Entrepreneurs en capital

ARTICLE 29 REPORT - LOI ENERGIE CLIMAT (LEC)

AS OF 31 DECEMBER 2023

Signatory of:

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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 invested amounts 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.

Furthermore, to comply with SFDR calculation methodologies, the ratios of portfolio coverage are not calculated as percentage of invested amounts but as a percentage of the valuation of the fund's investment in shares of portfolio companies (excluding convertible bonds, bonds et shareholder loans). This valuation is called "Equity Value" in this report.

Scopes	Scope description	# of portfolio companies as under the scope defined *(as of 31/12/2023)*	Equity Value under the scope defined *(in % of total Equity Value as of 31/12/2023)*
Total ESG Scope	**Portfolio companies which invested amounts are > €5m**	**78**	**96%**
Full ESG Questionnaire	MID Portfolio companies as well as SMALL Portfolio companies upon investment teams' request	**62**	**88%**
Rated companies	Portfolio companies which provided sufficient answers to the Full Questionnaire	*53*	*84%*
Carbon analysis	Portfolio companies which have performed their own carbon footprint or have provided sufficient data to estimate it	*49*	*82%*
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**	**8%**
Companies eligible to pre-investment analysis	• Companies first invested by Naxicap Partners after 2016 *(excluding historical portfolio under management of management companies[2] acquired in 2022)*	**48**	**87%**

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

SHARE OF EQUITY VALUE UNDER ESG SCOPE IN 2023:

96%

(78 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.

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 or weapons of any kind, 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*

All investment notes include an ESG and climate analysis. The analyses highlight the main ESG risks, opportunities and recommendations and are considered when making an investment decision.

Each investment opportunity is subject to an in-depth study which is formalized in an Investment Note. 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's management, Naxicap Partners' image, or lead to a project being withdrawn before being presented to the Investment Committee, the analysis of sustainability risks presented to the Investment Committee aims to define challenges and to establish the ESG action plan to be implemented in the company in which funds under Naxicap's management would become shareholders. Investment decisions, based on the study of the strategic, financial, social, and organizational aspects of the target company, consider the impact of the sustainability risk, likely to have a negative impact and therefore require significant investments. The Head of Risk, Compliance and Internal Control attends each investment committee meeting.

1.3.1.3. *Undertake ESG due diligence*

ESG due diligence are mandatory pre-investment for companies in which Naxicap invests. The due diligence, 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.

2023 performance	TOTAL ESG Scope
100% OF ESG DUE DILIGENCE carried out **(7 ESG DUE DILIGENCE** carried out, out of the **7** new investments of eligible Portfolio companies[3]) **100%** OF ELIGIBLE EQUITY VALUE (in 2023)	**90% OF ESG DUE DILIGENCE** carried out **(43 ESG DUE DILIGENCE** carried out, out of **48** eligible Portfolio companies**)** **86%** OF THE PORTFOLIO'S ELIGIBLE EQUITY VALUE (as of December 2023)

[3] Including two new transactions in 2023 in companies for which due diligence was carried out respectively in 2017 and 2022 for the first investments made by Naxicap Partners' management. For one of these companies, ESG due diligence was also carried out after the investment to update the latest data.

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. ESG clause are mandatory for Companies first invested by Naxicap Partners after 2016 as a majority shareholder.

2023 performance	TOTAL ESG Scope
100% OF ESG CLAUSE in the shareholders agreement (**7** out of **7** Portfolio companies) **100%** OF ELIGIBLE EQUITY VALUE (in 2023)	**93% OF ESG CLAUSE** in the shareholder agreement (**39** out of **42** Portfolio companies) **86%** OF THE PORTFOLIO'S ELIGIBLE EQUITY VALUE (as of December 2023)

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* - 62 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:
78% OF PORTFOLIO COMPANIES ANSWERING THE **ESG REPORTING QUESTIONNAIRE**[4] (**61** out of **78** eligible Portfolio companies) **94%** OF THE PORTFOLIO'S TOTAL ELIGIBLE EQUITY VALUE (as of December 2023)

[4] Share of portfolio companies under ESG scope that answered more than 66% of the ESG questionnaire

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. Adopting an ESG roadmap is encouraged for all companies under the Total ESG Scope. However, for companies where Naxicap is a majority shareholder, board validation of the roadmap is considered mandatory.

However, with the integration of the Alliance Entreprendre and Bee-Up Capital portfolios, the portfolio companies under management of these two management companies have not been included in this process of defining ESG roadmaps for 2023. Only the historical portfolio of Naxicap Partners has been considered.

<u>PORTFOLIO analysis:</u>

91% OF PORTFOLIO COMPANIES WITH FORMALIZED **ESG ROADMAP**

VALIDATED BY SUPERVISORY BOARD

(**48** out of **53** eligible Portfolio companies)

93% OF THE PORTFOLIO'S TOTAL ELIGIBLE EQUITY VALUE (as of December 2023)

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 diligence is conducted for all investments where a financial vendor due diligence has been undertaken. For 2023, there is 1 Naxicap exit 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.

<u>PORTFOLIO analysis:</u>

40% OF ESG VDD conducted

(**2** out of **5** eligible Portfolio companies)

1.4. Content, frequency and means of information to investors

1.4.1. Reporting on funds and portfolio ESG performance

Data collected via the Greenscope 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.

1.4.2. Green Taxonomy reporting (Article 8 of Regulation (EU) 2020-852)

The investments by Funds under Naxicap management do not take into account the European Union's criteria for environmentally sustainable economic activities. Therefore, there is no obligation to report on Portfolio companies' eligibility nor alignment with the first two objectives of the EU Green Taxonomy (Climate change Adaptation and Mitigation).

1.4.3. SFDR reporting

Transparency of Principal Adverse Impacts

Naxicap Partners, LEI 969500ZHY187JNP24369, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of **Naxicap Portfolio Companies under ESG Scope**.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1, January to 31 December 2023.

The material principal adverse impacts on sustainability factors are identified at the time of the prior investment screening and factored into the ESG action plans to be implemented to reduce the negative impacts of the Portfolio Companies.

The Management Company has the necessary tools and resources to meet the requirements of the SFDR Regulation regarding the assessment of negative impacts, in particular through the data collected from the Portfolio Companies.

The Management Company has engaged work with the Portfolio Companies to put in place processes, information systems and the means to provide reliable, complete and consistent data to meet the reporting requirements of the SFDR Regulation.

- During ESG Due Diligence, the Management Company requires auditors to collect relevant and available Principal Adverse Impacts data and report it in a standardised table.
- During holding period, the Management Company provides Portfolio Companies with a reporting platform to collect and consolidate PAI indicators.
- Performance on said indicators is presented in the table here below.

Disclaimer:
For carbon emissions, when 2023 data was not available, we used latest available data (31.12.2022).

Adverse sustainability indicator		Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Greenhouse gas emissions	1.GHG emissions	*Scope 1 GHG emissions*[5]	*tCO2e*	23,992 Scope: 49 portfolio companies	25,614 Scope: 47 portfolio companies	A wide diversity of sectors is represented within Naxicap Portfolio, with a high impact from Portfolio Companies within manufacturing industry (chemicals construction, automotive) manufacturing chemicals) which have the highest scope 1 emissions.	22 Portfolio Companies have conducted their own independent carbon footprint. These companies represent 48% of Naxicap Equity Value under ESG scope and 97% of the Portfolio Global GHG emissions. We encourage companies in defining quantified emission reduction targets. We also aim to improve data collection for missing portfolio companies.
		Scope 2 GHG emissions	*tCO2e*	7,219 Scope: 49 portfolio companies	14,339 Scope: 42 portfolio companies	Scope 2 emissions primarily come from portfolio companies operating buildings and facilities, such as care establishments and gyms.	We encourage companies in defining quantified emission reduction targets. We also aim to improve data collection for missing portfolio companies.
		Scope 3 GHG emissions	*tCO2e*	9,312,024 Scope: 49 portfolio companies	10,772,044 Scope: 53 portfolio companies	Scope 3 emissions mainly stem from one Portfolio Company within the freight industry. The second largest carbon emitter with the most important Scope 3 GHG emissions specialises in the distribution of electronic home devices. Other Portfolio Companies with highest Scope 3 mainly operate in the manufacturing industry (chemicals construction, automotive).	We encourage companies in defining quantified emission reduction targets. We also aim to improve data collection for missing portfolio companies and enhance collaboration with external stakeholders, including providers, to improve collaboration in measuring scope 3 GHG emissions.

[5] GHG emissions are weighted by the % of ownership (funds' ownership in the company)

Adverse sustainability indicator	Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
	Total emissions	*tCO2e*	9,343,235 Scope: 49 portfolio companies	10,811,998 Scope: 54 portfolio companies	Carbon emissions primarily stem from a Portfolio Company operating within the freight industry. The second largest carbon emitter specialises in the distribution of electronic home devices. Other highly emissive companies mainly operate within the manufacturing industry (chemicals construction, automotive).	Most emissive portfolio companies have conducted carbon footprints, or plan to. Quantified GHG emissions reduction targets have yet to be defined. Improve data collection for missing portfolio companies.
2. Carbon footprint	Carbon footprint in tonnes of CO2 equivalent per million euros invested	*tCO2e/€m invested*	2,157 Scope: 49 portfolio companies	2,839 Scope: 54 portfolio companies	Carbon emissions primarily stem from a Portfolio Company operating within the freight industry. The second largest carbon emitter specialises in the distribution of electronic home devices. Other highly emissive companies mainly operate within in the manufacturing industry (chemicals construction, automotive).	Follow-up of Portfolio Companies' carbon reduction plans. Improve data collection for missing portfolio companies.
3. GHG intensity of investee companies	GHG intensity of investee companies	*tCO2e intensity/ €m invested*	3,494 Scope: 49 portfolio companies	3,247 Scope: 54 portfolio companies	The two Portfolio Companies with the highest carbon intensity/€m of revenues, operates respectively within the freight industry and within the distribution of electronic home devices. They both have assessed their carbon footprint and are currently working on defining GHG emissions reduction plan. Other companies with important carbon intensity/€m of revenues all have manufacturing activities.	Support Portfolio companies in defining GHG emissions reduction plans and targets. Engage with companies with manufacturing activities on a carbon footprint assessment and reduction plan.
4. Exposure to companies active in the	Share of investments in companies active in the fossil fuel sector	*%*	0.4%	0.2%	As of December 31st, 2023, only two companies of the portfolio are active in fossil fuel activities (0.4% of the Equity Value). The first one manufactures and sells valves for international	These two companies aim to diversify their source of revenues, wining contracts in other sectors (nuclear power sector, water and

Adverse sustainability indicator	Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
fossil fuel sector					companies in oil and gas, and the second one manufactures and designs vats, tanks and storage facilities, piping and industrial boilermaking.	biofuel storage, etc.). The share of revenues from Oil and Gas sector should remain low in these Groups' total revenues and are closely monitored.
5. Share of non-renewable energy consumption and production	*Share of energy consumption by investee companies from non-renewable energy sources compared with that from renewable energy sources, expressed as a percentage of total energy sources (%)*	*%*	77%	80%	According to reported data for 2023, 34 Portfolio Companies used between 2% and 90 % of renewable energy.	Verify reported data with portfolio companies and promote renewable energy sources. However, the increase in energy prices has weighted on every companies' finance, and electricity contracts are difficult to renegociate.
	Share of energy production of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources (%)	*%*	0%	0%	None of the companies have installed renewable energy production capacities.	None of the companies plan to install renewable energy production capacities.
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	*GWh/€m invested*	0.0252	0.0056	*n.a*	Accompany Portfolio Companies with activities in high impact climate sectors to help them further reduce and optimise their energy consumption and turn to more sustainable and renewable energy sources.
	A- Agriculture, forestry and fisheries	*GWh/€m invested*	0	0	*n.a*	*n.a*

Adverse sustainability indicator	Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
	B- Industries extractives	*GWh/€m invested*	0	0	*n.a*	*n.a*
	C- Manufacturing industry	*GWh/€m invested*	0.0226	0.0032	20 Portfolio companies have manufacturing activities. These companies operate in a wide range of sectors, including healthcare and chemicals, furnitures manufacturing and industrial equipment manufacturing.	n.a
	D- Production and distribution of electricity, gas, steam and air conditioning	*GWh/€m invested*	0	0	*n.a*	*n.a*
	E- Water production and distribution; sewerage, waste management and pollution control	*GWh/€m invested*	0	0	*n.a*	*n.a*
	F- Construction	*GWh/€m invested*	0.0001	*n.a*	Only one Portfolio company operates within the construction sector. The company specialises in buildings insulation *(no data reported in 2022).*	*n.a*
	G- Wholesale and retail trade; repair of motor vehicles and motorbikes	*GWh/€m invested*	0.0015	0.0014	10 Portfolio companies have wholesale and retail activities.	*n.a*
	H- Transport and storage	*GWh/€m invested*	0.0010	0.0010	Only one Portfolio Company, having freight activities, operate in the Transport and storage sector.	*n.a*
	L- Real estate activities	*GWh/€m invested*	n.a	n.a	Six Portfolio companies have real estate activities, however none have reported their energy consumption.	Improve energy consumption reporting.

Adverse sustainability indicator		Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	*%*	3%	0%	A portfolio company has several sites (campgrounds) located in France and in Netherlands, that can have an impact on biodiversity (artificialisation, environmental fragmentation). Thanks to our continuous dialogue, the Group has developed a better conscious of its impacts on biodiversity and now recognises it has impacts (vs 2022: "no impact")	A Portfolio company with negative impacts has initiated biodiversity protection efforts, such as a mapping of risks and impacts on biodiversity, employees training, and adaptation initiatives (revitalisation of biodiversity ecosystems). For other portfolio companies, we aim to verify reported data with portfolio companies and raise their awareness on biodiversity challenges and risks that may impact their activities *(as presented in further details in part 5. Biodiversity alignment strategy)*
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	*t/€m invested*	0.0227	*n.a*	Two portfolio companies generate emissions to water. One manufactures pharmaceutical ingredients and products and has generated 5.5 tons of emissions to water in 2023. The second portfolio company manufactures automotive and industrial paint booths and has generated 0.078 tons of emissions to water in 2023. No data available in 2022.	Over 2022-2023, the first portfolio company has reduced its water consumptions by 10%. In 2023, the Group has decided to study the feasibility of building a water treatment plant to reduce its water consumption (though direct recycling) and water emissions. Project validation is planned for 2024. For the second portfolio company, emissions to water are closely monitored and measured by an external laboratory.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	*t/€m invested*	0.51	0.68	The portfolio company that generated the most hazardous waste in 2023 operates in the sector of paint and resin chemicals, with 2,214 tons of hazardous waste emitted. The portfolio company with the second highest level of hazardous waste generated manufactures chemicals and healthcare products (1,846 tons of hazardous waste in 2023).	The first portfolio company has identifed key actions to manage and minimise hazardous waste production when possible (e.g., Periodical analysis on the volumes of major air pollutants or ambient air quality monitoring, identification of more eco-friendly processing materials, work processes or technologies implemented to mitigate emissions of dust and/or particulate matter, waste management measures in place (reuse, recycling)).

Adverse sustainability indicator		Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
						Other portfolio companies have also generated hazardous waste due to manufacturing processes or WEE management.	The second one has defined a 30% waste valorisation objective for 2023, and reported 68% valorisation in 2023.
		INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	*%*	0	0	*n.a*	*n.a*
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for	*%*	88.5%	87.6%	Most Portfolio Companies are either small or mi-sized companies. They are not multinational companies. Out of 62 portfolio companies that responded, 5 have implemented a policy or mechanism for addressing grievances related to the UN Global Compact principles or the OECD Guidelines. Additionally, 72% of the 61 companies that answered have a Code of Conduct, and 61% of the 62 respondents have a whistleblowing mechanism.	Where relevant, we encourage Portfolio Companies to adopt good governance practices and conduct, in compliance with business ethics. The implementation of a whistleblowing process is also encouraged (in compliance with French Sapin II Law for companies with more than 50 employees).

Adverse sustainability indicator		Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
		Multinational Enterprises					
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	16.3%	15.4%	Portfolio companies have low levels of unadjusted pay gaps in average. Several portfolio companies operating in the industrial, logistics, and financial sectors have a higher unadjusted gender pay gap. Overall, 11 portfolio companies have an unadjusted gender pay gap exceeding 30%. For 7 portfolio companies, women average pay is above men average pay.	We will further analyse these ratios to have a clearer understanding of pay gaps on similar job positions.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	%	18.2%	22.3%	13 portfolio companies have more than 40% female board members, with 8 of these companies having more than 50% female board members. 10 Portfolio Companies do not have female members at board level.	Gender equality is part of our commitments. We plan on promoting this topic towards portfolio companies in 2024.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	%	0%	0%	*n.a*	*n.a*

Adverse sustainability indicator		Metric	Unit	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned, and targets set for the next reference period
		OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investment in companies that have not taken initiatives to reduce their carbon emissions in order to comply with the Paris Agreement (%)	*%*	83%	n.a	Six Portfolio Companies have defined carbon reduction objectives aiming to align with Paris Agreement targets.	We plan to engage with other Portfolio Companies on the definition of redution objectives in 2024 and 2025.
Social and employee matters	3. Number of days lost to injuries, accidents, fatalities or illness	Number of working days lost due to injury, accident, death or illness in the companies concerned, weighted average	*# days*	1,288	784	Portfolio companies operating in care and hospitality have the highest number of working days. Those most exposed to these risks understand the importance of managing and monitoring them for their activities.	We continuously encourages Portfolio Companiesmost exposed to days lost and health and safety risks to adopt Group wide HR Policy encompassing Qualiy of Life at Work topics and monitoring of occupational accidents KPIs. Portfolio companies most exposed to these risks integrate these topics in their CSR and HR roadmaps tomitigate and monitor these risks.
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investment in companies with no mechanism for handling disputes or complaints concerning staff issues expressed as a %.	*%*	32%	34%	61% of the 62 respondent Portfolio Companies have a whistleblowing mechanism.	We will further encourage portfolio companies above 50 employees to deploy this grievance mechanism.

1.4.4. Parity objective at Naxicap level (Rixain Law)

The law aimed at accelerating economic and professional equality, known as the "Rixain Law," enacted on December 24, 2021, aims to promote gender balance, particularly within portfolio management firms. The regulation specifically mandates that these firms set a goal for balanced representation of women and men among teams, governing bodies, and decision-makers in investment. Results are to be disclosed annually, as outlined in the document referenced in Article L. 533-22-1, and the objective is to be updated yearly.

As of December 31st 2023, Naxicap's investment team (analysts and financial managers) consists of **33% women**, and the Investment Committee, comprising external experts providing advisory opinions, includes **22% women**.

In compliance with this regulation and in line with Naxicap's intentions regarding parity and equality, the company aims to uphold practices ensuring equal treatment of women and men in recruitment. Whenever possible, Naxicap seeks to align with the goal set by France Invest, aiming to achieve a 40% representation of women in investment teams by 2030.

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 2023).

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 "Policy, Governance & Strategy": **53/100**
- Module "Direct - Private Equity": **80/100**
- Module "Confidence building measures": **60/100**

Focus on "Policy Governance & Strategy" and "Confidence building measures" scoring:

The updated PRI score incorporates aspects of ongoing Naxicap projects, not fully implemented at the date of PRI completion (mid-2023). This includes for instance involvement in sectoral initiatives, conducting portfolio-level climate analyses, and auditing PRI reporting. The deployment of these initiatives may contribute to increase Naxicap's score in the coming years.

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 2023:</u>

4 % OF TOTAL FTEs

(4.2 FTEs out of 106)

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 diligence is 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 (Greenscope). This software is developed by a specialist in extra-financial reporting with a focus on ESG.

BUDGET ALLOCATED TO ESG IN 2023:

2% OF TOTAL EXTERNAL EXPENSES[6]

BUDGET ALLOCATED TO ESG RESEARCH IN 2023:

€0

NUMBER OF EXTERNAL ESG CONSULTANTS AND DATA PROVIDERS IN 2023:

9

2.2. Actions implemented to reinforce internal capacities

Over 2021-2023, 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
January 2023	Opening of the 2023 season of the 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).
January 2023	Pursuing our series of 8 Webinars launched in 2022 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. 4th ESG Webinar – With Nils JOYEUX (Zéphyr & Borée, CEO)
February 2023	5th ESG Webinar – With François GUERIN (Groupe CETIH, CEO)
March 2023	6th ESG Webinar – With Jean MOREAU (PHENIX / Mouvement Impact France, CEO)

[6] Excluding wages and taxes

DATE	DESCRIPTION
April 2023	7th ESG Webinar – With Antoine HAMON (Lhyfe, Deputy CEO)
June 2023	Launch of the first class of Naxicap Climate School (Program developed by Axa Climate), an e-learning program dedicated to portfolio companies to learn and develop new skills on climate and ESG topics related to their business sector.
September 2023	Publication of our 8th ESG Annual Report (FY 2022) and diffusion internally to employees.
September – December 2023	TEAM IMPACT - Sharing thematic CSR best practices with our portfolio companies through six fact sheets drafted by the ESG Team and covering: Human Resources, Building Management, Supply Chain and Sourcing Management, Resource Management and Circularity, Responsible Digital Practices, and Green Mobility.
November 2023	Organization of a one-day ESG seminar for portfolio company management and Naxicap's investment teams. The seminar featured lectures and experience-sharing by portfolio companies on ESG achievements, as well as testimonials from external speakers.
December 2023	8th ESG Webinar – With Caroline RETIFF (Groupe Chrono Flex, HR Manager)

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 gather members of the ESG team with members of the investment team.

At December 31, 2023, a portfolio of **73** portfolio companies were likely to be reviewed by the ESG Committee. This scope includes portfolio companies within our ESG scope, excluding Portfolio companies newly invested in during the year, as ESG considerations are addressed during the investment analysis.

At a rate of two companies per meeting, the ESG Committees aimed to analyse every portfolio company under ESG Scope, based on non-financial criteria and on the ESG reporting they have completed. The list of companies to be reviewed during the year and the agenda is drawn up at the beginning of the year.

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 2023:

36

*(*Covering **67** portfolio companies out of **73** companies)

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's 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.

4. Results of Naxicap's engagement strategy

4.1. Active engagement

Over 2023, the ESG Team has engaged active dialogue on specific topics aside ESG reporting with several portfolio companies.

NUMBER OF COMPANIES AND SHARE OF EQUITY VALUE:

34 COMPANIES

Representing 73% of Equity Value under our ESG Scope

ESG topics covered with Portfolio companies:

Portfolio companies	ESG Topics covered
ALTARES	- ESG roadmap - ESG Seminar - Diversity, Equality, and Inclusion training and opportunities with an external consulting firm
ANYWR	- Climate School Program
DIGISAP	- Restitution of ESG audit - ESG roadmap - ESG Seminar
ECS	- Selection of a Carbon footprint auditor
EQWAL *(LAGARRIGUE)*	- ESG roadmap - Recruitment of an ESG junior project manager - ESG Seminar - ESG Impact Committee
EMERA	- Board level quarterly ESG meetings - Climate School Program
ENTREPRENEUR INVEST	- ESG Due Diligence - ESG Roadmap - Accompaniment to define the ESG Strategy and the ESG reporting campaign for ENTREPRENEUR INVEST portfolios
EUREKA	- ESG roadmap - Purpose-driven Company status ("Entreprise à mission") - Climate School Program

Portfolio companies	ESG Topics covered
EVERAXIS	- ESG materiality and priorities - Taxonomy & CSRD reporting - ESG roadmap
FINDIS	- ESG Materiality analysis (with a consulting firm) - ESG Seminar - Benchmark on Circular Economy
GROUPE 3R	- ESG roadmap - Identification and monitoring of ESG KPIs
GROUPE INCEPT	- Definition of CSR Strategy - Discussion with new CSR Manager
GROUPE ASTORIA	- Conduct of the GHG Carbon footprint and presentation of the results - ESG roadmap
GROUPE GUEMAS	- ESG roadmap - Whistleblowing system benchmark - Follow-up on ESG audit
IAD	- ESG roadmap - ESG Priorities
IPELEC	- Accompaniment on CSRD and carbon footprint (meeting with providers) - ESG Seminar
KEYS	- Discussion on Physical risks tools (test) - Energy consumption monitoring - ESG roadmap
MORIA	- ESG roadmap - Decarbonation workshop (with a consulting firm)
O2FEEL	- Lifecycle Analysis - ESG Roadmap
OBER	- ESG Roadmap - ESG Annual Report
OXY	- Introduction with carbon footprint consultants - ESG Seminar
QUARTUS	- ESG Roadmap - ESG Annual Report - ESG Seminar
SIBLU	- ESG roadmap - ESG Seminar - ESG Annual Report - Carbon footprint reduction targets
SILAMIR	- Discussion about potential ESG training that Silamir could provide - Discussion about the deployment of employer brand and talents retention
SYNCHRONE	- ESG roadmap - Taxonomy eligibility

Portfolio companies	ESG Topics covered
TEUFEL	- ESG roadmap - ESG Annual Report - Carbon Trajectory
VABEL	- Climate School Program
WEEZEVENT	- ESG audit restitution - ESG roadmap - Carbon footprint results

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, 2023, ESG roadmaps had been validated at supervisory board level for **48** of the **53** companies for which the process had been implemented in 2023, taking into account that companies from Alliance Entreprendre and Bee-up portfolios have not been included in the roadmap validation scope[7] .

4.3. Monitor the progress of Portfolio companies

Naxicap requires its Portfolio companies[8] 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.

To collect this data, Naxicap has implemented an online reporting tool - **Greenscope** - 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 Portfolio companies' maturity on environmental, social and governance topics, including their interaction and impact on stakeholders.

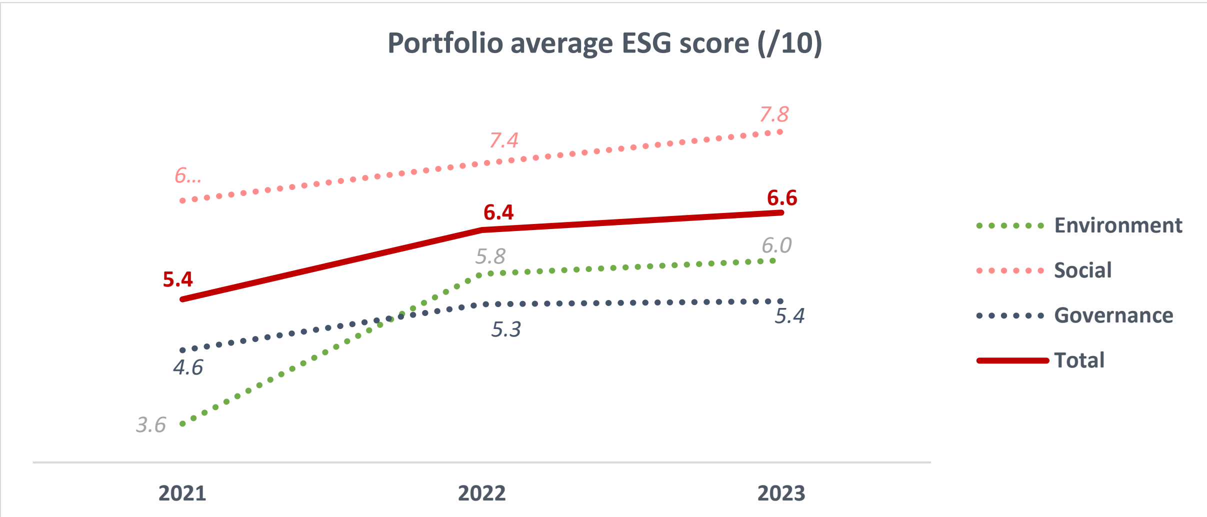
Average ESG scores out of 10 (/10) – Constant scope on 2023 basis:

[7] The shareholder agreements of these portfolio companies do not integrate an obligation to define an ESG roadmap every year as the process was not systematically implemented at the time of investment.
[8] 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.

In 2023, changes were 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 2023), enabling comparison.

		2021	2022	2023
ESG SCORE ***Simple average***	PORTFOLIO	**5.4**	**6.4**	**6.6**
PORTFOLIO ***Rating scope - out of 62 portfolio companies***	Rated companies as a % of number of Portfolio companies	*66%*	*79%*	*85%*[9]
	Rated companies as % of amounts invested	*87%*	*91%*	*95%*

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 2021, reflecting a high level of performance.



[9] 57 companies reported sufficient elements out of the 62 companies answering the *Full ESG Questionnaire.*

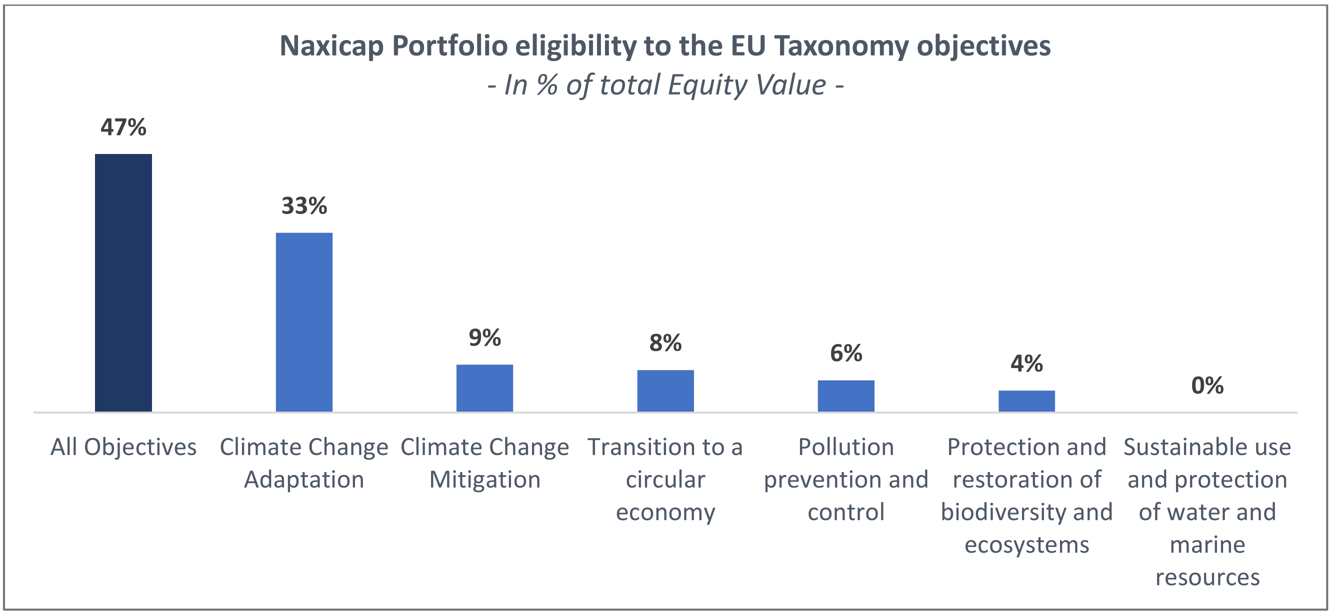
5. Correlation with European Green Taxonomy and focus on fossil energies

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:

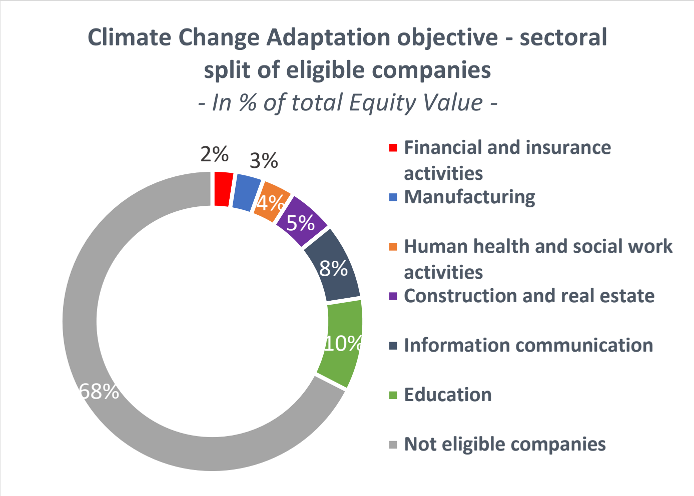
As of December 31st, 2023, **47%** *(in Equity Value)* of Naxicap Portfolio companies have activities entering the list of activities defined by the European Parliament as <u>Eligible</u> to at least one of the six objectives defined by the EU Taxonomy.

Naxicap Portfolio eligibility to the 5 others Taxonomy objectives is presented below:

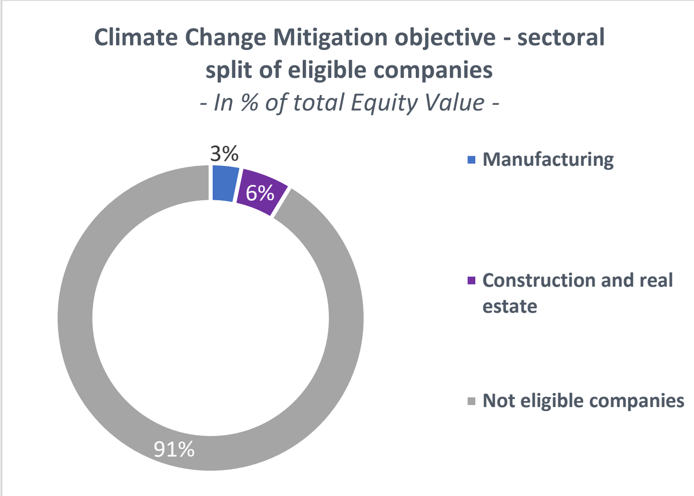


Eligible activities are split as follows:

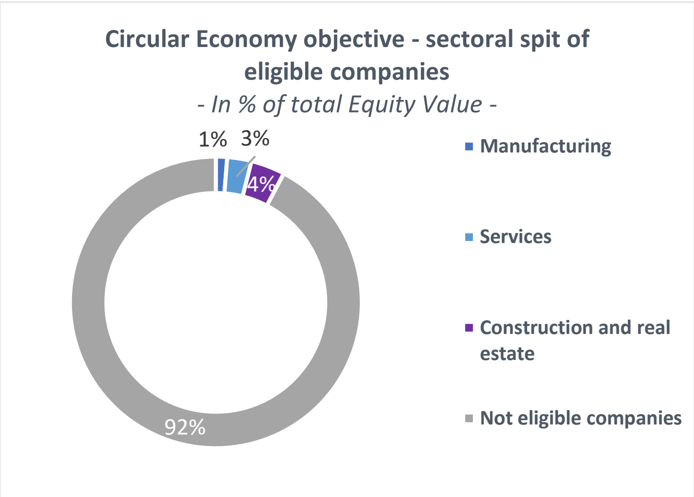
Climate Change Adaptation



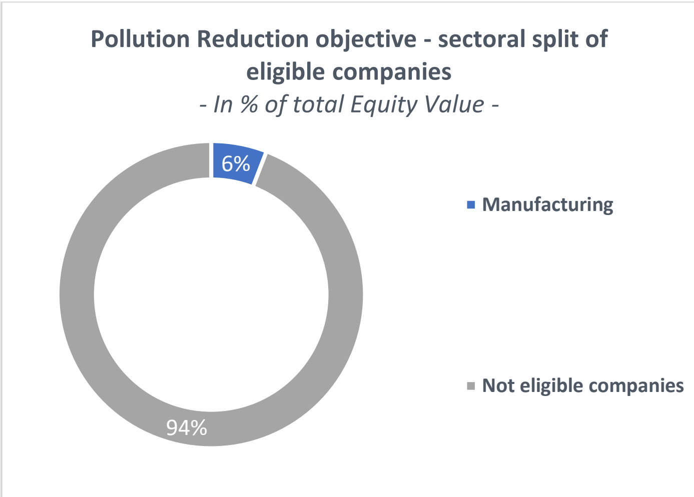
Climate Change Mitigation



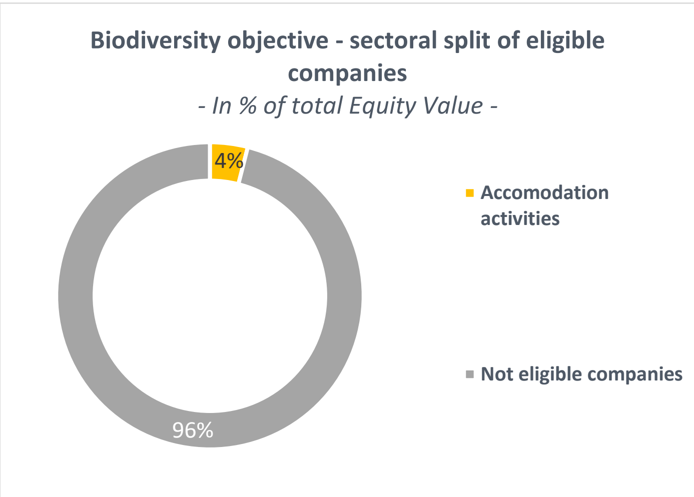
Transition to a circular economy



Pollution Prevention and control



Protection and restoration of biodiversity and ecosystems



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 Corporate Sustainability Reporting Disclosure (CSRD) 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[10]. Data related to alignment will be disclosed as of 2026 (on 2025 data), once portfolio companies eligible to the CSRD will have disclose their own Taxonomy data in their CSRD report.

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, as well as the DNSH. Yet, discussions have been initiated with several companies in our portfolio, representing **12%** of companies eligible to the EU Taxonomy (in Equity Value), to raise awareness about possible eligibility with Taxonomy nomenclature and to identify possible areas demonstrating alignment with the Taxonomy.

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, 2023, **0.4%** of Naxicap Equity Value is invested in fossil fuel activities.

[10] 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 commitments

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[11].

At Naxicap Partners, we have embraced the double materiality principle adapted to climate change issues, taking 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.

That's why we have adopted a two-folded approach to tackle climate change into our investment strategy approach focusing **1) on mitigating and reducing portfolio GHG emissions** *(see section 4.2. Portfolio Carbon analysis)* and **2) on identifying climate risks for our companies to adapt their activities** *(see section 4.3. Portfolio Climate risks analysis).*

6.1.2. Our objectives

The objectives of our approach to assess carbon estimates emissions and climate risks at portfolio level three-fold:

1. **Identify Key Issues**
   a. Identify primary greenhouse gas (GHG) emission sources.
   b. Identify major climate risks and assess their potential impacts on activities in terms of revenues and investments.
2. **Raise Awareness among Portfolio companies' Managers**
   a. Increase awareness regarding carbon emissions and their effects on the climate and the environment.
   b. Highlight the exposure of their activities, business models, and assets to climate risks.
3. **Engage Portfolio Companies**

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

a. Collaborate on reduction pathways for carbon emissions.
b. Develop adaptation strategies to address climate risks.

Regarding carbon emissions, the first two objectives were successfully met through carbon estimates and the creation of the two-pager fact sheet. The third objective, which is more ambitious, began to take shape in 2022. For example, some portfolio companies started engaging in reduction programs or conducting comprehensive carbon footprint assessments using internationally recognized protocols such as the Greenhouse Gas (GHG) Protocol or Bilan Carbone® ADEME.

Regarding climate risks, progress has been achieved for the first objective. This includes a comprehensive analysis of physical risks at both the companies and portfolio levels (see section 6.2) and the identification of transition risks using our **Altitude** tool at the company level. Our immediate priority is to strengthen these analyses further and communicate the findings to each portfolio company, fostering awareness and engaging the most vulnerable entities in adaptation strategies.

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.

6.2. Portfolio Carbon analysis

6.2.1. Our latest achievements

The 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 for companies answering our full questionnaire and have engaged with the companies under our ESG perimeter (i.e. companies where we have invested more than €5m). Additionally, we have initiated discussions with several portfolio companies, to encourage them in reducing their emissions:

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 impacts 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.

MORIA has evaluated its carbon footprint and, with the help of an external service provider, developed a concrete action plan to reduce GHG emissions across scopes 1, 2, and 3. The plan prioritizes initiatives in six main emission domains: employees, buildings and facilities, packaging, product and goods freight, raw materials, and transversal actions.

In April 2022, we undertook a Group 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 have invested from 2023 onwards, as stipulated in their respective shareholder agreements.

Among other requirements, the new ESG clause adopted in 2023 requires to conduct a carbon footprint within 12 months after investment, and the definition of a carbon emission reduction plan within 24 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.

6.2.2. Methodology used

GHG emissions from portfolio companies are collected according to the following rule:

- If the company has conducted its own carbon footprint assessment on scopes 1, 2, and 3, we directly collect the data from the company.
- If the company has not performed a carbon footprint assessment, we conduct an estimated assessment annually. This estimation is calculated by a carbon consulting firm, which is also in charge of our ESG reporting data collection campaign, **Greenscope**[12].

Greenscope 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 about 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.

6.2.3. Scope and results

In 2023, we collected carbon footprint data from all **78** portfolio companies within our ESG scope and we initiated the Greenscope estimation for the **62** companies under the Full ESG questionnaire. Adequate carbon data were obtained for **49** companies, representing **86%** of Naxicap's Equity Value within the ESG scope.

[12] Previous years' analyses were conducted by a different service provider, responsible for our ESG reporting data collection campaign until 2023. Despite the change in service provider, the methodology has remained consistent.

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.

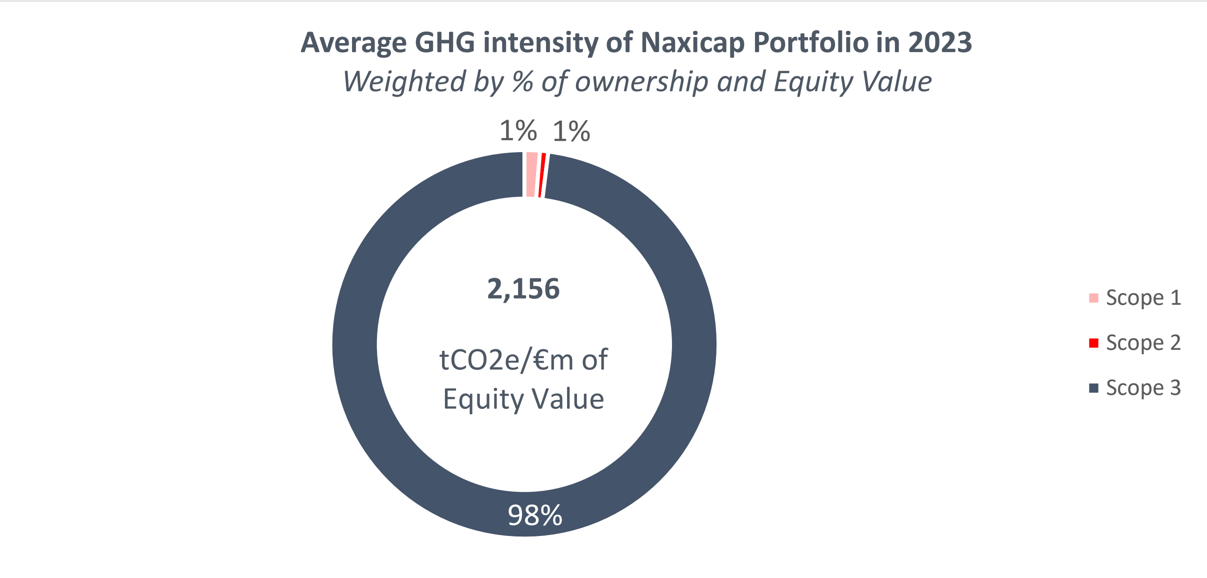
Methodology disclaimer:

Please note that one company, ECS (Quito), representing 7% of the Equity Value under the Carbon scope, accounts for 89% 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:

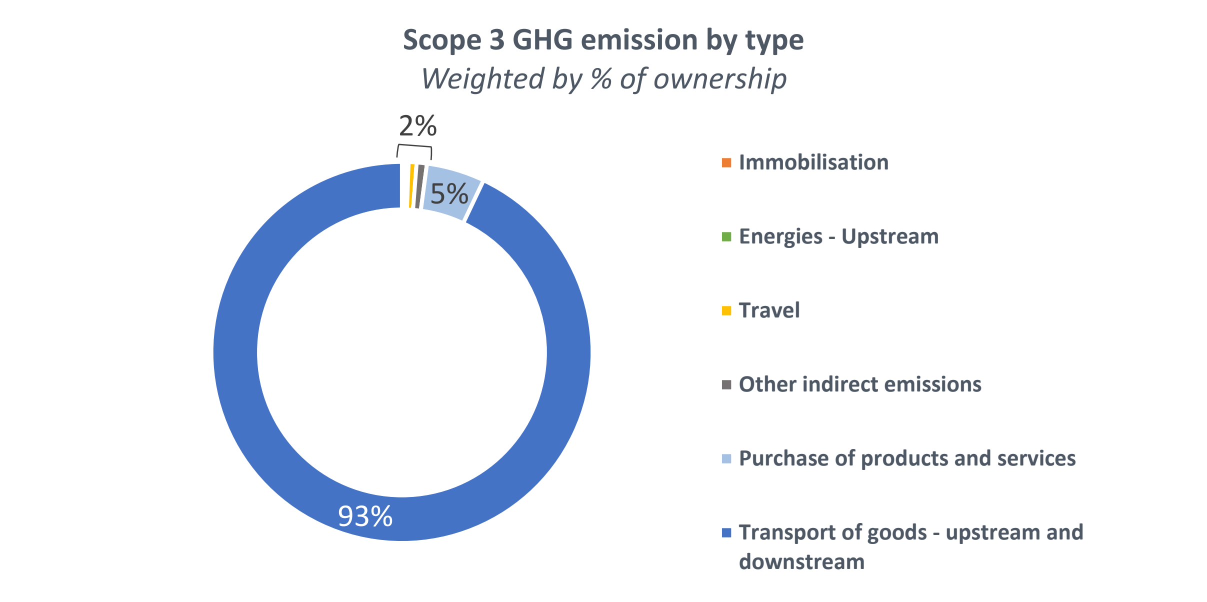
- 6.1.3.1: One including ECS (Quito)
- 6.1.3.2: One excluding ECS (Quito).

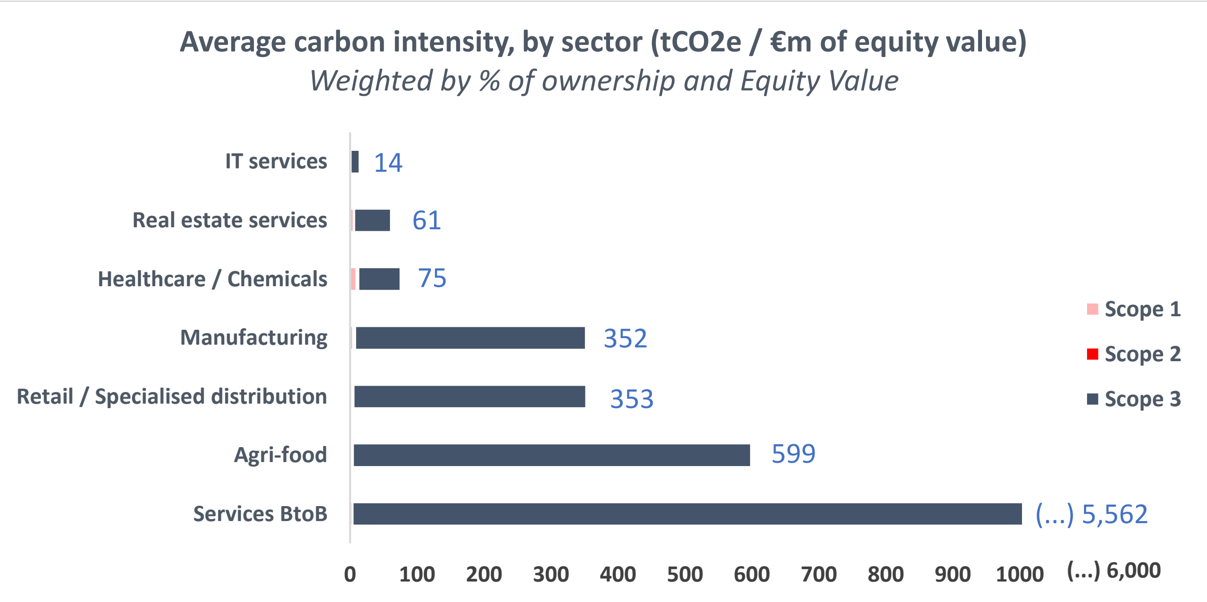
6.2.3.1. *2023 results for Naxicap Portfolio companies – including ECS (Quito)*

The average carbon intensity of Naxicap Portfolio companies is **2,156 tCO2e** emitted per million euros of Equity Value (weighted by% of ownership and Equity Value). 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.



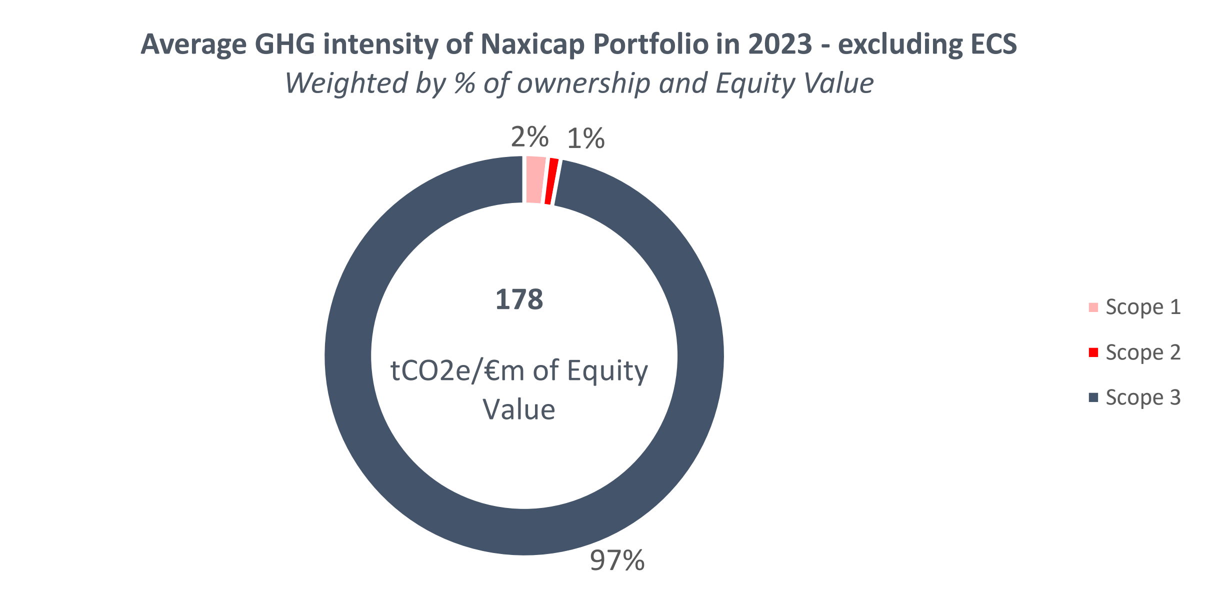
98% of carbon emissions are linked to Scope 3, and more specifically to transport of goods-related emissions (93% of Scope 3 emissions), mainly due to the activities of ECS (Quito).



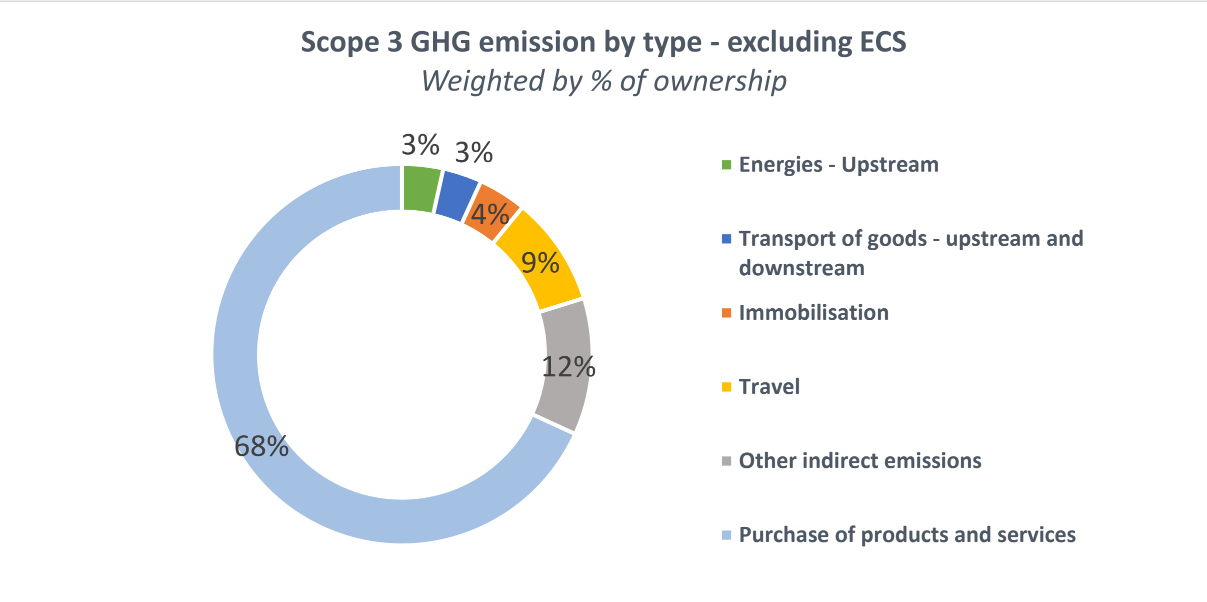


6.2.3.2. *2023 results for Naxicap Portfolio companies – excluding ECS (Quito)*

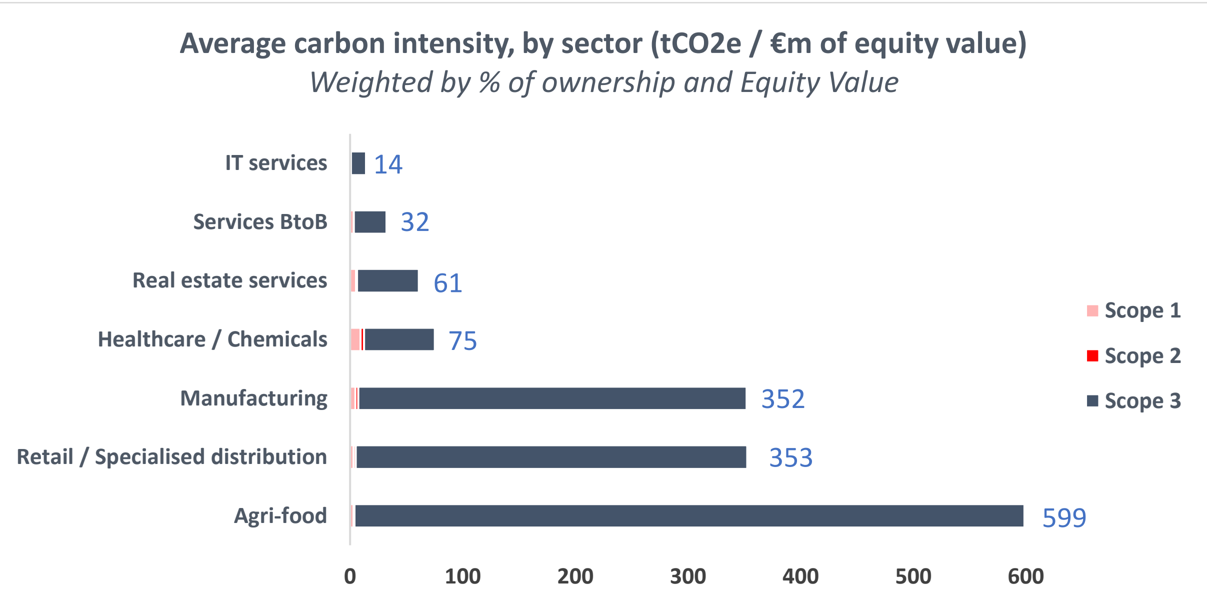
The average carbon intensity of Naxicap Portfolio companies excluding ECS (Quito) is **178 tCO2e** emitted per million euros of Equity Value (weighted by % of ownership and Equity Value).



Average GHG intensity of Naxicap Portfolio in 2023 - excluding ECS
Weighted by % of ownership and Equity Value
2%
1%
178
tCO2e/€m of Equity Value
97%
Scope 1
Scope 2
Scope 3



Scope 3 GHG emission by type - excluding ECS
Weighted by % of ownership
3%
3%
4%
9%
12%
68%
Energies - Upstream
Transport of goods - upstream and downstream
Immobilisation
Travel
Other indirect emissions
Purchase of products and services



Average carbon intensity, by sector (tCO2e / €m of equity value)
Weighted by % of ownership and Equity Value
IT services
14
Services BtoB
32
Real estate services
61
Healthcare / Chemicals
75
Manufacturing
352
Retail / Specialised distribution
353
Agri-food
599
0
100
200
300
400
500
600
Scope 1
Scope 2
Scope 3

Methodology disclaimer:

We have aligned our GHG reporting with SFDR reporting standards:

- Total 2023 GHG emissions of each portfolio company are divided by the Equity Value of each company to obtain a carbon intensity ratio per entity (tCO_2/€m of Equity Value);
- Intensity ratios are then weighted by the % of ownership (Funds' ownership in each company);
- Finally, the average GHG intensity is the sum of the weighted intensity again weighted by the Equity Value.
- For carbon emissions, when 2023 data was not available, we used latest available data (31.12.2022).

Data presented in this ESG report are based on the companies' statement and are not part of an audited process. Changes and corrections can occur from one year to another. Past performance is not indicative of future performance.

6.3. Portfolio Climate risks analysis

6.3.1. Our latest achievements

In 2023, to enhance our efforts in identifying and mitigating climate risks, we opted to conduct climate risk analyses at both management company and portfolio levels using the **Altitude** Tool developed by **Axa Climate**. This decision has significantly improved our climate risk approach, enabling us to: i) enhance the identification and mitigation of climate risks (transition and physical) at company level during pre-investment stages and throughout the monitoring period, and ii) consolidate and analyse exposure to physical climate risks at portfolio company and fund levels.

Portfolio and companies' levels data on physical climate risks are detailed in the following sections.

6.3.2. Methodology used

Exposure of our portfolio companies to physical climate risks is performed through **Altitude** tool, considering site-specific characteristics such as location and asset types (e.g., plants, offices, R&D labs). The methodology follows the IPCC (Intergovernmental Panel on Climate Change) three pillars of climate physical risks definition: hazard, vulnerability, and exposure.

16 climate physical risks, comprising 5 chronic risks and 11 acute risks, are measured. Exposure to physical climate risks is then assessed under two scenarios:

- **SSP2-4.5 (Middle of the Road):** Realistic scenario projecting a 2.7°C temperature increase by century-end.
- **SSP5-8.5 (High-reference):** Pessimistic scenario with a projected 4.4°C temperature increase by century-end.

Based on companies' sites level of exposure to each risk, we calculate a *Climate Physical Risk Score* for each Portfolio company, ranging from 1 to 9. This score is further categorized into five levels from Low to Very High.

	LOW	MEDIUM - LOW	MEDIUM	HIGH	VERY HIGH
Climate Physical Risk Score	[1;2[	[2;4[	[4;6[	[6;8[	[8;9]

6.3.3. Scope and results

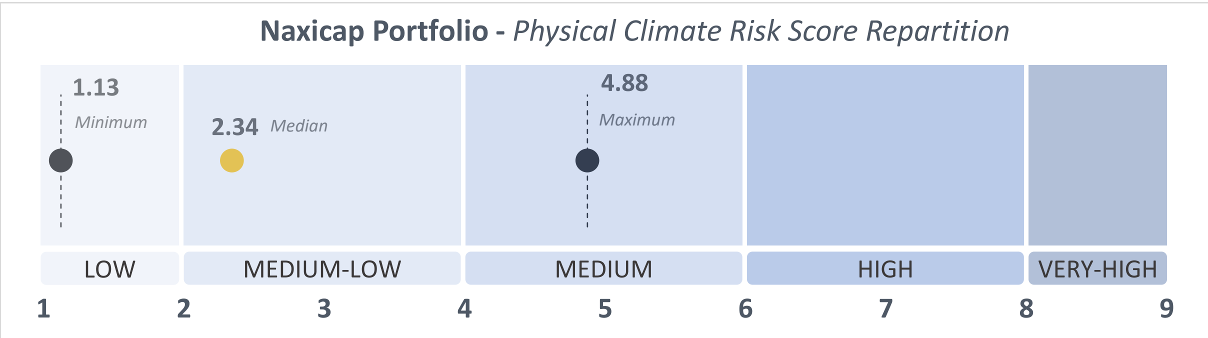
Naxicap Portfolio exposure to physical climate risks focuses on the **78** portfolio companies within the ESG Scope (investment >€5 million at 2023/12/31) and their direct activities, excluding the supply chain. Future analyses will aim to extend this assessment to strategically important supply chains and conduct case-by-case evaluations for companies operating in sectors highly exposed to physical climate risks.

Portfolio global exposure to Physical Climate Risks

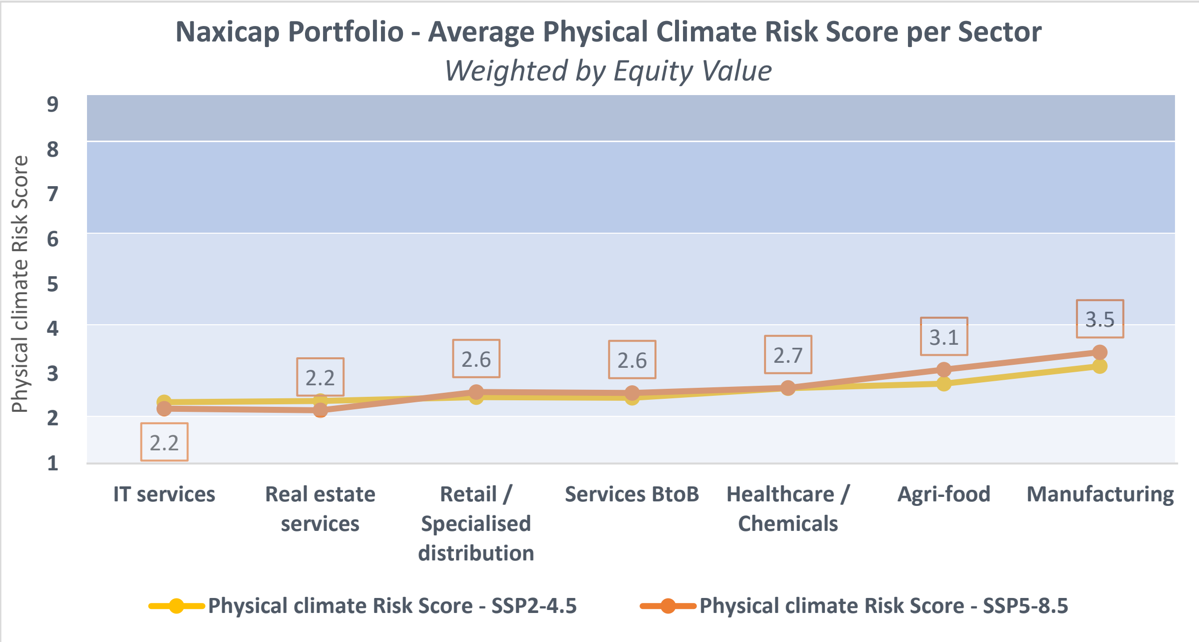
Data presented below has been computed for the scenario SSP5-8.5 - 2050.

Abiding this scenario, Naxicap Portfolio Companies show an overall **medium-low level of exposure** to physical climate risks, with none identified as highly exposed.

- The highest Climate Physical Risk Score recorded is **4.88**, pertaining to a company in the agri-food sector with operations across all continents. This score indicates a **medium level of exposure to physical climate risks.**
- The median stands at **2.34,** indicating **medium-low overall level of exposure to physical risks**.
- The lowest score recorded is **1.13**, indicating a **low level of exposure to physical risks**. This score pertains to three companies with sites in the Paris area and the West of France.



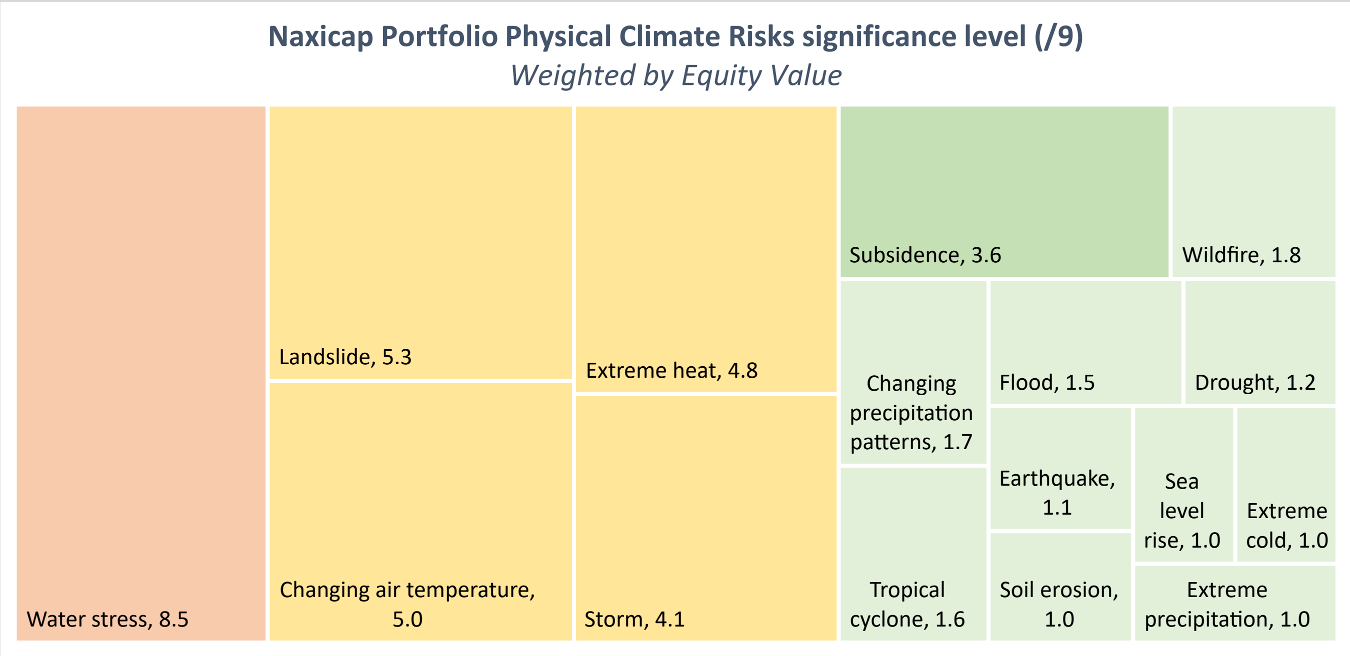
Naxicap Portfolio Physical Climate Risks scores by sectors are available below.



Naxicap Portfolio Companies within the manufacturing and agri-food sectors are the most exposed to physical climate risks. Five primary risks have been identified: **water stress, landslide, changing air temperatures** and **extreme heat**. These risks are heightened by the locations of some Portfolio companies' strategic sites, spread across various global regions, including areas more vulnerable to physical climate risks.

Focus on most significant risks and mitigation actions

The nature of activities within these sectors also contributes to the higher risk scores compared to other Portfolio companies. For instance, agricultural and manufacturing activities require substantial water use, making them more susceptible to water stress in affected areas. Additionally, extreme heat and changing air temperatures can impact manufacturing processes, potentially causing operational disruptions. For example, several Portfolio companies in these sectors have plants or warehouses in Southern Europe, North Africa, and South America, regions prone to these risks.



Key: *Level of Risk significance for the portfolio*

LOW	MEDIUM-LOW	MEDIUM	HIGH	VERY HIGH

Several Portfolio Companies have already deployed various initiatives to reduce water consumption and mitigate risks related to water shortage, such as initiatives to monitor water consumption, deploy technical devices for reusing used water and raise employees' awareness on this issue, formalizing and following indicators to measure water consumption by product.

Extreme heat and changing air temperature are also considered by portfolio companies, by improving insulation as well as heating and cooling systems for instance.

Methodology disclaimer on Water stress risk:

The methodology used to assess the level of exposure of Portfolio companies to physical climate risks considers companies with over 10% of their sites located in areas exposed to a risk as globally exposed to that risk.

Additionally, this methodology and the results presented above primarily focus on site locations rather than company activities. Consequently, companies with service-based activities (67% of the portfolio's Equity Value) and primarily operating from offices, are minimally affected by water stress despite their locations in high-risk areas. This mitigation aspect of the Portfolio's exposure to water stress risk is not reflected in the results presented above.

6.4. 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	2025
4	Continuously enhance physical risks analysis (Altitude Tool updates)	✓
5	Pursue analyses of Portfolio companies' exposure to transition-related analysis (mapping, TCFD reporting)	2024
6	Define action plans with companies most exposed to physical and/or transition-related risks to mitigate portfolio exposure to climate risks	2024/2025

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. Biodiversity alignment strategy

7.1.Overall approach

7.1.1. Our biodiversity strategy

At Naxicap Partners, we are aware 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 strive to deepen our understanding of how biodiversity loss affects our portfolio companies and fortify biodiversity protection across our Portfolio.

With this objective in mind, **we commit to assess biodiversity-related challenges within our Portfolio companies under the Total ESG Scope** (companies with investments exceeding €5m), by conducting analyses through adequate tool such as **Altitude** Tool developed by Axa Climate and developing 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.

7.1.1. Our latest achievements

2023 marked a pivotal moment in our biodiversity strategy. Thanks to the **ENCORE** tool, we conducted preliminary analyses of our Portfolio's impact and dependencies on biodiversity, establishing an initial mapping presented in our *Article 29LEC Report* and in our *ESG Annual Report*, respectively published in June and September 2023. Additionally, a strategic partnership with Axa Climate School was initiated, enabling climate and biodiversity training for a selection of Portfolio companies' employees.

Moving into 2024, we intensified our commitment by employing the **Altitude** Tool from Axa Climate. This enhanced methodology allowed us to delve into biodiversity dependencies and impacts at a granular level, considering not only sectoral aspects but also site-specific details. The analysis facilitated a more nuanced understanding of our Portfolio companies' biodiversity risks, including estimations of MSA.km2 (see 7.3 Impact on biodiversity – portfolio analyses for further definition), and presented several general solutions for risk mitigation at company and site level.

This approach not only enhances our ability to address risks on a case-by-case basis for Portfolio companies but also provides a consolidated overview of our portfolio's exposure to biodiversity challenges. Results for **Naxicap Portfolio** as of December 31, 2023, will be detailed in subsequent sections of this report.

7.1.2. Our objectives

According to the double materiality approach, our objective through this analysis is to identify Portfolio companies that are **i) most vulnerable to biodiversity risks or dependence**, and **ii) companies with sites and activities that could negatively impact biodiversity**, potentially leading to biodiversity losses.

By identifying and quantifying these risks, we aim to prioritize companies with the highest biodiversity-related risks within our full ESG portfolio. Subsequently, we intend to accompany them in identifying mitigation actions that could be adopted.

7.2. Dependency on biodiversity services – Portfolio analyses

7.2.1. Methodology used

Ecosystem service dependency is a crucial aspect in assessing the exposure of companies and human activities to potential biodiversity risks. The analysis covers i) 5 provisioning services and ii) 16 regulation and maintenance services.

Then, the dependency levels for each ecosystem service are classified as minimal, moderate, or significant for each company.

At portfolio level, a *Biodiversity Dependence Score* is calculated by aggregating the companies' dependency levels for each ecosystem service. This score ranges from 1 to 9 and is classified from Low to Very High as detailed in the table below.

	LOW	MEDIUM - LOW	MEDIUM	HIGH	VERY HIGH
Biodiversity Dependence Score	[1;2[	[2;4[	[4;6[	[6;8[	[8;9]

Methodology Disclaimer

Please note that although our assessment of biodiversity dependence has gained in precision through the **Altitude** tool, using a more detailed sectoral and site classification, it remains primarily reliant on sector analysis.

Furthermore, it's crucial to note that the methodology employed does not consider the initiatives undertaken by Portfolio Companies to reduce their dependencies on biodiversity. This aspect, involving company-specific mitigation efforts, is currently not integrated into the assessment.

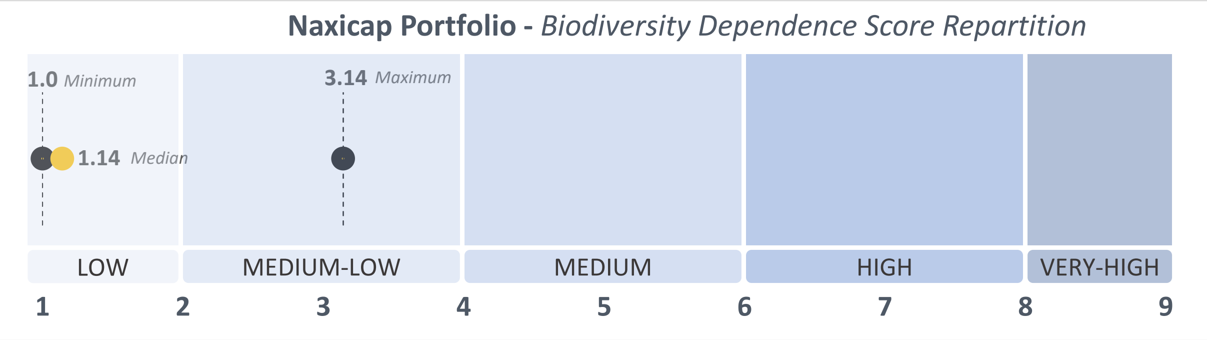
7.2.2. Scope and results

The biodiversity dependence analysis of **Naxicap Portfolio Companies** focuses on all **78** Portfolio Companies under ESG Scope (investment >€5 million as of 2023/12/31) and their direct activities, excluding their supply chain. Future analyses aim to extend dependency assessment to strategically important supply chains and conduct case-by-case evaluations for companies operating in sectors highly exposed to biodiversity risks.

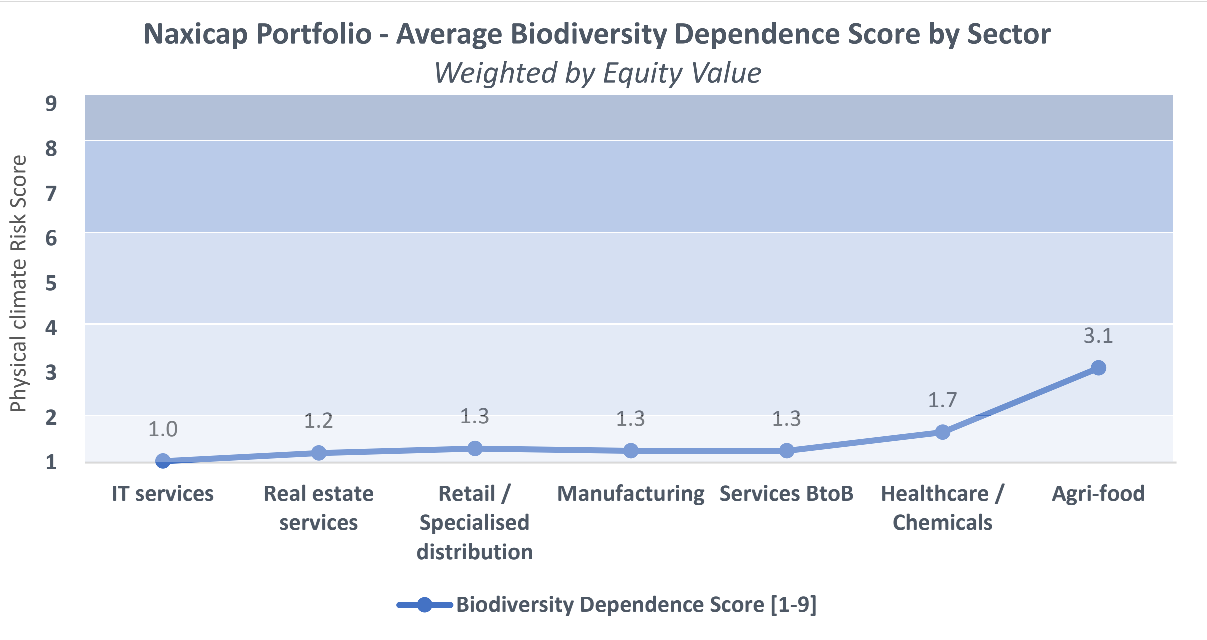
Consolidated results are presented here after.

Portfolio global exposure to Biodiversity Dependence

The Biodiversity Dependence Score for each company in **Naxicap Portfolio** indicates that, as of today, none of the Portfolio Companies faces major risks due to a high level of dependence on ecosystem services. As of December 31, 2023, the maximum score for the Fund is **3.14,** for a company operating in the agri-food sector, signifying a medium-low risk of dependence. The median stands at **1.14**, and the minimum score is **1**, signifying a low risk of dependence.



Naxicap Portfolio Biodiversity Dependence scores split by sector are available below.

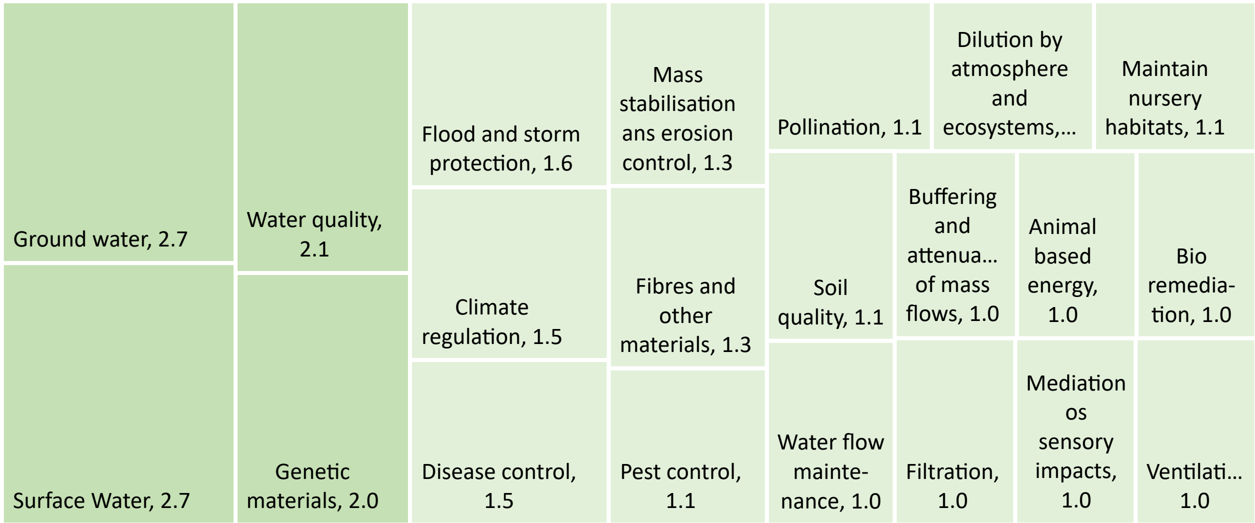


The average Biodiversity Dependence score is the highest for the agri-food sector, at **3.1**, demonstrating a medium-low level of dependence on ecosystem services. This is due to the sector's reliance on **water resources** (including water quality, groundwater, and surface water) and **genetic materials**, stemming from their activities in the agri-food industry.

Focus on most significant dependencies and mitigation actions

Naxicap Portfolio Biodiversity Dependencies significance level (/9)

Weighted by Equity Value



Key: *Level of Risk significance for the portfolio*

LOW	MEDIUM-LOW	MEDIUM	HIGH	VERY HIGH

Given their reliance on agricultural products as primary resources and raw materials, Naxicap Portfolio companies in this sector are fully aware of the dependence and challenges related to biodiversity and ecosystems. They have engaged actively in identifying and implementing biodiversity strategies and initiatives to address these challenges.

Other Naxicap sectors demonstrate a low level of dependence on biodiversity and ecosystems.

7.3. Impacts on biodiversity – Portfolio analyses

7.3.1. Methodology used

To evaluate the potential negative impacts of our Portfolio companies on biodiversity, three nature-related risks are assessed:

1. **Biodiversity footprint (MSA.km2) -** Estimation of a company's MSA.km2 to determine if Portfolio companies operate in sectors significantly contributing to biodiversity erosion.
    a. The metric used, MSA.km2, endorsed by the IPBES, measures ecosystem integrity by evaluating species abundance. A 1 MSA.km2 impact equates to the destruction of 1 km2 of intact ecosystem.
    b. This estimation relies on the company sector of activity and the company's revenue.
2. **Proximity with Threatened Species** – Identification of companies' assets that are close to species classified as endangered or vulnerable (considers the type of assets).
3. **Proximity with Areas of Interest for Nature** – Identification of companies' assets that are close to areas of interest for biodiversity (consider the type of assets).

Based on these assessments, a Biodiversity Impact Score is calculated, similar to a Biodiversity Dependence Score. This score ranges from 1 to 9 and is classified as Low, Medium-Low, Medium, High, and Very High.

Methodology disclaimer:

The limitations of the methodology used to assess potential negative impacts on the ecosystem are the following:

- Invasive alien species are not considered (established as the 5th cause of biodiversity loss by IPBES).
- It does not cover impacts on the marine ecosystem.
- Regarding companies' proximity with threatened species and/or areas of interest regarding biodiversity, only direct activities are considered, excluding the supply chain.
- MSA.km² is based on sectoral estimates, that can lack precision in fully identifying the exact activities of our portfolio companies.

7.3.2. Scope and results

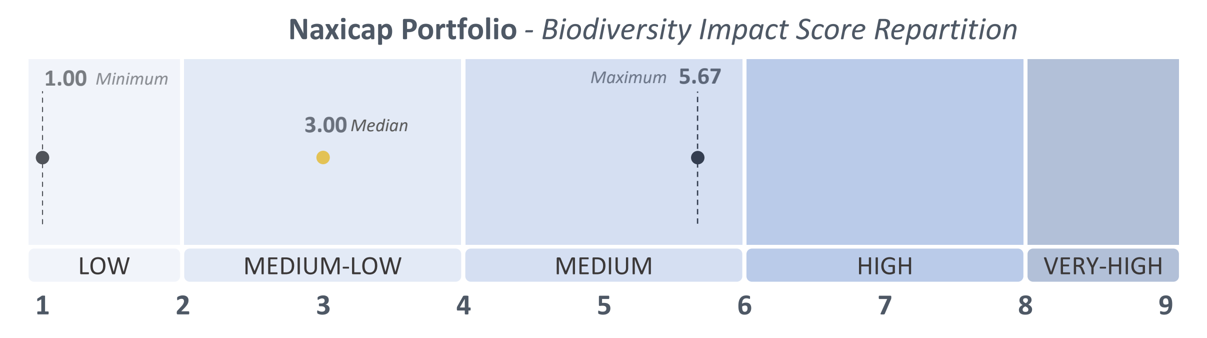
The biodiversity impact analysis of **Naxicap Portfolio** focuses on **78** Portfolio Companies under ESG Scope (investment >€5 million as of 2023/12/31).

To estimate portfolio companies' biodiversity footprint, we considered impacts on terrestrial ecosystems throughout the entire value chain based on the companies' activities and sector.

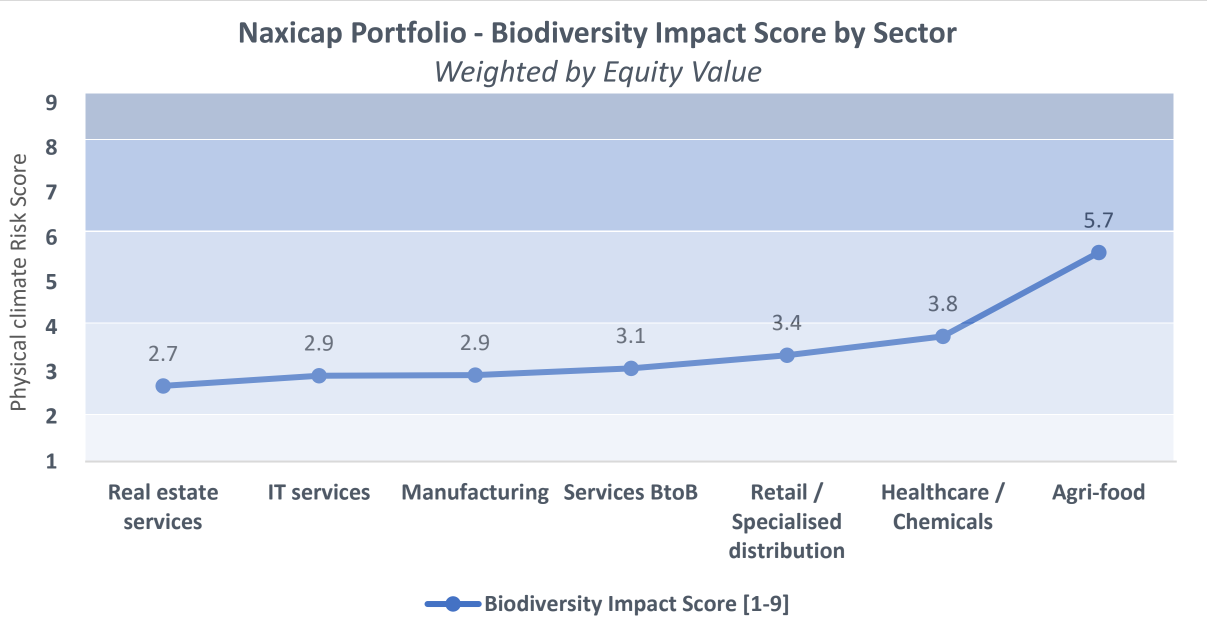
Consolidated results are presented below.

Portfolio global impact on biodiversity

The Biodiversity Impact Score for each Naxicap Portfolio company indicates that, as of today, none of the companies have an overall high impact on biodiversity ecosystems related to both activities and locations. As of December 31, 2023, the maximum Impact Score within the Portfolio is **5.67**, reached by a company operating within the agri-food secto**r,** signifying a medium risk of impact. The **minimum impact score (1.0)** indicates a low level of impact on biodiversity and the **median impact score (3.0)** a medium-low level of impact.



Naxicap Portfolio Biodiversity Impact scores split by sector are available below.



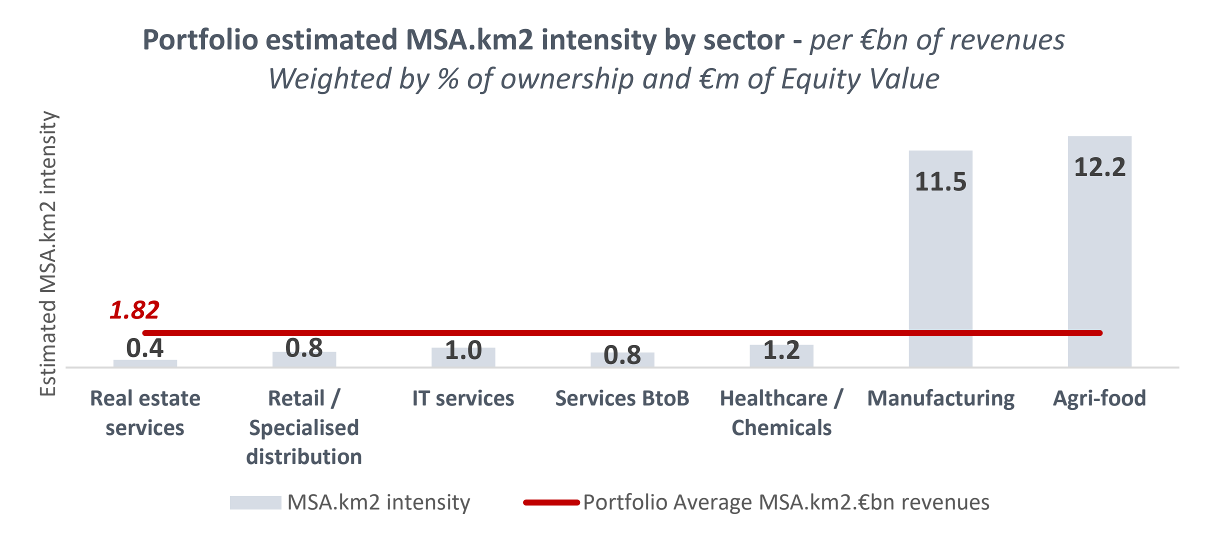
Naxicap portfolio companies within the agri-food sector have reached the highest Biodiversity Impact Score of **5.7**. This is partially explained by the proximity of food plant locations to areas of interest for biodiversity. Naxicap Portfolio companies operating within this sector are aware of the impact of their activities and have already initiated biodiversity protection efforts, such as mapping risks to biodiversity through an analysis of their impacts and dependencies. These efforts also include implementing employee training.

Initiatives to mitigate biodiversity impacts have also been implemented by companies in sectors with lower scores. These efforts include mapping risks and impacts on biodiversity, employee training, and adaptation initiatives such as revitalizing biodiversity ecosystems. Companies are also evaluating their impact on biodiversity by assessing the effects of their assets located near zones of interest for biodiversity.

Focus on Naxicap Portfolio Biodiversity footprint

Portfolio Companies' MSA.km² have been estimated based on companies' sector and their global revenues.

Results of this estimation are presented below:



The agri-food and manufacturing sectors have the two highest MSA.km² intensity. This is due to the potential impacts of manufacturing plants, production processes, and the use of raw materials extracted from nature by these companies.

Most portfolio companies operating within these sectors are aware of the environmental impact of their activities and recognize that this issue is material to their operations. Key areas of focus for mitigating negative impacts include monitoring waste and wastewater, energy consumption, GHG emissions, and other pollutants.

Going forward, we would like to establish a more precise measure of the MSA.km² of our portfolio companies with the highest risks of negatively impacting biodiversity, to quantify their impact, to compare it with sectoral benchmarks, and to identify strategies to reduce it.

7.4. Main steps of our Biodiversity strategy

Steps	Key Actions	Status
1	Update our biodiversity dependencies and impact mapping based on available methodology updates and portfolio modifications	✓
2	Improve Portfolio companies assessment of MSA.km2	2024/2025
3	Raise collective awareness on biodiversity responsible management	Continuous
4	Assess companies' supply chain biodiversity risks exposure	2025
5	Engage with portfolio companies with highest biodiversity materiality, measure their biodiversity footprint and define biodiversity protection roadmaps at portfolio level	2025

H. DEMARCHE DE PRISE EN COMPTE DES CRITERES ENVIRONNEMENTAUX, SOCIAUX ET DE QUALITE DE GOUVERNANCE DANS LA GESTION DES RISQUES, NOTAMMENT LES RISQUES PHYSIQUES, DE TRANSITION ET DE RESPONSABILITE LIES AU CHANGEMENT CLIMATIQUE ET A LA BIODIVERSITE

Article 29 de la loi 2019-1147 relative à l'énergie et au climat - Code Monétaire et Financier, Article D. 533-16-1, III, 8° et 8° bis

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 (see section 6. Strategy regarding Paris Agreement alignment and low carbon strategy for further details).
    - The monitoring of biodiversity related risks is the subject of dedicated analyses and reporting (see section 7. Biodiversity alignment strategy for further details).
- The implementation of information systems on the extra-financial risks of the Portfolio and control that always:
    - 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 Portfolio 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 Committee. 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, supporting investment teams), as well as at Portfolio Company level (monitoring individual indicators, awareness-raising, support in setting up ESG roadmaps).

The ESG team also implements the extra-financial risk management procedure post-investment. The Middle Office is responsible for overseeing certain operational controls and managing specific extra-financial risks as part of the investment procedure.

With regard to 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 and investment team 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 reports to the investment teams, and indirectly to Portfolio Company's management, including comments on the risks incurred by each Portfolio Company and recommendations to be translated into action plans.
- Producing an annually updated ESG risk mapping.
- Reporting any identified anomalies to the Executive Committee 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 mapping is to lay out all the underlying sustainability risk factors that could have a short-medium or long-term impact on the value and performance of the companies in the portfolio. This mapping contributes to shape our approach to defining new risk management procedures and ESG processes at Naxicap Portfolio level, especially when identifying shortcomings in risk management and prevention.

In more details, for each identified ESG risk, we conduct a comprehensive assessment of our portfolio's exposure to these risks, encompassing financial impacts, as well as reputational and controversy-related repercussions. This evaluation leads us to define a gross risk. Subsequently, we assess our risk control framework, encompassing internal processes and procedures established at Naxicap level to manage and mitigate these risks. By combining the gross risk with the deployed risk control framework, we can ascertain the level of net ESG risk and identify areas where we need to bolster our approach to risk management and mitigation.

8.2.3.1. *Main ESG risks description*

ESG risks identified an assessed to perform the ESG risk mapping are described below:

Category	Risk	Description	Potential impact
Governance	Balance of power	Governance aims to ensure the sustainability of the company by enabling strategic directions, taken in the interest of all stakeholders. A balanced governance enables healthy discussion and debate of pros and cons before pursuing a strategic lead. The risk of poor governance may stem from a lack of interest in the company's continuity, conflicts among leaders, or the failure of leaders' virtue, potentially resulting in company devaluation.	Inadequately strategic and financial decision-making, damaged reputation, increased probability for error, theft, fraud, misappropriation of assets.
Governance	ESG governance	A lack of ESG management by companies prevents investors from identifying and assessing their exposure to certain types of risks, potentially threatening the sustainability of the business. Furthermore, effective management serves as evidence of the actual commitments to CSR made by companies and helps avoid the risk of greenwashing.	The lack of an ESG governance structure will delay the integration of ESG considerations at Management Board level, the implementation of ESG risk management at operational level and the diffusion of the necessity to act (climate transition, sustainable business models).
Governance	Business ethics	Business ethics reflects company's internal values. Unethical behaviour, such as regulatory non-compliance, stakeholder trust risks, conflicts of interest, and illegal activities for personal or corporate gain, can jeopardize company activities.	Financial and legal penalties, lawsuits, damaged reputation, name and shame, voided contracts, financial forfeiture, material loss, loss of business opportunities, increased audit costs, loss of license to operate.
Environment	Climate	Climate risk within the portfolio can manifest as supply or activity interruptions due to physical climate events (physical risks), or as decreased revenue from activities due to insufficient anticipation of ecological transition, encompassing regulatory, technological, market, or reputational aspects (transition risks).	Reduced demand, increased raw material costs, asset repricing, changed revenue mix, higher operating costs (compliance, insurance), greenhouse gas emission pricing, legal and financial penalties, increased R&D spending on new technology, direct impact on production, increased capital costs, asset write-offs and early retirement.

Environment	Resource management	Strategic raw materials should be part of carefully planned procurement management to avoid shortages and prepare for more local, circular economy-oriented, sustainable business and sourcing models. Several raw materials13 have already faced shortages and are identified as key by Europe in our strategic autonomy14.	Rising prices, shortages, additional costs due to waste management
Environment	Impact on biodiversity	Biodiversity risk for portfolio companies is mainly reflected in the risk of pollution by industrial companies (direct or indirect if waste management is poor). It can also manifest through artificialisation activities (construction, building), or tourism near protected areas.	Fines (environmental litigation), reputational risk. If a company degrades its immediate environment, it may also threaten its own business continuity.
Social	Employees health and safety	Poor employee health and safety often manifest by: - An increase in the number of accidents at work - Higher absenteeism - Desorganisation of plannings An increased attrition rate.	Drop in productivity, financial and legal penalties, damaged reputation.
Social	Working conditions and mental health	Poor working conditions and/or a lack of initiatives to promote employee well-being often lead to stress, sickness, increased absenteeism or even burnouts.	Drop in productivity, drop in revenues, and in employees' commitment, damaged employer brand.
Social	Training and competence development	Employees competencies should be maintained through training and regular technical updates, knowledge management and management empowering to keep the workforce motivated and operational. Internal training also favours knowledge sharing and implementation of best practices to gain in efficiency.	Loss of business activity, drop in productivity, a drop in the quality of service, weakened strategic and competitive positioning, reduced employee engagement, reduced revenues due to client loss.
Social	Inequalities of treatment and discrimination	Unequal treatment constitutes unfair treatment independently of how it affects those it concerns, and independently, also, to some extent, of how it affects these people's overall opportunities. Discrimination means treating someone 'less favourably' than someone else, because of age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation	Financial and legal penalties, damaged reputation.

[13] Electronics and ICT, batteries and vehicles, packaging, plastics, textiles, construction and buildings, food, water and nutrients
[14] Circular Economy Action Plan for a Cleaner and More Competitive Europe

External Stakeholders	Supply chain management	- Reputational risk: Risk of non-compliance with human rights and/or environmental standards within the value chain. Commercial risk in the event of a breakdown in the supply chain, particularly where relationships are not sufficiently robust.	Disruption in supply of goods and raw materials and associated operational impacts, loss of brand value, customer and consumer confidence, damaged reputation.
External Stakeholders	Client satisfaction and relationship	Customer and/or consumer dissatisfaction with the quality and reliability of the products or services offered, with serious consequences.	Complaints, boycotts, loss of loyalty, additional costs associated with reimbursement, damage to brand image
External Stakeholders	Relation with civil society	- Lack of communication and transparency with non-contractual stakeholders (local residents, authorities), leading to misunderstanding or conflict. Reputational and commercial issues linked to a possible breakdown in relations with civil society, including aspects such as attracting talent, obtaining operating permits, etc.	Increasing government restrictions and legislations on business activities, disruption in supply of goods and raw materials and associated operational impacts, damaged reputation.

8.3.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.

8.4.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 Naxicap Partners Executive Committee, who is responsible for forwarding it to the Supervisory Board.

8.5.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	✓
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)	2024/2025
3	Define and test methodologies to assess financial potential impacts for a limited number of ESG risks	2024/2025

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, 2023, two Naxicap Funds out of 57 enter the application field of SFDR Article 8 (3.5%, in number of active Funds).

All other Naxicap Funds enter the application field of SFDR Article 6 (96.5%, in number of active Funds).