



ESG POLICY

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Signatory of:



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A. Purpose

The purpose of this policy is to define Naxicap Partners' (hereby Naxicap) approach to integrating the consideration of environmental, social, and governance (ESG) risks and opportunities into its investment process. Naxicap Partners commits to consider material¹ ESG issues in the course of its due diligence process and in the monitoring of its portfolio investments seeking to maximize the economic and social returns on investments.

The signature of the **PRI** (Principles for Responsible Investment), in January 2016, more deeply marks Naxicap Partners' commitment to monitor and encourage responsible actions of the companies in which it invests. In order to contribute to the COP21 objective of limiting global warming to two degrees Celsius, Naxicap Partners signed the **ICInternational** (Initiative Climat 2020, subsequently renamed the International Climate Initiative) in October 2016. As a signatory to International Climate Initiative, Naxicap aims to reduce the greenhouse gas emissions of its most carbon intensive portfolio companies and secure sustainable investment performance by recognizing and incorporating the materiality of climate risk.

As presented in its **ESG Charter**, Naxicap Partners' commitments for a responsible investment are as following:

- i. We undertake to make investments compliant with our values
- ii. We undertake to examine ESG criteria before investing in a company
- iii. We undertake to support and monitor our portfolio's ESG initiatives from investment to exit
- iv. We undertake to report our ESG actions transparently to our LPs
- v. We undertake to offer our associates the best possible work environment
- vi. We undertake to be law compliant, internally well controlled and to limit our risks
- vii. We undertake to promote responsible behaviour within our profession
- viii. We undertake to support initiatives related to economic progress, our expertise or our values

For Naxicap Partners, the integration of Environmental, Social and Governance aspects through Responsible Investment Principles and PRI signature means the respect of fundamental principles relating to Corporate Governance, Labour Rights and Human Rights, as described in the following principles:

- **The OECD Principles of Corporate Governance;**
- **The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy** (MNE Declaration)²;
- **The UN Guiding Principles on Business and Human Rights** (Resolution 17/4, June 6, 2011).

Naxicap Partners will seek to update the ESG policy regularly, as appropriate.

¹For the purpose of this policy, Naxicap Partners 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.

²<https://www.ilo.org/resource/other/what-ilo-mne-declaration>

B. Scope

This policy applies to portfolio companies in which the total amount invested by investment vehicles under management of Naxicap Partners is superior to or equals €5m. However, for companies not covered in the scope as described above, and in instances where Naxicap Partners considers it appropriate, reasonable efforts are made to encourage its portfolio companies to consider relevant ESG-related factors.

C. Implementation and oversight responsibilities

- **A dedicated ESG team**

The ESG team is responsible for updating and facilitating the implementation of the company's ESG policy, responding to inquiries from Naxicap's investors and supporting the portfolio companies in the development of their ESG roadmaps.

Angèle Faugier, Board member and Managing Director at Naxicap Partners, supported the development of Naxicap Partners' ESG approach and constituted a dedicated ESG team in 2015. Since 2022, the team comprises five other members:

- An ESG Director with over 10 years' experience in ESG integration, responsible for defining, implementation and coordination of NAXICAP's ESG strategy;
- Two associates fully dedicated to ESG management, with 4+ years' experience in ESG and CSR consulting;
- A project manager with experience in ESG data collection;
- An Investor Relations Manager with 15 years' experience in investment management.

- **Investment Managers**

Naxicap Partners' 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 of the portfolio company.

- **Middle Office**

The Middle Office is responsible for controlling the accuracy of the implementation of the measures described in this policy throughout the investment cycle.

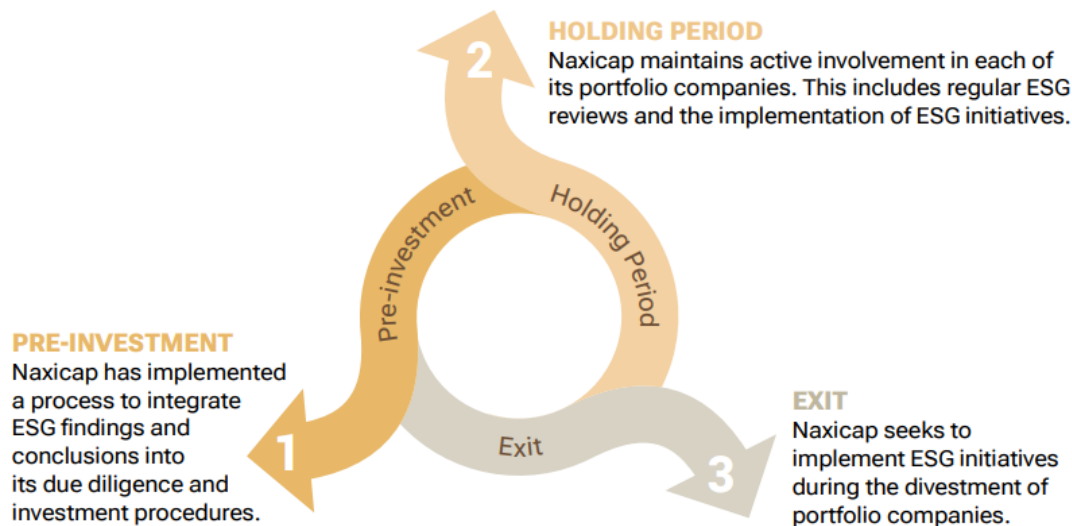
- **External ESG resources**

- The ESG due diligences are carried out by leading third party ESG due diligence providers. Naxicap will typically engage these providers as part of its due diligence process for investments but may also engage them on other ESG initiatives.
- Naxicap has implemented an ESG reporting tool with the purpose of collecting annual ESG data from its portfolio companies, including Principle Adverse Impact indicators. This software is developed by a specialist in extra-financial reporting with a focus on ESG.
- Naxicap has also contracted with experts providing solutions to analyse portfolio companies' climate and biodiversity related risks and opportunities, as well as controversies monitoring.

Naxicap will periodically adjust its tools and processes to comply with its level of ambition regarding ESG integration.

D. Naxicap Partners' approach to consideration and management of ESG issues in its investment process

Naxicap Partners has adopted a set of procedures aiming to integrate the consideration of ESG issues throughout the investment cycle as well as developing best ESG practices within the management company.



1. Pre-investment:

In order to ensure the integration of ESG considerations in the pre-investment stage, Naxicap Partners commits to:

- **Exclude certain industries and activities from its investment range:**
As Naxicap Partners' contribution to a more responsible investment industry, its first commitment is to invest in activities in line with its values and to encourage, beyond the regulatory framework, ethical behaviour. Naxicap Partners has decided not to invest in:
 - ✓ illegal economic activities: any production, trade or other activity not permitted by law or regulations
 - ✓ production of or trade in tobacco
 - ✓ production of or trade in coal and other fossil fuels
 - ✓ manufacture of or trade in controversial weapons and ammunition³
 - ✓ pornographic activities and prostitution
 - ✓ casinos, betting enterprises and equivalent

³ As defined by the Ottawa Convention (1997 – Use, storage, production and transfer of antipersonnel landmine) and the Oslo Convention (2008 – use, production, storage and transfer of cluster weapons)

The most recent funds of Naxicap Partners include these criteria in their By-laws. Certain funds also exclude any activities allowing illegal access to electronic data networks, the downloading of electronic data.

- **Conduct ESG Risk Analysis:**
In cooperation with the Risk Team, target companies are screened for ESG risks using a Redflag questionnaire. This analysis focuses on **exclusions** and on **sector related risks** (including climate and biodiversity-related physical and transition risks) and **controversies**. It is then presented to the investment team and results serve as base for discussion with ESG Due Diligence auditors.

- **Take ESG issues into consideration during the Investment Committee:**
All **investment memorandums** include a pre-investment ESG analysis. The pre-analysis highlights main ESG risks, opportunities and recommendations and is considered when making an investment decision. The ESG analyses are conducted based on both financial and extra-financial data. Our investment teams and ESG team have access to specific sector reports, annual reports, studies from industry experts as well as a general guide created by Naxicap Partners' ESG team covering the main material issues of each sector.
The results are presented on several pages within the investment memorandum, detailing analysis of ESG factors, climate related physical and transitional risks as well as biodiversity impacts and dependencies when material.

- **Undertake ESG due diligences:**
ESG due diligences are mandatory pre-investment (before closing). The due diligences, 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. The auditors conduct interviews with the management teams and have, in addition to their own internal sources, access to relevant documents provided directly by the target company.

Both the ESG due diligence and the ESG analysis presented in the investment memorandums cover central ESG issues considered material to the specific target company, as evaluated by the ESG Team and by the auditor. The main areas of analysis are:

- ✓ *Corporate Governance and Risk Management*
- ✓ *Business ethics*
- ✓ *HR strategy & Career management*
- ✓ *Diversity, Equality and Inclusion*
- ✓ *Health & Safety*
- ✓ *Environmental management system*
- ✓ *Climate risks & opportunities*
- ✓ *Biodiversity impacts and dependencies*
- ✓ *Responsible procurement*
- ✓ *Service quality & Customer satisfaction*
- ✓ *Community involvement*
- ✓ *ESG related controversies*

The due diligences cover an in-depth analysis of each ESG theme, including their level of materiality for the company, their strategic importance in relation to the sector, a summary of the company's performance, relevant KPI's and other key performance elements as considered material by the auditor. The methodology used is a wide-spread service offered to several management companies in the PE-industry when assessing a target company on ESG issues in the pre-investment stage.

- **Principal Adverse Impact integration**
NAXICAP PARTNERS [LEI 969500ZHY187JNP24369] considers the main negative impacts of its investment decisions on sustainability factors.

Principle Adverse Impacts (PAI) are defined as the effects of investment decisions and investment advice that result in significant or potentially significant adverse impacts on sustainability factors. These include environmental, social and labour issues, respect for human rights, and the fight against corruption and bribery.

PAI are integrated into investment decisions via Naxicap's ESG process and exclusion policy. The ESG perimeter covers companies in which the amounts invested by the investment vehicles managed by NAXICAP PARTNERS are greater than or equal to 5 million euros (€5m). Moreover, Naxicap's role as majority shareholder contribute to reducing adverse impacts thanks to active monitoring and engagement with portfolio companies.

The application of the SFDR regulation for NAXICAP PARTNERS as an FIA ('Fonds d'Investissement Alternatif') management company is presented in a dedicated statement and updated annually.

- **Integrate an ESG clause in the Shareholders Agreement:**
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 Partners regularly on their actions and to annually report on ESG data (including PAI indicators). Since 2023, for new investments, companies also commit to define carbon reduction action plan within 24 months after investment. Finally, ESG targets are integrated into the variable compensation of top Managers (10-30% of variable compensation).

2. During investment:

In order to properly manage and monitor the potential ESG risks and opportunities of its investments, Naxicap Partners commits to:

- **Monitor the progress of its portfolio companies:**
Naxicap Partners requires its portfolio companies to answer annually a set of c.150 indicators related to their ESG actions and engagements with stakeholders (clients, suppliers, and local communities). To collect this data, Naxicap Partners has implemented an online reporting tool available to every portfolio company, which supports us in analysing target companies and portfolio companies' exposition to climate related risks (physical and transition), as well as biodiversity risks (impacts and dependency). As a General Investor, the indicators cover a wide area of central ESG issues applicable to all sectors and activities. These indicators derive from SFDR regulation (PAI indicators), consolidated recommendations and studies by industry experts such as the PRI, the ESG Commission of France Invest, external consultants as well as industry peers.

Naxicap Partners 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' maturity on material environmental, social and governance issues including their interaction and impact on stakeholders. The materiality weights Naxicap Partners applies to the different sectors, are based on Naxicap Partners' interpretation of the publicly available materiality framework of the Sustainability Accounting

Standards Board (SASB). The SASB materiality tool is considered as an accurate framework within the industry. Naxicap Partners has also developed its own in-house benchmark database to certain key indicators based on publicly available information.

Naxicap Partners encourages collaboration with companies' management to identify material ESG issues and to support the development of their ESG roadmap. The roadmap is approved at least once a year by the Supervisory Board, as defined in the Shareholders Agreement. The companies have to present their progress and achievements, especially on how they act on factors of high significance as evaluated by the auditor and internal ESG team.

- **Identify, prevent and manage controversies:**
Naxicap Partners recognises that in extreme cases, portfolio companies can be exposed to controversies, understood as a public discussion and argument about something that many people strongly disagree about, think is bad, or are shocked by. Therefore, Naxicap Partners conducts regular monitoring to identify potential reputational risks for portfolio companies. These controversies are often relayed in the press and on the internet. An internet screening tool has been selected to cover the portfolio, sending alerts in case of significant event. In addition, manual research is conducted every quarter on a selection of portfolio companies. The results of this review are shared internally with Naxicap Partners Risk team which determine if there is a potential reputational risk and identifies actions to be implemented in coordination with the investment team.
- **Undertake transparency and accountability in its reporting to investors:**
Thanks to its reporting tool, Naxicap Partners can collect ESG data and provide investors with detailed ESG reports and reviews throughout the investment cycle. Naxicap Partners prepares ESG reports at fund level in addition to an annual ESG report, publicly available on Naxicap Partners' web site: www.naxicap.com. In case of particular ESG incidents, reporting meetings with LP's are arranged to disclose the incidents and the appropriate ESG roadmap. The incidents, as the case may be, are described in the annual report of the funds or when necessary.

3. Exit:

The divestment process of Naxicap Partners includes:

- **Undertaking ESG Vendor Due Diligence:**
ESG vendor due diligences are conducted for all investments where a financial or strategic vendor due diligence has been undertaken. The ESG vendor due diligence highlights the key ESG issues identified and managed throughout the period of ownership in order to limit risks and to create value.
- **Acting transparently towards potential new buyers:**
Where appropriate, Naxicap Partners undertakes to inform buyers on relevant ESG issues enabling them to make informed decisions before acquiring or engaging in the target company.

E. Responsibilities within the management company

In addition to the consideration of ESG issues in the investment process as described in Section D, Naxicap Partners also undertakes to act as a responsible management company internally and seeks to:

- **Maintain its operational excellence & risk reduction:**
Naxicap Partners focuses on having efficient internal control, a strong compliance and a good risk management department. The Risk & Compliance and the Middle Office departments are added-value in-house expertise functions of Naxicap Partners in which it has invested heavily. Beyond complying with legal provisions and mitigating operational risks, Naxicap Partners' processes have the intention to provide a safe and high level of transparency to investors for all transactions.
- **Offer its employees the best possible work environment:**
Naxicap Partners acknowledges that investing in its employees is essential. Providing them with the best working conditions and a positive and dynamic working environment is one of the key priorities of the management company. Naxicap Partners offers equal working conditions and provides its employees with training and tutoring programs to support them in their career development.
- **Limit its environmental footprint:**
The management company undertakes to adopt more environment-friendly solutions internally to limit its impact on the environment. Naxicap Partners will continue to implement necessary actions to reduce its environmental impact as a management company.
- **Execute its duties as a responsible investor:**
Naxicap Partners undertakes to respect and adopt its responsibilities as a signatory of the PRI (Principles for Responsible Investment) in addition to other formal commitments signed by the management company. Naxicap Partners will seek to participate in workshops and conferences to increase public awareness concerning responsible investment and to demonstrate the benefits of good practices for companies and for the investment industry.