

# ARTICLE 29 LEC REPORT

(ENERGY AND CLIMATE LAW)

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# OUR GENERAL APPROACH

Mérieux Equity Partners ("MxEP") is an AMF-accredited management company dedicated to equity investments in the health and nutrition sector, across Europe and North America.

Driven by a « **One Health** » approach, MxEP's aim is to support portfolio companies in achieving a positive impact on the society and on the environment, with the ultimate objective to contribute to improving and saving patients 'lives.

ESG is part of the DNA of the company and several policies have been prepared and are available on MxEP website.

## UN SUSTAINABLE DEVELOPMENT GOALS

Structurally, the investment strategies of our funds under management enable us to meet several Sustainable Development Goal (SDG), including:



In addition to supporting those SDGs, we also want to ensure our investments do not negatively influence any other of the SDGs and as such, we have embedded assessment of Environmental, Social and Governance (ESG) matters in our entire investment process.

Our Responsible Investment policy demonstrates MxEP's ESG commitments. It is applicable to all of our investments since AMF (French Financial Markets Authority) approval on 5th June, 2018.

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# OUR GENERAL APPROACH

## SIGNATORY OF SEVERAL INITIATIVES

At Mérieux Equity Partners we are committed to responsible and sustainable investments, and we are convinced that ESG is an assurance of sustainability and performance that will benefit to all its stakeholders.

In order to formalize our commitments, we are a signatory of several initiatives :

- MxEP is a signatory of the **Principles for Responsible Investment (PRI)** and this Responsible Investment policy and its content were defined in accordance with the PRI.
- MxEP is also an active member of **France Invest** through involvement in its commissions and Working Groups (ESG, Biodiversity, Acceleration & sustainability) and the signature of France Invest's Charter for growth, Charter for Gender Equity and very recently Charter for Value Sharing.
- MxEP has joined the **International Climate Initiative** early 2022.

## TRANSPARENCY & DISCLOSURE

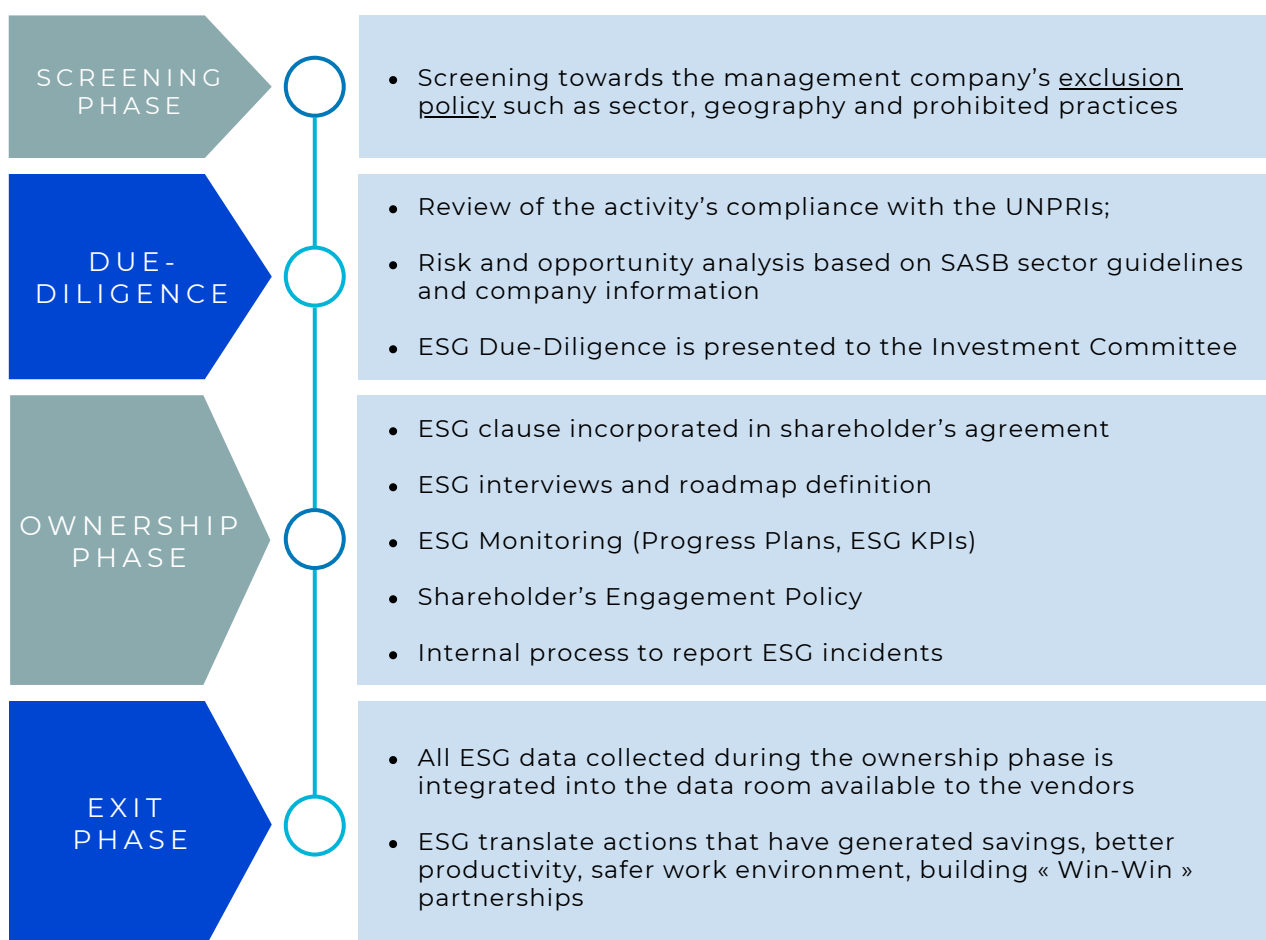
MxEP will not invest in a company for which it is aware that its direct activity includes practices such as corruption and money laundering, violates human rights (including child or forced labor), results in disrespect for the rights of indigenous and/or vulnerable groups, results in a negative impact on health through non-compliance with legal, regulatory or ethical standards or proven negligence on the part of the company's management, does not include trade in endangered species of wild fauna or flora (or products derived therefrom) and would degrade protected areas of biodiversity.

An exclusion policy is available on our [website](#).

# OUR GENERAL APPROACH

## ASSESSMENT OF ESG IN THE INVESTMENT PROCESS

Mérieux Equity Partners integrates ESG considerations at each stage of the investment cycle:



### • DURING THE PRE-INVESTMENT PHASE:

- **Screening** : consists of ensuring that the opportunity under consideration allows the exclusion policy of MxEP to be respected. If no blocking issue is identified, the opportunity analysis process continues. However, if the opportunity does not ensure compliance with the rules mentioned in the exclusion policy, then it is abandoned.
- **Due-Diligence** : consists of linking the activity of the opportunity to the United Nations PRI and establishing an analysis of the risks and opportunities for ESG risk protection and value creation. The risk/opportunity analysis is carried out on the basis of the ESG sector guides of the SASB (Sustainability Accounting Standards Board) and through our discussions with the management of the company in which we are considering an investment.

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## OUR GENERAL APPROACH

As per the SASB Healthcare sector classification, there are 6 sub-sectors: Biotechnology & Pharmaceuticals, Drug Retailers, Health Care Delivery, Health Care Distributors, Managed Care and Medical Equipment & Supplies.

The ESG due-diligence file is presented to the investment committee along with the other due diligence workstreams (financial, tax, social, strategic, commercial , etc.). If a material ESG subject is identified, a “progress plan” must be developed to resolve the material issue during the hold period. If a progress plan cannot be created to resolve or mitigate the material ESG issue; then the opportunity is abandoned. This decision is formalized in the minutes of the Investment Committee. In our investment sector, abandonments at this stage of the process are mainly related to governance issues.

The documentation of this phase may be (partially) outsourced (particularly about the analysis of risks and opportunities for value creation), to sector specialists (the major names in the market).

- **DURING THE OWNERSHIP PHASE:**

- **Documentation** : if MxEP decides to invest in a company, the shareholders' agreement explicitly provides for an ESG clause. This clause makes it possible to indicate that ESG data can be audited and that the management company must report ESG data at the level of its funds to its investors. ESG data is hence requested annually from portfolio companies and monitored and consolidated at the fund level. Topics covered include business ethics, supply chain, human resources, environment, Nature amongst others.
- **Progress Plan:** During the first year of the investment period and in partnership with management, an ESG roadmap is established. This roadmap is tailor-made to each portfolio company to ensure most urgent and relevant ESG topics are addressed first. This work is based on the risk/opportunity analyses carried out during the ESG due-diligence phase. To measure progress, ESG reviews are regularly conducted, through quarterly and annual surveys and also through regular follow-up meetings.
- **Reporting:** MxEP prepares annual ESG reporting for each of the funds launched since our AMF approval obtained on 5th June, 2018. This reporting includes standard quantitative indicators as well as best practices at the level of the portfolio companies. This reporting enables us to yearly monitor the achievements of the ESG roadmap and the sustainability risks. The carbon footprint is also calculated (calculations based on the instructions of the Greenhouse Gas (GHG) protocol).

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## OUR GENERAL APPROACH

- **Shareholder Engagement:** MxEP has a shareholder engagement policy, available on its corporate website, which specifies the terms and conditions for exercising our representation within the governing bodies of the companies in which we invest. Our logic has always been to be represented in the governance bodies of the companies in which we invest. In a risk-based framework such as ours, this is the main lever for defining the ESG progress plan, implementing it and adapting it if necessary.
  - **Incident Reporting:** MxEP has set up an internal system for reporting quarterly ESG incidents that may occur at the level of the companies in the portfolios under management and of which it may become aware thanks to its presence in the governance bodies. Such incidents are defined, in accordance with France Invest's recommendation, as any event that could have a material impact on the investment and/or its shareholders, in particular but not exclusively in terms of public health, environment, labor law disputes or business ethics.
- **DURING THE EXIT PHASE:**
    - **Data Room:** during the exit phase, all ESG data collected during the ownership phase (progress plan, monitoring data) is integrated into the data room available to the vendors. This data enables potential buyers to identify the progress made during the ownership period.
    - **Value Creation:** beyond the environmental and social dimension of ESG, on which we intervene with appropriate governance, the objective of our approach is to create shareholder value. This translates into ESG actions that can result in financial savings, better productivity, a safer working environment, and building partnerships with stakeholders based on respectful and stronger contractual bases. Ultimately, the ESG approach contributes to the creation of a more agile environment, in line with the structural changes in our companies, and this ability to anticipate is a lever for value creation that is bearing fruit.

## ASSET UNDER MANAGEMENT BY SFDR CATEGORY

As of December 31, 2023, the management company manages several main funds, whose commitments represent €1.5 billion, of which 38% is classified under Article 8 of the SFDR regulations. This share corresponds to Mérieux Participations 4 SLP (fund launched in 2021).

The other previous funds are classified under article 6. Nevertheless, all funds launched since our approval by the French Financial Market Authority are subject to annual ESG reporting with quantitative indicators, as well as qualitative assessment elements, and monitoring of material ESG incidents.



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# OUR ESG GOVERNANCE & DEDICATED RESOURCES

## OUR ESG GOVERNANCE

At Mérieux Equity Partners, the ESG governance is a transversal governance involving and collaborating actively with the investment team.

In September 2023, Mérieux Equity Partners hired a full-time ESG expert. Reporting to the MxEP' President, the ESG manager defines and implements the ESG strategy for the management company and support the portfolio companies in their CSR approaches

To support this strategy, dedicated committees have been set up :

- **The Diversity, Equity & Inclusion Committee** aims to discuss and develop an action plan on DE&I initiatives, in order to promote an healthy, fair and inclusive workplace. it brings together representatives of the ESG, HR, investment functions and management.
- **The ESG Risks Committee** is responsible for coordinating and conducting tasks and discussions related to climate-related risks, as well as build a ESG risk matrix. it brings together representatives from the compliance, ESG and finance functions.
- **The ESG & Compliance Meeting** is dedicated to raise awareness on ESG key topics and engage the whole MxEP team.



### Christine DEMODE

President  
Mérieux Equity Partners

Vice-President  
France Invest



### Justine CHABROL

ESG manager

*At France Invest, member of  
Biodiversity Working Group, Acceleration &  
Sustainability Working Group and CSO Club*

ESG Risk Committee

ESG & Compliance Committee

Diversity, Equity & Inclusion  
Committee

"Mérieux Equity Initiative" Foundation  
- under construction -

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# OUR ESG GOVERNANCE & DEDICATED RESOURCES

## DEDICATES MEANS & RESOURCES

Every year, the entire MxEP team participate to at least one training session on a ESG / sustainability topic. In 2023, the MxEP team spend half a day on a biodiversity training session.

In 2023, MxEP has dedicated a budget of over 100 K€ to ESG consulting:

- **Tennaxia platform** - ESG KPI & material incident reportings and improvement plans
- **Sweep platform** - Carbon footprint assessment
- **ESG consulting firms (ERM and PwC)** - ESG Due Diligence, ESG Reviews, Strategy, ESG training

As mentioned in the General approach section, ESG team is involved in France Invest association through involvement in its commissions and Working Groups.

The team has conducted several training sessions at France Invest.

Besides, managing partners are requested to attend at minimum one ESG training per year. Together with the Regulatory and Compliance manager, the ESG manager also conduct internal presentations to the whole MxEP team on ESG specific topics three times a year.

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# OUR ENGAGEMENT STRATEGY & SHAREHOLDER COMMITMENT

## VOTING PERIMETER

MxEP exercises all the voting rights attached to the securities held in the FIAs it manages and for which the management company is responsible for exercising voting rights.

In 2023, the management company voted at 37 Shareholders' Meetings, corresponding to 100% of the shareholders' meetings for which we held voting rights. Compared with the previous year, this figure has fallen slightly. During fiscal year 2023, we did not experience any technical or administrative blockages or malfunctions that prevented us from exercising our voting rights.

All voting rights are exercised in our name. The management company does not manage a mandate or a dedicated or delegated fund.

It should be noted that Shareholders' Meetings are not compulsory in certain geographical areas, depending on the type of company and the nature of the decisions to be taken. Governance is therefore expressed in various ways, either through a system of written consent or through our representation at meetings (in person, by mail, or via a dedicated proxy). We integrate these elements into the monitoring of Shareholders' Meetings to have the most accurate vision possible of the expression of the rights and duties attached to the shares held.

## METHODS OF EXERCISING VOTING RIGHTS

Each partner is responsible for collecting the Shareholders' Meeting file of the companies he/she follows, and this file includes at least: the date, the voting procedures, and the text of the resolutions. A power of attorney may be given to him to represent the Management Company.

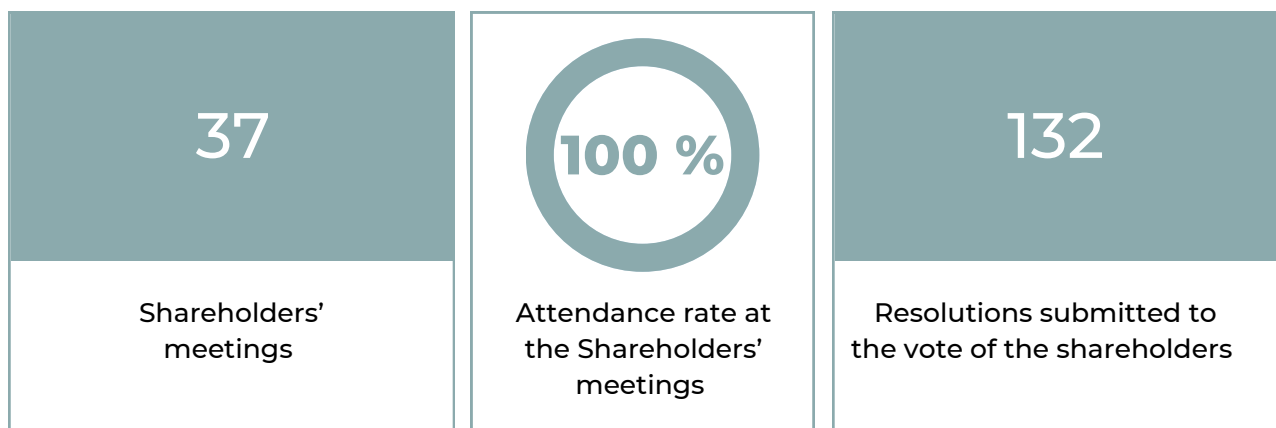
The partner examines and analyzes the resolutions submitted to the meeting. In case of difficulty in analyzing a resolution, he/she refers to the Compliance and Internal Control Officer. The partner is responsible for deciding how to vote.

The partner's voting choices are retained by him/her. The partner must be able to report at any time on the exercise of his/her voting rights. MxEP usually exercises its voting rights by mail. However, the partner may decide to attend the Shareholders' Meeting in person.

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# OUR ENGAGEMENT STRATEGY & SHAREHOLDER COMMITMENT

## VOTING RECORDS 2023



## CONFLICT OF INTEREST MANAGEMENT

The voting rights exercised were done so in complete independence and with a view to safeguarding the interests of the unitholders of the funds concerned. No member of the governance of the portfolio companies has any connection with the management company.

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# EUROPEAN TAXONOMY & FOSSIL FUEL

## EUROPEAN TAXONOMY & FOSSIL FUEL

Mandatory information for this section is included in the detailed excel appendix.

The management company invests exclusively in the healthcare sector, which by definition is not eligible for the taxonomy.

The management company does not invest in fossil fuels, and none of the companies in which the management company has invested is active in this field.



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# OUR ALIGNMENT WITH PARIS AGREEMENT

## OUR POLICY

Despite being small emitters themselves, financial institutions have an important role to play in the journey to net zero through their portfolios and investments. Mérieux Equity Partners recognizes that the health and nutrition sectors, like any human activity, currently generate the emission of greenhouse gases (GHG) and therefore contribute to climate change. In a publication of April 2023, the think tank The Shift Project estimates that the health sector is responsible for approximately 8% of territorial GHG emissions in France.

The summary for policymakers of the latest report from IPCC group II (on climate change impacts and adaptation) concludes, as follows:

“The cumulative scientific evidence is unequivocal: climate change is a threat to human well-being and planetary health. Any further delay in concerted anticipatory global action on adaptation and mitigation will miss a brief and rapidly closing window of opportunity to secure a liveable and sustainable future for all.”

On this basis, Mérieux Equity Partners is willing to fairly contribute to aligning the Health sector with the objectives defined in the Paris-Agreement.

## OUR STRATEGY

As an integral part of its new climate strategy, Mérieux Equity Partners became a member of the Initiative Climat International (iCI) in April 2022. “iCI signatories commit to effectively analyze, manage, and mitigate climate-related financial risk and emissions in their portfolios, in line with the recommendations of the FSB’s Taskforce for Climate-related Financial Disclosure (TCFD). Additionally, members are encouraged to share knowledge, tools, experience, and best practice among peers”. Through this membership, MxEP seeks support and feedback on low-carbon investment policy implementation.

Mérieux Equity Partners’ strategy includes the following three pillars in the context of its contribution to aligning the Health sector with the objectives defined in the Paris-Agreements:

- Measure emissions related to its own activities
- Measure emissions related to all portfolio companies
- Reduce emissions related to all of portfolio companies
- Offset residual emissions which cannot be reduced

# OUR ALIGNMENT WITH PARIS AGREEMENT

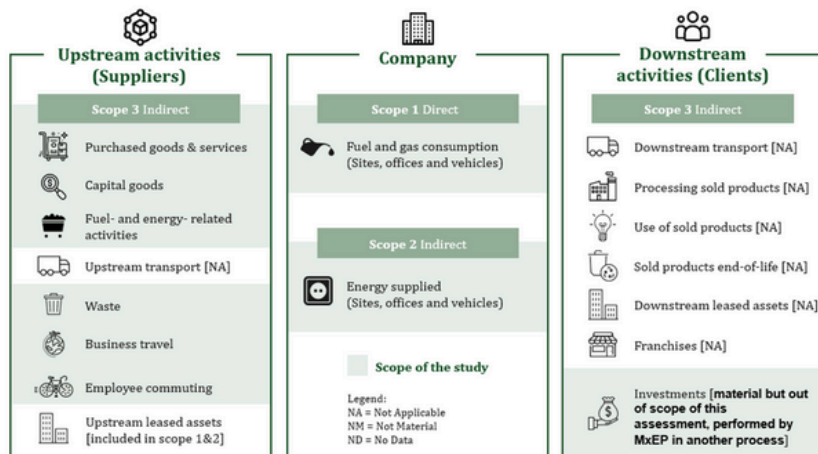
- **Measure emissions related to its own activities**

Mérieux Equity Partners assessed its GHG footprint for all relevant categories (to the exclusion of category 15 of Scope 3 – Investments, covered in the following section), with an operational control approach and based on the GHG Protocol methodology. The assessment was performed bottom-up (with a specific data collection) based on both physical and monetary data, depending on data availability and covering both MxEP offices in Paris and Lyon.

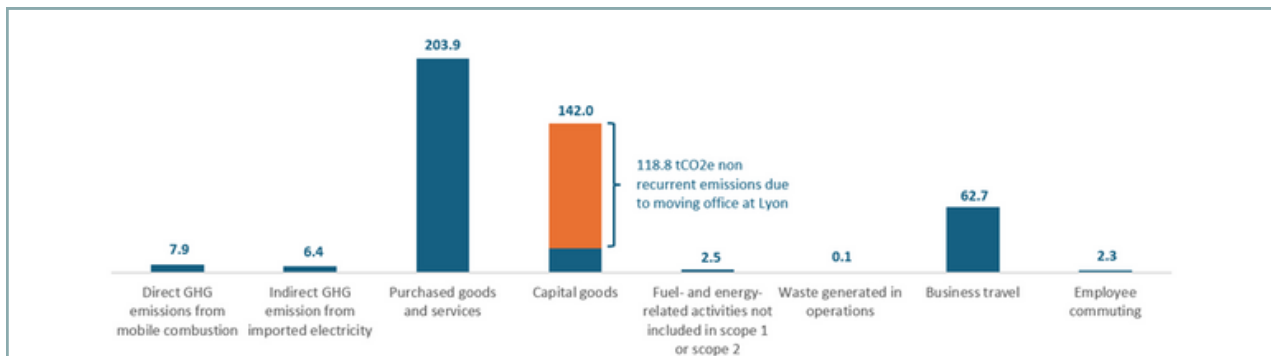


Scope 2 emissions (related to electricity consumption) were assessed with the location-based methodology. Emission factors were mostly taken from Ademe Base Carbone, DEFRA and the IEA.

Categories of emissions included or excluded from the assessment are illustrated below:



Resulting MxEP GHG footprint for calendar year 2023 is illustrated below:



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# OUR ALIGNMENT WITH PARIS AGREEMENT

Total 2023 estimated emissions (to the exclusion of financed emissions) are estimated to be approximately 428 tCO<sub>2</sub>e. Most emissions are generated by categories Purchased goods and services and Capital goods (mostly IT equipment and purchased furniture), and to a lesser extent Business travel (predominantly air travel). Emissions related to purchased goods and services are likely to be over-estimated, since these were assessed based on monetary data and using a conservative Ademe emission factor for services (110 kgCO<sub>2</sub>e/k€), with no discrimination of various carbon intensities for various types of services (including legal, insurance etc.). It is envisaged to refine the assessment of this category of emissions in 2024 by using a more granular source of emission factors for services (likely from the USEPA database). Most emissions related to Capital goods (119 tCO<sub>2</sub>e out of 142 tCO<sub>2</sub>e) are related to non-recurrent expenditure (purchased furniture) since MxEP moved office in Lyon during 2023.

- **Measure emissions related to all portfolio companies**

Scope: Mérieux Equity Partners aims to assess the GHG footprint of all portfolio companies (PCs) within all its funds.

- Top-down approach for GHG footprinting

In 2021 and 2022, Mérieux Equity Partners portfolio companies' ("PC") GHG emissions were estimated based on a top-down approach, with a calculation methodology based on sectoral monetary emission factors and PCs revenues and activity types.

This approach provided orders of magnitude of the emissions for the main activity sectors represented in MxEP's portfolio and identifies where the main GHG emissions sources are located, facilitating decision-making and resource allocation for more detailed assessments.

Both total PC emissions and emissions related to MxEP PCs equity stake were assessed for Scope 1, 2 and 3.

Based on the methodology described above, it was estimated that approximately 110ktCO<sub>2</sub>e could be indirectly allocated to MxEP in 2021 and 112ktCO<sub>2</sub>e in 2022. This represents an estimate of MxEP category 15 (Investments) Scope 3 emissions in 2021 and 2022. Like for all financial institutions, that represents most of MxEP emissions.

- Hybrid approach for 2023 GHG footprinting

Over time, an increasing proportion of PCs are developing a more precise bottom-up assessment of their GHG footprint, with the support of specialized consultancies. Mérieux Equity Partners also implemented the digitalization of its carbon management (Sweep platform) with the following advantages:

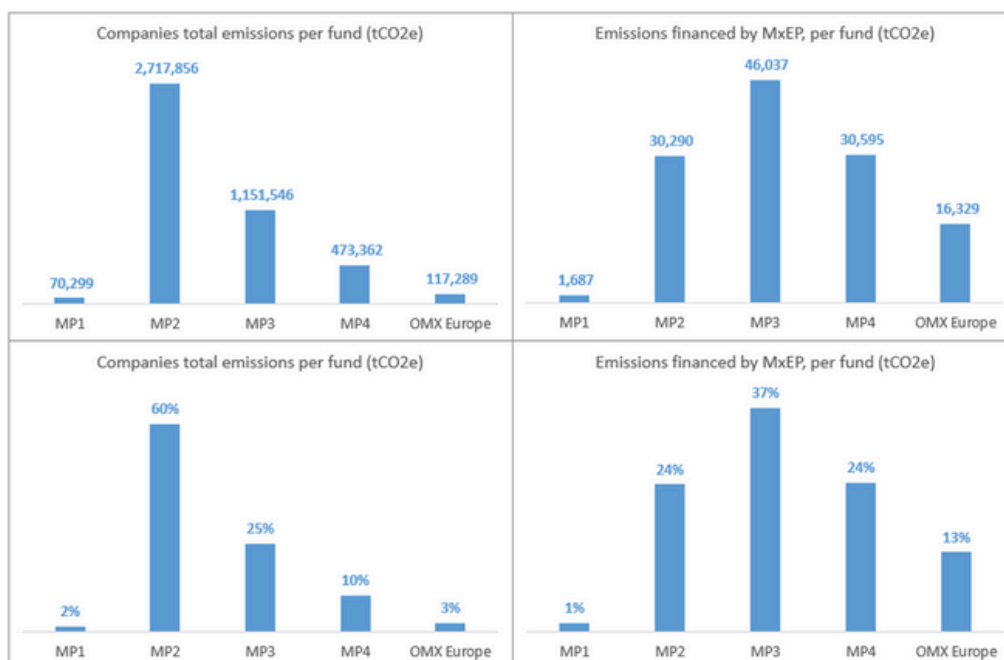
# OUR ALIGNMENT WITH PARIS AGREEMENT

- Facilitation of data collection for PCs
- Possibility to complement PC's GHG footprints (completely or partially) based on the CDP (Carbon Disclosure Project) database, which is generally more granular and more accurate than generic monetary emission factors used historically since it is based on a compilation of numerous GHG footprints established with a bottom up approach

Therefore, 2023 assessment of Mérieux Equity Partners financed emissions was performed with a different methodology compared with 2021 and 2022: for each PC, emissions were assessed by selecting data from a hierarchy of decreasing expected accuracy, as follows:

- Preferred use of emissions assessed with a bottom-up approach, ideally with support from specialized consultancy;
- If the above is not available, use of emissions calculated thanks to data collected by the PC through the digital platform proposed by Mérieux Equity Partners (completed with CDP sectoral emissions for potential uncovered categories);
- If the above is not available, use of estimates based on CDP sectoral emissions; and
- If the above is not available, use of top-down assessment developed in 2022.

Results consolidated per fund are presented in the graphs and tables below (covering the total of scope 1, 2 and 3 emissions):



*Estimated emissions at fund level based on a top-down approach (orders of magnitude)*

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# OUR ALIGNMENT WITH PARIS AGREEMENT

The overall 2023 results are consistent with 2021 and 2022 assessments, in particular considering that fund OMX Europe was added to the perimeter in 2023 and that the methodology was modified and refined compared with previous years. In particular, the total estimated Mériex Equity Partners financed emissions for year 2023 were approximately 125 ktCO<sub>2</sub>e (compared with 112 ktCO<sub>2</sub>e estimated in 2022, which did not include emissions related to OMX Europe).

In 2023, approximately 30% of total Mériex Equity Partners financed emissions were assessed with a bottom up approach and for fund MP4 that represents in the order of 56% of financed emissions. This is a significant progress compared with previous years and these figures are expected to increase further in 2024 since several PCs already plan to assess their 2024 GHG footprint based on a bottom up approach.

- Bottom-up approach for GHG footprinting

In order to further refine the relevance of GHG emissions reduction plans for our PCs, Mériex Equity Partners' plan is to continue developing a bottom-up approach to assess GHG footprints (more precise than top-down approach) for an increasing proportion of PCs over time, according to the following envisaged calendar:

- In 2024, assess GHG footprints with a bottom up approach for:
  - 80% of PCs in MP4 fund
  - A selection of PCs in funds MP1, MP2 and MP3 allowing to cover more than 50% of the amounts invested by Mériex Equity Partners (defined based on maturity, Mériex Equity Partners influence on management, results from top down assessment etc.)
  - 80% of new Growth Buy Out (GBO) PCs (within 12 months following their entry into Mériex Equity Partners funds)
- In 2025, assess GHG footprints with a bottom up approach for 80% of all GBO funds.

- Companies GHG footprint preliminary profiling

An increasing proportion of companies in MxEP's portfolio are assessing their Scope 3 emissions through a detailed bottom-up approach and more are expected to do so for year 2024. For companies who are not using this granular approach yet (assessments mostly based on monetary data), the identification of emission reduction levers and action plans is not possible at an actionable level of detail.

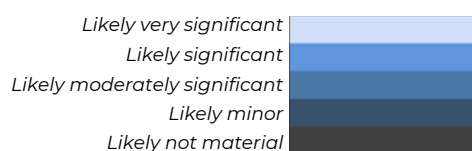
Therefore, an initial qualitative assessment has been proposed for these companies. For this purpose, Mériex Equity Partners' PCs were classified in the five following business categories depending on activity and business model:

- Production of medicines
- Production of medical tools and equipment
- Product distribution (retail)
- Health care services and facilities (building-based)
- Other types of health-related services and solutions, including R&D

# OUR ALIGNMENT WITH PARIS AGREEMENT

Some companies are included in more than one category. For each type of PC, the proportion of expected GHG emissions per emission category was qualitatively assessed by ERM based on a literature review and professional judgment. The resulting overview is presented below:

Main emission categories	Type of company				
	Production of medicines	Production of medical tools/ equipment	Distribution (retail)	Services (health care-related facilities)	Other services (R&D)
Raw materials - chemicals/ pharmaceuticals	Likely very significant	Likely significant	Likely moderately significant	Likely minor	Likely not material
Raw materials - others (metals/plastics etc.)	Likely significant	Likely very significant	Likely moderately significant	Likely minor	Likely not material
Other purchased goods and services	Likely significant	Likely significant	Likely moderately significant	Likely minor	Likely not material
Capital goods (IT, buildings, purchased equipment)	Likely significant	Likely significant	Likely moderately significant	Likely minor	Likely not material
Building-related energy consumption	Likely significant	Likely significant	Likely moderately significant	Likely minor	Likely not material
Food	Likely not material	Likely not material	Likely not material	Likely minor	Likely not material
Employee commuting	Likely significant	Likely significant	Likely moderately significant	Likely minor	Likely not material
Visitors transport	Likely not material	Likely not material	Likely not material	Likely minor	Likely not material
Products transportation	Likely significant	Likely significant	Likely very significant	Likely minor	Likely not material
Waste	Likely significant	Likely significant	Likely moderately significant	Likely minor	Likely not material



- **Reduce emissions related to all portfolio companies**

- Target setting

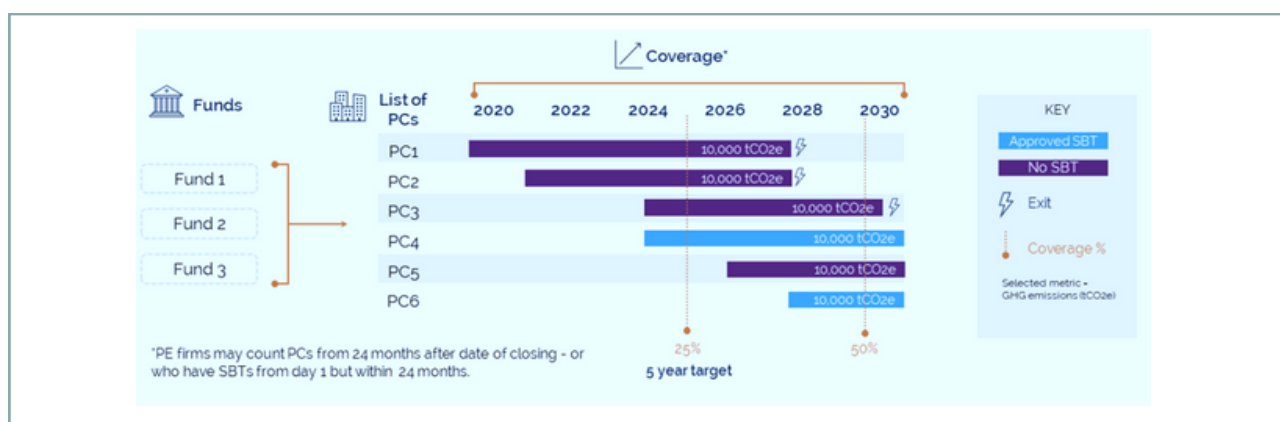
Mérieux Equity Partners plans to define emissions reduction targets based on the guidance developed for financial institutions by the Science Based Targets initiative (SBTi).

Since Mérieux Equity Partners 2023 GHG footprint is not representative of the management company routine activities (MxEP moved office in Lyon in 2023) is currently envisaged that 2024 could be a good candidate as baseline year to define emissions reduction targets.

There is currently no sectoral decarbonization targets defined by the SBTi for the health sector. Mérieux Equity Partners envisages to adopt the SBT Portfolio Coverage Approach which also presents the advantage of requiring PCs' to be reviewed through SBTi's rigorous, best-practice validation process.

# OUR ALIGNMENT WITH PARIS AGREEMENT

This is an engagement-based approach best described as a 'target of targets', whereby the PE firm is required to set a five year target, using a selected metric (GHG or financial), to sufficiently cover PCs setting their own SBTs, in line with a linear trajectory to 100% of PCs setting SBTs by 2040. If none of MxEP's PC get an approved SBT by the end of 2024, it would mean that SBT coverage objective would be approximately 38% in 2030 (at least 38% of MxEP PC's should have set SBTs by 2030, this percentage being estimated based on GHG induced emissions or investment amount). In line with relevant guidance from the SBTi, this target would concern GBO PCs in which MxEP has more than 25% of shares and more than 25% of board seats.



SBT portfolio coverage approach overview

Mérieux Equity Partners invests on a regular basis in small and medium-sized enterprises (SMEs) for some of its funds under management. Recognizing the significant role SMEs must play in global climate action – while considering the limited resources available to companies of this size – the SBTi has established a separate expedited route for SMEs. SBTi's SME route is relevant to PE firms interested in engaging PCs with fewer than 500 employees to set approved scope 1 and 2 emissions targets.

SBTi defines SMEs as a non-subsubsidiary, independent company which employs fewer than 500 employees. In order to set a target and to get it validated by the SBTi, the first step for a company is to submit a commitment letter to the SBTi establishing its intent to set a science-based target. By signing the SME Target Setting Letter, SMEs commit to working towards achieving a scope 1 and 2 targets, measuring scope 3 emissions, and publicly reporting their scope 1 and 2 emissions and target progress on an annual basis.

However, MxEP will direct PCs with more than 500 employees to the regular SBTi validation route.

In the longer term, Mérieux Equity Partners aims to reach Net Zero by 2050.



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# OUR ALIGNMENT WITH PARIS AGREEMENT

- Emissions reduction strategy

Overall, considering the sectoral specialization of Mérieux Equity Partners investments in the Health sector, MxEP priority will not be divestiture from high-carbon sectors/companies. Rather, MxEP will engage its PCs to develop and improve their climate plans including through a transition to low-carbon business models.

Mérieux Equity Partners emissions reduction strategy will involve the following pillars:

- Training:
    - MxEP plans to train 100% of its investment teams about Climate change and climate-related risks.
    - MxEP plans to engage its PCs to train management and employees on Climate change and climate-related risks.
  - Exclusions : MxEP is strategically and structurally focused on financing the healthcare sector. Mérieux Equity Partners commits to remain 100% focused in this sector and as a result we will not finance activities primarily related to the production (extraction, refinery, etc.) of coal, non-conventional fossil fuel or even conventional fossil fuel (including petrol and fossil gas (so-called “natural gas”)).
  - Development of SBT coverage at PC level (cf. previous section)
  - Definition of high-level emissions reduction road maps at PC level (cf. previous section)
  - Progress tracking will be included in annual ESG reporting
  - The opportunity of obtaining a climate label was also assessed. It appears that currently the most robust labeling systems (such as greenfin) are not suited to Mérieux Equity Partners’ investments.
- 
- **Offset residual emissions which cannot be reduced**

Mérieux Equity Partners will likely consider offsetting its residual emissions at a later stage through the development of nature-based projects. In line with best practice, Mérieux Equity Partners wants to focus its initial efforts on measuring and reducing our emissions. Offset options will therefore be assessed at a later stage.

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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

In 2023, Mériex Equity Partners (MxEP) conducted its first biodiversity maturity and materiality assessment with the objective of kickstarting the integration of Nature into its investment decisions and establishing a strategy and roadmap to manage nature-related dependences, impacts, risks and opportunities at the Group level.

During that year, MxEP teams gained maturity and expertise on the subject: The 29LEC report was published for the first time, enabling teams to take ownership of the topic, and an introductory session on Nature took place in Annecy in October 2023 during the company's annual internal seminar. This session contributed to raising awareness on the subject and to explaining why strengthening the company's ESG policy and practices on Nature was key to sustainably profitable activities in the long term.

In 2024, Mériex Equity Partners continues to gradually integrate Nature in its internal practices and in its ESG engagements with PCs throughout the investment cycle. Notably, 2024 marks the publication of the Mériex Equity Partners' Nature strategy, the structuring component of MxEP's efforts for Nature.

## NATURE, A KEY COMMITMENT FOR MERIEUX EQUITY PARTNERS

- **NATURE IS AT THE FOREFRONT OF ESG AGENDAS**

Biodiversity is the source of many goods and services used by humans in their daily activities, including food, raw materials, water filtration, pollination, flood and erosion prevention, etc. Whether directly or indirectly, all human activities are dependent on these different contributions offered by nature, formally called ecosystem services. In fact, more than 50% of the world's GDP[1] depends moderately to heavily on them. In its 2019 report[2], the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), warned that biodiversity was eroding at an unprecedented rate, which is already causing serious damage to human wellbeing and activities.

The awareness of the urgency to tackle nature-related risks and biodiversity erosion has brought into being the Global Biodiversity Framework (GBF) (Figure 1) in December 2022, defining the pathways for the conservation and sustainable use of biodiversity for the next decade and beyond.

[1] Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, WEF, 2020

[2] Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, IPBES, 2019

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

## The Kunming-Montreal Global Biodiversity Framework (GBF)

The GBF adopted in 2022 is a nation-wide agreement composed of 4 milestone goals, underpinned by 23 action-oriented targets. These targets will be translated into national-level policy through National Biodiversity Strategy and Action Plan updates.



Important biodiversity targets for aligning financial flows include Target 14, 15 and 19, calling for enabling financial policies and regulations, assessment and disclosure of biodiversity dependencies, impacts, risks and opportunities as well as an increase of financial resources from all sources.

*Figure 1: the biodiversity framework*

Financial institutions are increasingly aware of the urgency and of the major role they can play in closing the biodiversity financing gap and meeting the GBF overarching goal to 'halt and reverse biodiversity loss by 2030'. By aligning their portfolios with the GBF goals and targets and shifting financial flows from nature-negative toward nature-positive activities, these actors can actively contribute to the protection and restoration of biodiversity.

MxEP has responded to this call for action by embarking on a process to align its strategy to the objectives of the GBF.

## • OVERVIEW OF FRAMEWORKS AND REGULATIONS

The year 2023 was marked by an unprecedented dynamic on nature and biodiversity. Numerous publications have been produced and many events have taken place, bringing Nature to the forefront of the environmental scene.

The CSRD (Corporate Sustainability Reporting Directive) which is a pan-European regulation that should apply to more than 50,000 companies by 2026 requires them to address issues such as carbon, pollution, water, biodiversity and the circular economy. It seeks to standardize non-financial reporting by companies, enhancing the consistency and quality of publicly available data. Notably, these new standards will impact a vast array of organizations, coming into effect on January 1st, 2024. It concerns EU businesses — including qualifying EU subsidiaries of non-EU companies — to disclose their environmental and social impacts, and how their environmental, social and governance (ESG) actions affect their business (double materiality perspective). To date, nearly 50,000 companies are identified as being concerned by the CSRD directive. The European Financial Reporting Advisory Group (EFRAG) is responsible for the new directive standards on behalf of the European Commission. In December 2023, the European Sustainability Reporting Standards (ESRS) were published in the Official Journal of the EU as legally binding.

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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

The rise of ESG and Nature regulations and frameworks (such as TNFD, SBTN, GRI...) has prompted significant changes in the finance industry in general, and particularly in private equity and among French investors who increasingly recognize the importance of integrating ESG and Nature into their investment strategies and operations. This shift is reflected in the growing number of firms establishing dedicated ESG teams, adopting sustainable investment policies, and incorporating ESG and Nature-related metrics into their investment decision-making processes. The structuring of their strategy around ESG and Nature is becoming more sophisticated, with firms developing specialized expertise and tools to assess and manage their risks and opportunities, one of their aims being to protect the long-term value of their investments. As the industry continues to evolve, it is expected that ESG and Nature considerations will become an even more integral part of financial actors' investment approach.

Mérieux Equity Partners is actively integrating ESG and Nature considerations into its own activities and those of its portfolio companies (PCs), demonstrating its commitment to contributing to the global push for sustainability and environmental protection.

- **MERIEUX EQUITY PARTNERS' NATURE STRATEGY**

- **Overview of the strategy**

The health sector's intrinsic reliance on Nature is evident: the global healthcare system is heavily reliant upon ecosystems for essential resources such as, among the many, clean air, water, and medicines. However, ecosystems disruptions, including deforestation, climate change, and biodiversity loss, can result in the overexploitation of natural resources, supply chain disruptions, and the exacerbation of health issues.

Mérieux Equity Partners, in recognition of this critical interdependence, embarked on a reflective journey in 2022-2023, assisted by an external consultancy firm. This effort aimed to raise awareness about the importance of Nature among internal stakeholders. Progressing into 2023-2024, MxEP shifted its focus towards the co-construction of a comprehensive strategy. This strategy aims to foster environmental-friendly practices at internal level and to integrate Nature into investment practices within its Growth Buy-Out (GBO) and Venture Companies (VCs) strategies.

MxEP's ambition is **to lead the health sector towards a sustainable future by actively contributing to a positive transition towards Nature**. This ambition is articulated through three main goals:

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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

1

**Aligning with the Global Biodiversity Framework and the One Health Approach,** thereby contributing to the mitigation of biodiversity loss and the preservation of the health of humans, animals, and the environment.

2

**Initiating and accelerating the sustainable transition of GBOs and VCs** by engaging with them and providing support for their Nature journey.

3

**Continuously building capabilities** to achieve transformative targets and make meaningful progress on Nature-related issues.

For a more comprehensive understanding, please refer to the Nature Strategy publication.

## ◦ Governance

The objective of MxEP's new Nature-focused governance model is not only to align its Nature strategy with existing climate and ESG actions, but also to integrate ESG considerations more broadly into the company's and its PC's business models, with a particular focus on Nature. By integrating Nature considerations into its governance model, MxEP can better understand and manage its impacts and dependencies on Nature, while also collaborating with co-investors and PCs to address Nature-related issues.

Mérieux Equity Partners' transversal governance structure around Nature and ESG builds upon two main pillars:

- Internal governance: MxEP aims to align with the expectations and demands of stakeholders by integrating ESG considerations into its investment practices.
- External collaboration: MxEP seeks to actively engage and collaborate with co-investors and PCs on Nature topics.

By jointly addressing ESG and Nature considerations, Mérieux Equity Partners aims to leverage the synergies between these two areas and contribute to broader sustainability objectives. Moreover, MxEP acknowledges that climate change will pose even more severe pressures on biodiversity in the coming years, turning into the primary source of biodiversity decline. As such, the Group is convinced that aligning its current climate-related strategy with biodiversity commitments is key to effectively responding to the challenge.

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

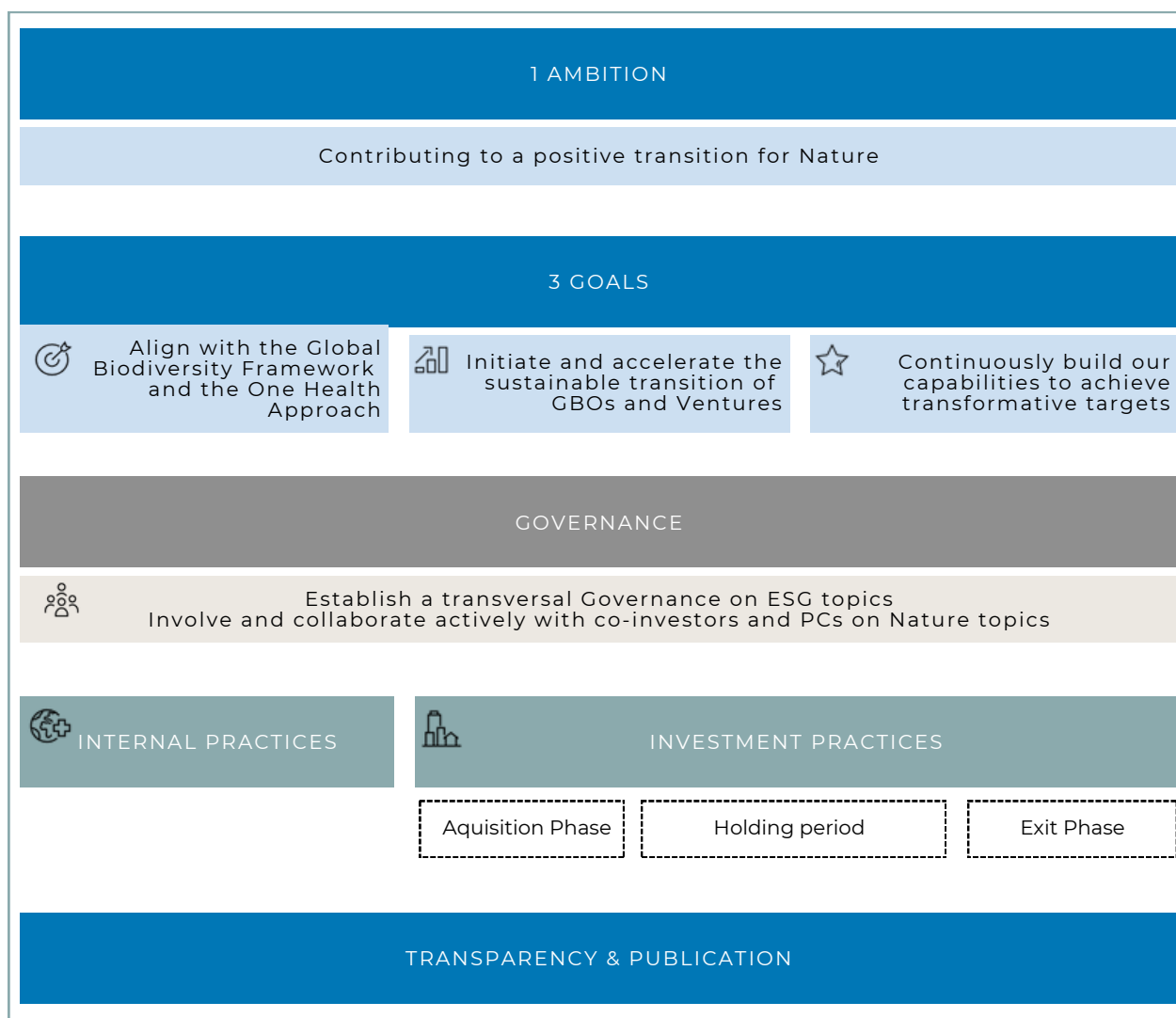


Figure 2 : MxEP's Nature strategy

- OBJECTIVE, SCOPE, AND METHODOLOGY OF THIS ANALYSIS**

In 2023, Mériex Equity Partners conducted its first biodiversity and materiality assessment with the objective to kick-start the integration of biodiversity into its investment decisions and establish a strategy and roadmap to manage biodiversity impacts and risks at MxEP level. To do so, MxEP decided to evaluate the biodiversity-related dependencies, impacts, risks, and opportunities of a selection of investees, chosen through a combination of financial (MxEP's exposure) and biodiversity (PC's activity and value chain) criteria.

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## OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

Eight PCs were analyzed for the first time in 2023 and an updating screening of their biodiversity-related dependencies, impacts, risks, and opportunities was performed in 2024. In 2024, the scope of the analysis was enlarged: the biodiversity-related dependencies, impacts, risks, and opportunities of 2 additional GBO PCs were thoroughly assessed. MxEP aims to assess the biodiversity issues of all the GBO PCs by 2026.

Furthermore, the relation to Nature of 3 of MxEP's Venture PCs was explored for the first time in 2024. Despite the challenges posed by their early development stage and limited capacity, Venture companies present an unparalleled opportunity to embed sustainability into their business models and production practices from an early stage onwards. This ESG integration strategy can bring numerous benefits and competitive advantages, including:

- **Enhanced regulatory compliance:** By staying ahead of increasingly stringent biodiversity and sustainability regulations, these companies can ensure they are consistently compliant.
- **Improved reputation:** A commitment to environmental responsibility can augment these companies' appeal to investors, customers, and employees, thereby enhancing their attractiveness.
- **Improved risk management:** Understanding and mitigating their impacts on biodiversity can help these companies avoid potential risks associated with environmental degradation in the future.
- **Improved cost efficiency:** The adoption of sustainable practices, such as optimized resource utilization and waste reduction, can lower operational costs.
- **Improved access to capital markets:** Demonstrating a dedication to sustainability can attract more funding from investors who prioritize environmental responsibility. It can also allow access to funding targeted to sustainable activities.
- **Encourage innovation:** Incorporating nature into their operations can stimulate innovative solutions, providing these companies with a competitive advantage.
- **Long-term viability:** Guaranteeing the sustainability of their operations can safeguard their future "license to operate" in an increasingly environmentally conscious world.

To conduct the biodiversity and materiality assessment of its GBO PCs, MxEP circulated a biodiversity questionnaire (in a Google Form format) created with a consulting firm based on the newly issued France Invest guidelines and drawing upon the new sustainability-related disclosure requirements that will be shortly introduced in the CSRD and the ESRS. The detailed questionnaire was preceded by an initial section dedicated to sensitization and context setting before proceeding to the actual questions. The proposed biodiversity questionnaire matched the architecture of the Environmental ESRSs and is designed to initiate and familiarize the investees to the approach adopted by the EU in its new sustainability reporting mechanisms. MxEP aims for this biodiversity questionnaire to be the starting point of a collaborative and synergic dialogue with its PCs on Nature-related issues in the perspective of cocreating Nature journey for each GBO company.



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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

Regarding VCs, MxEP opted for a simpler questionnaire, containing few open-ended questions but with many links to relevant resources for understanding the Nature issues from a Venture's point of view. The aim was threefold: to have an educational questionnaire, to raise awareness and to collect data.

1-hour interviews were then conducted with each PC (all eight GBO PCs and three Venture PCs), beginning with a brief sensitization session to raise awareness about the evolving trends and regulatory development in the Business and Nature contexts. The objectives were to learn more about the PCs' activities and practices, gather their information on the questionnaire, and discuss their perspectives and approaches to Nature.

To complement and complete this biodiversity assessment, the impacts, and dependencies of each of the eight GBO PCs were evaluated through the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) database. The ENCORE database is among the most widely used tools to conduct biodiversity double materiality assessments.

This analysis highlighted the fact that GBO and Ventures PCs are gradually acquiring greater expertise in Nature issues, for regulatory, economic, or conviction-based reasons. The companies consulted showed a strong interest in understanding their impacts, dependencies, risks and opportunities in relation to nature. Similarly, the companies wanted to benefit from practical guides and training to continue improving their skills.

- **BIODIVERSITY DOUBLE MATERIALITY ANALYSIS**

- **Approach adopted**

In 2023, Mérieux Equity Partners conducted a biodiversity double materiality analysis using the ENCORE database at both the portfolio and PC level. This year, the same approach was adopted, and the analysis was expanded to include three venture PCs and two more GBO PCs in addition to the eight GBO PCs assessed in 2023. The ENCORE database was chosen for its recognized scientific soundness, open-source accessibility, and user-friendly interface. It is recommended by the Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-Based Targets Network (SBTN) frameworks.

The ENCORE database provided MxEP with a high-level understanding of the portfolio's main dependencies and impacts on biodiversity. The PCs were classified using the GICS sub-industries (level 4), which correspond to the ENCORE sub-industries. This classification was used to retrieve the PCs' dependency and impact scores from the ENCORE database. However, it should be noted that the GICS sub-industries code may not capture the entire breadth of a company's activities, and that data gaps may exist.

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

As previously mentioned, to further enhance the analysis, MxEP also gathered information via the biodiversity questionnaires and interviews to put the dependency and impact scores retrieved from ENCORE into perspective. This allowed for a more granular and quantitative assessment of the companies' specific activities not captured by ENCORE due to its sectoral focus.

The double materiality assessment conducted using ENCORE is an important step for MxEP in achieving its major goal of including the assessment of biodiversity Dependencies, Impacts, Risks and Opportunities in its investment practices, and gathering valuable insights into the portfolio's dependencies and impacts on biodiversity. Through the expansion of the analysis to include Venture PCs and the collection of supplementary data via questionnaires and interviews, MxEP was able to obtain a more complete understanding of the activities and biodiversity impacts of the companies.

- **Results obtained: direct operations at portfolio level**

Previous ESG work allowed Mériieux Equity Partners to classify its PCs among the GICS sub-industries (level 4). Considering that ENCORE sub-industries correspond to GICS sub-industries, the same classification was used to retrieve PCs dependency and impact scores from the ENCORE database. The final split of PCs along ENCORE sub-industries is displayed in Table 3:

ENCORE sub-industry (GICS sub-industry)	Sub-industry definition	% AUM in the portfolio
Life Sciences Tools & Services	Companies enabling the drug discovery, development, and production continuum by providing analytical tools, instruments, consumables & supplies, clinical trial services and contract research services. Includes firms primarily servicing the pharmaceutical and biotechnology industries.	12%
Pharmaceuticals Manufacturing	Companies engaged in the research, development, or production of pharmaceuticals. Includes veterinary drugs.	57%

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

ENCORE sub-industry (GICS sub-industry)	Sub-industry definition	% AUM in the portfolio
Health Care Facilities	Owners and operators of health care facilities, including hospitals, nursing homes, rehabilitation centers and animal hospitals.	23%
Health Care Technology	Companies providing information technology services primarily to health care providers. Includes companies providing application, systems and/or data processing software, internet-based tools, and IT consulting services to doctors, hospitals or businesses operating primarily in the Health Care Sector.	9%

Table 1: ENCORE sub-industries of the GBO PCs

## DEPENDENCIES

Overall, the portfolio displays on average a low dependency to biodiversity, with 10 PCs having a Low or a Very Low average dependency score. This low average however hides **several Medium and High dependencies on specific ecosystem services.**

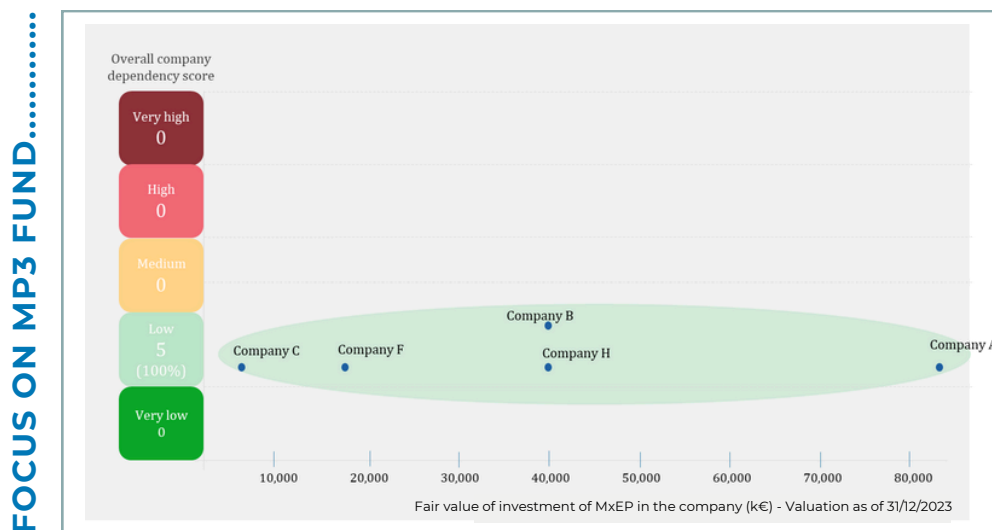


Figure 3 – MP3 Portfolio Companies dependencies on Biodiversity per PC

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

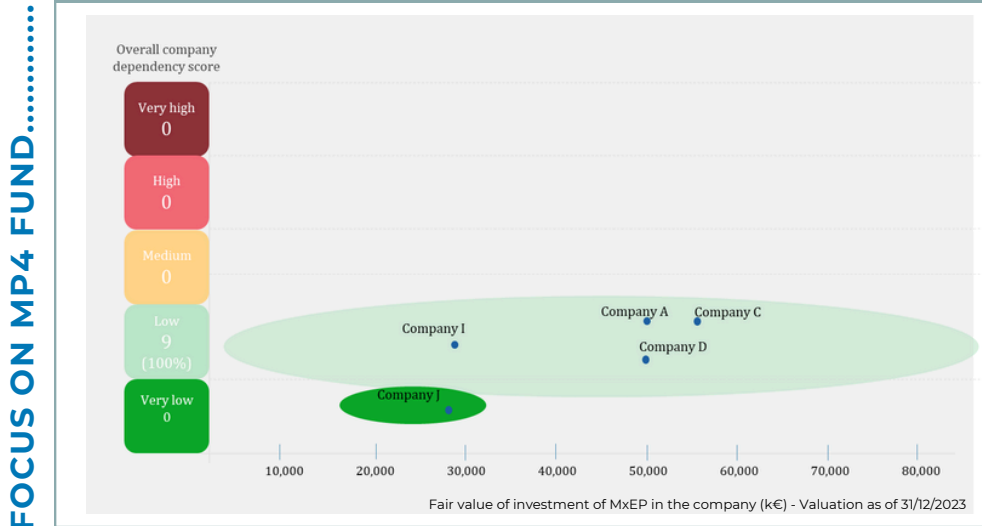


Figure 4 – MP4 Portfolio Companies dependencies on Biodiversity per PC

## IMPACTS

Seven of the 10 PCs analyzed have high impacts on biodiversity, with the most manifest impacts occurring within resource exploitation, water pollutants and soil pollutants. The other three PCs have medium impact on biodiversity.

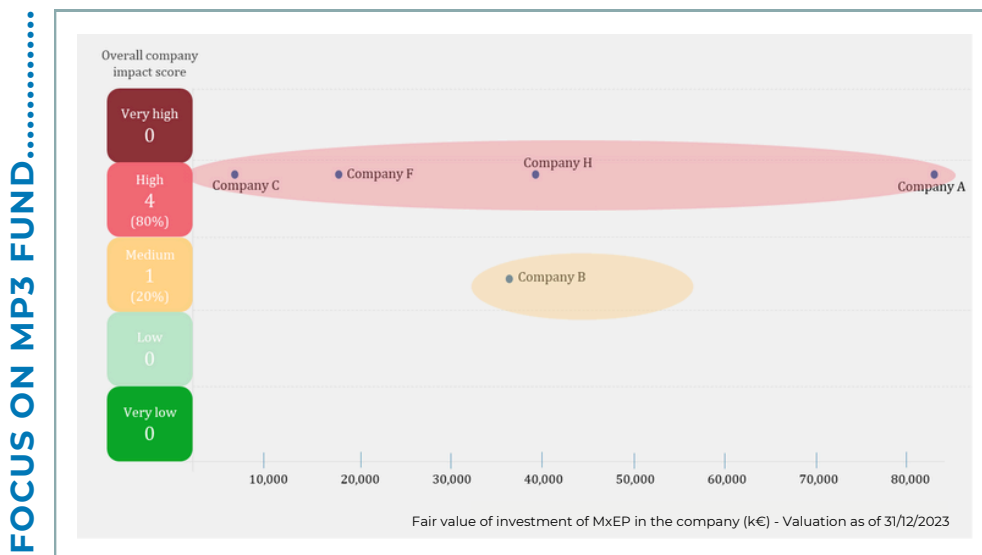


Figure 5 – MP3 Portfolio Companies' impacts on biodiversity per PC

# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

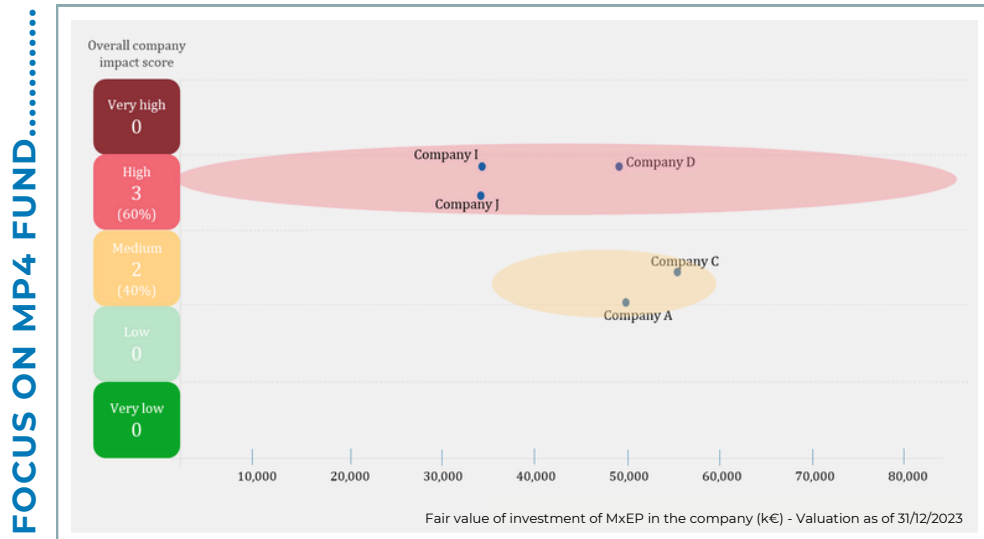


Figure 6 – MP4 Portfolio Companies' impacts on biodiversity per PC

## ◦ Results obtained: upstream portfolio level

In continuation of last year's efforts to investigate the supply chains of portfolio companies (PCs), Mérieux Equity Partners recognizes the importance of understanding and monitoring sustainably the supply chains of its PCs to address biodiversity issues.

As supply chains become increasingly complex and globalized, companies often lack detailed knowledge of their direct suppliers. Through the questionnaire and interviews conducted with the PCs, MxEP gathered qualitative information on its PCs' supply chains. It was found that while the healthcare sector's supply chain seems to have a high traceability, most PCs, and especially venture companies, need guidance and assistance in how to assess the impacts and dependencies of their supply chain on biodiversity. MxEP will consider these insights to guide its interactions with PCs and pinpoint areas for enhancement in sustainable supply chain management.

## ◦ Risks and opportunities

In continuation of last year's analysis, Mérieux Equity Partners has identified the main biodiversity-related risks at PC levels, across direct operations and upstream value chains. By following the biodiversity-related risks classification proposed by the TNFD, PCs are thought to be vulnerable and exposed to the following risks:

- **Water scarcity**, which can significantly impact PCs' production, resulting in higher operating costs, growth constraints, or reduced production capacity.
- **Pollution**, due to waste, discharges, or chemical pollutants, which are important drivers of biodiversity and ecosystem change throughout all biomes, with particularly devastating effects on freshwater.

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## OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

- **Limitation of commercially harvested flora and fauna species**, which can compromise the complexity of the overall system, potentially creating new space for disease and pest emergence.
- **Increased civil society attention** towards greener and environmentally friendly healthcare and pharmaceutical products and processes, as well as business proximity to protected areas, which may lead to reputational risks and reduced consumer demand for PCs' products.
- **Increased raw materials costs**, reducing PCs' negotiation power and profit margins.
- **Tightening of regulations**, resulting in difficulties in receiving approval for products' commercialization, leading to growth restraints.
- **Outdated technologies**, which reduce the efficiency of processes, increase the use of natural assets and discharges, and favor market accessibility to competitors with advanced technology.
- **Lack of financial support** due to reluctance or prohibitions to finance certain activities, or a more general collapse of the financial system resulting from the collapse of water and carbon cycles.

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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

Based on the information gathered through questionnaires and interviews with PCs, some opportunities to turn these risks into positive outcomes were assessed and discussed. These opportunities include:

- **Establishing water management systems**, including treatment, and monitoring for direct operations, and engaging with local stakeholders for actions at the watershed level, and so contribute to improved water availability for their direct and upstream operations. Encouraging suppliers to implement similar water management systems and engage with their own local stakeholders can also lead to more sustainable and resilient supply chains, while protecting local ecosystems and communities.
- **Supporting initiatives for habitat conservation** to maintain the diversity of plant and animal species, which can aid in the selection of optimal species for PCs' businesses. Investing in ecosystem restoration can also minimize disruptions to PCs' vital ecosystem services, benefiting both direct and upstream activities.
- **Enhancing stakeholder engagement** by involving civil society in PCs' business research and development activities, expansion decisions, and other areas, or by partnering with industry actors to push for clearer and more supportive nature-positive regulations, including public financial support. This can improve PCs' reputation, potentially leading to increased product demand and access to nature-positive subsidies and additional private financing options.
- In addition to regularly communicating with suppliers about biodiversity-related data and information to foster a stronger and more transparent relationship, PCs can also seek to **include sustainability criteria** in their quality agreements and contractual agreements with suppliers. This may involve questioning suppliers about their ESG processes and commitments, and pushing for greater traceability beyond direct suppliers for critical raw materials (such as metals, rare earths and other natural resources)
- **Encouraging technological innovation** to meet market and regulatory demands for natural resource efficiency and to align with future consumer preferences.
- **Raising internal awareness on ESG, Nature**, and new reporting frameworks for the CSR team, senior management, and employees to improve understanding and integration of these topics into business operations and decision-making processes.
- **Structuring an ESG governance framework** to integrate the subject in a transversal manner into processes, practices, and decision-making.

The risk and opportunities assessment will inform MxEP's engagement with PCs and support the integration of more environmentally sustainable practices in both MxEP and the PC's activities.

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# OUR ALIGNMENT WITH BIODIVERSITY LONG-TERM OBJECTIVES

## CONCLUSION AND OUTLOOK FOR THE COMING YEARS

In line with the momentum established in the previous year's report, Mérieux Equity Partners has continued to reinforce its commitment to biodiversity. Building upon the foundational work of the biodiversity-specific analysis conducted in 2023, this year saw an acceleration of efforts, culminating in the development of a comprehensive Nature strategy that addresses Nature-related governance and internal practices of MxEP, and of its portfolio companies throughout the investment cycle. Based on the lessons learnt from the first evaluation, significant progress has been made in streamlining the data collection processes from the portfolio companies, in simplifying the questionnaires and including educational elements. This has also enabled an in-depth analysis and assessment of the impacts and dependencies of the PCs on biodiversity. Efforts to extend the scope of the analysis were also intensified, with VCs undergoing double materiality assessments for the first time.

Looking ahead, MxEP remains steadfast in its commitment to implement the objectives outlined in the Nature strategy, ensuring that biodiversity becomes a real core focus area. By leveraging the insights gained from the assessments conducted this year and in previous years, MxEP is well-positioned and better equipped to drive meaningful change and contribute positively to a general trend implementing Nature in ESG and ESG at the core of the business at every step of its investment cycle. As Mérieux Equity Partners embarks on the journey ahead, it reaffirms its dedication to sustainability and pledges to continue striving towards new goals, further integrating ESG to create long-term value.



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# OUR SUSTAINABILITY RISK MANAGEMENT

## CLIMATE-RISK GOVERNANCE

### • GOVERNANCE AND RESPONSIBILITIES

In order to effectively manage climate-related risks, Mérieux Equity Partners is committed to establishing robust governance processes and assigning appropriate responsibilities within the organization.

To fulfill this objective, MxEP has established an 'ESG Risk Committee' as the primary governing body responsible for formulating and executing the Mérieux Equity Partners' strategy for climate-related risks. Certain responsibilities will also be delegated to existing committees, such as the 'Risk Committee', and the 'Management Committee'.

The 'ESG Risk Committee' consists of the ESG manager, the Legal & Compliance manager and the Chief Financial Officer. These key participants in the 'ESG Risk Committee' bear the responsibility of defining and maintaining long-term sustainable objectives.

Specifically, the 'ESG Risk Committee' is responsible for coordinating and conducting tasks and discussions related to climate-related risks, as well as consolidating and communicating these matters to relevant internal and external stakeholders. These tasks include but are not limited to:

- The annual monitoring and reporting of portfolio companies' Carbon Footprints (As defined in the section 'Alignment with Paris Agreement' of this document).
- The definition of GHG emission reduction targets set in accordance with the Paris Agreements and latest scientific recommendations, as well as their enforcement (As defined in the section 'Alignment with Paris Agreement' of this document).
- Defining Mérieux Equity Partners' approach to identifying, prioritizing, assessing, and managing climate-related risks, including the establishment of methodologies such as screening methods, materiality assessment, scenario analysis, financial quantification of significant risks, and the co-creation of a risk mitigation roadmap (along with Risk committee, Fund manager and PC).
- Developing questionnaires and engagement programs for Portfolio Companies, as well as processing and consolidating the data and information reported.
- Strengthening the knowledge and expertise of all Mérieux Equity Partners employees in climate-related matters by providing training sessions and developing informative materials.

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# OUR SUSTAINABILITY RISK MANAGEMENT

The delegation of specific tasks and operations will be assigned to internal stakeholders or committees within MxEP. Here are the responsibilities of each:

## **'Risk Committee':**

The Risk Committee will be delegated the task of defining and validating materiality thresholds, both in terms of financial considerations and climate transition and physical aspects. Based on risk assessment reports provided by the ESG Risk Committee, the Risk Committee will integrate material climate-related risks into their standard risk review process. They will also be responsible for identifying mitigation and adaptation measures, and draft corrective plans.

## **'Management Committee':**

The Management Committee will oversee the entire process and approve the decisions made. Key risks and opportunities will be presented to the Board, along with suggested actions to mitigate risks and capitalize on opportunities. The Management Committee will provide the necessary sign-off on these decisions.

- **CAPACITY BUILDING AND TRAINING PROGRAM**

Mérieux Equity Partners will ensure that internal stakeholders involved in the climate-risk management process are effectively trained on those topics. conduct training sessions to enhance the capacity of all relevant stakeholders involved in the climate-risk management process.

Furthermore, identified portfolio companies will be encouraged to provide training to their relevant external stakeholders, enabling them to acquire the necessary knowledge to report on required indicators and perform the necessary assessments.

- **INCENTIVES FOR LEADERS AND COMMITTEE MEMBERS**

The integration of climate-related risk objectives into the remuneration policy ensures that individuals involved in climate-risk management are motivated and accountable for their contributions towards achieving the organization's climate-related goals.

Since 2021, specific objectives have been established for Executive Officers and Managing Partners. These objectives aim to increase ESG awareness, integrate ESG factors throughout the entire investment cycle, and ensure proper reporting of ESG indicators in the Fund Annual Report and Incident monitoring.

Consequently, ESG objectives are now incorporated into the annual assessment and remuneration of these employees.

# OUR SUSTAINABILITY RISK MANAGEMENT

## MERIEUX EQUITY PARTNERS' APPROACH TO CLIMATE-RISKS MANAGEMENT

Merieux Equity Partners' climate risk strategy and management process aim to identify, assess, and prioritize climate-related risks faced by portfolio companies. This approach has been developed to seamlessly integrate into MxEP processes such as broader risk management, investment, and portfolio management. It was developed in line with TCFD recommendations.

To ensure effective implementation into MxEP investment process, the climate-risk management approach has been divided into two stages: Pre-investment and Ownership.

- **Pre-investment phase:**

- MxEP will conduct a climate pre-screening for every prospect company as a mandatory task in every buyer due diligence.
- If the pre-screening reveals a “high” level of exposure to physical and/or transition risks, (see section 3.a Pre-screening methodology), a high-level risk assessment, including a forward-looking analysis of climate-related trends (i.e., scenario analysis), will be conducted during the due diligence phase.
- Companies believed not to be highly exposed to climate-related risks require no further actions at this stage.

- **Ownership phase:**

- Companies that have already been acquired and have not undergone pre-screening will undergo climate pre-screening.
- If the pre-screening results show “high” risk score levels, an in-depth climate risk assessment will be conducted.
- If significant or material risks are identified, a mitigation plan will be required within a defined timeline (see section 4.a), possibly including a financial quantification of material risks, when deemed relevant.
- If the risk assessment does not reveal any material risk, no further action is required.

This is synthesized in the following table.

	PRE-INVESTMENT PHASE		OWNERSHIP PHASE	
MATERIALITY LEVEL	HIGH	LOW-MODERATE	HIGH	LOW-MODERATE
PRE-SCREENING				
HIGH-LEVEL RISK ASSESSMENT		N/A	N/A	N/A
DETAILED-RISK ASSESSMENT	N/A	N/A		N/A
MITIGATION PLAN	N/A	N/A		N/A

# OUR SUSTAINABILITY RISK MANAGEMENT

## PRE-SCREENING OF MERIEUX EQUITY PARTNERS' PORTFOLIO CLIMATE-RELATED RISKS

In 2024, the climate pre-screening exercise was conducted again to accommodate changes in the investment portfolio, including new investments and divestments. The exercise aimed to assess the potential exposure of each Portfolio Company to both physical and transition climate-related risks. The overarching objective is to allow for prioritization among portfolio companies by identifying the most exposed companies and thus taking them through a more detailed assessment if needed. This section provides a description of the methodology utilized, the assumptions and sources used, and a discussion of the results of the pre-screening exercise.

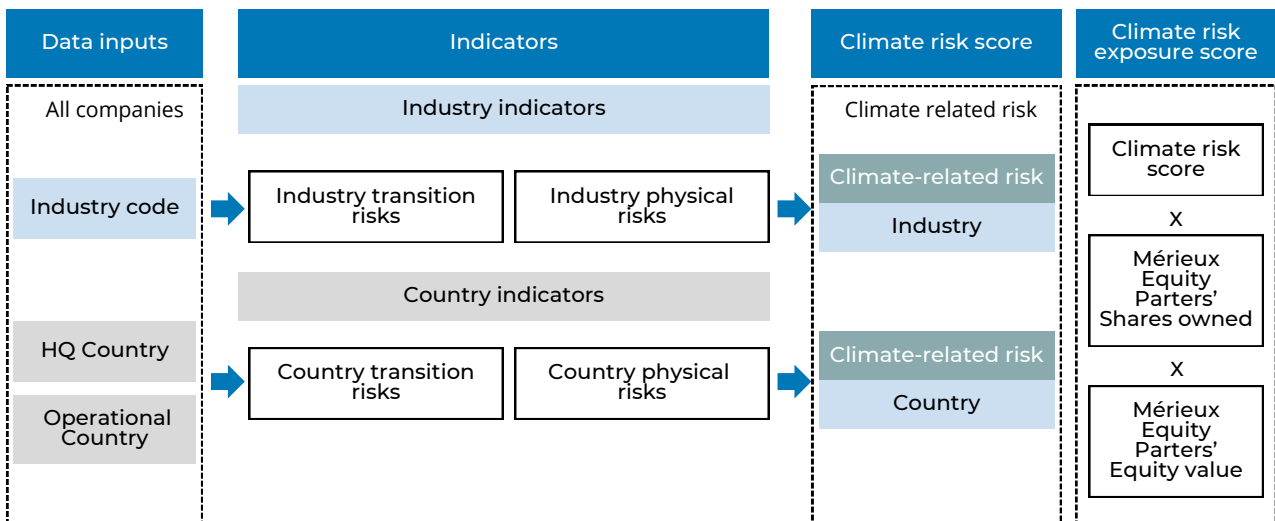
- METHODOLOGY**

The pre-screening exercise uses the companies' industry (GICS level 2) and location (Top 2 countries of operation) to generate climate transition and physical risk scores for each company.

These risk scores are derived from indicators sourced from widely recognized sources. Industry risk indicators are obtained from sources such as the SASB Climate Risk Technical Bulletin and TCFD Annex, while country-specific risk indicators are sourced from organizations like Germanwatch, World Bank, WEF, GFDRR, ND-GAIN and WRI.

The physical and transition risk scores are then combined to create an overall "Climate Risk Score". Subsequently, a final indicator called "Climate Risk Exposure" is generated by integrating two financial metrics: the percentage of shares owned by Mériex Equity Partners in the company and the value of these shares.

The method is summarized in the flowchart presented below:

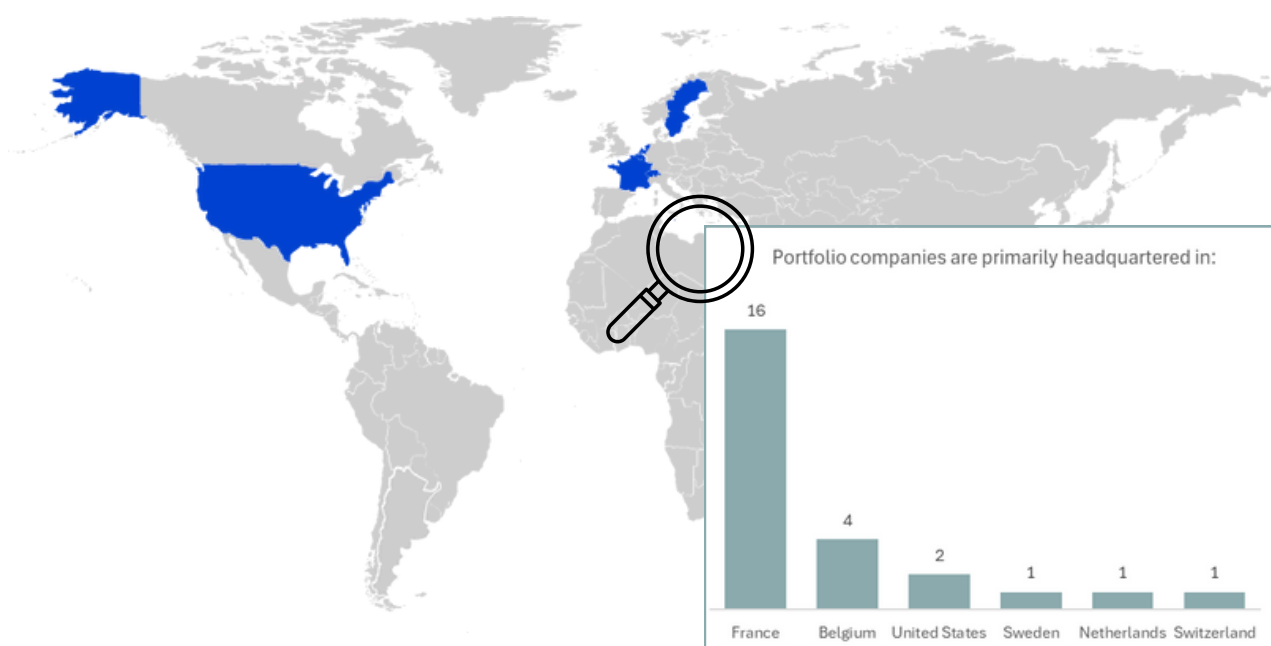


# OUR SUSTAINABILITY RISK MANAGEMENT

- RESULTS PRESENTATION

## OVERVIEW OF MERIEUX EQUITY PARTNERS' PORTFOLIO

Geographic distribution of the 26 portfolio companies:



Industry and sub-industry distribution:

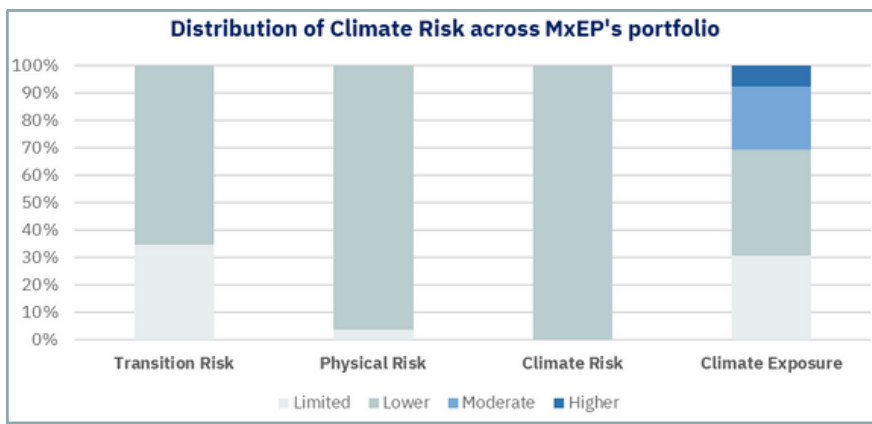
Industry distribution	Sub-industry distribution	
Healthcare Equipment & Services (12)	Healthcare Equipment (3)	Healthcare Distributor (2)
Pharmaceuticals, Biotechnology and Life Sciences (13)	Healthcare Technologies (3)	Healthcare Supplies (1)
	Healthcare Facilities (2)	Healthcare Services (1)
	Pharmaceutical (6)	Biotechnologies (3)
Food & Staples retailing (1)	Life Sciences Tools & Services (4)	
	Food distributor (1)	

# OUR SUSTAINABILITY RISK MANAGEMENT

- RESULTS PRESENTATION

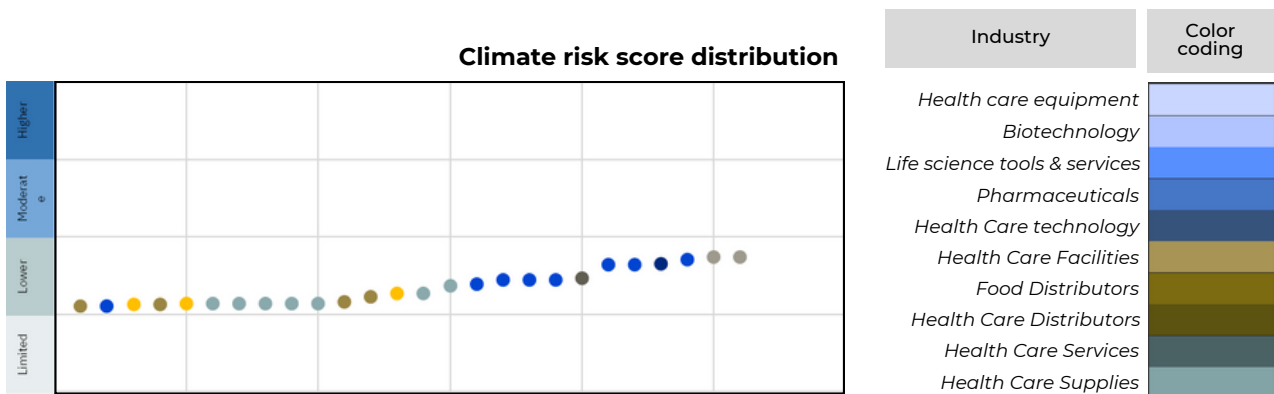
## PORTFOLIO LEVEL ANALYSIS

The graph below depicts the varying levels of risk between Physical and Transition risks in addition to the overall Climate Risk, and the Climate Exposure adjustments (integration of the financial metrics).



Overall, MxEP has a 'Lower' exposure to Climate-related risks, including both for Transition and Physical risks.

The graph below depicts the distribution of companies across Climate Risk Scores categories. Companies have been grouped by sub-industries. Each industry has been assigned with a colour coding which is available in the legend above.



As evidenced in the graph, the highest Climate Risk Score companies operate in the 'Health Care Facilities' sub-industry. Two companies (Nutraceuticals and Plantex) have been reclassified from "Speciality chemicals" to "Food distributor" and "Pharmaceuticals", respectively. Since the sector speciality chemical was particularly exposed to climate risk, MxEP estimated exposure has been significantly reduced compared with the previous assessment.

# OUR SUSTAINABILITY RISK MANAGEMENT

## MERIEUX EQUITY PARTNERS STRATEGY AND ROADMAP FOR PROGRESSIVE ALIGNMENT WITH LEC'S REQUIREMENTS

As part of Mérieux Equity Partners long-term sustainability strategy and in order to progressively align with LEC Art.29 requirements, the Group has elaborated a Climate-related risk roadmap, including a selection of corrective actions and commitments. The outline is presented in the following section.

- **MERIEUX EQUITY PARTNERS STRATEGY TO ALIGN WITH LEC ART. 29**

Mérieux Equity Partners Climate-related risk roadmap builds on the results of the pre-screening exercise carried out in 2023 and updated in 2024, as well as on recommendations from international standards such as the Task Force on Climate-Related Financial Disclosures (TCFD). This Roadmap also takes into account MxEP existing ESG, risk management and investment process, as well as the financial and human resources available to the company. It is linked with the risk management approach detailed in section 2 of this document.

This roadmap is designed to guide the organization in effectively addressing climate-related risks and is presented below:

Mérieux Equity Partners internal roadmap		
Measures	Details of measures	Timelines of implementation
Creation of an 'ESG Risk Committee', definition of roles and responsibilities.	As defined in section 1.a 'Governance and responsibilities', the 'ESG Risk Committee', supported by the 'ESG manager has primary responsibility for overseeing and managing Climate Risk and Opportunity within MxEP. The Committee members will at least meet twice a year to assess the advancement of MxEP's climate-risk strategy implementation, review the objectives and progress of Portfolio Companies, monitor material climate R&O, and establish the strategic direction and future actions for MxEP's climate-risk initiatives. The committee will report annually to the management committee.	2024
Definition of a shortlist of KPIs aligned with applicable regulations	The 'ESG Risk Committee' will compile a list of metrics required for Portfolio Companies to track and report on. This handful of metrics should allow both MxEP and the PCs to comply with applicable regulations (i.e., CSRD, SFDR, LEC art.29 etc) and efficiently manage climate-related risks.	2024



# OUR SUSTAINABILITY RISK MANAGEMENT

Mérieux Equity Partners internal roadmap		
Measures	Details of measures	Timelines of implementation
Development of a standardized reporting questionnaire	To ensure consistency, accuracy, and completeness of the climate-related risk metrics reporting, MxEP will develop a standardized reporting questionnaire containing guidance and detailed definitions for each metric. This questionnaire will be presented and explained to each portfolio company.	2024
Development of PCs alignment roadmap	Subsequently, to the identification of key metrics to be monitored, the 'ESG Risk Committee will elaborate a generic "alignment roadmap" applicable to all portfolio companies. This roadmap is a 24-months journey that contains key milestones and actions to be implemented by PCs to align with MxEP standards. It is detailed in the two tables below.	2025
Training of committee members	<p>Dedicated trainings for each committee members, to ensure fulfilment of their newly assigned missions (see section 1.a and 1.b of this document)</p> <p>The core ESG team will undergo a comprehensive set of training sessions covering the potential business impacts of climate-related risks, current and forthcoming climate-related regulations as well as recognized international frameworks and methodologies for assessing and managing climate-related risks.</p> <p>The Board and Risk Committee will essentially participate in sessions focusing on the business risks posed by climate change, while fund managers upskilling will be centred around regulatory requirements for PCs and assessment frameworks.</p>	2023 - 2026

# OUR SUSTAINABILITY RISK MANAGEMENT

Roadmap applicable to all Portfolio Companies		
Measures	Timeline of implementation for existing PCs	Time of implementation for new investments
Mapping of all existing climate related initiatives, and consolidation in annual reporting.	2024	First 12 months
Completion of the standardized reporting questionnaire	2025	First 12 months
Comply with Mérioux Equity Partners' 'Alignment Roadmap'	2026 - 2028	First 24 months

PC alignment roadmap					
Measures	Details of measures	Pre-investment		Ownership phase	
		Relevant / high risk score	Non relevant / low to moderate risk score	Relevant / high risk score	Non relevant / low to moderate risk score
Conduction of a high-level climate-related risk and opportunity assessment	This assessment is based on a standardized approach provided by a qualified external party. The assessment includes an identification of a short-list of potentially material R&O (risk and opportunity) as well as a scenario analysis of these factors based on most reliable sources (IPCC, IEA, NGFS).	Immediate			
Conduction of a detailed climate R&O assessment	This assessment is based on a standardized approach provided by a qualified external party. Compared to the "High-level" assessment, the approach is further tailored to the company specificities. The assessment includes an identification of a long-list of potentially material R&O as well as a scenario analysis of these factors based on most reliable sources (IPCC, IEA, NGFS).	Only for critical risks / red flags		Within 12 months	

# OUR SUSTAINABILITY RISK MANAGEMENT

PC alignment roadmap					
Measures	Details of measures	Pre-investment		Ownership phase	
		Relevant / high risk score	Non relevant / low to moderate risk score	Relevant / high risk score	Non relevant / low to moderate risk score
Development of climate-related R&O strategy and definition of company policy	<p>The policy should give a view on how the company plans to integrate climate risks in existing risks management processes, and in overall business strategy. It defines a clear governance structure and responsibilities within the organization. It also states the KPIs to be monitored and resources available.</p> <p>The Strategy outlines the company ambition and the key steps to be taken to achieve this ambition. It mainly builds on the results of the Climate risk assessment previously carried out.</p>			Within 24 months	
Development of a mitigation plan	<p>The mitigation plan describes actions of reduction, mitigation, and adaptation to the risks identified, with short-, medium- and long-term objectives, and detailed processes to reach targets. This plan should be attached to the company policy and strategy once elaborated.</p>			Within 36 months	
Conduction of financial quantification of material Climate-related R&O	<p>For each material risk identified during the high-level or detailed risk assessment, potential impacts on business will be quantified. Expected impacts on financial performance (sales, CAPEX, OPEX), costs &amp; revenues will be evaluated, as well as the cost associated with the implementation of reduction, mitigation, adaptation measures identified in the Climate R&amp;O strategy). A tailored calculation approach will be developed for each Portfolio Company.</p>			When deemed relevant by Mérieux Equity Partners	

# OUR SUSTAINABILITY RISK MANAGEMENT

PC alignment roadmap					
Measures	Details of measures	Pre-investment		Ownership phase	
		Relevant / high risk score	Non relevant / low to moderate risk score	Relevant / high risk score	Non relevant / low to moderate risk score
Review and update of existing processes and assessments	Risk and Opportunity assessment should be updated annually with any additional information coming in. The scenario analysis component of the analysis should be reconducted every 5 years. The company strategy and policy should be updated annually based on progress and change in the group ambition and orientations.			Annually	

- **CLIMATE RISKS AND OPPORTUNITY ASSESSMENT METHODOLOGY**

As described in the above roadmap, portfolio companies estimated to be highly exposed to physical and transition risks will be requested to perform a climate-risk assessment at a given point in time. The depth of the risk assessment will differ between companies entering the pre-investment phase or the ownership phase. What essentially differs between a detailed and high-level risk assessment is the number of risks considered and the granularity of the scenario analysis and assessment of the potential impacts.

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