AND ACTIVITIES:



* Includes the sub sectors "Electrical/Electronic equipment" and "Industrial machinery & Goods."

6 GLOBAL PORTFOLIO PERFORMANCE

ESG PORTFOLIO PERFORMANCE SUMMARY



Portfolio performance by ESG subject	2014	2015	2016
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 safety and Quality			
14 - Community involvement			

SCORING

0-4 Poor practices/not formalized

4-7 Good practices

7-10 Very good practices

* Corporate Social Responsibility







PORTFOLIO REVIEW

This portfolio review also includes the companies which partially completed the ESG questionnaire. The following study is based on up to 64 companies.

ENVIRONMENT

1. Environmental management

Environmental policy

- Even though the degree of environmental impact largely depends on the industry and activity of operations, a formalized environmental policy could contribute to a global focus and effort throughout the organization to reduce the environmental footprint of the company.
- A formalized environmental policy covers all areas of environmental impact, such as carbon emissions, electricity and water consumption, waste handling and alternative energy use.



Chêne Vert (manufacturer of bathroom furniture) has formalized an environmental policy including a reduction target of its environmental footprint. Eco-design and sustainable innovation is at the heart of Chêne Vert's strategy and differentiation policy. Employees in the commercial department are regularly informed on the Group's environmental practices which is regarded as a key element of the company's sales strategy.

Major environmental litigations

- Major environmental litigations is an accurate indicator on assessing whether portfolio companies are subject to serious non-compliance with environmental regulations and certifications in their respective industry of operations.
- One portfolio company has been instructed by official agencies to rectify non-compliance with environmental laws and regulations in 2016.



DCI (IT infrastructure and telecom solutions) has put in place a system to ensure compliance with environmental protection laws and regulations. DCI has implemented strict procedures for managing the "end-of-life" of its IT products and materials, which are in compliance with applicable legal requirements.



20 (31%) portfolio companies have formalized an environmental policy*

compared to **20 (33%)** in 2015**

* Based on 64 companies
** Based on 60 companies



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

Signatories of the UN Global Compact

- The UN Global Compact is a voluntary initiative aiming at supporting UN goals. Signatories of the UN Global Compact are committed to align their strategies and operations with fundamental principals on human rights, labor, environment and anti-corruption. Further, as a signatory of the compact, the company is obliged to provide an annual Communication on Progress (COP) report.

7 portfolio companies are signatories of the UN Global Compact, compared to four companies in 2004.

External certifications

- Certifications required for a company largely depend on the industry it operates in. However, ISO-certified companies meet requirements of international standards regardless of industry on subjects such as quality (ISO 9001), environment (ISO 14001) and social responsibility (ISO 26000).



Desk (IT distribution) and **Newrest** (catering) are both certified ISO 14001. The certification ISO 14001 is based on the principle of continuous improvement of environmental performance by controlling impacts related to the company's business. Newrest has launched major ISO 14001 certification campaign of its units. In the certification framework of Newrest, seven countries are currently certified according to ISO 14001: Austria, Bolivia, Greece, Portugal, Switzerland, Cyprus and Tunisia (certified in 2016).



26 (41%) portfolio companies are externally certified on environmental practices*



compared to **30 (50%)** in 2015**

* Based on 64 companies
** Based on 60 companies

2. Energy consumption and Carbon footprint

Energy consumption

- This is a new indicator added to our ESG questionnaire in 2016.
- European companies (all sectors) with more than 250 employees, or with annual revenues of more than €50 millions (or balance sheet of more than €43 millions), are subject to carry out an energy audit of their activities every four years. Only companies with certified energy or environmental management systems in place are exempt from the directive.



Emerige (housing promotion and renovation) is compliant with the RT 2012 (Thermal Regulation) aiming to limit the primary energy consumption in new buildings (residential, commercial and public buildings) to 50kWh/m² per year on average. The Group is anticipating the “Responsible Building Regulation” (RT 2020), requiring new buildings to produce more energy than they consume per year.



Ékaim Technologie (turned parts manufacturing) monitors its water and energy consumption (including gas and fuel) and has implemented energy efficiency measures of its' factories (machines are equipped with reactive energy recovery, fed to the electricity grid, and hot air from the compressors is re-directed for buildings' heating during winter months). The company has formalized an investment plan in order to reduce the environmental impact of its companies by 2022.



41 (72%)
portfolio companies monitor
their energy consumption
(including electricity, fuel,
gas and water)*

* Based on 57 companies



GHG (greenhouse gases) emissions

- Physical climate risks are risks associated with extreme climatic events such as rising water levels, drought, etc. These risks have various impacts on businesses such as supply chains, rising insurance costs, reinforcement of climate-sensitivity, etc.
- Transitional climate risks are risks resulting from the global transition to a low-carbon economy. Market risks (contrasting trends in energy and natural resource prices), regulatory risks (implementation of taxes and/or subsidies to promote the ecological transition) and reputational risks (changing preferences of customers and other stakeholders) are all examples of transition risks.
- In France, the *Article 75* of the Grenelle II law obliges legal entities with more than 500 employees to carry out a greenhouse gases emissions report.



Slota (rental of vehicles, licenses and taxi related services) renews its fleet of vehicles every 30 months, which is compliant with current pollution standards.



11 (19%)
portfolio companies have identified climate change risks (physical and/or transition) with the future potential of impacting their business*



5 (9%)
portfolio companies monitor their greenhouse gas emissions (including scope 1, 2 and 3 of CO2 emissions)*

* Based on 57 companies

3. Waste management

Waste management policy



Sushi Shop (sushi fast food chain) more and more substitutes plastic boxes of its packaging with boxes made of cardboard and cellulose.



38 (59%) portfolio companies have formalized a waste management policy*

compared to **36 (60%)** in 2015**

* Based on 64 companies
** Based on 60 companies





4. HR strategy, policy and reporting

- The total headcount of full time equivalents (FTE) of the portfolio has increased by 13% compared to 2015 (constant scope, based on 46 companies). This increase does also take into account external growth, such as mergers & acquisitions executed by the portfolio companies.
- The portfolio demonstrated a positive net job creation of 1,173 full time equivalents in 2016 (excluding external growth).



Total FTE of portfolio
39,812
(including external growth) in
2016*

compared to
37,225 in 2015**

* Based on 58 companies
** Based on 54 companies



Softway Medical

(software & IT services for hospitals)
created 39 new jobs (net) in 2016, e.g. 12 % of their total FTE.



The House of HR (Human resources outsourcing services)

created 229 new jobs (net) in 2016, e.g. 14 % of their total FTE.



UniWare (IT consulting)

has defined a clear strategy and priorities of its Human Resources Management. The company frequently reports on key HR indicators, such as evolution in its headcount and type of contracts, recruitments and departures, remuneration, training etc.

Constant Scope (46 companies):
35,957 in 2016
compared to
31,877 in 2015



1,173
jobs (net) created
in **2016*** (excluding external growth)

compared to
443 in 2015**

* Based on 51 companies
** Based on 36 companies

5. Health and Safety

Working accidents



Kartesis (resource transformation, industrial products)

is among many portfolio companies that report on zero working accidents and fatal accidents in 2016. Kartesis had a headcount of 213 full time equivalents in 2016.



CIPM SAS (health care - private clinics)

has a psychologist available for all employees in order to avoid and reduce the risk of stress and potential burn-outs. Moreover, frequent lectures are held on dealing with stress and other similar risks related to the health and safety of the employees.



0.1%
days lost
due to working
accidents*

compared to
0.1% in 2015**

* Based on 45 companies
** Based on 43 companies

Fatal accidents



Slota (rental of taxi licenses and maintenance or sales of cars)

has implemented several measures to mitigate the risks of fatal accidents. For instance, Slota executes maintenance monitoring of their cabs and organizes seminars regarding the safety of the drivers on the road.



1
fatal accident*

compared to
0 in 2015**

* Based on 64 companies
** Based on 60 companies

6. Training and Career management

Training policy



I@D (online real estate services) has formalized a training policy with defined career paths for its employees. Several measures are already implemented such as mandatory courses before being awarded promotion or change of job position.



43 (68%) portfolio companies have formalized a training policy*

compared to **35 (58%)** in 2015**

* Based on 63 companies
** Based on 60 companies

Career management

- The average ratio of employees among the portfolio companies who have followed a training program in 2016 reached a level of 43% (based on 47 companies).
- The portfolio companies in the services sector have the highest number of training hours in the portfolio, followed by the transportation and the resource transformation sectors.



ORC (corporate communication) has in place a training policy including defined career paths for its employees.



SOGELINK (business software solutions) has formalized its job descriptions in 2016 in order to better manage employee career development and internal mobility. A program to detect and follow up highly talented workers was elaborated in 2016 and will be deployed internally in 2017.



13 hours of training* per employee, in average

compared to **13** in 2015**

* Based on 47 companies
** Based on 42 companies

7. Diversity and Equal opportunities

Gender equality

- The diversity of gender in a company traditionally depends on the sector of the company.
- For instance, the ratio of women at SRi, a manufacturer of industrial valves for the oil and gas industries, is only 14%, while UJA (fashion retailer) employs 94% women.

Inclusion of disabled workers

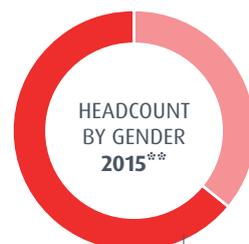
- The portfolio companies in the resource transformation sector employ the highest number of disabled workers in 2016 (33% of the total), followed by the services sector (23% of the total).



Sateco (manufacturer of the concrete and safety equipment for construction purposes) employs 14 disabled workers in 2016. This corresponds to 6.7% of the Group's total workforce. The Group is compliant with French regulations for employment of disabled persons.



Men 60%
Women 40%



Men 62%
Women 38%

* Based on 55 companies
** Based on 49 companies



6%

legal minimum ratio of disabled workers in French companies

8. Working environment

Social environment

- Social litigations can be used as an accurate indicator for assessing the working environment in a company.
- Several important factors and measures may contribute to a favorable and dynamic working environment, such as:
 - Compliance with fundamental human rights, especially in high-risk and non-cooperative countries
 - Compliance with current work regulations
 - Safe working conditions
 - Implementation of relevant social dialogue mechanisms
 - Equal opportunities for each employee
 - Transparent remuneration system
 - Prohibition of child and forced labor throughout the supply chain



Sogelink (business software solutions) has implemented “SogeLife”, a collective initiative focusing on social activities for its employees. The initiative has a fixed annual budget where the employees decide which activities to be organized.



30 (48%)
portfolio companies
facing social
litigations*

compared to
28 (47%) in 2015**

* Based on 63 companies
** Based on 60 companies



0
company facing
a major social
litigation*

compared to
1 in 2015**

* Based on 63 companies
** Based on 60 companies

Strikes

- Social dialogue includes all types of negotiation or consultation between representatives of governments, employers and workers on matters of common interest relating to economic and social concerns.
- Two portfolio companies were facing strikes during 2016 (5 days lost in total due to strikes).

Collective bargaining

Omia (manufacturer of industrial products) has set up collective bargaining agreements as an important measure towards good relationships between workers and labor unions in order to avoid negative impacts on the company such as working days lost due to strikes.



Thermo Technologies (electrolytic/chemical processes on industrial wires) regards social dialogue within its subsidiaries as a key factor of performance. The Group is one of many portfolio companies who has set up such labor agreements.



40 (63%)
portfolio companies
have implemented
collective labor
agreements*

compared to
32 (53%) in 2015**

* Based on 64 companies
** Based on 60 companies

Employee profit-sharing scheme

- In France, there are two sorts of profit-sharing agreements, statutory profit-sharing, mandatory in all companies with over 50 employees, and discretionary profit-sharing, which is optional.



Adcash (worldwide advertising platform) is among many portfolio companies that have implemented an employee profit-sharing scheme among its workforce. Adcash is neither affected by major social litigations nor working days lost due to strikes.



Slota (rental of taxi licenses and maintenance or sales of cars) employs 34 FTE and has implemented an employee profit-sharing scheme and initiated collective bargaining agreements in the organization.



34 (57%) portfolio companies have implemented a discretionary employee profit-sharing scheme*

compared to **39 (71%)** in 2015**

* Based on 60 companies
** Based on 55 companies





9. CSR strategy and Risk management

Corporate Social Responsibility (CSR) policy

- 22% of the portfolio companies in 2016 have implemented a formal CSR policy stating the company's long-term vision and mission for the ESG practices of its operations. 14% of the portfolio companies have publicly disclosed their CSR policy.
- 9% of the portfolio companies have produced a CSR report.
- The services sector has the highest share of companies with a formalized CSR policy in 2016.



Texa (claims expertise and services for insurers) is one of the portfolio companies that has publicly disclosed its CSR policy.

Other portfolio companies with a formalized CSR Policy in 2016:



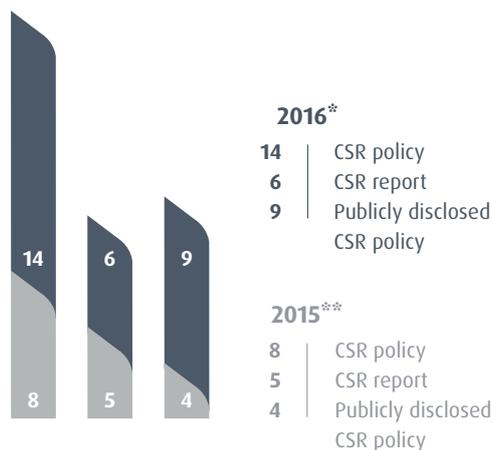
Risk & Crisis management policy



Sushi Shop (sushi fast food chain) has established a policy defining the organization and its responsibilities in a crisis.



Trustteam (software & IT services) has formalized internal procedures concerning the management of risks in all departments of the company.



* based on 60 companies
** based on 64 companies



20 (31%) portfolio companies have a risk management policy*

compared to **21 (35%)** in 2015**

* based on 64 companies
** based on 60 companies

10. Business ethics

Ethical business practices

- 8 portfolio companies (13% of our portfolio) operate in 'high-risk and non-cooperative' countries listed by the Financial Action Task Force (FATF). These countries constitute a wide array of political and social issues
- Several measures can be implemented by the portfolio companies to improve practices, such as:
 - implementation of a Code of Ethics distributed to all employees throughout the organization,
 - providing business ethics training for employees likely to deal with ethical issues in their daily operations,
 - development of a Supplier Code of Ethics to mitigate corruption risks throughout the supply chain.
- 6 out of the 8 portfolio companies operating in high-risk countries have implemented policies regarding business ethics and corruption.



Adcash (worldwide advertising platform) has started to issue guidelines for good business practices in 2016. These guidelines aim to avoid large fines and reputational risks when doing business in high-risk countries.



The house of HR (human resources outsourcing services) is impacted by the General Data Protection Regulation (GDPR), expected to become law in 2018. The law has heavy financial penalties for non-compliance (4% of annual revenues). The law intends to strengthen and unify data protection for all individuals within the European Union. The House of HR is in the process of adapting its IT systems and operations in order to meet the new compliance requirements.

Indicators	# companies in 2014*	# companies in 2015*	# companies in 2016**
Code of Conduct	12	17	18
Anti-corruption policy	10	11	19
Anti-money laundering policy	10	12	15
Competitive practices policy	12	13	21
Conflicts of interests policy	12	13	14
Fraud policy	11	12	20
Operating in high-risk countries	8	8	8

* based on 60 companies
 ** based on 64 companies

11. Governance structure

Dual board

- A dual board consists of a Supervisory Board and an Executive Board. The Chairman and the CEO are two distinct persons. Under a typical dual structure, the Supervisory Board is responsible for the global strategy and supervision of the management, while the Executive Board is responsible for the daily business operations and management.



La Chaise Longue (retailer) has a dual board system. A clear advantage with such a board system is better monitoring and transmission of power of the CEO. The share of senior female executives or members of the board equals 14 %.



52 (81%)
portfolio companies
have a dual board
system*

compared to
46 (77%) in 2015**

* based on 64 companies
** based on 60 companies

Board equality



Altares (big data expertise) has a share of 50% women in its dual board system.



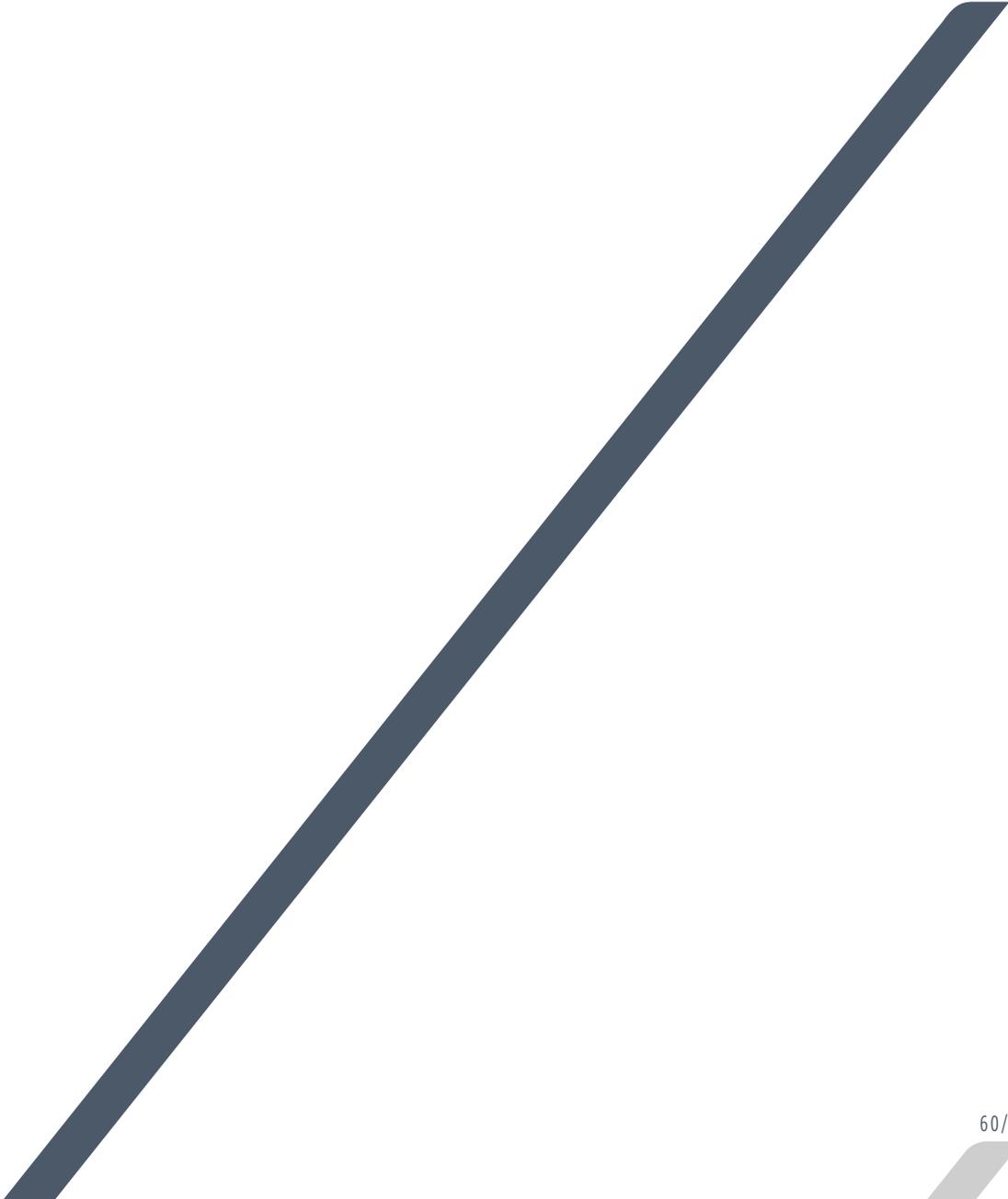
Grimaud (animal genetic selection and biopharmacy) has a share of 46% women in its dual board system.



14%
women*

compared to
17% in 2015**

* based on 58 companies
** based on 46 companies



12. Responsible procurement

Supplier assessments

- Assessing suppliers on environmental and social criteria can be vital for mitigating financial, business and reputational risks.
- As a responsible Management Company, Naxicap Partners is particularly concerned by issues such as use of child and forced labor, health and safety standards, quality control of products and environmental footprint.



Emerige (real estate owners, developers & investment trusts) deploys contractors for its real estate projects. The company has implemented a procedure to ensure the legality of its contractors and their compliance with current regulations. On the construction sites, the company uses a SMO (Management System of operations) which enables to implement the required environmental practices of the contractors.



Sushi Shop (sushi fast food chain) works with a limited number of suppliers, which all have to fill in technical forms on the origin, the type and the bacteriological risk of the products they supply. The Group works solely with certified suppliers and fish farms in order to guarantee the products' quality and to guarantee absence of any animal-derived flour, antibiotics and genetically modified organisms. Sushi shop has also devoted a responsible procurement officer to ensure the quality of the suppliers and controlling that they comply with the company rules and standards.



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

51

portfolio companies have assessed their suppliers on either environmental or social criteria* compared to 30 in 2015**

27

have integrated social criteria* compared to 18 in 2015**

24

have integrated environmental criteria* compared to 12 in 2015**

* based on 64 companies
** based on 60 companies

13. Product safety and Quality

Customer policy



La Sommière (design and marketing of wine cellars) is one of our portfolio companies which has in place a health and safety policy for its customers.



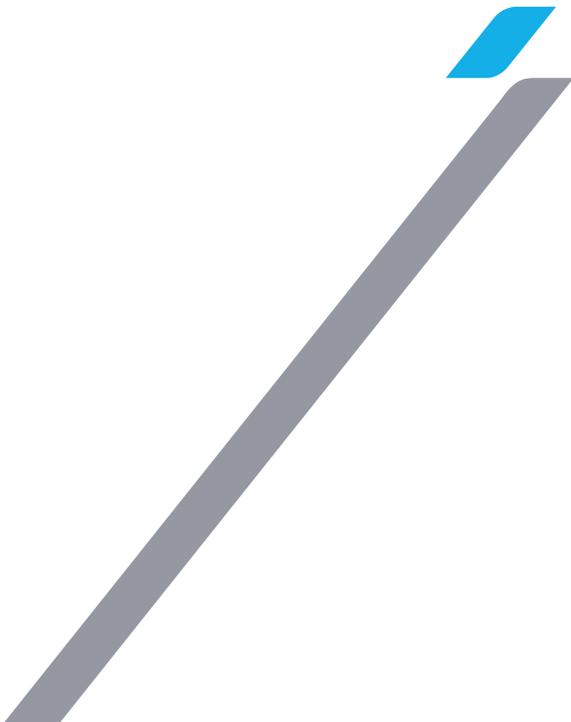
Chêne Vert (manufacturing of bathroom furniture) secures and evaluates the health & safety of its employees through i) the company's "Document Unique" (risk assessment), ii) the adoption of OHSAS 18001 principles (health & safety management system) and iii) compliance with the European Union regulation "REACH" (Registration, Evaluation, Authorization and Restriction of Chemicals).



25 (40%) portfolio companies have implemented a health and safety policy for their customers*

compared to 24 (40%) in 2015**

* based on 63 companies
** based on 60 companies



14. Community involvement

Engagement in local communities or global projects



Newrest (catering services) participates in projects and social actions in every country where the Group operates. In recent years, the Group has committed to the reduction of its budget for press and paid advertising, and to transfer these savings to social actions, in particular involving children. 4,800 individuals have benefited from Newrest's assistance through direct actions and donations.



27 (42%) portfolio companies participate in a social or charitable project*

compared to 19 (32%) in 2015**

* based on 64 companies
** based on 60 companies









APPENDICE: SCORING METHODOLOGY

8 APPENDICE: SCORING METHODOLOGY



The global ESG score of the portfolio and the ESG score of each portfolio company are based on an in-house methodology based on the answers of each company to our ESG questionnaire (121 indicators). We awarded different weights to each question according to what we believe is material in the context of each company. The questionnaire has been distributed to companies where Naxicap's funds investment exceed € 5 million.

Defining a scoring scale

- 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**'.

Developing the scoring system

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

Elaborating coefficients to highlight particular important issues

- Coefficients are created for each question 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'.

Consolidating scores of each dimension of ESG for each company

- Each dimension of ESG ('**Environment**', '**Social**' and '**Governance**') consists of different subjects in the questionnaire. For instance, '**Environment**' consists of subjects such as 'Environmental policy', 'Energy consumption', etc. An average score is calculated for each subject and then forms a consolidated score for each dimension '**Environment**', '**Social**' and '**Governance**' and 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.

Calculating a global portfolio score of each subject and dimension

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

Deriving a global ESG score of the portfolio

- Finally, a global ESG score of the portfolio is derived by weighting the non-weighted average scores of '**Environment**', '**Social**' and '**Governance**' of the portfolio with the materiality of the companies' sectors and activities.

8 APPENDICE: 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 evidence of investor interest and evidence of financial impact, and it adjusts to changes in financial impacts and long-term sustainability principles.
- 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.

Activity	Environment	Social	Governance
Manufacturing	0.50	0.40	0.10
Commercial	0.33	0.33	0.33
Services	0.20	0.60	0.20
Manufacturing & Commercial	0.40	0.40	0.20
Manufacturing & Services	0.40	0.50	0.10
Commercial & Services	0.20	0.60	0.20

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
Building products & Furnishings	0.25	0.50	0.25
Meat, poultry and dairy	0.46	0.36	0.18
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
Health care distributions	0.20	0.60	0.20
Managed care	0.15	0.71	0.14
Medical equipment & Supplies	0.27	0.46	0.27
Infrastructure			
Engineering & Construction services	0.14	0.71	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
Non-renewable resources			
Oil & Gas-Services	0.375	0.25	0.375
Resource transformation			
Chemicals	0.50	0.30	0.20
Electrical/Electronic equipment	0.30	0.40	0.30
Industrial machinery & Goods	0.25	0.50	0.25
Technology & Communication			
Electronic manufacturing services & Original design manufacturing	0.30	0.60	0.10
Internet media & Services	0.30	0.50	0.20
Media production & Distribution	0.17	0.66	0.17
Software & IT services	0.30	0.40	0.30
Telecommunications	0.20	0.40	0.40
Transportation			
Auto parts	0.33	0.33	0.33
Road transportation	0.50	0.33	0.17
Services			
Asset management & Custody activities	0.04	0.64	0.32
Hotels & Lodging	0.375	0.50	0.125
Professional services	0.05	0.75	0.20
Restaurants	0.30	0.60	0.10

8 APPENDICE: CHANGING OF SCOPE

Companies out of Scope 2016* ESG performance in 2015 (when leaving)

* includes exits and companies which have not responded to our ESG questionnaire in 2016 for valid reasons

Company	Sector	Activity	Environment	Social	Governance	ESG
Company 1	Services	Services				
Company 2	Consumption	Commercial				
Company 3	Software & IT Services	Services				
Company 4	Software & IT Services	Services				
Company 5	Services	Services				
Company 6	Resource Transformation	Manufacturing & Commercial				
Company 7	Electrical/Electronic equipment	Manufacturing				
Company 8	Consumption	Manufacturing & Commercial				
Company 9	Transportation	Manufacturing				
Company 10	Services	Services				
Company 11	Health Care	Services				
Company 12	Infrastructure	Manufacturing				
Company 13	Resource Transformation	Manufacturing & Commercial				
Total (average)			3.0	6.5	2.8	4.6

Companies integrated into Scope 2016** ESG performance in 2016 (when entering)

** includes new investments and reinvestments

Company	Sector	Activity	Environment	Social	Governance	ESG
Company 1	Technology & Communication	Services				
Company 2	Services	Services				
Company 3	Real Estate	Services				
Company 4	Health Care	Manufacturing & Commercial				
Company 5	Technology & Communication	Services				
Company 6	Technology & Communication	Services				
Company 7	Transportation	Manufacturing				
Company 8	Services	Services				
Company 9	Consumption	Commercial				
Company 10	Infrastructure	Manufacturing & Commercial				
Company 11	Services	Services				
Company 12	Software & IT Services	Services				
Company 13	Services	Services				
Company 14	Services	Services				
Company 15	Technology & Communication	Services				
Total (average)			4.3	5.2	4.0	4.8

0-4 Poor practices/not formalized

4-7 Good practices

7-10 Very good practices



8 APPENDICE: A NEW ESG QUESTIONNAIRE IN 2016

The ESG questionnaire answered by our portfolio companies in 2016 has been modified compared to the questionnaire of 2015

16 scored indicators added to the questionnaire in 2016

- In the working of integrating Naxicap's annual ESG questionnaire into an online software tool, the questionnaire of 2016 has been modified compared to the questionnaire of 2015. 29 new indicators (both quantitative and qualitative) have been added in 2016, giving the questionnaire a total of 121 indicators compared to 92 indicators in 2015. 16 of the indicators added in 2016 are scored.

A questionnaire adapted to the global energy transition

- One of the reasons for adding indicators to our ESG questionnaire was to gather more information from our portfolio companies related to their environmental management practices. In order to analyze how our portfolio companies deal with the global energy transition followed by the COP21 conference in Paris 2015, and to better respond to the requirements of Article 173 of the French Energy Transition Law, we identified a need for obtaining more quantitative as well as qualitative information related to the companies' energy consumption and their exposure to climate change risks, as well as their adaptation strategies.

The impact of the new questionnaire on the ESG score of the portfolio

- The annual ESG questionnaire answered by our portfolio companies in 2016 contains 16 new scored indicators compared to the questionnaire of 2015 (see appendices for more detailed information). The new indicators slightly reduced the global ESG score.



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