naxicap PARTNERS
Entrepreneurs en capital

ARTICLE 29 REPORT - LOI ENERGIE CLIMAT (LEC)

AS OF 31 DECEMBER 2022

Signatory of:

PRI Principles for Responsible Investment

initiative climat international
Private equity action on climate change

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A. DEMARCHE GENERALE DE L'ENTITE SUR LA PRISE EN COMPTE DES CRITERES ENVIRONNEMENTAUX, SOCIAUX ET DE QUALITE DE GOUVERNANCE

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 1°, a), b) et e)

1. ESG approach (Environmental, Social, and corporate Governance approach)

1.1. Description of the approach

Naxicap Partners commits to consider material[1] 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, 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 IC20 (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

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

1.2. Scope of the ESG policy

Since 2016, this policy has applied to portfolio companies in which the total amount invested by investment vehicles under management of Naxicap Partners is superior to or equals €5m. Additionally, for companies not covered in the scope as described above, and in instances where Naxicap Partners

[1] For the purpose of this report, 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.

considers it appropriate, reasonable efforts are made to encourage its portfolio companies to consider relevant ESG-related factors.

With the integration of the management companies *Alliance Entreprendre* and *Bee-up Capital* in April and June 2022, Naxicap Partners inherited a portfolio of investments (referred in this report as "SMALL Portfolio companies") were the entire ESG process as defined hereabove was not applicable (ii. ESG analysis prior investment). However, the rest remains applicable (monitoring and reporting commitments).

Therefore, the investments under ESG scope abiding our ESG policy (referred to as "Total ESG Scope") is understood as the companies which invested amounts are above the €5m threshold.

Scopes	**Scope description**	**# of portfolio companies as under the scope defined** *(as of 31/12/2022)*	**% of invested amounts under the scope defined** *(in % of total invested amounts as of 31/12/2022)*
Total ESG Scope	**Portfolio companies which invested amounts are > €5m**	**80**	**91%**
Full ESG Questionnaire	MID Portfolio companies as well as SMALL Portfolio companies upon investment teams' request	**64**	**84%**
Rated companies	Portfolio companies which provided sufficient answers to the Full Questionnaire	*57*	*81%*
Carbon analysis	Portfolio companies which provided sufficient answers to the Full Questionnaire and sufficient data to estimate their carbon footprints	*49*	*74%*
Light ESG Questionnaire	• Companies from former Alliance Entreprendre and Bee-Up Capital Portfolios with limited ESG resources • Companies where Naxicap is a minority shareholder	**16**	**7%**
Pre-investment analyses	• Companies first invested by Naxicap Partners after 2016 *(excluding historical portfolio of management companies[2] acquired in 2022)*	**48**	**78%**

[2] Historical portfolio is intended as portfolios invested by either Alliance Entreprendre or Bee-Up Capital before April 2022, date of the fusion and alignment of all investment processes.

SHARE OF INVESTMENTS UNDER ESG SCOPE IN 2022:

91%

(80 companies)

1.3.Summary of ESG integration approach

Naxicap Partners (hereafter "Naxicap") is deeply convinced by the positive impact of the sustainable growth of its Portfolio companies. It considers that a long-term and responsible approach to investment is a key driver of the companies' expansion and is generator of value.

Since 2015, Naxicap has adopted a set of procedures, including a list of sectors excluded, and has integrated ESG considerations throughout its investment cycle.

1 PRE-INVESTMENT

Out of 6 acquisitions eligible to the full ESG investment process in 2022:

- → **4 Investment Notes** included an **ESG/Climate analysis**
- → **3** companies included an **ESG clause** in shareholder agreements

Out of 4* acquisitions eligible to the ESG due diligence process in 2022:

- → **2** companies went through an **ESG Due Diligence**

2 HOLDING PERIOD

Out of 80 companies in our Total ESG Scope in 2022:

- → **65** companies answered Naxicap's **annual ESG questionnaire**
- → **34** companies defined an **ESG Roadmap** approved by the Supervisory Board

3 EXIT

Out of 4 exits eligible to the ESG VDD process in 2022:

- → **2** companies went through an **ESG Vendor Due Diligence**

(*) ESG due diligences are mandatory pre-investment for companies in which Naxicap invest as a majority shareholder. Out of the 5 companies in which Naxicap invested in 2022, 1 was acquired as a minority shareholder, exempting it from mandatory ESG due diligence.

1.3.1. Pre-investment analysis

1.3.1.1. *Exclude certain industries and activities from its investment Portfolio*

Naxicap's first commitment is to invest in activities that are coherent 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 regulation
- Production of or trade in tobacco
- Production of or trade in coal and other fossil fuels
- The manufacture of or trade in controversial weapons and ammunition
- Pornographic activities and prostitution
- Casinos, betting enterprises and the like

In addition, most of the buy-laws of the funds under Naxicap management include additional limits, related, for example, to companies or other entities whose principal business consists of oil and gas exploration, nuclear power, prisons, military, human cloning for research or therapeutic purposes, genetically modified organisms (“GMOs”), etc.

1.3.1.2. *Take ESG issues into consideration during the Investment Committee*

Each investment opportunity is subject to an in-depth study which is formalized in an Investment Memorandum. This includes ESG and climate analysis prior to investment. This preliminary analysis highlights key ESG and climate risks, opportunities, and recommendations, and is factored into investment decisions.

Besides major ESG risks that could harm the profitability of the funds under Naxicap management, or Naxicap image, the sustainability risks analysis presented to the Investment Committee aims to identify challenges and to establish an ESG action plan for target companies. Investment decisions, based on the strategic, financial, social, and organizational aspects of the target company, also considers sustainability risks that may have a negative impact or require significant investments. The Head of risk, compliance and internal control attends all investment committee meetings.

1.3.1.3. *Undertake ESG due diligence*

ESG due diligences are mandatory pre-investment for companies in which Naxicap invest as a majority shareholder. The due diligences, carried out by external auditors, deliver a more thorough understanding of the main ESG challenges, including sustainability risks, and areas of improvement aiming to define an action plan for the coming years.

2022 performance	TOTAL ESG Scope
50% OF ESG DUE DILIGENCE carried out	**85% OF ESG DUE DILIGENCE** carried out
(2 ESG DUE DILIGENCE carried out, out of **4**[3] eligible Portfolio companies)	**(39 ESG DUE DILIGENCE** carried out, out of **46**[4] eligible Portfolio companies**)**
81% OF ELIGIBLE INVESTED AMOUNTS (in 2022)	**86%** OF THE PORTFOLIO’S ELIGIBLE INVESTED AMOUNTS (as of December 2022)

[3] Out of the 6 companies in which Naxicap invested in 2022, 2 were as a minority shareholder. For these companies, ESG due diligences were therefore not mandatory.
[4] Out of the 48 portfolio companies eligible for the ESG pre-investment process as of December 2022, 2 companies are not eligible for ESG due diligence, as Naxicap has invested as a minority shareholder in these companies in 2022.

1.3.1.4. *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 an ESG action plan, to inform Naxicap regularly on their actions and to annually report on ESG data.

2022 performance	TOTAL ESG Scope
50% **OF ESG CLAUSE** in the shareholders agreement (**3** out of **6** Portfolio companies) **54%** OF ELIGIBLE INVESTED AMOUNTS (in 2022)	**85%** **OF ESG CLAUSE** in the shareholder agreement (**41** out of **48** Portfolio companies) **86%** OF THE PORTFOLIO'S ELIGIBLE INVESTED AMOUNTS (as of December 2022)

1.3.2. ESG Monitoring during investment

1.3.2.1. *Reporting ESG information*

An ESG data reporting campaign is carried out each year, and all companies within our Total ESG scope are required to report their data through an online ESG questionnaire.

The ESG questionnaire is available in two formats:

- ***Questionnaire Full* - 64 companies under our Total ESG Scope:**
  - MID Portfolio companies
  - SMALL Portfolio companies upon investment teams' request
- ***Questionnaire Light* – 16 companies under our Total ESG Scope:**
  - Companies from former Alliance Entreprendre and Bee-Up Capital Portfolios with limited ESG resources
  - Companies where Naxicap is a minority shareholder

The purpose of this ESG questionnaire is to enable us to collect the ESG data used in our communication to investors (see more details in section *1.4. Content, frequency and means of information to investors*), as well as to monitor and steer the ESG performance of our portfolio companies, and to initiate a dialogue on ESG issues involving company management and investment teams.

PORTFOLIO analysis:
81% OF PORTFOLIO COMPANIES ANSWERING THE **ESG REPORTING QUESTIONNAIRE** (**65** out of **80** eligible Portfolio companies) **95%** OF THE PORTFOLIO'S TOTAL ELIGIBLE INVESTED AMOUNTS (as of December 2022)

1.3.2.2. *Defining and updating ESG roadmaps*

Naxicap Partners encourages close and direct collaboration with the management of the Portfolio companies to identify material ESG issues given their sector of activity and to support the development of their ESG roadmap.

Our optimal goal is to engage dialogue on ESG roadmap with newly invested companies within 6 months after the investment. Are eligible all companies under the Total ESG Scope.

However, with the integration of the Alliance Entreprendre and Bee-Up Capital portfolios, the portfolio companies of these two management companies have not been included in this process of defining ESG roadmaps for 2022. Only the historical portfolio of Naxicap Partner has been considered.

PORTFOLIO analysis:

72% OF PORTFOLIO COMPANIES WITH FORMALIZED **ESG ROADMAP**

VALIDATED BY SUPERVISORY BOARD

(**34** out of **47** eligible Portfolio companies)

85% OF THE PORTFOLIO'S TOTAL ELIGIBLE INVESTED AMOUNTS (as of December 2022)

The ESG roadmap sets out objectives on material environmental, social and governance issues to be acted upon during the holding period.

With regards to climate issues, actions taken for reduced GHG emissions may include:

- carbon footprint assessment
- operational carbon reduction measures
- implementation of relevant and quantified KPIs
- identification of potential opportunities of the low carbon economy transition

The ESG roadmaps are approved at least once a year by the Supervisory Board, as defined in the Shareholders Agreements. The companies must present their progress and the actions implemented, especially on how they act on factors regarded as being of high importance during the ESG evaluation.

1.3.3. Share information on ESG performance at exit: undertaking ESG Vendor Due Diligence

ESG vendor due diligences are conducted for all investments where a financial vendor due diligence has been undertaken. For 2022, there are 4 Naxicap exits concerned by the ESG VDD process. 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.

PORTFOLIO analysis:

50% OF ESG VDD conducted

(**2** out of **4** eligible Portfolio companies)

1.4. Content, frequency and means of information to investors

Data collected via the Reporting21 tool as well as the ESG roadmaps allow Naxicap Partners to:

- Respond to the Funds' investor inquiries;
- Produce detailed ESG reports and reviews throughout the investment cycle;
- Produce the information required by the SFDR regulation.

Naxicap Partners produces every year an Annual ESG report, consolidating Portfolio companies' ESG performance, highlighting achievements and presenting what Naxicap wishes to achieve in the future. This report is published on our website and accessible to all.

Additionally, when specified within Funds' regulation, ESG reports are produced on an annual basis at Fund level.

1.5. Adherence to ESG charters and initiatives

1.5.1. Signatory of the PRI since January 2016

Supported by the United Nations at inception, the Principles for Responsible Investment (PRI) is the world's leading proponent of responsible investment, joined by near 5,319 investment managers, asset owners and service providers worldwide, representing US$121 trillion AUM (PRI, Q4 2022).

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

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

PRI Principles for Responsible Investment

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.

For our latest PRI Assessment, we scored as follows:

- Module "Investment & Stewardship Policy": **60/100**
- Module "Direct - Private Equity": **80/100**

Focus on "Investment & Stewardship Policy" scoring:

The new PRI score includes the management company's participation in lobbying activities with public authorities. Naxicap does not participate in any action of this type, explaining the low score on this theme.

1.5.2. Signatory of "Initiative Climat International" (ICi) since October 2016

In October 2016, in order to contribute to the COP21 objective of limiting global warming to two degrees Celsius, Naxicap signed the IC20 (2020 Climate Initiative, subsequently renamed the International Climate Initiative in 2019). As a signatory to International Climate Initiative, Naxicap aims to reduce the greenhouse gas emissions of its most carbon intensive Portfolio companies and to disclose their direct and indirect carbon emissions. All signatories commit to:

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

The Initiative 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.

2. Internal resources allocated to sustainable transition

2.1. Implementation and oversight responsibilities

2.1.1. 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. The team is today composed of five other members:

- one ESG Director with +10-year-experience in ESG integration, in charge of the definition, implementation and coordination of Naxicap's ESG strategy;
- two ESG analysts fully dedicated to ESG, with minimum two year-experience in ESG consulting and CSR;
- one Project Manager with senior experience in ESG data collection;
- one Investor Relations Director with 15 years of experience within investment management (part-time).

<u>SHARE OF FTEs DEDICATED TO ESG IN 2022:</u>

4.4% OF TOTAL FTEs

(4.2 FTEs out of 95)

2.1.2. 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.

2.1.3. 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.

2.1.4. 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. This software is developed by a specialist in extra-financial reporting with a focus on ESG.

BUDGET ALLOCATED TO ESG IN 2022:

1.6% OF TOTAL EXTERNAL EXPENSES[5]

BUDGET ALLOCATED TO ESG RESEARCH IN 2022:

€0

NUMBER OF EXTERNAL ESG CONSULTANTS AND DATA PROVIDERS IN 2022:

7

2.2. Actions implemented to reinforce internal capacities

Over 2021-2022, Naxicap Partners has implemented several measures to reinforce its internal capacities, especially to raise employees and portfolio companies' awareness regarding sustainability risks and opportunities:

DATE	DESCRIPTION
September 2021	Recruitment of an ESG Director with+10 year-experience in ESG integration for Private Equity firms
October 2021	Recruitment of an ESG Analyst
January 2022	Recruitment of a second ESG Analyst
April 2022	1-day-ESG-Seminar with +70 Naxicap employees from Investment and Investor Relations teams
May 2022	Global ESG Meeting with all Naxicap Partners employees
May 2022	Creation of Naxicap "TEAM IMPACT" – a Group of twelve employees from Investment, ESG, Investor Relations, Marketing to reinvent our approach and define our ESG needs (tools, actions, etc.)
June 2022	Integration of a fourth member in the ESG team, former assistant at Bee-Up Capital

[5] Excluding wages and taxes

DATE	DESCRIPTION
June 2022	Publication of our 7th ESG Annual Report (FY 2021) and diffusion internally to employees.
July 2022	Opening of our internal “ESG Champions League”, with the subscription to Vendredi platform. Naxicap employees are divided into eight teams and are challenged on the completion of courses regarding climate, biodiversity, carbon, diversity, etc. The winning team is honoured with a gift (plants, books)
September 2022	A series of 8 Webinars was defined with consultants from Open Lande to engage in Sustainable Transformation. These webinars are organised once a month, on a Friday morning (1h). Are invited portfolio companies’ directors and all Naxicap Partners employees. The first one started in October 2022, the last one will be held in July 2023
September 2022	Second Challenge of the ESG Champions League
October 2022	First Webinar – with Emery Jacquillat (CAMIF, CEO)
November 2022	2nd Webinar – with Camille Richard (Backmarket, Head of CSR)
December 2022	3rd Webinar – With Caroline Lebrun (Harmonie Mutuelle, Head of Engagement and Cooperation)
December 2022	Subscription to the Altitude tool (AXA Climate) to conduct physical risks analyses

3. ESG integration at Entity's governance level

3.1. Knowledge, competencies, and experience of governing bodies on ESG

Naxicap's ESG approach was launched in 2015 by Angèle Faugier, member of the Executive Committee ("Directoire"), Investment Director, Partner and Head of Naxicap Offices in Lyon.

Since 2015, she has been leading the definition of Naxicap's ESG strategy, ESG integration in investment processes and supervising the ESG Committee supported by all the members of the ESG team, and especially Isabelle Guerin, Investor Relations Director (25-years-experience in Private Equity) and Joanna Tirbakh, ESG Director (12-years-experience in ESG integration for equity and private equity asset managers).

Angèle Faugier advocates for ESG at Executive Board level. Every year, a report is prepared by the ESG team to be presented to the Executive Board. This report highlights key achievements, KPIs of ESG investment process monitoring, ESG reporting of Portfolio performances and sets out the different priorities for the coming years. The Executive Committee then discusses the results, defines relevant actions to be undertaken and rules over the roadmap suggested by the ESG team.

3.2. ESG Committee

NAXICAP Partners has set up the ESG committee to monitor the ESG risks of its portfolio companies and analyse major environmental topics (and in particular climate risk and energy transition risk), social, governance and stakeholder topics of each company within the ESG perimeter. This committee is under the responsibility of a member of the Management Board.

The ESG Committee meets monthly and is made up of members of the ESG team.

At December 31, 2022, a portfolio of **80** portfolio companies were likely to be reviewed by the ESG Committee.

At a rate of one to four companies per meeting, the ESG Committee analyses an average of 50 companies a year, based on non-financial criteria. The companies covered by the ESG perimeter represent between 80 to 90% of assets under management. The list of companies to be reviewed during the year is drawn up at the beginning of the year; it concerns, at the very least, companies newly added to the portfolio, companies with the highest financial stakes, and companies with high stakes as seen in previous years.

For each company reviewed, the ESG Committee's mission is to:

- verify compliance with Naxicap's pre-investment ESG process by the Front Office teams, based on information provided by the Middle Office;
- draw up an inventory of ESG risks and opportunities in relation to the company's business and sector and the risk mitigation mechanisms in place. This initial analysis is based on ESG

audits carried out at the time of investment, as well as on the investment memorandums and information available on company websites;
- identify portfolio companies where extra-financial issues are not sufficiently addressed by the company and for which risk mitigation in place;
- make recommendations on the adequacy of the multi-year action plan drawn up within 3 months of the company's entry into the portfolio, in the light of the ESG audits carried out at the time of investment, as well as Naxicap investment memoranda and research carried out by the team;
- ideally every year (at least every two years), a progress report on the multi-year ESG action plan.

NUMBER OF ESG COMMITTEES IN 2022:
26
*(*Covering **77** portfolio companies out of **80** companies in our Total ESG Scope)

An ESG Monitoring Committee meeting takes place as follows:

1. The ESG team presents its review of the companies on the agenda. This analysis takes the form of an A4 sheet, identical for each review. Short-term objectives are outlined. Climate and energy transition risks are systematically reviewed.
2. Members of the investment team complete the analysis and bring any relevant additional information to have a full understanding of the company' context, performance, and projections. Priorities are discussed to define a consensus on the recommendations.
3. Committee minutes are drawn up at the end of each committee meeting, including individual company fact sheets and recommendations (alerts are included in this document where applicable), and shared internally with the investment teams concerned.

3.3.ESG within Remuneration policy

Naxicap Partners has updated its procedural framework to clarify the consideration of sustainability risks in its remuneration policy. Naxicap has structured team members' remuneration so that fixed salary represents a significant proportion of total compensation and does not encourage employees to take excessive risks. The structure also provides for deferred payment of any bonus awards over certain thresholds. The deferred element is conditional on continued employment at Naxicap and is indexed to the Firm's EBITDA. The variable remuneration granted is subject to conditions of presence, financial performance, absence of non-standard behaviour (respect of compliance rules, absence of a major sustainability risk i.e., occurrence of an environmental, social or governance event) which may have an impact on the level of risk of Naxicap Partners and/or the products managed.

3.4.ESG at Supervisory Board

Natixis Investment Managers, which is the parent company of Naxicap Partners, has undertaken a review of its rules of governance and the integration of environmental, social and governance quality criteria into the internal regulations of its Board of Directors. It is also planned to deploy these objectives within the supervisory bodies of Natixis Investment Managers' subsidiaries (including Naxicap Partners), adapted to the characteristics of each entity and on a case-by-case basis.

D. STRATEGIE D'ENGAGEMENT AUPRES DES EMETTEURS OU VIS-A-VIS DES SOCIETES DE GESTION AINSI QUE SUR SA MISE EN ŒUVRE

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 4°

4. Results of Naxicap's engagement strategy

4.1. Active engagement

Over 2022, the ESG Team has engaged active dialogue on specific topics aside ESG reporting with several portfolio companies.

NUMBER OF COMPANIES AND SHARE OF INVESTED AMOUNTS:

20 COMPANIES

Representing 47% of invested amounts under our Total ESG Scope

ESG topics covered with Portfolio companies:

Portfolio companies	ESG Topics covered
2R HOLDING	- ESG roadmap - Discussion on the conduct of a carbon footprint
ALTARES	- ESG roadmap - Diversity, Equality, and Inclusion training
ANYWR	- ESG Due Diligence - ESG roadmap
DIGISAP	- Restitution of ESG audit - ESG roadmap
ECS	- ESG roadmap - Update on the values and Group strategy - Conduct of a carbon footprint
EMERA	- Dedicated ESG Committees (once every quarter), covering a wide range of ESG topics: CSR policy, impact activities, materiality matrix, carbon footprint, energy management, waste management, recruitment, retention, absenteeism, CSR reporting tool, biodiversity, etc.
EUREKA	- ESG roadmap - Purpose-driven Company status ("Entreprise à mission »)
EVERAXIS	- ESG materiality and priorities - Taxonomy & CSRD reporting - ESG roadmap
INCEPT	- Definition of CSR Strategy - Discussion with new CSR Manager

Portfolio companies	ESG Topics covered
GROUPE ASTORIA	- Conduct of the GHG Carbon footprint and presentation of the results
KEYS	- Discussion on Physical risks tools (test) - Energy consumption monitoring - ESG roadmap
LAGARRIGUE	- ESG roadmap
MORIA	- ESG roadmap - Public interview on the definition of a CSR Strategy for medical actors - Carbon footprint (meetings with providers)
PEACE OF CAKE	- Conduct of an ESG Audit by external consultants
SFP DEVELOPPEMENT	- ESG roadmap - Sustainability Linked Loan & associated objectives
SIBLU	- ESG roadmap - Carbon footprint reduction targets - Eco-design of mobile homes
SILAMIR	- Discussion about potential ESG training that Silamir could provide - Discussion about the deployment of employer brand and talents retention
SRI	- ESG roadmap
TEUFEL	- ESG roadmap - Eco-conception and circularity of headphones - Carbon footprint and carbon contribution

4.2.Results of roadmap validation

Naxicap encourages collaboration with the company management to identify material ESG issues and to support the development of its ESG roadmap. The roadmap is approved at least once a year during a Supervisory Board, as defined in the Shareholders Agreement.

As a result, at December 31, 2022, ESG roadmaps had been validated at supervisory board level for **34** of the **47** companies for which the process had been implemented in 2022, taking into account that companies in the Alliance Entreprendre and Bee-up portfolios had not been included in the process for this year.

4.3.Monitor the progress of Portfolio companies

Naxicap requires its Portfolio companies[6] to provide annually a set of c. 160 indicators related to their ESG actions and engagements with stakeholders (clients, suppliers, etc.). The selection of these indicators comes from recommendations and studies carried out by industry experts such as the PRI, the Sustainability Commission of France Invest, external consultants as well as peers from the Private Equity sector. It includes Principle Adverse Impacts KPIs from the SFDR.

[6] Majority held companies where Naxicap has more than 50% of shares, or where Naxicap is the lead investor in a pool of investors that hold together more than 50% of a company's shares. For Minority held companies, the ESG questionnaire counts 53 indicators and focuses on Principle Adverse Impacts.

To collect this data, Naxicap has implemented an online reporting tool - **Reporting 21/Sirsa** - available to every Portfolio company.

The set of indicators include questions to assess the companies' exposure and adaptation strategies to physical and transition climate-related risks having a potential material impact on their operations, as well as specific indicators to each Portfolio company to estimate the carbon emissions of the Portfolio's scope 1, 2 and 3 and thus identify the main sources of emissions.

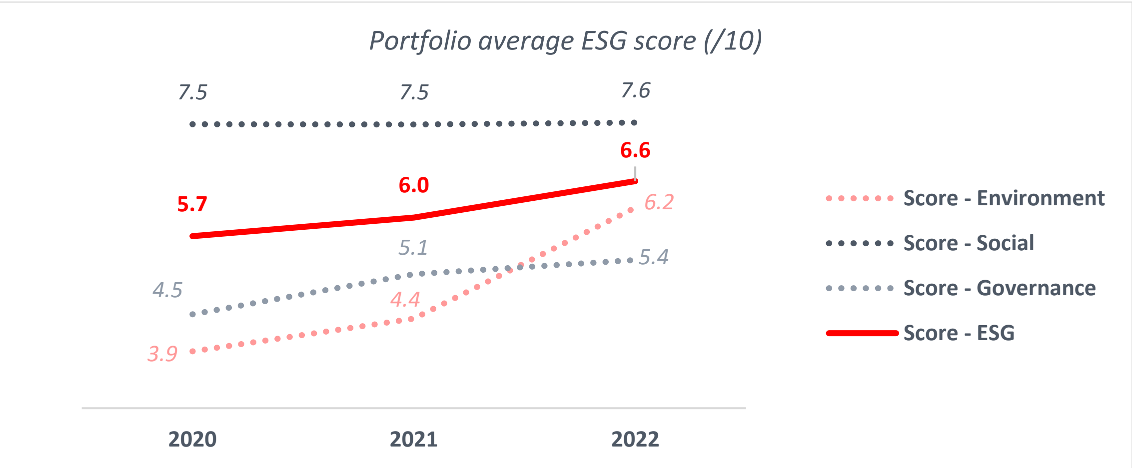
Naxicap has developed its own detailed in-house ESG scoring methodology, based on the companies' answers to the annual questionnaire. The ESG scoring enables an accurate and detailed monitoring of the Portfolio companies' maturity on environmental, social and governance topics including their interaction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

Average ESG scores out of 10 (/10) – Constant scope on 2022 basis:

In 2022, changes have been conducted on the ESG questionnaire and scoring methodology to review the questions and better integrate regulatory requirements (SFDR, Taxonomy). Therefore, the scores presented here below differ from previous reports. They were calculated using the new methodology for all three years (2020, 2021 and 2022), enabling comparison.

		2020	2021	2022
ESG SCORE *Simple average*	PORTFOLIO	5.7	6.0	6.6
PORTFOLIO *Rating scope - out of 64 portfolio companies*	Rated companies as a % of number of Portfolio companies	85%	93%	89%[7]
	Rated companies as % of amounts invested	83%	90%	96%

The ESG score is composed of three sub-categories: environmental, social and governance. Since 2020, the portfolio has seen a steady improvement in its environmental and governance performance, leading to higher social and governance scores, improving the overall ESG score. The portfolio's social score has remained strong and stable since 2020, reflecting a high level of performance.



[7] 57 companies reported sufficient elements out of the 64 companies answering the *Full ESG Questionnaire.*

5. Correlation with European Green Taxonomy and focus on fossil energies

5.1. Eligibility

As stipulated in the regulation (UE) 2020/852 defined by the European Parliament, in reference to Articles 10 to 15 as published on June 18th, 2020, Naxicap publishes the following information:

As of December 31st, 2022, **31%** of Naxicap total invested amounts enter the list of activities defined by the European Parliament as Eligible to Climate Change Adaptation and/or Mitigation. It represents 34% of invested amounts under the Total ESG Scope.

5.1.1. Eligibility to Climate Change Adaptation

PORTFOLIO analysis – Climate Change Adaptation

30% OF NAXICAP INVESTED AMOUNTS ARE **ELIGIBLE** TO THE **CLIMATE CHANGE ADAPTATION** OBJECTIVE

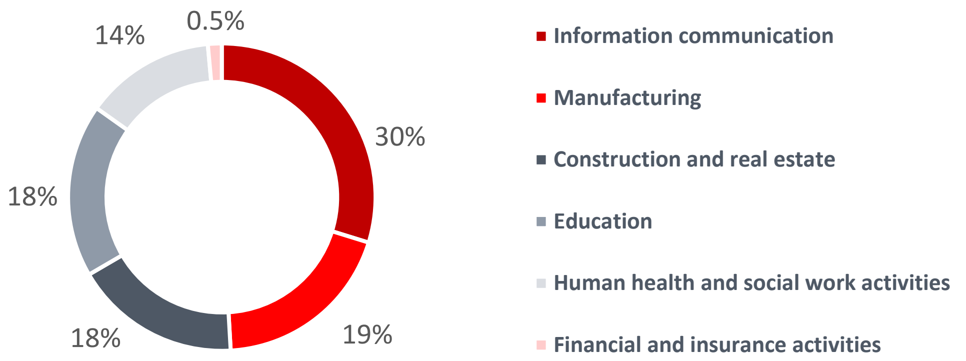
33% *OF INVESTED AMOUNTS UNDER THE* ***TOTAL ESG SCOPE***

*(**25** out of **80** Portfolio companies)*

Naxicap Portfolio companies with activities eligible to the European Taxonomy objective *Climate Change Adaptation* are split as follows:

Portfolio eligibility by sector - Climate Change Adaptation

in % of invested amounts eligible to the Climate change Adaption objective



5.1.2. Eligibility to Climate Change Mitigation

PORTFOLIO analysis – Climate Change Mitigation

15% OF NAXICAP INVESTED AMOUNTS ARE **ELIGIBLE** TO THE **CLIMATE CHANGE MITIGATION** OBJECTIVE

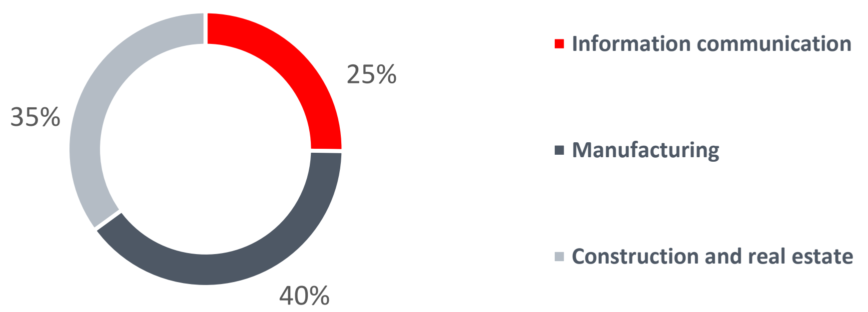
17% *OF INVESTED AMOUNTS UNDER THE* ***TOTAL ESG SCOPE***

*(**13** out of **80** Portfolio companies)*

Naxicap Portfolio companies with activities eligible to the European Taxonomy objective *Climate Change Mitigation* are split as follows:

Portfolio eligibility by sector - Climate Change Mitigation

in % of invested amounts eligible to the Climate change Mitigation objective



5.2. Alignment

As of the date of this report, we are not required to report the degree of alignment of our Portfolio companies as themselves are not required to report these data. In France only listed companies and companies that enter the scope of the "*Déclaration de Performance Extra Financière*" (DPEF) are required to report the alignment of their activities, in terms of revenues, OpeX and CapeX. None of our Portfolio companies are submitted to these regulations yet[8].

As explained by the AMF, who interpreted the Article 8 of European Commission's Taxonomy Regulation (2020/852), financial institutions will be required to report on the alignment of their Portfolio in 2024 for 2023 exercise.

We have not engaged in the calculation of alignment estimations (based on available information), as the current level of information from our portfolio companies was not sufficient to cover the numerous and very specific substantial contribution criteria required by the Taxonomy framework (in particular regarding Mitigation objective).

In 2024, we want to engage in priority with portfolio companies that will be eligible to the CSRD on Taxonomy reporting capacities. They will have to report these elements in 2026, based on FY2025 reporting.

5.3. Share of assets invested in fossil fuels

As of December 31st, 2022, **0.55%** of Naxicap total invested amounts are invested in fossil fuel activities.

[8] AMF – Dossier thématique « La réglementation Taxinomie – Article 8 relative aux obligations de reporting des sociétés »

F. STRATEGIE D'ALIGNEMENT AVEC LES OBJECTIFS INTERNATIONAUX DES ARTICLES 2 ET 4 DE L'ACCORD DE PARIS RELATIFS A L'ATTENUATION DES EMISSIONS DE GAZ A EFFET DE SERRE ET, LE CAS ECHEANT, POUR LES PRODUITS FINANCIERS DONT LES INVESTISSEMENTS SOUS-JACENTS SONT ENTIEREMENT REALISES SUR LE TERRITOIRE FRANÇAIS, STRATEGIE NATIONALE BAS-CARBONE MENTIONNEE A L'ARTICLE L. 222-1 B DU CODE DE L'ENVIRONNEMENT

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 6°

6. Strategy regarding Paris Agreement alignment and low carbon strategy

6.1. Overall approach

6.1.1. Our climate strategy

The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen countries' ability to deal with the impacts of climate change and support them in their efforts[9].

At Naxicap Partners, we take very seriously the potential impacts climate change can have on Portfolio companies' value, but also their potential contribution to climate change aggravation (in terms of greenhouse gases emissions), as well as the mitigation and/or adaption activities they may develop.

This challenge of a low carbon investment strategy appears as a new factor to be integrated into our investment approach. Our first actions were initiated in 2020, by measuring the carbon footprint of our Portfolio companies to better grasp the extent of the emissions we are responsible for. Since then, we conduct annual carbon emission assessment on all three emission scopes and have engaged with the **64** companies under our Total ESG Scope answering our *Full ESG Questionnaire.*

6.1.2. Our latest achievements

Early 2022, we launched an analysis on the Science Based Targets Initiative (SBTi) methodologies to assist portfolio companies in integrating this approach for calculating reduction targets. This test highlighted the importance of enhancing carbon emission reporting among portfolio companies as an initial step before projecting trajectories. As a result, we have enhanced our carbon emission assessment and engaged in dialogue with most emissive companies to improve their reporting and then reduce their emissions. Additionally, we have initiated discussions with several portfolio companies, to encourage them in reducing their emissions:

[9] https://ec.europa.eu/clima/eu-action/international-action-climate-change/climate-negotiations/paris-agreement_fr

	SIBLU has committed to a 30% reduction in its carbon footprint by 2030 (scope 1 & 2) and is exploring various strategies (transportation policy for customers, eco-designed mobile-homes, renewable energy production, etc.).
	TEUFEL has strived to enhance its product carbon footprint (eco-design, packaging, travel optimization) and financed an offsetting program covering scopes 1 and 2 emissions.
	E.CF has measured its carbon footprint and has initiated projects to reduce its impact on climate change (energy management, waste management, selection of more sustainable raw materials etc.). The company aims to define 2030 and 2050 trajectories to contribute to the Paris Agreement objectives.

In April 2022, we undertook a brainstorming on several Sustainability factors, including Climate change, and have included the investment teams into redefining Naxicap Partners' Sustainable Investment strategy. This led to the definition of new commitments for companies in which Funds under Naxicap's management will invest from 2023 onwards, as stipulated in their respective shareholder agreements.

Among other requirements, the new ESG clause requires to conduct a carbon footprint within 12 months after investment, and the definition of a carbon emission reduction plan within 36 months after investment. There is no formal requirement to align the emission trajectory with the Paris Agreement, however this level of ambition will be the starting point of every reduction plan.

6.2. Portfolio Carbon analysis - Methodology used

Sirsa, a carbon consulting firm, annually conducts this assessment. Sirsa uses a simplified approach aiming at identifying the most significant sources of greenhouse gas emissions to reflect a global overview and provide actionable results. We estimate to be able to capture 80% of scope 3 emissions using this methodology, which is based on the ADEME emission factors.

The analysis is conducted in three steps:

1. **Identify relevant data** - A meeting between the consultants and the company is organised, to understand the business model and identify essential data for estimating carbon emissions across all three scopes. Both parties agree on a suitable perimeter for relevant and available data. Given the complexity of calculating scope three emissions, the priority is to ensure relevance rather than striving for complete exhaustiveness.
2. **Collect data** - The company has a few weeks to provide the data, which is then analysed by consultants. Portfolio companies must fill in a set of 20 to 30 indicators, adapted to their business model and emissions. Adjustments are made if necessary to rectify and validate all units.
3. **Calculate carbon footprint** - Finally, the consultants add up the emission factors to calculate the carbon footprint.

6.3. Scope and results

In 2022, we have initiated this approach with the **64** Portfolio companies under the *Full ESG questionnaire* scope. Sufficient data were collected for **49** Portfolio companies representing 74% of Naxicap total invested amounts, and 85% of amount invested under the *Full ESG Questionnaire* scope.

Portfolio companies' individual results are synthesized in a dedicated two-pager carbon factsheet, distributed to Portfolio companies.

Consolidated results related to **Portfolio companies** are summarised in the following page.

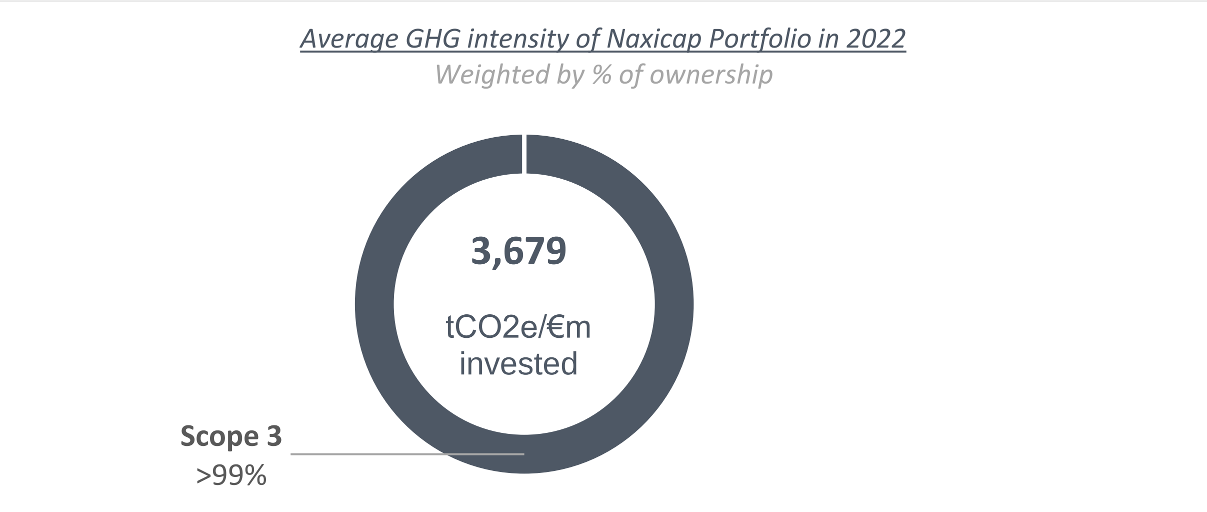
Methodology disclaimer:

Please note that one company (ECS - Quito), representing 3% of the amount invested under the *Full ESG Questionnaire* scope, accounts for 88% of the total emissions in the reporting scope (due to its freight management activity). To improve the understanding of our carbon footprint, we have carried out two analyses:

- 6.3.1: One including ECS (Quito)
- 6.3.2: One excluding ECS (Quito).

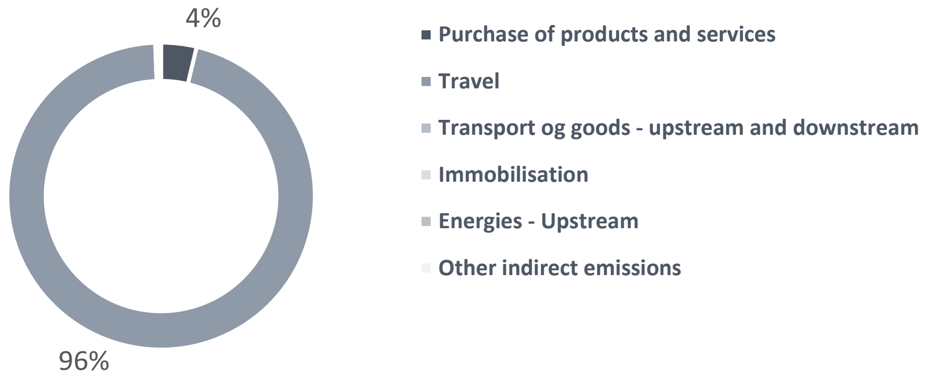
6.3.1. 2022 results for Naxicap Portfolio companies – including ECS (Quito)

The average carbon intensity of Naxicap Portfolio companies is **3,679 tCO2e** emitted per million of euros invested (weighted by% of ownership). The data collected this year is not comparable with those of previous years, due to a more precise data collection process, which has resulted in more accurate and extensive data.

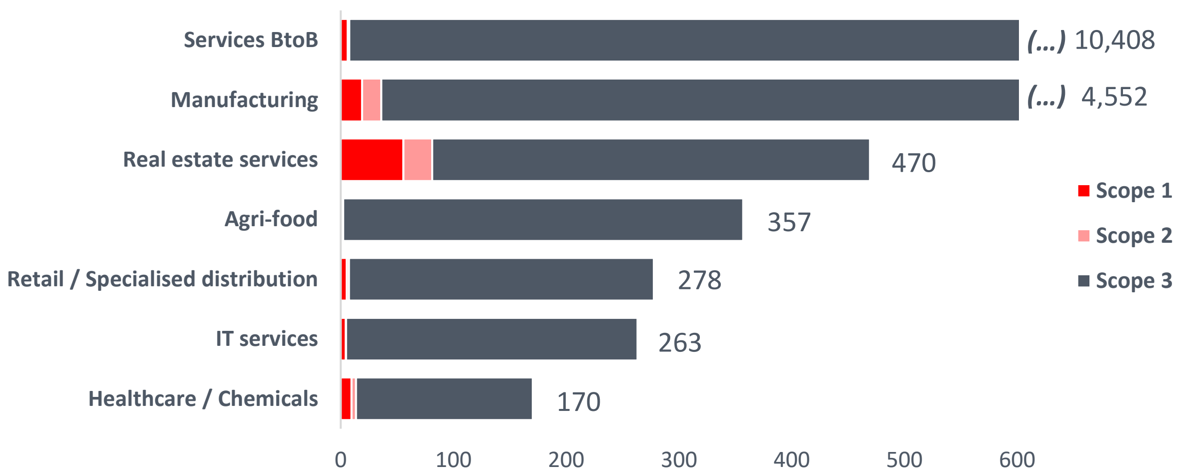


Over 99% of carbon emissions are linked to Scope 3, and more specifically to travel-related emissions (96% of Scope 3 emissions), mainly due to the activities of ECS (Quito).

Scope 3 GHG emission by type
Weighted by % of ownership



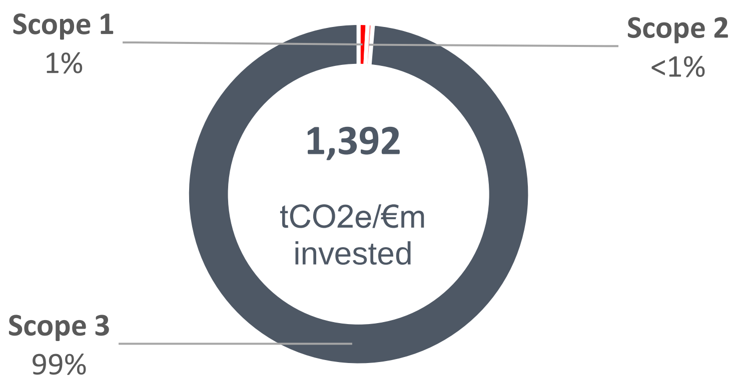
Average carbon intensity, by sector (tCO2e / €m invested) (inlcuding ECS)
Weighted by % of ownership



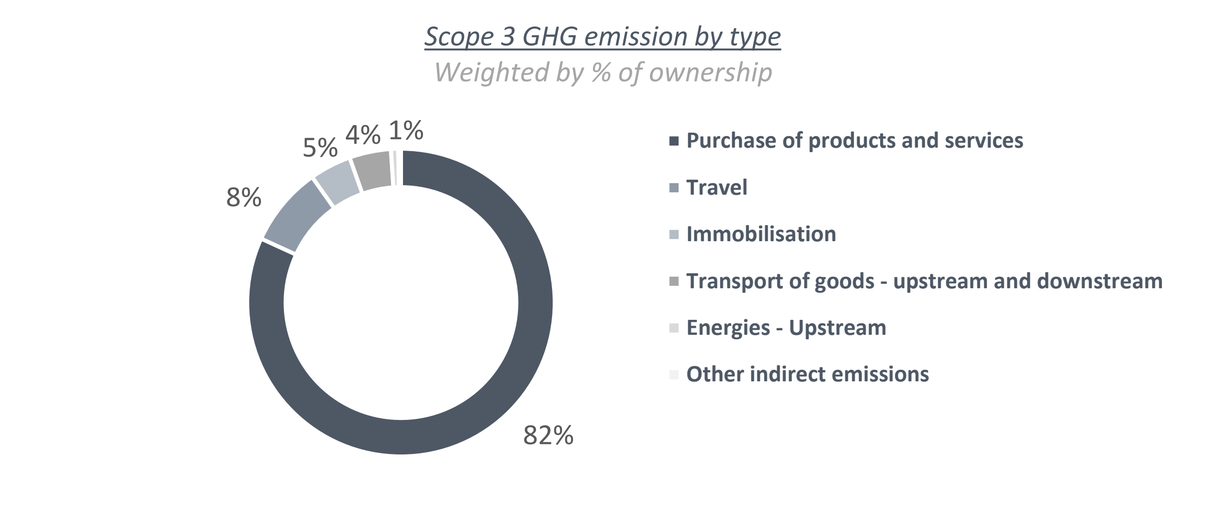
6.3.2. 2022 results for Naxicap Portfolio companies – excluding ECS (Quito)

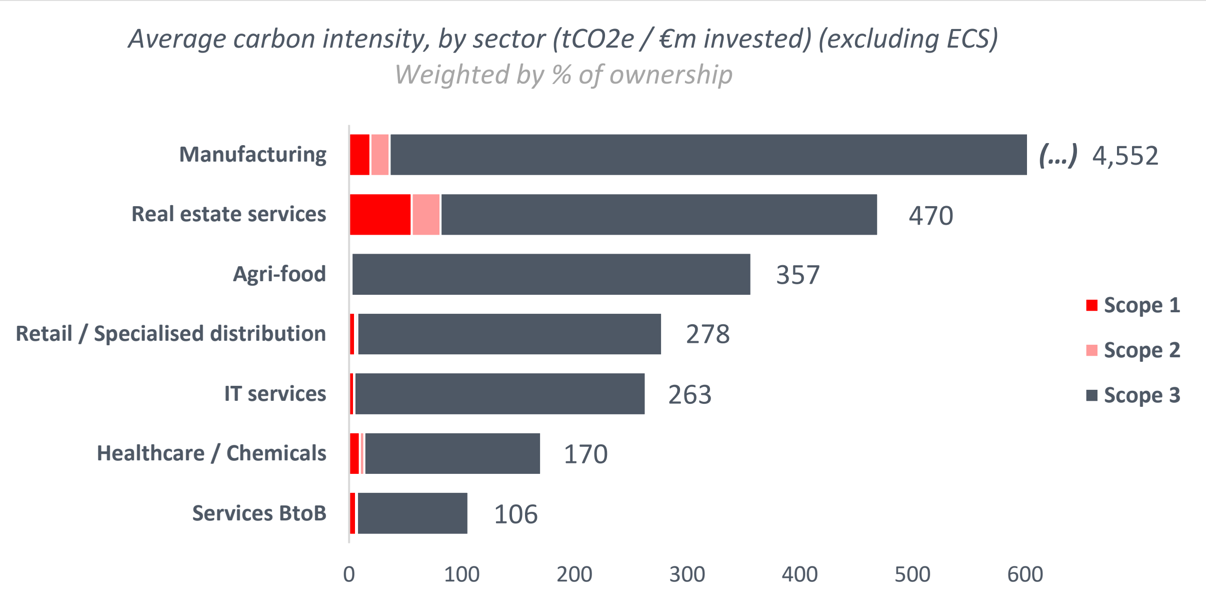
The average carbon intensity of Naxicap Portfolio companies excluding ECS (Quito) is **1,392 tCO2e** emitted per million of euros invested (weighted by% of ownership).

Average GHG intensity of Naxicap Portfolio in 2022
Weighted by % of ownership



Scope 3 carbon emissions account for 99% of the portfolio's total emissions, primarily driven by product and service purchases (82%). Other Scope 3 emissions include travel (9%), fixed assets (5%), transport of goods (4%), and upstream energy (1%).





Methodology disclaimer:

Please note that we have corrected and improved our reporting of GHG emissions to better align with SFDR reporting standards:

- Total 2022 GHG emissions are divided by the Portfolio invested amounts in each company to obtain a carbon intensity ratio per entity (tCO2 / €m invested)
- Intensity ratios are then weighted by the % of ownership (Naxicap ownership in the companies)
- Finally, the average GHG intensity is the sum of the weighted intensity again weighted by the amounts invested

6.4. Objectives

The objectives of these carbon estimates are three-fold:

1. Sensitize managers on carbon emissions and the impacts of their activities on climate
2. Identify main emission items
3. Engage Portfolio companies on reduction pathways

The first two objectives were achieved with the carbon estimates and the two-pager fact sheet. The last one, which is more ambitious, started to unfold in 2022, for instance with Portfolio companies engaging on reduction programs or complete Carbon footprints (e.g., complete Carbon Footprint assessment following internationally recognised protocols such as Greenhouse Gas - GHG Protocol or Bilan Carbone® ADEME).

To date, there is no quantified objective at entity level regarding the reduction of carbon emissions, aligned to the Paris Agreement. A progressive definition of such objectives is under consideration by Naxicap Partners Executive Management team.

6.5. Main steps of our Climate Strategy

Steps	Key Actions	Status
1	Encourage portfolio companies to conduct their own complete Carbon Footprint, using international protocols	✓
2	Dialogue with Portfolio companies on their results and find appropriate alignment targets, matching their growth strategy	✓
3	Define reduction objectives to align most emissive Portfolio companies on a well-below 2°C or 1.5°C scenario	Under validation (2023)
4	Continuously enhance physical and transition-related risks analysis (mapping, TCFD reporting)	2023/2024

G. STRATEGIE D'ALIGNEMENT AVEC LES OBJECTIFS DE LONG TERME LIES A LA BIODIVERSITE. L'ENTITE FOURNIT UNE STRATEGIE D'ALIGNEMENT AVEC LES OBJECTIFS DE LONG TERME LIES A LA BIODIVERSITE, EN PRECISANT LE PERIMETRE DE LA CHAINE DE VALEUR RETENU, QUI COMPREND DES OBJECTIFS FIXES A HORIZON 2030, PUIS TOUS LES CINQ ANS

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 7°

7. Strategy regarding biodiversity objectives

7.1. Overall approach

7.1.1. Our biodiversity strategy

At Naxicap Partners, we are convinced our modern economy and activities are dependent on ecosystem-based services that have been provided without counterparts.

In light of the prevailing biodiversity challenges, we are committed to deepening our comprehension of how biodiversity loss affects our portfolio companies and fortifying biodiversity protection across our portfolio.

With this objective in mind, **we commit to assess biodiversity-related challenges within our portfolio under the Total ESG Scope** (companies with investments exceeding €5m). We commit to conduct thorough analyses and to develop tailored action plans within 12 months of investment for companies encountering substantial biodiversity risks.

To this end, we aim to develop an approach that aligns with the TNFD (Taskforce on Nature-related Financial Disclosure) recommendations and embraces the concept of double materiality: considering negative impacts on biodiversity caused by our portfolio companies, while reducing their dependence on ecosystem-based services

7.1.2. Our latest achievements

As part of the process of defining a biodiversity approach, we have employed the ENCORE tool to identify the biodiversity impacts and dependencies within our portfolio, using a sector-based classification. This analysis has helped us establishing an initial biodiversity mapping of our portfolio, signifying the first milestone in our biodiversity strategy.

Lastly, to foster biodiversity awareness within our portfolio companies, we have forged a partnership with the Axa Climate School to deliver climate and biodiversity training to their management teams. This training has begun in the first semester of 2023.

7.2. Portfolio biodiversity analyses – Methodology used

The biodiversity mapping conducted on our 2022 portfolio represents the initial assessment of our portfolio companies' dependencies and impacts on biodiversity. Its purpose is to provide us with a broad understanding of the key biodiversity challenges within our portfolio and to identify companies that may be particularly exposed to biodiversity risks.

To carry out this assessment, we used the ENCORE tool (Exploring Natural Capital Opportunities, Risks, and Exposure), developed by the Natural Capital Finance Alliance and the UN Environment Program. The ENCORE methodology classifies companies based on the Global Industry Classification Standards (GICS), considering their sector of activities and production process. It encompasses companies' dependencies on 21 ecosystem services and their impacts on biodiversity through 11 impact factors.[10]

11 IMPACT FACTORS	21 ECOSYSTEM SERVICES	
Disturbances	Animal-based energy	Mass stabilisation and erosion control
Freshwater ecosystem use	Bio-remediation	Mediation of sensory impacts
GHG emissions	Buffering and attenuation of mass flows	Pest control
Marine ecosystem use	Climate regulation	Pollination
Other resource use	Dilution by atmosphere and ecosystems	Soil quality
Pollutants – *Non-GHG air pollutants*	Disease control	Ventilation
Pollutants - *Soil*	Fibres and other materials	Water flow maintenance
Pollutants – *Water*	Filtration	Water quality
Terrestrial ecosystem use	Flood and storm protection	Water resource - *Ground water*
Solid waste	Genetic materials	Water resource - *Surface water*
Water use	Maintain nursery habitats	

Methodology disclaimer:

Please note that this assessment solely relies on a sectoral analysis of impacts and dependencies.

- The ENCORE methodology, while sector-based, may not capture all the nuances of certain activities within our portfolio. Further analysis may be conducted for companies with specific characteristics.
- The analysis does not consider the location, type, and size of companies' sites. Site-specific assessments will be carried out to identify detailed physical and reputational risks associated with specific assets and locations.
- Finally, the methodology used does not consider initiatives deployed by the companies to mitigate their dependencies and impacts on biodiversity.

To enhance our comprehension of biodiversity dependencies and impacts in our portfolio, we will consistently update this analysis by employing new tools and analysis frameworks, as well as leveraging expertise from external biodiversity specialists.

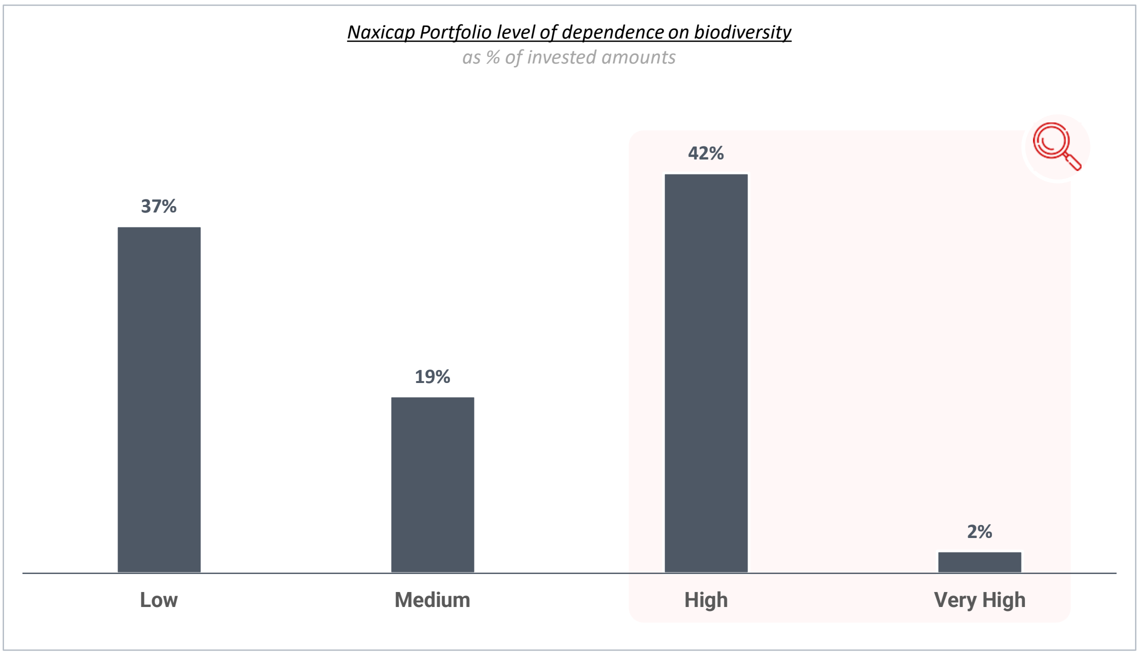
[10] Definitions of the impacts on biodiversity and the ecosystem services are available on the ENCORE website.

7.3.Scope and results

The biodiversity analysis conducted in the first half of 2023 encompasses the **80** portfolio companies under our Total ESG Scope. It primarily focuses on the direct activities of these companies, without considering their upstream and downstream supply chain. However, for future analyses, we aim to integrate assessments of suppliers' impacts and dependencies for companies where the supply chain is of strategic importance.

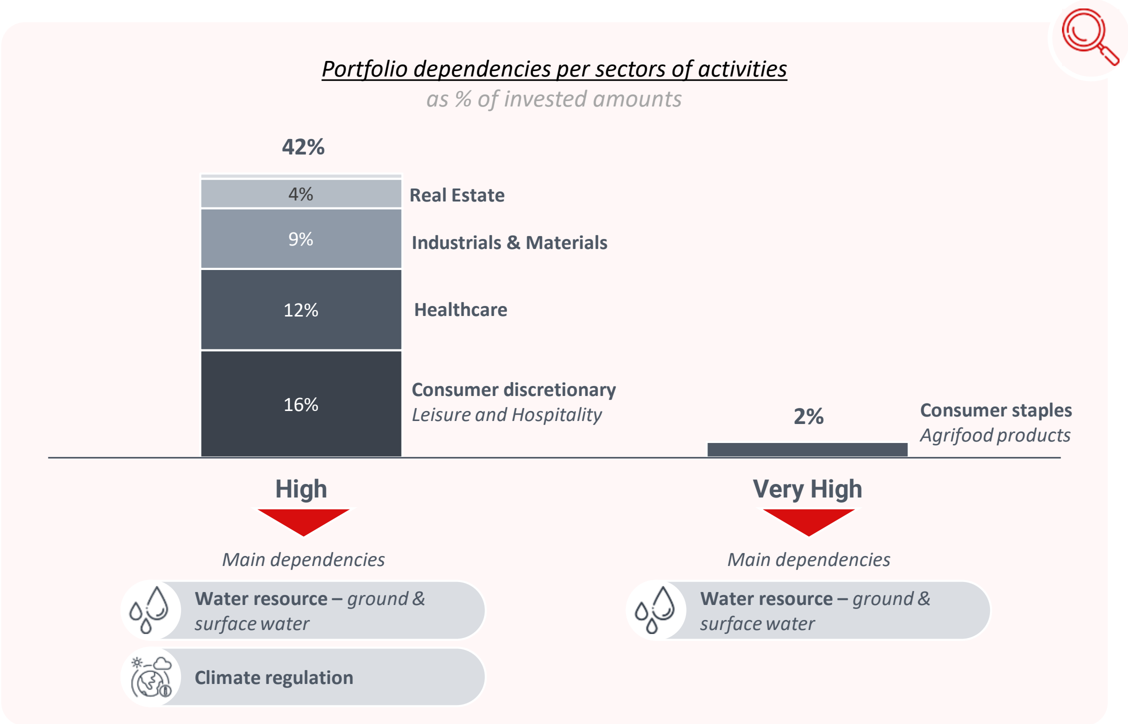
Consolidated results can be found below.

7.3.1. Portfolio dependencies on ecosystem services

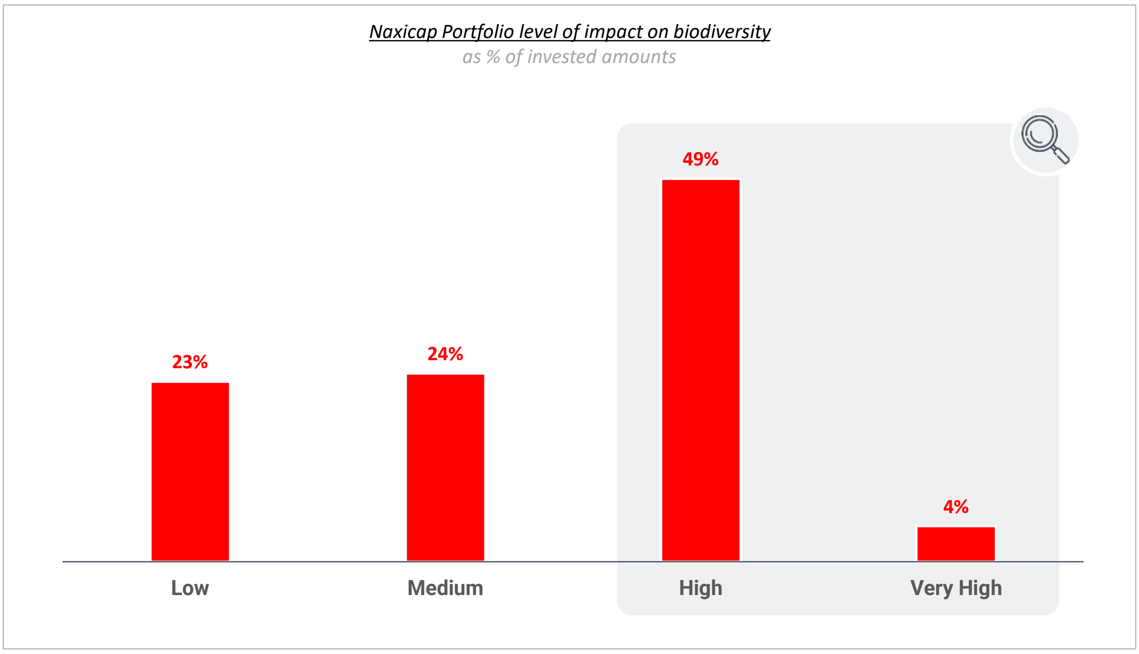


Only one company, representing 2% of invested amount, demonstrates a very high dependence on ecosystem-based services. This company operates within the Agrifood sector, where reliance on ground and surface water resources can be substantial.

Companies operating in leisure and hospitality, industry and material manufacturing, real estate, and healthcare also demonstrate a substantial dependency on ecosystem-based services, including water resources availability and quality as well as climate regulation. They represent 42% of the portfolio.

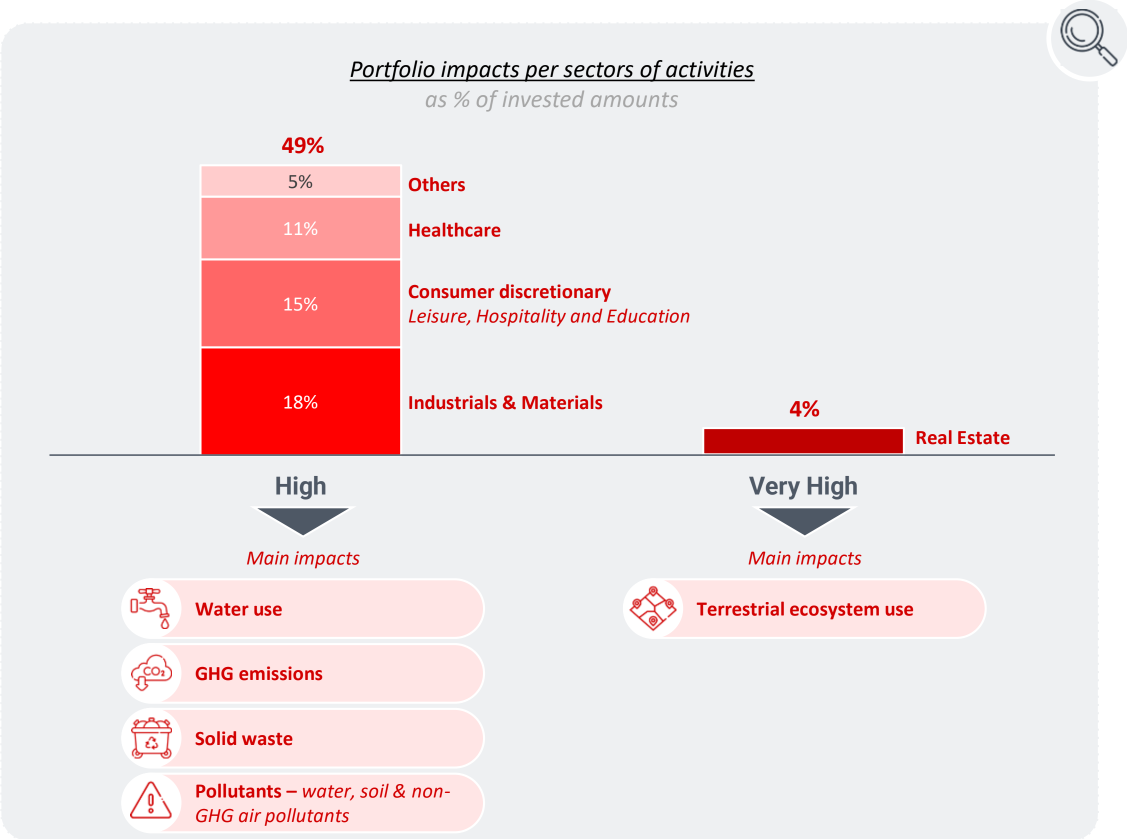


7.3.2. Portfolio impacts on biodiversity



Companies with a substantial impact on biodiversity constitute 4% of our portfolio. These companies are primarily engaged in the Real Estate sector, encompassing activities such as real estate promotion, development, and management. Their main impact stems from the use of terrestrial ecosystems through soil artificialization caused by new construction projects.

Companies operating in industry and materials manufacturing, leisure, hospitality, and education as well as healthcare, also demonstrate significant impacts on biodiversity. These impacts arise from water use in production processes and facilities management, greenhouse gas (GHG) emissions, solid waste production, and pollutants associated with industrial, material, healthcare, and pharmaceutical product manufacturing processes.



Methodology disclaimer:

Companies providing intellectual services such as research, consulting, and human resources management are not classified with the necessary precision in the ENCORE methodology to enable an accurate impact analysis.

Hence, to evaluate the biodiversity impact of these companies, we have employed the methodology developed by Axa Climate within the tool ALTITUDE. This analysis was deployed on 20 portfolio companies (23% of the total amount invested in the Total ESG Perimeter). It has revealed that all these 20 companies had a low impact on marine and terrestrial ecosystems.

To identify a company's level of impact on biodiversity, Axa Climate uses a sector-based estimate of each company's MSA.km2 *(Mean Species Abundancy per km2)*. This indicator measures company's activities pressure on the integrity of terrestrial and marine ecosystems by quantifying the abundance of species at local level. An impact of 1 MSA.km2 is equivalent to the total destruction of 1 km2 of intact ecosystem. To date, the estimated MSA.km2 of our entire portfolio is not yet sufficiently precise to be compared with other publicly available sectoral benchmarks[11], so we have decided not to disclose this preliminary data yet.

[11] The CDC Biodiversité has published several resources to help understand and assess the impact of businesses on biodiversity (case studies, sectoral biodiversity footprint benchmark, etc.). These publications are part of the

Going forward, we would like to establish a more precise measure of the MSA.km2 of our portfolio companies, in order to quantify their impact, to compare it with sectoral benchmarks, and to define strategies to reduce it effectively.

7.4. Objectives

Building on our portfolio's dependency and impact mapping, our next objective is to conduct a comprehensive analysis of biodiversity risks, encompassing both physical and transitional risks faced by our portfolio companies. This analysis will consider several parameters such as the location, size, and significance of their sites in biodiversity-sensitive areas. Acknowledging the significance of supply chains in the operations of certain portfolio companies, we also aim to integrate supply chain activities into the assessment of biodiversity risks across our portfolio at a later stage.

The purpose of this analysis is to identify portfolio companies that are most vulnerable to biodiversity risks and support them in quantifying as well as mitigating their impacts and dependencies on biodiversity by assessing their biodiversity footprint.

7.5. Main steps of our Biodiversity strategy

Steps	Key Actions	Status
1	Continuously update our biodiversity dependencies and impact mapping based on available methodology updates and portfolio modifications	✓
2	Conduct biodiversity risks analyses (physical and transition) for each company, based on their activities, size and location	2023
3	Raise collective awareness on biodiversity responsible management	Continuous
4	Assess companies' supply chain biodiversity risks exposure	2024
5	Engage with portfolio companies with highest biodiversity materiality, measure their biodiversity footprint and define biodiversity protection roadmaps at portfolio level	2024

H. DEMARCHE DE PRISE EN COMPTE DES CRITERES ENVIRONNEMENTAUX, SOCIAUX ET DE QUALITE DE GOUVERNANCE DANS LA GESTION DES RISQUES, NOTAMMENT

work carried out by CDC Biodiversité on the creation of a tool to measure the impact of businesses on biodiversity, the Global Biodiversity Score®.

8. ESG Risks management

8.1. Objectives of Naxicap's ESG Risk Process

Naxicap is aware of the material impacts of ESG risks on company performance and the potential financial reputational impacts of inadequate management of these risks.

Furthermore, regulations are becoming stricter on these subjects, both at French and European level. The SFDR (Sustainable Finance Disclosure Regulation) and the Energy and Climate Law Article 29 provide for the publication of information relating to ESG risks.

In addition, institutional investors and shareholders have increased their demands for adequate ESG risk management.

Naxicap Partners' dedicated ESG Risk management procedure was defined in December 2021. It details the following elements.

As part of its overall risk management, Naxicap wished to set up a procedure dedicated to monitoring ESG risks, given the management company's commitments in this area. This procedure is part of the general framework of Naxicap Partners' risk policy. The internal ESG risk monitoring system is characterised by:

- The nomination of a permanent team to monitor extra-financial issues and risks.
- The development, updating and sharing of normative documents (procedures and mapping) to measure the extra-financial risks to which Portfolio companies are exposed or likely to be exposed to. The monitoring of climate and energy transition risks is the subject of dedicated standard documents.
- The implementation of information systems on the extra-financial risks of the Portfolio and control that at all times:
    - the extra-financial risks borne by the companies are well identified and measured,
    - ESG risk mapping (including risk indicators and other information collected directly from the Portfolio companies) ensures a sufficient level of vigilance, particularly with regard to regulatory requirements,
    - in the event of the identification of risks that could have a negative and material impact on the performance of the shareholder funds or on the management company, appropriate corrective measures are taken.

The purpose of the procedure is to describe the process put in place to assess each company's exposure to extra-financial risks, but also to identify the impact of risks specific to the private equity business (reputational risks, financial risks, etc.).

This procedure specifies:

- the tools used,
- the allocation of risk management responsibilities within the management company,

- the content and frequency of reporting to the management bodies.

8.2.ESG Risk Process

8.2.1. A dedicated team

The ESG team coordinates and facilitates the integration of the ESG approach in portfolio companies. It ensures the implementation and ongoing updating of the ESG policy, and responds to investor requests.

The team is made up of 4 people, including an experienced Director who reports to a member of the Executive Board. The team also benefits from the support of the Risk, Compliance, and Internal Control Department.

8.2.2. General missions of the ESG team

The ESG team's role is to deploy the ESG strategy at management company level (assisting with pre-investment analysis, managing audits, processes and monitoring indicators, support for investment teams), as well as at portfolio company level (monitoring individual (monitoring of individual indicators, awareness-raising, support in setting up ESG roadmaps).

The ESG team also implements the extra-financial risk management procedure post-investment. Certain operational control and extra-financial risk management included in the Investment Procedure, under the control of the Middle Office.

With regard to the investment portfolio, as part of ESG risk monitoring, the team is responsible for:

- analysing and synthesizing audit reports, indicators and comments collected periodically from portfolio companies, so as to present the ESG Committee with conclusions and recommendations for each portfolio company. These conclusions and recommendations include a risk component, in particular climate risk and energy transition risk.
- sending ESG Committee reports to the investment teams, and indirectly to company management including comments on the risks incurred by each company and recommendations to be recommendations to be translated into action plans.
- producing an annually updated risk mapping.
- reporting any anomalies identified to the Executive Board and the Risk Department.

8.2.3. ESG risk mapping

An ESG risk map has been drawn up and is updated annually with the support of the Risk Department. The aim of the map is to help us understand all the underlying risk factors that could have a short- or long-term impact on the value and performance of the companies in the portfolio.

Mapping enables us to identify, assess, prioritize, and manage the material ESG risks inherent in the activities of portfolio companies.

8.2.3.1. *Main ESG risks description*

Category	Risk	Description	Potential impact
ESG	Compliance / Regulatory	Existing laws and regulations that rely on penalties or sanctions to regulate operations or change of existing / new regulations effecting the business and / or the sector.	Legal penalties, voided contracts, financial forfeiture, material loss, loss of business opportunities, damaged reputation.
Governance	Opacity / Information asymmetry	The risk of not having access to required financial and other important information about a company such as financial books and strategic documents.	Opaque financial statements resulting in insolvency, inadequately strategic and financial decision-making, damaged reputation.
Governance	Lack of Segregation of Duties (SoD)	The risk of not dividing or allocating tasks such as transaction processing, data recording, financial statement preparation and auditing among various individuals (e.g., non-existence of a supervisory and executive board, a dedicated audit committee, chairman and CEO operates as the same person).	Increased probability for error, theft, fraud, misappropriation of assets, inadequately decision making.
Governance	Degradation of personal data	A personal data breach leading to the destruction, loss, alteration, or unauthorized disclosure of, or access to, personal data.	Financial penalty, lawsuits, damaged reputation, reversal of pseudonymisation.
Governance	Defiance of IT systems	A defiance of business data, critical systems and business processes associated with the use, ownership, operation, involvement, influence, and adoption of IT within an organization.	Direct impact on operational business activity in terms of revenue loss, opportunity costs, service degradation.
Governance	Conflicts of interest	A situation in which a person or organization is involved in multiple interests and serving one interest could involve working against another.	Increase the risk of bias or poor judgment, damaged reputation and erode trust.
Governance	Corruption	Any unlawful or improper behaviour that seeks to gain an advantage through illegitimate means.	Legal and financial penalties, business embezzlement, weakened business development, damaged reputation and brand image.

Category	Risk	Description	Potential impact
Governance	Cyber	Deliberate exploitation of computer systems, technology-dependent enterprises, and networks.	Financial loss, system infiltration, leak of sensitive data and intellectual property, disrupted or damaged reputation.
Governance	Fraud (Including theft and forgery / counterfeit)	Activities undertaken in a dishonest or illegal manner designed to give an advantage to the perpetrating individual or company.	Financial loss, weakened business development, increased audit costs.
Governance	Money laundering	The process of making large amounts of money generated by a criminal activity, such as drug trafficking or terrorist funding, appear to have come from a legitimate source.	Financial and legal penalties, financial loss, damaged reputation, loss of licence to operate.
Governance	Mis-selling	The deliberate, reckless, or negligent sale of products or services in circumstances where the contract is either misrepresented, or the product or service is unsuitable for the customer's needs.	Legal and financial penalties, professional censure, damaged reputation, weakened customer / supplier relationship.
Environment	Climate transition risks: market	Shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly considered.	Reduced demand for goods and services due to shift in consumer preferences, increased cost of raw materials, re-pricing of assets, changed revenue mix.
Environment	Climate transition risks: policy & legal	Evolving policy actions seeking to limit adverse effects of climate change or to promote adaptation strategies / initiatives.	Increased operating costs (compliance, insurance), increased pricing of GHG emissions, legal and financial penalties.
Environment	Climate transition risks: technology	The effect of technological improvements / innovations supporting the transition to a low-carbon economy on the competitiveness of organizations.	Reduced demand for products / services, R&D expenditures in new / alternative technology, capex in technology development.

Category	Risk	Description	Potential impact
Environment	Climate transition risks: reputation	Changing customer and / or community perceptions of an organization's contribution to or detraction from the transition to a low-carbon economy.	Reduced revenue from i) decreased demand for goods / services, ii) decreased production capacity (delayed planning approvals, supply chain interruptions), reduction in capital availability.
Environment	Physical climate risks: acute	Event driven risks resulting from climate change, including increased severity of extreme weather events such as floods, heat waves and droughts.	Direct impact on production capacity, increased insurance premiums, increased capital costs (facility damage).
Environment	Physical climate risks: chronic	Risks deriving from longer-term shifts in climate patterns, e.g., sustained higher temperatures that may cause sea level rise, chronic heat waves and resource scarcity.	Write-offs and early retirement of existing assets, increased operating costs, reduced revenues from lower sales / output.
Social	Leak of key human capital	Departure of employees possessing key skills and know-how to the organization and who are not easily replaceable in the short run.	Loss of business activity, weakened strategic and competitive positioning.
Social	Recruitment risk	Risks linked to difficulties of filling vacant positions resulting in a delayed recruitment process (tight labour market, wages gap, geographic mobility, competencies scarcity).	Decrease in productivity, revenues, and existing employees' engagement, damaged reputation.
Social	Degradation / Stagnation of HR competencies	Risks related to a gradual (intended and / or unintended) divestment / downgrading of an organization's human capital.	Decrease in productivity, weakened strategic and competitive positioning, reduced employee engagement, reduced revenues due to client loss.
Social	Health & Safety risks	Occupational risks that may impact the health, safety, or welfare of all stakeholders in an organization such as employees, customers, visitors, contractors, volunteers, and suppliers.	Decrease in productivity due to increased absenteeism ratio, financial and legal penalties, damaged reputation.

Category	Risk	Description	Potential impact
Social	Social movement / Strikes	The risk of work stoppage caused by the mass refusal of employees to work.	Direct impact on operational activity, reduced employee engagement, damaged reputation, and client's relationship.
Social	Turnover	The risk of an excessive departure rate of employees leading to a constant need to hire and train new employees.	Increased operational costs (hiring expenses, training labour), loss in sales and productivity, reduced employee engagement.
Social	Human rights risks	The risks of violating human rights through use of forced and child labour, other slavery-like practices, unsafe or unhealthy working conditions, displacement of local communities, discrimination by race, age, gender, sexuality and other protected attributes, underpayment for labour or services provided.	Financial and legal penalties, loss of licence to operate, damaged reputation.
Social	Illegal / Undeclared work	The risk of having workers operate outside the catchment of tax, social insurance, health and safety norms, or other formal legislative frameworks.	Financial and legal penalties, damaged reputation.
Stakeholders	Supply Chain risks	ESG risks associated with the company's supply chain of which it does not have direct operational control.	Disruption in supply of goods and raw materials and associated operational impacts, loss of brand value, customer and consumer confidence, damaged reputation.
Stakeholders	Civil society risks	The risks facing an organization operating in countries with difficult political, regulatory, and humanitarian environments.	Increasing government restrictions and legislations on business activities, disruption in supply of goods and raw materials and associated operational impacts, damaged reputation.

8.2.3.2. *Gross risks*

Gross risks are defined before taking into account the mitigation mechanisms put in place by the company. Gross risks are identified as follows:

- Material risks:
    - Identification of ESG risks by portfolio company, based on audits carried out by external specialists, depending on the company's activity and sector.
    - Ranking of these risks in terms of materiality.
- Financial risks:
    - Mapping takes into account the amounts invested in each company through funds under Naxicap Partners management, and thus ultimately the impact on portfolio value.

8.2.3.3. *Net risks*

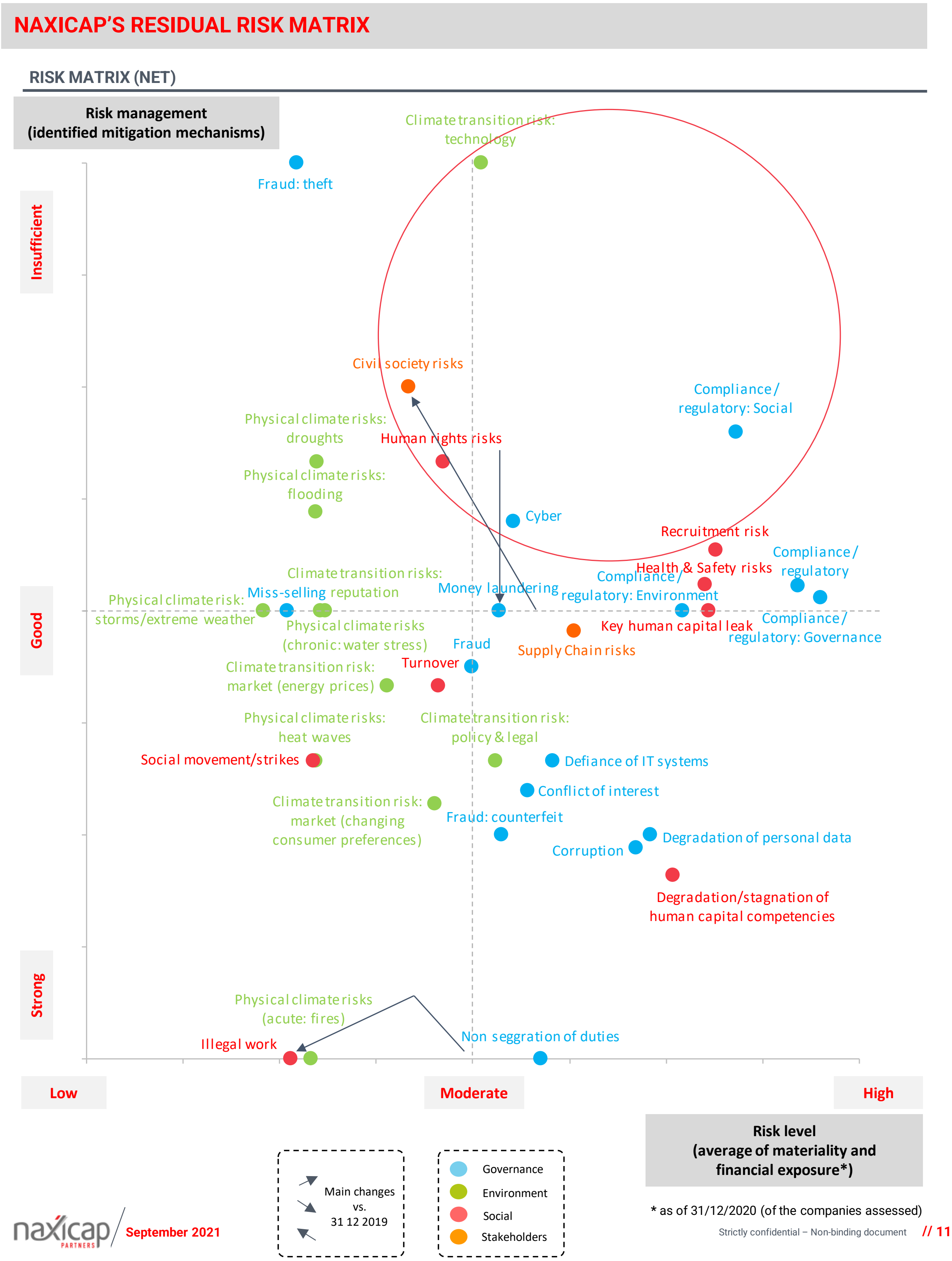
The aim is to assess the level of risk management for each company, in order to determine the residual risk to which the company is exposed. The level of risk depends on the mitigation mechanisms put in place by the company.

Risk mitigation mechanisms are defined as formalized procedures, policies and/or management systems to reduce the level of gross risk.

Once the mitigating mechanisms have been correctly identified and the residual risk assessed, a suitable action plan can be drawn up for each company. The action plan aims to correct deficiencies in existing prevention systems and/or identify new measures for effective risk management, thereby limiting the probability of risk occurrence and its potential impact.

The annual update of the risk map should take into account the improvements actually achieved during the holding period.

8.2.4. ESG Risk mapping update and quantitative estimation of risks' financial impact



This mapping was not produced in 2021 / 2022 even though risk analysis continued to be carried out by the investment team, the ESG team and the risk team.

An update of the risk mapping will be conducted during the second semester of 2023, for 2022/2023 periods.

To the extent of our knowledge, there is no open-source methodology to directly link financial impacts with a level of ESG risks, aside from simply considering the amounts invested as an aggravating risk factor. We plan on working on this by progressively integrating quantitative estimations of risks' financial impacts on a limited number of risks, to test the methodology (criteria to be considered, scope of impact, financial resources at stake, timeline, etc.).

8.2.5. Main steps of our ESG risks strategy

Steps	Key Actions	Status
1	Continuously update our risk mapping based on available methodology updates and portfolio modifications	2023
2	Conduct specific risks analyses based on TCFD and TNFD methodologies (physical and transition risks) for high impact companies, based on their activities, size and location (climate and biodiversity)	2024
3	Define and test methodologies to assess financial potential impacts for a limited number of ESG risks	2024

8.2.6. Risk Control System

The Risk, Compliance and Internal Control Department ensures that risk policy and risk mapping are in place, updating them regularly and ensuring that they are properly applied.

As part of the implementation of second-level compliance and internal control work, it ensures:

- compliance with ESG risk monitoring procedures,
- reporting to the Management Board of the Investment,
- monitoring ESG risk indicators and compliance with the anomaly response system.

8.3. Description of the anomaly response system

Any situation defined as "abnormal" by the ESG Committee is the subject of alerts to the investment team, so that appropriate corrective measures can be implemented by the companies concerned.

If the anomaly is rectified without delay (within one month), the investment teams inform the ESG team by return e-mail.

If not, the ESG team sends a new alert to the Management Board, copying the investment team. in order to obtain corrective action.

If the identified risk could have a material and negative impact on the performance of shareholder funds, or on the management company (reputational risk, etc.), then the executive Board and the Risk, Compliance and Internal Control Department are consulted for their opinion/decision.

The ESG team maintains an anomaly tracking file, which is integrated into the risk monitoring system by the Risk Department.

A summary of these anomalies is presented annually to the Naxicap Partners executive Board, who is responsible for forwarding it to the Supervisory Board.

I. LISTE DES PRODUITS FINANCIERS MENTIONNES EN VERTU DE L'ARTICLE 8 ET 9 DU REGLEMENT DISCLOSURE (SFDR)

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 1°, c)

9. SFDR Classification

As of December 31st, 2022, all Naxicap Funds enter the application field of SFDR Article 6.