

CAPZA

ESG Investment Policy

June 2019

PARIS | MUNICH | MADRID | MILAN

Sustainable development is a key area of concern to CAPZA. Small and mid-cap companies have a direct impact on local economy and it is our duty to make sure that the company we finance has a responsible behavior toward the society. We think that superior environmental, social and governance practices contribute to the long-term sustainability and performance of the companies we invest in. This is why we integrate ESG (Environment, Social, Governance) criteria in our investment decisions.

CAPZA signed the Principles for Responsible Investment in 2011 (PRI).

Exclusion policy

We do not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

a) whose business activity consists of an illegal economic activity (i.e. any production, trade or other activity, which is illegal including without limitation, human cloning for reproduction purposes); or

b) which substantially focus on:

i. the production of and trade in tobacco and distilled alcoholic beverages and related products;

ii. the financing of the production of and trade in weapons and ammunition of any kind, it being

understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;

iii. casinos and equivalent enterprises;

iv. the research, development or technical applications relating to electronic data programs or solutions, which (x) aim specifically at supporting any activity referred to in (i) to (iv) above; internet gambling and online casinos; or pornography, or which (y) are intended to enable to illegally enter into electronic data networks; or download electronic data.

2. When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms ("GMOs"), we shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

Due diligence

As part of the due diligence process, CAPZA identifies key ESG risks (environmental, social and governance) based on the sector, the geography, the size and the type of the company.

ESG risks are then reviewed, integrated in the investment notes and factored in the decision process of our various investment committees.

For Private Debt, the team collaborates with the sponsor in order to get ESG information.

ESG screening of the portfolio

We perform an ESG screening and analysis for each of the companies in our portfolios.

CAPZA mandated the CSR consulting agency Sirsa to formalise and implement annual ESG scoring and reporting processes:

- Design of ESG reporting questionnaire submitted to portfolio companies
- Screening of gathered data and calls with ESG managers of portfolio companies

- Analysis and consolidation of data
- Production of consolidated ESG reporting (available in the dataroom)
- Portfolio company ESG reports passed on to portfolio companies and discussed during the following Board Meeting, allowing them to improve on ESG topics

Methodology

We score the companies we are invested in according to 15 criteria.

For each company the relevance and importance of each criteria is assessed on a 1 to 5 scale (based on the sector and business activity of the company). We then assess how advanced / mature the company is for the criterias on the 1 to 5 scale.

The larger the gap is between the importance of the criteria and the maturity of the company, the bigger the risk.

Environment

- Water intensity
- Energy
- Raw material
- Waste / discharge
- Biodiversity

Social and Working Conditions

- Workforce, Turnover, Absenteism
- Training and development
- Social dialogue
- Discrimination

Governance

- Governance
- Business ethics
- Human rights
- Suppliers

We aggregate those criteria at the portfolio level in order to build a synthetic view of the ESG risks embarked in the portfolio and its ESG footprint. We monitor the evolution in time.

Engagement

When we are a majority shareholder, we systematically share our ESG analysis with the companies we invest in, covering their governance, human capital and environmental practices. We then engage on those ESG topics during supervisory boards.

For Private debt, upon agreement with the sponsor, we share our ESG analysis with the companies we invest in, covering their governance, human capital and environmental practices. We then engage on those ESG topics during supervisory boards.

In addition, when needed, we work in partnership with our CSR consulting agency Sirsa and some of the companies in our portfolio to improve their ESG practices.

Disclosure and reporting

- Annual ESG report for each of our portfolio including detailed ESG analysis of each company in the portfolio.
- Annual UN PRI report
- Responsible investing policy
- Carbon footprint report on scope 1 and 2 of the portfolio and at each company level

Promotion of responsible investing within the company and across the industry

Governance and implementation of ESG within CAPZA

Team

- Laurent Benard, Managing Partner : responsible for global ESG strategy
- Bénédicte de Tissot, General Secretary : responsible for ESG reporting
- Jean-Marc Fiama, Partner: responsible for ESG integration in Private Debt strategy
- Fabien Bernez, Partner : responsible for ESG integration in Flex Equity strategy

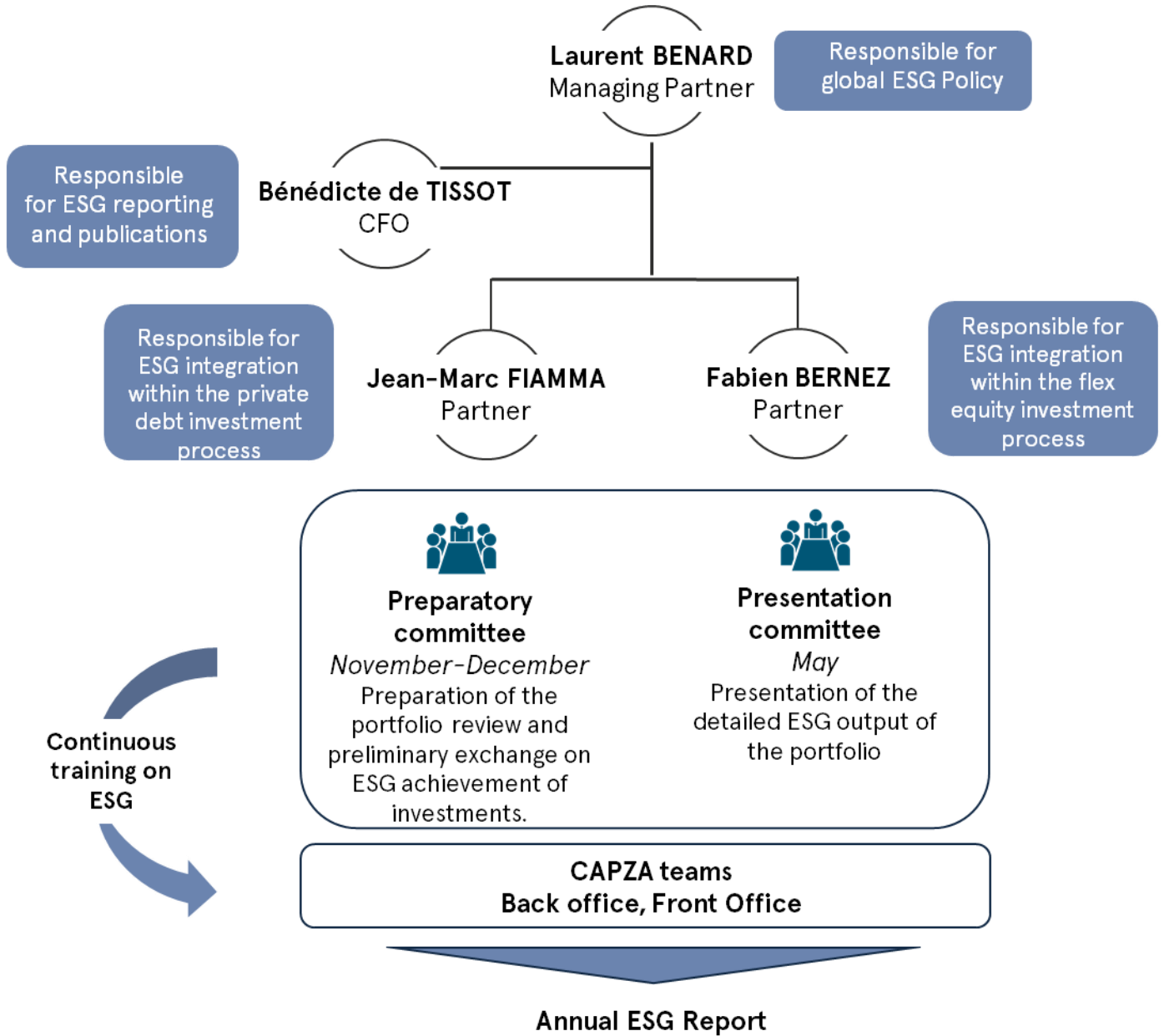
Responsible Investment Committee

Investment teams meet twice a year to formally review ESG topics within the portfolios.

- November/ December: preparatory meeting and review of ESG topics
- May: ESG annual portfolio analysis review

The CAPZA's staff benefit from an annual training on ESG issues.

ESG Governance



Alignment with industry standard and promotion of ESG within the industry

CAPZA signed the Principles for Responsible Investment in 2011 (PRI).

These principles are designed to encourage the adoption of best environmental, social and governance (ESG) practices by financial professionals.

Principle for Responsible Investment	Our actions
Principe 1 – We will incorporate ESG issues into investment analysis and decision-making processes.	Integration of ESG considerations in the due diligence process and within investment committees Scoring of our investments across 15 criteria Annual review of the scorings Annual training of staff ESG risk and footprint calculation for all our portfolios
Principe 2 – We will be active owners and incorporate ESG issues into our ownership policies and practices.	Systematic sharing of our ESG analysis with the companies. Engagement during our supervisory board. Adhoc mission with some companies in the portfolio to improve their ESG practices.
Principe 3 – We will seek appropriate disclosure on ESG issues by the entities in which we invest.	Integration of ESG issues in the due diligence questionnaires. Systematic ESG analysis based on 15 criteria for all the companies in which we invest.
Principe 4 – We will promote acceptance and implementation of the Principles within the investment industry.	UN PRI signatory Active involvement within France Invest in France
Principe 5 – We will work together to enhance our effectiveness in implementing the Principles.	Collaboration with CSR consulting agency Sirsa Annual review of our methodology and relevance according to development in the industry
Principe 6 – We will report on our activities and progress towards implementing the Principles.	Annual ESG report at both investment level and portfolio

CAPZA is a signatory of the France Invest « Charte », and contributes to the ESG commission and the annual report of the association.

Corporate responsibility

We think that corporate responsibility is core to support CAPZA in creating value for its stakeholders.

We are implementing various internal initiatives: paper use and waste reduction, recycling, move to “HQE”-certified building (limited environmental impact) in Paris.

About CAPZA

Created in 2004, CAPZA¹ is an established European private investment platform focused on small and mid-cap companies. The company is majority owned by its teams and supported by the AXA Group.

With €2.7bn of assets², CAPZA puts its experience and passion for investing in businesses at the service of investors in Europe and around the world. We offer a platform of 4 complementary areas of expertise: Flex Equity, Private Debt, Transition³ and Artemid⁴.

CAPZA offers financing solutions to small and mid-cap companies at every stage of their development. Its unique platform allows CAPZA to support companies over the long term by providing them with custom made financing solutions (majority capital, minority capital, subordinated debt, senior debt, etc.). CAPZA is a generalist but has built up strong expertise in supporting companies in the health, technology, agri-food and services sectors.

CAPZA has about 50 employees based in Paris, Munich, Madrid and Milan.

¹CAPZA (formerly Capzanine) is the commercial name of Atalante SAS, portfolio management company approved on 11/29/2014 by the « Autorité des Marchés Financiers » under GP-04000065.

²€2.7 billion as at 30 June 2019, of which assets advised by Artemid SAS and managed by a third party.

³ The funds of the CAPZA Transition range are managed by the asset management company CAPZA, and advised by CAPZA Transition SAS which has financial investment advisor status (CIF in France), is registered under the Orias under the number 18001601 since the 23/03/2018.

⁴ The funds of the Artemid range are managed by the asset management company CAPZA and advised by Artemid SAS, which is a subsidiary of CAPZA and Amiral Gestion and has financial investment advisor status (CIF in France). Artemid SAS is registered by the Orias under the number 14003497 since the 05/28/2014.

More information : <http://capza.co> **Twitter :** @capza

CAPZA

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