

An aerial photograph of a winding river flowing through a lush green landscape. The river is surrounded by dense forests and agricultural fields. The sky is overcast with soft, grey clouds. The overall scene is peaceful and natural.

CAPZA

Supporting SMEs and mid-cap companies towards a sustainable world

2021 Report on Article 29 of the Energy-Climate Law

Key Figures

CAPZA is a European private equity firm with a regional footprint focused on continental Europe.

Since 2004, CAPZA has been providing SMEs with flexible financing solutions reflecting their various growth stages.

€7bn

Assets under management to advisors⁽¹⁾

278

Investments since inception⁽²⁾

98

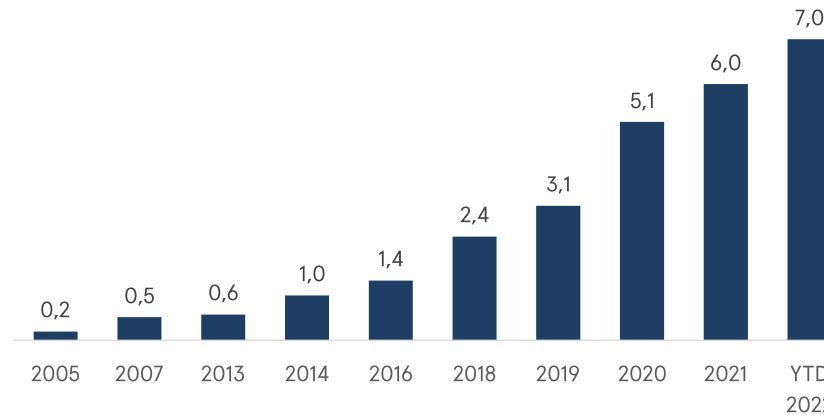
Employees

42%

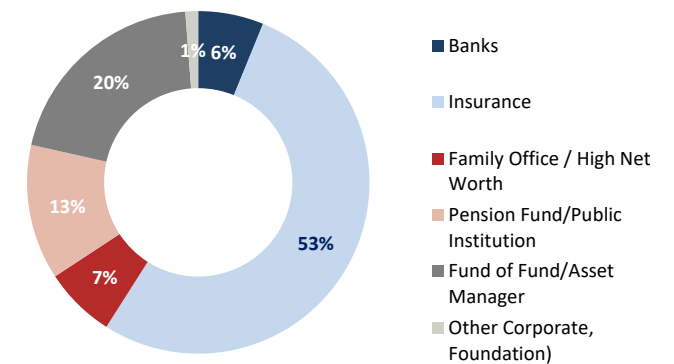
Of women among our employees



AUM GROWTH SINCE 2005 (in € billion)⁽¹⁾



ASSETS RAISED BY INVESTOR TYPE⁽³⁾



⁽¹⁾ As of 05/31/2022, including assets managed by a third party and advised by Artemid SAS, valuations as of 03/31/2022 also including funds raised until 05/31/2022 ; 2278 investments

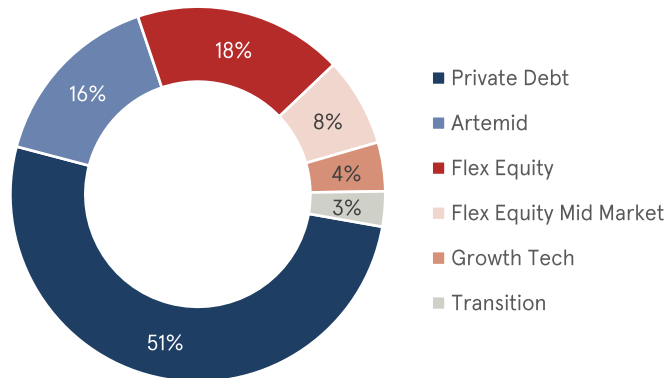
⁽²⁾ As of 06/30/2022, including funds advised by Artemid.

⁽³⁾ Based on cumulative investments of holdings still in the portfolio, including ASL and ACA managed by a third party and advised by Artemid SAS as at 12/31/2021.

Our Expertise

A flexible platform to support companies over the long term through a platform of six complementary areas of expertise.

ASSETS BY STRATEGY TYPE⁽⁴⁾



Private Debt

- Unitranche / Senior-secured, Mezzanine
- Target role: Arranger
- Companies: EBITDA > 12M€
- Leverage >3.5x

Growth Tech

- Equity holdings (mostly minority)
- Target role: Lead Investor
- Companies: Tech industry, double digit growth & profitable

Artemid Senior Loans⁽¹⁾

- Senior Debt, Syndication
- Target Role: Arranger
- Companies: EBITDA > 8M€ & Leverage < 3.5x

Flex Equity

- Equity holdings (majority, minority) and bonds
- Target role: Lead Investor
- Companies: EBITDA generally < 12M€

Transition⁽²⁾

- Mezzanine or senior bonds, equity holdings (majority or minority)
- Target role: Lead Investor
- Companies: Companies in transition phase with positive EBITDA

Flex Equity Mid Market⁽³⁾

- Equity holdings (majority, minority) and bonds
- Target role: Lead investor or co-lead investor
- Companies: EBITDA generally > 20M€

⁽¹⁾ Managed by CAPZA and advised by Artemid SAS. Artemid SAS has the status of financial investment advisor (CIF in France) and is registered with the ORIAS since 05/28/2014 under number 14003497; ⁽²⁾ Managed by CAPZA (Atalante's trade name) and advised by CAPZA Transition SAS CIF under ORIAS number 18001601 since 03/23/2018; ⁽³⁾ Ex Expansion ⁽⁴⁾ As of 05/31/2022, including assets managed by a third party and advised by Artemid SAS, valuations as of 03/31/2022 also including funds raised until 05/31/2022.

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Executive Summary

1. Approach

360°

Transform businesses
Set an example
Influence

ESG

An ESG committee follows the policy's
integration into investments

Resources deployed

An ESG and CSR committee
A ESG referent per investment strategy
550K€ allocated to external ESG services
Variable remuneration of partners linked
to ESG
Carried linked to ESG in our last funds

Training

Of our teams and our participations by
relying on the Climate Freesk and 2
tonnes workshops

2. Commitments

3 priorities

Climate
Biodiversity
Inclusion

Measures

Of our carbon footprint
Alignment on a 1.5°C trajectory
Of our biodiversity footprint
Of the diversity of the board of directors
and the gender pay gap

3 CSR priorities

Reduction of the carbon footprint
Zero plastic
Diversity, employee shareholding and
well-being at work

2023 Commitment

NZAM

3. Process

100%

of our investments are covered by a
sustainability risk analysis and the
consideration of ESG before investment
and by an annual ESG analysis shared
with the company after investment

100%

of our equity investments are based on
external ESG due diligence

100%

of greenhouse gas emissions from our
investments and mandatory PAI are
assessed

Vote

Systematic application when Capza owns
at least 5% of the company
Annual discussion of major ESG issues in
committee

4. Climate

70%

Equity AuM will need to be aligned to a
net zero trajectory by 2030

Climate Strategy

1. Exclude
2. Measure
3. Manage
4. Reduce
5. Compensate

Products

Maif Dette à Impact Environnementale
and Flex Equity Mid Marke II: two funds
launched in 2022 with the objective of
decarbonization in line with the Paris
agreements

Carbon intensity

< 20 tCO₂eq/M€ scope 1,2
<300 tC₂/M€ scope 1,2 3

Taxonomy

1.6% alignment with the European
environmental taxonomy

5. Biodiversity

Measures

Biodiversity KPIs of our holdings
The biodiversity dependency of our
portfolios
The biodiversity impact of our portfolios

5%

Some of the holdings in our portfolios are
highly dependent on biodiversity

6%

Some of our portfolio holdings have a
very strong impact on biodiversity

WATER

The priority axis of our biodiversity
strategy

6. Portfolios

SFDR

100% of diversified funds raised as of
2018 are at least Article 8

1.5°C

Target trajectory of our portfolios not to
be exceeded

Response rate

Over 75% response rate to our annual
ESG questionnaire

Social capital

The most material sustainability risk for
our portfolio according to SASB

Pay Gap

11% unadjusted gender pay gap

An aerial photograph of a beach and ocean. The sand is light brown and textured. The ocean is a deep teal color, with white foam from waves breaking onto the shore. The waves are moving from the top right towards the bottom left.

1. Our Convictions

2011

PRI Signatory

360°

Scope of our support

ESG

A Robust and operational
governance

15%

Proportion of partners' variable
compensation indexed to ESG
criteria starting in 2022

2021

Creation of our in-house
Sustainability & Impact expertise

A word from our Chairman

"More than ever, the leaders of financial institutions have a critical role to play in facilitating the environmental and energy transition we are currently undergoing.

The effects of climate change and the degradation of biodiversity require us to integrate sustainability into our reflexes as investors.

These issues are now fully integrated into our fiduciary duty and our value creation roadmap.

We are convinced that our value as a responsible investor lies in the 360° support of our ecosystem, the support we provide to our investee companies, our investor clients and our employees."

The Energy-Climate Law and its Article 29 represents a perfect opportunity for us to take stock of the progress made in integrating sustainability into our investments. It is also a great opportunity to define our next objectives.

Preparing this report has confirmed our determination to accelerate our climate and biodiversity strategies and transform our commitments into reality.

Sustainability has been a major CAPZA concern for many years. We started our ESG adventure by signing the PRI, more than 10 years ago (2011). At the time, we were among the first to publicly commit to taking into account extra-financial criteria in our investment analysis.

Since that time, the ESG field has changed a lot.

When many asset management companies decided to broaden the scope of the communication or commercial department to order to include CSR, we decided to rely on external experts until the creation in 2021 of a fully-fledged internal expertise center. As soon as the corresponding department and head of department positions were created, we decided they would report directly to top management. Our Head of Sustainability and Impact (Aurore Gauffre) is also a member of our Executive Committee, along with the main transversal functions.

The second change is related to our understanding of ESG issues. In the past, ESG was all about collecting information. Dozens (sometimes hundreds) of questions were asked to our portfolio companies and we struggled sometimes to analyze their answers. Today, the term "ESG" has been enriched to include the search for "sustainability". From a vision focused on risks, we have moved to a search for financial value creation and impact. The European regulation on sustainable finance makes little mention of the term "ESG".

Our mission is not longer to only collect "ESG" data, but also to analyze the "sustainability" risks, to bring out opportunities related to sustainability and to raise awareness among companies in our portfolios through an educational approach to the urgency of this topic.

Today, the questions we ask ourselves in Investment Committee have evolved :

- Are we investing in sustainable companies?
- Could an environmental, social or governance event have a significant negative impact on the value of our investment?
- What are the most significant adverse impacts that our investment could have on environmental, social and human rights issues, but also what are the opportunities the companies could seize?

Finally, the third evolution of ESG and the regulatory framework has led us to focus on two main risk categories :

- Climate risk
- Risk related to the degradation of biodiversity.

We are happy that regulations require us to accelerate our efforts in this area, and in this report we explain how we measure these risks and how we approach their management. This report will shed light on our commitments and, in particular, our climate and biodiversity objectives and I am convinced they will be further bolstered in the coming years.

Christophe Karvelis Senn
Chairman of CAPZA



Our 360° commitment : a strong commitment to a sustainable ecosystem

Our strategy of long-term investment in SMEs and mid-cap companies allows us to engage them into a concrete sustainable transformation.

Long-term support is an integral part of our identity as investors.

We have implemented processes to transform companies, lead by example, and engage our ecosystem to adopt more sustainable practices.

We believe that ESG best practices are a guarantee of long-term performance.

CAPZA is a leading European player in private investments in SMEs and mid-cap companies. CAPZA puts its experience and passion for **investing in businesses** at the service of institutional investors in Europe and around the world.

Our unique platform is designed to support companies over the long term by providing them with flexible, tailor-made financing solutions. We offer them a wide range of financing options: equity, convertible bonds, mezzanine, private debt, etc.

Among companies in our portfolio, more than 12% have already been financed several times by our group via one of its vehicles, which has enabled us to provide support over the very long term. This long-term vision makes CAPZA a credible partner for SMEs and mid-cap companies in their ESG transformation.

We support companies in our portfolio financially and extra-financially. We believe that implementing Environmental, Social and Governance (ESG) best practices contribute to the sustainability of our investments and their long-term performance.

OUR 360° APPROACH

Transforming companies

We transform companies by encouraging them to integrate sustainability into their core business model. Companies are in constant discussion with us on sustainability issues.

- We ask them about sustainability during the due diligence process in the pre-investment phase
- We monitor their progress in terms of sustainability on an annual basis, issue our recommendations, and maintain a constructive engagement
- We seek to integrate sustainability into the structuring and pricing of transactions and into management compensation packages
- We support them in the development and implementation of sustainability roadmaps

Leading by example

In order to set an example, we seek to apply to ourselves what we ask of our investees. We have set up a CSR committee (CAPZA for GOOD) which aims to improve our internal practices and to propose projects with a positive impact, with the support of all employees. We dedicate a part of our management fees to the mission of this committee.

We measure our carbon footprint and the carbon footprint of our investments.

The carried interest of our latest funds is linked to the achievement of ESG objectives. Our goal is to extend this practice to our future funds.

In addition, as part of this 360° commitment objective, we propose to investment teams to commit themselves in a side letter to return part of their carried interest if CAPZA's CSR objectives are not reached.

As a result, the teams are fully aligned to help CAPZA progress, along with companies in our portfolio.

Influencing our ecosystem

We are actively involved in France Invest (in particular on the topic of diversity) and we promote ESG best practices in situations of PE sponsor fund financing or co-investments. We share our vision of sustainability in higher education.

A long-standing ESG commitment

We have been committed for more than 10 years to the ESG journey.

Every year, we go further in our approach.

We are aware that we can still improve.

2022 and 2023 will enable us to make considerable progress on climate and biodiversity.

KEY DATES

2011

- Signature of the UN Principles for Responsible Investment (PRI)
- Implementation of an ESG policy



2012

Signature of the France Invest charter



2015

First annual ESG report

2019

CAPZA For Good (CSR Committee) is created

2020

- Signature of the France Invest charter for diversity
- Signature of the International Climate Initiative
- Signature of a sponsorship agreement with Project Rescue Ocean



2021

Nomination of a Head of Sustainability and Impact Member of Finance for Tomorrow



2022

Two funds focused on sustainability and decarbonization are launched: an environmental impact debt fund and the CAPZA Flex Equity Mid Market II fund

ESG Governance

Based on our convictions, we have deployed our ESG governance as close as possible to our investment teams.

Headed by Aurore Gauffre (member of the Executive Committee), the ESG team acts as a link between Executive Management, in particular Benoit Choppin, Managing Partner following this subject, and the investment teams on ESG issues.

We also rely on a network of ESG coordinators in each of the investment teams.

The ESG Committee monitors the integration of the ESG policy into investments, and the portfolio companies' ESG indicators. Regulatory changes are also shared in the Committee.

Our ESG Team

ESG is an integral part of CAPZA's teams. **Aurore Gauffre (Head of Sustainability and Impact)** is in charge of defining and steering our ESG strategy.

She is supported by a sustainability and impact analyst, Yasser Sael. The department is intended to grow in the coming years to meet reporting requirements and our approach to actively supporting our investments.

Aurore works in close collaboration with Benedicte de Tissot (General Secretary) who is in charge of reporting and publications.

Aurore also relies on a network of ESG referents from each of the investment teams.

The appointment of a dedicated ESG referent within each investment team allows us to disseminate our ESG strategy within each investment strategy and to bring out and converge our best practices.

A robust ESG governance

Our ESG governance is global, strategic, and operational:

Aurore Gauffre is a voting member of the investment committees for our sustainability-focused funds. This strategic position (the Committee votes unanimously) promotes the integration of sustainability issues from the beginning of the investment process. For example, during the process, she meets with portfolio company management to share our commitments and vision.

The **ESG Committee** monitors the ESG policy integration at the investment level. Extra-financial indicators by holding, by funds and in aggregate are shared. Specific action commitments and best practices to be disseminated are also decided by this body.

These portfolio reviews are used to monitor the execution of the ESG strategy, and the progress and challenges faced by the SMEs/ETIs we finance.

A compensation policy aligned with ESG goals

Starting at the end of 2022, ESG criteria will account for 15% of CAPZA partners' performance-related compensation. This extra-financial compensation takes into account the following elements:

- ESG-Climate analysis in investment memos
- Analysis of management package or debt structuring options integrating ESG objectives
- ESG clause and ESG-related incentives included in Letters of intent
- Systematic ESG due diligence for equity investments
- Engagement with companies in our portfolios to collect data and report on ESG analysis
- Transmitting ESG data factsheets to all investees
- Participation in ESG committees

Resources

We deploy significant human, technical and financial resources to implement our ESG strategy and ensure that it is concretely applied within our holdings.

These resources are constantly growing. We plan to continue this dynamic in order to support our AUM growth and the expansion of our impact strategy.

Internal Human Resources

We decided to create an ESG expertise and recruited Aurore Gauffre to lead it in May 2021. She is responsible for the integration of the ESG policy in the different investment strategies managed by CAPZA. She is in charge of evaluating CAPZA's climate and biodiversity footprint and drives the development of new investment products in line with CAPZA's Climate and biodiversity commitments.

With the support of the Executive Committee, of which she is a member, Aurore is responsible for the implementation of CAPZA's 360° Commitment Policy. She ensures that CAPZA teams and companies in our portfolios develop the necessary skills in the areas of ESG, climate and biodiversity.

As previously described, an ESG coordinator has been named in each of our 6 investment strategies. The ESG coordinators and the members of CAPZA for GOOD (CAPZA's CSR Committee) dedicate about 10% of their time to ESG issues and projects.

External Resources

We have always been aware of the importance of working with an independent third party to collect and verify ESG criteria for all our investments. We quickly gathered partners and experts to collect annual ESG information (SIRSA⁽¹⁾) for nearly a hundred investments, evaluate the carbon footprint, and publish ESG key performance indicators (KPIs) that validate whether or not an objective with a financial impact has been reached. In addition to these data-related considerations, we use other service providers such as Ansa, Moonshot, to support us in our ESG due diligence and our reporting. They allow us to challenge ourselves and constantly aim for excellence.

Financial Resources

We are aware that top quality support comes with a cost and we allocate on average an annual budget of about €550K for external services. In line with our ambitions, our "ESG budget" has increased considerably in recent years.

(1) Since December 2020, a fund managed by CAPZA is a minority shareholder in SIRSA.

Additionality through training

We are convinced that getting a good understanding of a problem is essential for finding solutions and taking action.

We have therefore decided to roll out the "Climate Fresk" and "2 Tons" workshops to all our employees.

We also offered CAPZA employees the opportunity to be trained as facilitators of these workshops.

At the end of the training, they will be able to lead these workshops in our portfolio companies, which will strengthen our relationship with these companies on these topics and multiply our contribution to the fight against global warming.

Employee Training

All CAPZA employees will attend the "Climate Fresk" and "2 Tons" workshops (see workshop details opposite). We believe that this is a prerequisite for understanding and taking ownership of :

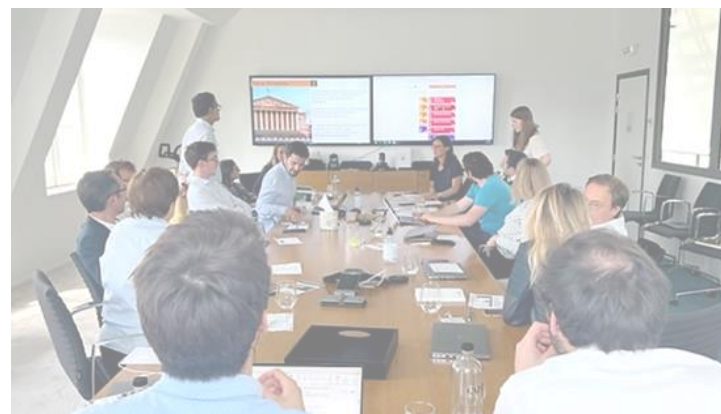
- the causes and consequences of global warming, and
- how individuals can reduce their emissions.

Some employees are getting trained to become "Climate Fresk" or "2 Tons" facilitators in order to propose and lead these workshops at their investee companies.

Investee Training

We believe that companies in our portfolios need to get a real understanding of climate issues in order to take ownership of the issues and act on them.

Our employees will be able to help them understand these issues through training. This also creates goodwill and a relationship of trust between our teams and the companies in our portfolios.



« Climate Fresk » or why?

A "Climate Fresk" workshop helps participants to familiarize themselves in an educational and entertaining way with :

- Scientific knowledge as verified and summarized by the IPCC
- Current carbon footprint issues and estimates and the carbon footprint to be respected in order to stay below 2°C (objective endorsed by the Paris Agreement).

The workshop provides a broad understanding of the subject, as well as an opportunity to feel concerned about the issues at stake (our sensitivity and cognitive biases can work against the objective).

As such, it is a workshop on the WHY.

« 2 Tons » or how?

If we want to reach the Paris Agreement objective, we must bring all French people to generate less than 2 tons of CO2.

The "2 Tons" workshop helps us understand very concretely what the emission of two tons of CO2 represents in our daily life.

As such, it is a workshop on the HOW that explores the transformation levers at the individual (me and all the others) and collective levels. Which levers are effective? Which levers are not?

Transparent Practices

Our commitment is also reflected in the transparency of our communication.

We ensure that all of our policies and commitments are made available to our stakeholders, including our investors, investees, and government agencies.

We share our commitments with all our stakeholders, including our investors.

All our stakeholders can learn about our ESG actions and commitments through the materials published on our website or sent to our investors and investees.

The annual ESG report is used to formalize and communicate internally and externally on our ESG commitments. For each investment, it details the ESG risks, the best practices that have been implemented, some recommendations and an action plan.

The ESG report also provides a consolidated and aggregated view of the portfolio's challenges and its environmental and social footprint.

Available on our website, our ESG Policy is communicated and presented to our investors for their full information. It also allows us to communicate our vision of responsible investment within our ecosystem.

We host dedicated ESG events for our investor clients

In order to communicate more on the topic of sustainability risks and the shift that the financial industry must undertake to adapt to tomorrow's world, we organize dedicated ESG events for our clients. These events aim to raise awareness of Climate and biodiversity issues among financial actors. For example, we have hosted a lunch debate on sustainability with France Stratégie in September 2022.

We engage with our employees through active internal communication on our ESG commitments

We regularly share our responsible investment vision with our employees. The values linked to our 360° engagement strategy enable us to create a strong corporate identity and ensure strong support from our teams. A "green corner" is always featured in the CAPZA newsletter to share our latest news on ESG issues.





2. Our Approach

**Net
Zero**
by 2050

100%
of diversified funds launched
since 2018 are Article 8 or Article
9 funds

NZAM
We will become a NZAM signatory
in 2023

3
Our 3 priorities are climate,
biodiversity and inclusion

40%
% of women in our investment teams
by 2030

Our Priorities

Our ESG strategy is articulated around two strong axes and one principle :

(1) The environmental axis is carbon neutrality by 2050 and the preservation of species and ecosystems.

(2) The social axis is promoting inclusion and value sharing.

One principle : reciprocity

This means generalizing the 360 approach, which consists in applying to CAPZA the same requirements of transparency, incentive mechanisms and transformation levers as those applied to companies in our portfolios to create a virtuous dynamic and to foster investees' support.



Our 1st priority is the fight against climate change. We are committed to achieving carbon neutrality by 2050.

We offer customized tools and solutions to help companies measure their carbon footprint

We encourage companies to accelerate their transformation towards a resilient, carbon neutral economy.

We apply this internally: we have a carbon footprint reduction strategy in place. We are targeting 5% yearly reduction of our carbon footprint per FTE.



Our 2nd priority is to limit biodiversity loss.

The first step was to measure the impacts of our investments on biodiversity.

We now aim to promote best practices so that companies in our portfolios limit their biodiversity footprint.

We apply this internally: for example, we have eliminated all plastic glasses and bottles.



Our 3rd priority is to promote diversity and inclusion.

We offer companies in our portfolios extended value sharing mechanisms with a large part of the management, and employees when possible. We help them find solutions to retain talents and reduce the compensation gap. We seek to increase gender parity in the company and in governance boards.

We apply this internally: more than 50% of women in the COMEX and 100% of employee shareholders as of December 1st.

GOALS

MEASURES



- Carbon footprint
- Implementation of an environmental policy
- Alignment with a 1.5° trajectory



- # Strong or very strong dependencies on ecosystem services
- # Strong or very strong pressures impacting biodiversity
- Implementation of a responsible sourcing policy
- Discharge into water



- % of employee shareholders
- Gender pay gap ratio
- % of women on the Executive Committee

Article 6 funds, Article 8 funds, and Article 9 funds

All diversified funds launched by CAPZA since 2018 are either Article 8 funds or Article 9 funds as defined in the SFDR.

The two funds launched by CAPZA in 2022 are decarbonization funds, reflecting our teams' commitment to support SMEs/ETIs on a path aligned with the Paris Agreement.

INCEPTION	FUNDS	SFDR CLASSIFICATION
2013	Capzanine 3	Article 6 ⁽¹⁾
2015	Artemid Senior Loan ⁽³⁾	Article 6 ⁽¹⁾
2015	Artemid CA ⁽³⁾	Article 6 ⁽¹⁾
2016	Capzanine 4	Article 6 ⁽¹⁾
2017	Capzanine 4 Private Debt	Article 6 ⁽¹⁾
⁽¹⁾ 2017	Artemid Senior Loan II ⁽⁴⁾	Article 8
2018	CAPZA Transition ⁽⁵⁾	Article 8
2019	CAPZA 5 Private Debt	Article 8
2020	CAPZA 5 Flex Equity	Article 8
2020	CAPZA Flex Equity Mid Market	Article 8
2020	Artemid Senior Loan III ⁽⁴⁾	Article 8
2021	Artemid CA II ⁽³⁾	Article 8
2021	CAPZA Growth Tech	Article 8
2021	CAPZA 6 Private Debt	Article 8
2022	CAPZA Flex Equity Mid Market II	Article 8
2022	MAIF Dette à Impact Environnemental ⁽²⁾	Article 9

⁽¹⁾ ESG practices and processes identical to CAPZA's article 8 funds. As the fund is at the end of its life, the fund's prospectus has not been modified, which does not allow it to qualify as an Article 8 fund.

⁽²⁾ Fund raised in 2022 with a decarbonization objective

⁽³⁾ Managed by a third party and advised by Artemid SAS

⁽⁴⁾ Managed by CAPZA and advised by Artemid SAS

⁽⁵⁾ Managed by CAPZA and advised by CAPZA Transition SAS

Our CSR Approach

We believe that a proper integration of ESG issues into our investments also depends on the exemplary nature of our internal CSR management.

This is why we make our best effort to provide a pleasant and inspiring work environment for our employees.

Our 4 CSR objectives



DIVERSITY

We aim to have 30% of women among our partners and 40% of women in the investment teams by 2030. We are a signatory of France Invest's Gender Parity Charter. We fund paternity leave and offer full telecommuting to pregnant women. We offer France Invest's parity training.



WELL-BEING AT WORK

We offer training programs to our employees based on the needs identified during their annual performance review. We also offer them free sports classes, drinks and fruit.



WASTE REDUCTION

Since 2019, we have eliminated all plastic glasses and bottles from our offices. In 2021, we set up a 3-year partnership with Project Rescue Ocean along with beach cleanup days involving all employees.



REDUCING OUR CARBON FOOTPRINT

Since 2019, we have implemented a strategy to reduce our carbon footprint. In 2022, 15 employees are participating in a "Climate Fresk" workshop and a "Two Tons" workshop. Several employees have been trained to become Climate Fresk facilitators internally and at our investee companies.

We have a carbon footprint reduction strategy in place. We are targeting 5% yearly reduction of our carbon footprint per FTE

CAPZA for Good Committee

This committee is responsible for improving social responsibility practices within CAPZA.

The objective of the committee is to identify/promote relevant initiatives, to define a realistic implementation schedule and to communicate internally/externally on our CSR initiatives.

Four objectives structure our CSR policy :

- diversity
- employee development in the workplace
- waste reduction, and
- reducing the carbon footprint

Members meet **4 times a year**.

It includes representatives from CAPZA support functions and investment functions.

- Aurore Gauffre, Head of Sustainability and Impact
- Bénédicte de Tissot, General Secretary
- Oriane Mizrahi, Partner Private Debt
- Fabien Bernez, Partner Flex Equity
- Stefano Zavatarro, Partner Italian office
- Jose Tomas Moliner, Partner Spain office
- Geert Brulot, Director Benelux
- Caroline Karpriel, Head of communication
- Jessy Jerome, Head of Human Resources
- Sylvie Mazouz, Office Manager

Our action in the past 12 months and our decisions for the future

These past 12 months saw significant work from all our teams in non-financial areas.

These commitments are the continuation of our efforts, which will be pursued in the coming months and beyond.



CARBON ANALYSIS

We calculate the carbon footprint for the management company and all our funds.



TCFD

We are committed to producing our first TCFD report in 2024.



SBTi

We promote the validation of carbon reduction targets by the Science Based Target initiative in our participations



TRAINING / CONSULTING FOR PORTFOLIO COMPANIES

We help companies in our portfolio understand and implement their climate targets through “training-consulting” services.



NEW FUNDS

We have launched two new funds (CAPZA Flex Equity Mid Market II and Dette Impact Environmental) with extremely ambitious decarbonization strategies.



BIODIVERSITY

We have carried out a biodiversity footprint of our investment funds in order to identify the priority areas of our biodiversity strategy.



EMPLOYEE INVOLVEMENT

We have launched an ongoing training program about climate issues (see “Training” section). We intend to mainstream the integration of ESG objectives into annual compensation and carried interest.

3. Our Process



16

ESG maturity indicators

145

Questions in our survey

100%

of our investments are subject to
an ESG analysis

100%

of greenhouse gas emissions from
our investments are measured

100%

of our investments are covered by a
sustainability risk analysis

ESG Policy & Strategy

We believe that ESG practices contribute to the long-term performance of our investee companies.

Our ESG commitments:

- Aim to support the integration of sustainability in the business models of companies in our portfolios;
- Drive the long-term value of our investments; and
- Are integrated into our investment process and cover 100% of our investments.

We consider key negative impacts and sustainability risks:

During the ESG due diligence and investment process, we identify key sustainability and climate-related risks and key adverse impacts of the company under consideration.

During the holding period, we collect data every year to analyze and monitor 16 priority ESG KPIs and over 100 extra-financial criteria.

Engagement with investee companies

In order to engage investee companies in improving their ESG practices, we have integrated the ESG factor into all of our exchanges with the SMEs and mid-cap companies we finance.

ESG has become an integral part of our meetings with investees management: discussions on the key sustainability risks and impact on the company's strategy, implementation of ESG roadmaps, evaluation of the carbon footprint and monitoring of the main associated indicators.

In addition, our annual ESG process includes two meetings with investee companies: an initial meeting to verify data quality, and a second meeting with Sirsa and CAPZA's investment and ESG teams to provide the ESG analysis to the investees.

As we believe in the importance of ESG governance across all our investments, we help companies in our portfolios set up dedicated ESG decision-making structures (Impact and/or ESG Committees) and implement ESG reporting systems. We also pay particular attention to our investee human resources management while promoting diversity and inclusion values.

Transparency

The ESG policy and process as well as the list of our exclusion sectors are publicly available on the website.

We are also active in leading industry associations on the integration of sustainability risks into investment.

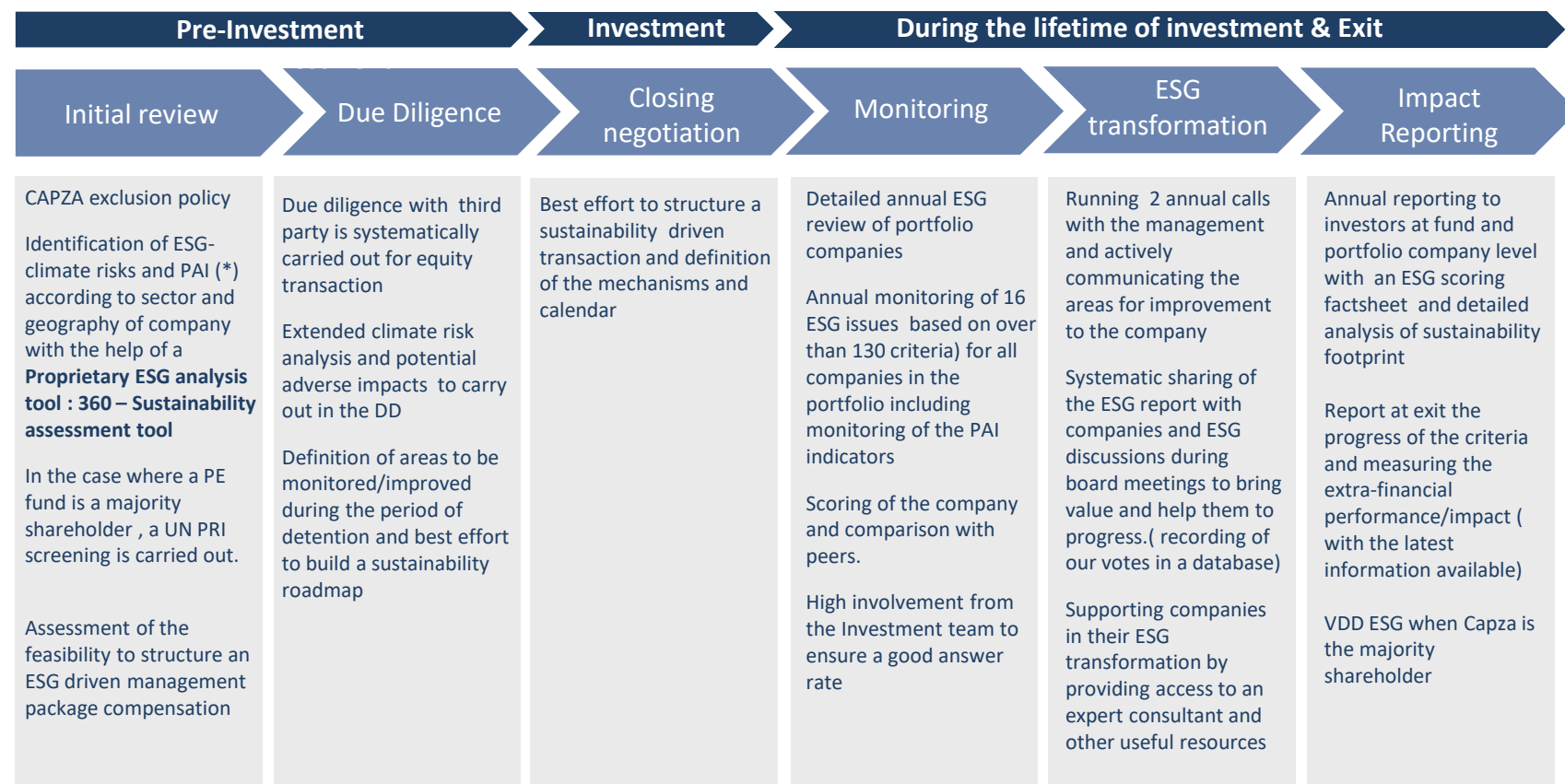


Investment Process

ESG is an integral part of our investment process, from the pre-investment phase to the divestment phase.

The ongoing regular monitoring of investments by our teams helps us identify:

- ESG risks of investee companies
- Objectives to be implemented
- Implementation of the resulting actions
- Opportunities associated with the sustainable transformation of companies in our portfolios
- Measurement and impact of those initiatives



(*) Principal Adverse Impact

Systematic integration in the one pager and in the IC memo of the ESG and climate analysis

Integration in the LOI of the will of CAPZA to structure a sustainability linked management package

Investment Process



Systematically



Best effort



If relevant



NA

ESG is an integral part of our investment process, from the pre-investment phase to the divestment phase.

The ongoing regular monitoring of investments by our teams helps us identify:

- ESG risks of investee companies
- Objectives to be implemented
- Implementation of the resulting actions
- Opportunities associated with the sustainable transformation of companies in our portfolios
- Measurement and impact of those initiatives

STEPS	ANALYSIS	Majority shareholder	Minority shareholder without sponsor	Minority shareholder with sponsor	Debt
● One pager	▶ ESG analysis (climate included) of the target and the sponsor if applicable.. Assessment of the feasibility to set up sustainability linked loans or management package	●	●	●	●
● LOI/Termsheet	▶ General mention of our will to put in place sustainability linked management package + ESG reporting provision	●	●	●	●
● DD	▶ DD ESG	●	●	●	●
● Commitment letter	▶ The offer includes a sustainability driven management package (KPIs can be defined later)	●	●	●	●
● Closing	▶ The final documentation includes a sustainability driven management package (KPIs can be defined later)	●	●	●	●
	▶ Sustainability linked loans	●	●	●	●
	▶ General ESG provision (reporting requirements...)	●	●	●	●
● Holding	▶ Collection of the ESG reporting with Sirsa	●	●	●	●
	▶ Annual meeting in June on ESG with the company and Sirsa	●	●	●	●
	▶ Transmission of the ESG reporting to the company	●	●	●	●
	▶ ESG in the agenda of the shareholder management meeting	●	●	●	●
● Exit	▶ Due diligence ESG	●	●	●	●

Exclusion Policy

CAPZA does not invest in companies that do not comply with international standards such as the United Nations Global Compact.

Furthermore, CAPZA does not wish to invest in sectors and activities showing significant impacts on the environment and society or generating additional risks (reputational risk, ethical risk, legal risk, etc.).

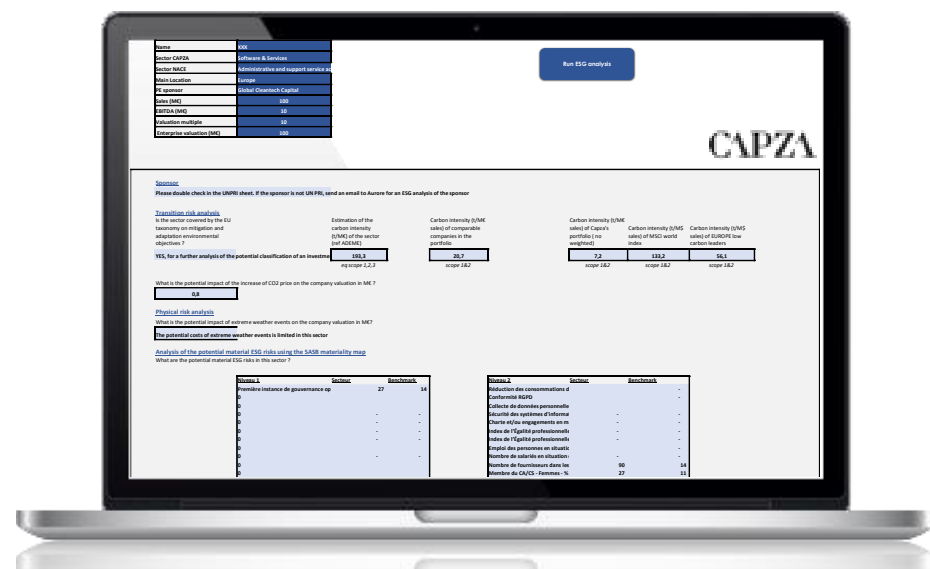
Our exclusion policy

CAPZA Exclusion Policy	Description	Materiality threshold
Normative exclusions		No
Coal	Extraction, production	No
Other fossil fuels	Extraction, production	No
Non-conventional energy	Extraction, development, production	No
Mining	Expansion and/or greenfield	No
Unsustainable palm oil or wood pulp	Extraction, production, distribution	No
Drift nets longer than 2.5 kilometers; (y) asbestos fibers; or (z) products containing polychlorinated biphenyls;	Production, trade, use	5%
Plant, animal, species regulated under the ISCED and without a permit	Trade	No
Protected areas	Development in	No
Tobacco	Production	No
Tobacco	Trade	5%
Casinos		No
Prostitution		No
Weapons and ammunition	Production and trade	No
GMOs	Production and trade	No
Human cloning	Research, development or technical applications	No
Distilled alcoholic beverages	Production and trade	Significant
Pesticides	Production and trade	Significant

Our pre-investment tools

We have built a customized 360–SAT (360 – Sustainability assessment tool) and continue to enhance it.

This tool helps investment teams determine the level of ESG risk materiality for the opportunity under consideration and to benchmark this opportunity against peers.



Sustainability Risk Assessment Tool

Sustainability Analysis

Our proprietary 360 – SAT tool is used to assess the sustainability risks of an opportunity based on the SASB and ENCORE frameworks, the European taxonomy, and the extra-financial data of the entire CAPZA portfolio.

Our tool retrieves all the extra-financial data of CAPZA's holdings in the same sector and establishes a benchmark for the sector's material sustainability indicators according to the SASB matrix.

For example, if we analyze a company in the materials sector, the volume of hazardous waste generated will emerge as a key indicator. The tool will calculate the average volume of hazardous waste per M€ of turnover generated by CAPZA companies in the same sector. The investment team can thus identify which are the material issues for the company and how the company performs on these issues compared to a CAPZA benchmark.

Indicators related to climate, biodiversity, employee share ownership and gender parity are automatically brought up, as well as all the mandatory PAIs.

If an opportunity under consideration shows a PAI greater than the threshold set by CAPZA, the investment team will require additional analysis from the ESG team.

Climate Analysis

Transition risks such as regulatory, market, reputation and technology risks are also taken into account in the analysis of investment cases.

These transition risks are assessed based on the following :

- Investee's sector
- investment valuation
- investment EBITDA
- carbon intensity of the sector
- carbon intensity of the investment
- carbon price increase

The physical climate risk is measured using a proprietary climate analysis tool that takes into account a probability of occurrence (0.5% over one year) and an expected loss in the event of an extreme weather event as defined by a climate matrix developed by SCOR and the FFA as part of a project funded by Climate-KIC.

Our risk matrix is the result of work carried out by the French Federation of Insurers and by SCOR as part of the "Climate Kic" project, based on actual climate databases.

The investment team may include this information in the investment memorandum for discussion with the Investment Committee.

Monitoring and Support Process for Portfolio Companies

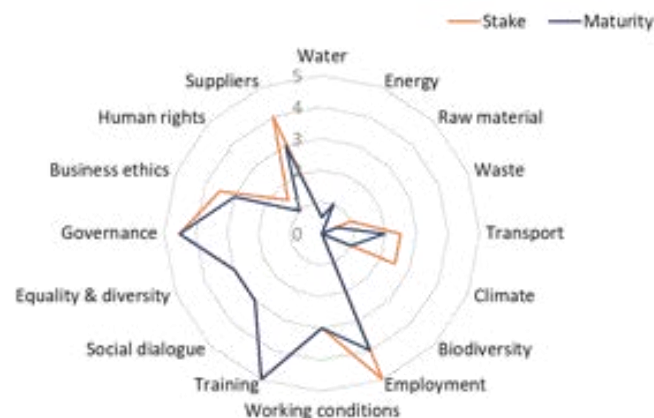
We have developed a customized ESG analysis process with Sirsa and continue to enhance it.

Our ESG data collection process

Sirsa assists us in collecting 145 indicators (including the main adverse impacts required by the SFDR regulation), including qualitative and quantitative data that allow us to evaluate the company maturity degree on 16 ESG themes.

We also use the Sirsa tool to assess the Scope 1, 2 and 3 carbon footprint of our investments, which enables us to consolidate information at the management company level in tons of CO₂ equivalent emitted per million euros invested.

The main adverse impacts are also collected through the Sirsa platform and are consolidated at fund level and management company level.



Our ESG scoring

The ESG analysis carried out by Sirsa enables us to determine an ESG score for each company. This score is calculated by measuring the gap between the maturity degree of the company regarding ESG risk and the materiality level of the risk.

Each company is given a maturity score on the 16 ESG themes (priority ESG KPIs). Each issue is given a score from 0 to 5 according to its degree of materiality for the company.

If a company manages a risk well and has a high maturity level with regard to the risk, it can reduce the gap and therefore increase its ESG score.

A bonus is awarded for transparency when the information provided by the company is of high quality and exhaustive.

To collect all this information, we use the Sirsa and Reporting 21 data collection platforms.

Our support drives impact

Every year, we schedule an exchange with the management teams in the first quarter to ensure the quality of the information provided and to get a better understanding of the responses they provide.

In June of the same year, all collected indicators and ESG scores are reported back to the portfolio companies.

The score and the indicators obtained are used to create a roadmap for each investment, a real tool for extra-financial improvement of the portfolio companies.

We promote the sharing of best practices during events focused on climate and sustainability that we organize.

ESG Analysis

Our sustainability risk and impact analysis are systemic.

We analyze each of our holdings from an environmental, social and governance perspective.

Our due diligence is customized based on the sector and our investment development level.

We frequently rely on the expertise of an independent third party.

We also evaluate the ESG maturity of our partner private equity funds.

Such analysis allows us to better understand the sustainability risks of our portfolio companies, how to reduce them, and identify the associated opportunities.

ESG Analysis

Prior to any investment, we conduct an ESG analysis and identify the sustainability risks and adverse sustainability impacts of the investment using SASB, ENCORE frameworks. We look at how the opportunity performs against absolute PAI thresholds that have been set at CAPZA's level. For any opportunity that exceeds a set threshold, the investment team requests additional analysis from the ESG team.

We encourage sponsors to sign the PRI

For debt investments, we also conduct an ESG analysis of the sponsor fund we are financing. If the sponsor has a UN PRI rating below B or is not a UN PRI signatory, the ESG team conducts additional analysis by consulting the various ESG policy documents.

We conduct a qualitative analysis to help us develop a preliminary diagnosis of the sustainability risk level carried by the company.

Private Equity

For Flex Equity, Growth Tech, Flex Equity Mid Market and Transition funds, third-party ESG due diligence is systematic. This due diligence covers all environmental, social and governance issues and defines a sustainability action plan.

Private Debt Funds

For Private Debt funds, we request ESG due diligence from equity sponsors in order to build on their work.

A fundamental practice

This research is essential to the investment process for the entire range of funds. It enables us to factor sustainability risks and adverse sustainability impacts into the investment process. These are documented in the investment memorandum and reported to the investment committee.



Risk Management

We analyze all financial and extra-financial risks related to the investment.

Using our proprietary analysis tools, we conduct an annual sustainability risk assessment of each company in the portfolio.



Monitoring ESG risks during the investment period

Identifying sustainability risks during the due diligence phase enables us to determine the key areas of focus and improvement for each investment.

The investment team can incorporate these areas of improvement into the transaction documentation.

The investment team is then responsible, with the support of the internal ESG team and external service providers, for assisting these companies in implementing the measures identified as levers for improving the extra-financial performance of our investments.

ESG committees are held every six months to review the extra-financial performance of each company in the portfolio.

Specific extra-financial indicators support the diagnosis and monitoring of performance. These reviews are shared with the portfolio companies and are part of our support for their financial and sustainable growth.

The decarbonation funds launched in 2022 include enhanced climate risk management

Our two decarbonization funds launched in 2022 are important tools in our climate strategy and include enhanced climate risk management.

To this end, we have expanded the monitoring of greenhouse gas emission reduction trajectories as well as the accompanying measures required to ensure adherence with this trajectory.

These two decarbonation funds also adopt differentiated governance with our ESG Director as a voting member of the Investment Committee.

These measures include, for example, training the company management teams on climate issues and decarbonization trajectories and developing SBTi objectives.

Voting policy

Our commitment is also reflected in an active voting policy regarding our investments.

Engagement with portfolio companies

As part of our support approach, we foster regular, long-term engagement with all our portfolio companies. This dialogue takes the form of regular meetings with the companies' management, governance boards and, where appropriate, other shareholders.

We support our investees in the implementation of their ESG processes and initiate these processes when they do not exist.

We integrate ESG objectives into the signature of acquisition agreements when relevant and in accordance with investment strategies.

Exercising voting rights

Our voting policy is designed to prioritize the interests of our end investors.

Although most of our investments are in unlisted assets, our voting policy may be applied to listed assets in the event of an IPO or delisting.

Our voting policy is systematically applied as soon as our shareholding reaches 5% and we actively follow our voting policy. Aligning the financial and extra-financial performance of our investments is one of the key principles of our policy.

In order to raise companies' awareness of extra-financial issues, we ensure that major ESG issues are discussed annually by the company governance committees.

Our upstream commitment

As we are generally the reference (and/or majority) shareholder, we are consulted before the general meetings of the companies in our portfolio. This is why our votes are almost exclusively positive.

In practice

The managers are responsible for voting at general meetings. They are therefore in charge of analyzing the adopted resolutions, including those pertaining to changes made to the company by-laws, approval of accounts and any decision related to the company's extra-financial and CSR activities.

You can find our annual voting policy report on our website.

4. Our Climate Strategy

1.5°C

Portfolio temperature increase that we have set not to exceed

NZAM

We are about to sign the Net Zero Asset Management Initiative commitments

2024

First TCFD report

70%

of the Equity AuM should be on the path to net zero by 2030

SBTi

We promote the validation of carbon reduction targets by the Science Based Target initiative

Our Climate Commitments

We are committed to aligning our portfolios with the Paris Agreement.

Our goal is to be "net carbon neutral" by 2050.

We are therefore in the process of aligning our portfolios with a scenario limiting global warming to 1.5°C.

To this end, we are committed to the three most ambitious climate-related initiatives for an asset manager:

- TCFD
- Net Zero Asset Managers Initiative
- SBTi

Quantitative objectives for 2030 ¹

We aim to have at least 70% of our equity holdings and 50% of our debt holdings have integrated decarbonation targets consistent with a path to net zero by 2030.

We are committed to ensuring that at least 50% of our majority equity investments have a decarbonization path validated by SBTi by 2030.

Net Zero Asset Managers

We are in the process of joining the global "Net Zero Asset Managers" initiative accredited by the United Nations Framework Convention on Climate Change (UNFCCC) "Race to Zero" campaign.

Through this initiative, we are publicly committing to achieving carbon neutrality in our portfolios by 2050.

We will publish quantitative targets for 2030. These detailed targets will be finalized in 2023.

TCFD

We also intend to become a signatory to the TCFD (Task Force on Climate-related Financial Disclosure) and to produce our first TCFD report in 2023.

We will therefore publicly disclose our climate commitments and our climate-related processes :

- governance
- strategy
- risk management
- performance indicators

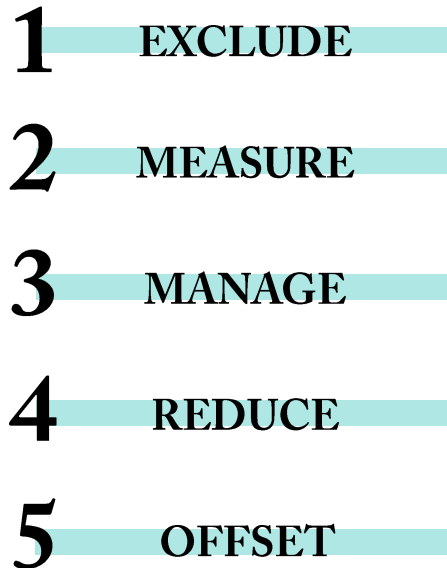
SBTi

Finally, we promote the validation of carbon reduction targets by the Science Based Targets Initiative (SBTi) in our portfolio companies.

We are also offering incentive mechanisms for the validation of decarbonization trajectories by SBTi in our two funds launched in 2022 focused on decarbonization, Flex Equity Mid Market II and MAIF Dette à Impact Environnemental.

Our Climate Strategy

Our climate strategy is structured around 5 major areas: exclusions, measurement, risk management, emissions reduction and offsetting of residual emissions.



1. Exclude

We exclude a list of activities from our investment perimeter because of their impact on climate change. These activities are the following:

- Coal-based activities (extraction, generation)
- Non-conventional energy (exploration, development, production)
- Mining assets: expansion and greenfield

2. Measure

In order to evaluate climate risk, it is essential to measure greenhouse gas emissions. We currently measure greenhouse gas emissions for all of our investments. The information comes from the carbon assessments carried out by the companies we finance or from estimates made by an independent service provider (SIRSA).

We determine the carbon footprint of the management company and of each fund. CAPZA's carbon footprint will be finalized in September 2022.

3. Manage

In accordance with the TCFD recommendations, we take into account climate-related risks, including physical risks (real asset exposure to physical consequences directly induced by climate change) and transition risks (such as regulatory, technological, market and reputation risks).

Prior to each investment, these risks are analyzed to determine their potential impact on the investment valuation (see next page for more details).

4. Reduce

We engage and encourage companies in our portfolio to decarbonize their operations.

Companies in the CAPZA Flex Equity Mid Market II and Dette Impact Environmental funds have very ambitious targets regarding the reduction of greenhouse gas emissions in line with the Paris agreement.

We are also exploring the possibility of providing portfolio companies with tools to measure and track their greenhouse gas emissions (Scopes 1, 2, 3).

5. Offset

Our priority objective is to reduce our greenhouse gas emissions in accordance with the Paris Agreement. Taking into account the physical limitations of reducing certain greenhouse gas emissions, we are aware of the need to offset the residual greenhouse gas emissions of these portfolios. For example, in its Net Zero base scenario, the International Energy Agency anticipates a storage of 8 Gt per year globally.¹

This is why our climate strategy includes promoting offsetting the residual emissions of our portfolio companies by financing carbon sequestration projects. Specific offset targets are currently under review.

1. World Energy Outlook 2021, International Energy Agency

Climate risk management

In line with TCFD recommendations, we take into account the risks related to climate change and assess the physical and transitional climate-related risks of our holdings.

Our risk management policy and processes consider both physical and transitional risks.

These risks are assessed in the pre-investment phase and monitored using specific indicators throughout the investment phase.

These climate indicators are used to develop operational roadmaps with each portfolio company, and their ongoing assessment is shared with our investors.

Our climate risk management policy integrates physical and transition risks

We approach climate risk by taking into account both physical and transitional risks. These risks are assessed in the pre-investment phase (see page 22) and monitored during the investment phase.

The assessment of physical climate-related risks makes it possible to determine the exposure of companies (and in particular their real assets) to the various climate hazards (physical risk) as well as the strategic priorities to be implemented by our investments.

Similarly, the evaluation of transition risks, including regulatory, market, reputational and technological risks, is taken into account to determine support areas for our investments.

To this end, our investment monitoring process consists of :

- i. collecting specific climate risk indicators for each investment
- ii. implementing improvement plans for each investment and
- iii. monitoring progress on these indicators in close cooperation with portfolio company teams, CAPZA investment team and CAPZA ESG team.

The climate performance indicators of each portfolio company are monitored throughout the investment phase

The KPIs we collect from each investment via SIRSA allow us to measure the climate risk materiality and the maturity degree of each investment in relation to the critical issues that have been identified. This analysis is shared with each portfolio company and is used to implement a detailed operational **climate roadmap**.

The climate indicators we collect and analyze during the investment phase include :

- Energy use and proportion of renewable energy
- Transportation flows
- Carbon footprint
- Formal environmental policy
- Environmental initiatives to reduce carbon footprint
- Etc.

Analyzing these indicators allows us to quantify the financial, reputational and operational risk resulting from climate risk for each investment.

The review of each investment's progress on the relevant climate indicators is at the core of our climate risk management. The analysis are discussed in detail with our portfolio companies, internally with our ESG committee and shared with our investors.



ESG best practices of our latest Unitranche CAPZA Private Debt 6 fund

Our "Capza 6 Private Debt" fund is the first European fund to have mainstreamed unitranche financing with sustainability objectives "Sustainability linked unitranche". We are proud to have launched in 2021 such an ambitious private debt fund from an extra-financial perspective.

In February 2022, CAPZA 6 Private Debt has financed Intescia, a leading provider of online B2B data and business intelligence software (SaaS). The group collects, cleans, links and delivers data of high commercial or strategic interest through a complete set of tools and services in various fields such as Market Intelligence. Intescia's financing has been structured around sustainability objectives.



Analyze the ESG maturity of financial sponsors and engage with sponsors to have them implement CAPZA processes where appropriate



Integrate ESG and decarbonization objectives into the transaction terms and conditions



Provide support by financing an external expert to develop a sustainability roadmap



Be transparent in communicating the extra-financial company performance to investors



Align interests with a "Carried interest" linked to ESG criteria success

ESG best practices of our latest CAPZA Flex Equity Mid Market II fund

We are proud to launch in 2022 the first LBO fund for Mid Cap companies focused on decarbonization.

Flex Equity Mid Market II has acquired a majority stake in the French operator Wifirst, a B2B telecom operator specialized in WiFi for professionals.

Wifirst is a company that is already committed to climate with, for example, the creation of "green wifi" solutions with low energy consumption and a circular management of equipment that is reconditioned as soon as it can be re-used. CAPZA and Wifirst have agreed that decarbonization is a structuring element of the transaction. Flex Equity Mid market II finances the development of a "science-based" objective in order to develop public and science-based decarbonization objectives and ensure that the shareholders' commitment is transparent and enforceable over time.



Find companies and managers that are capable of delivering financial performance and decarbonization impact



Develop and agree on a sustainability and decarbonization roadmap and align interests by integrating this roadmap to management compensation and relation mechanisms of the management



Fully integrate sustainability into the investment decision by giving to the Head of Sustainability and Impact a seat on the Investment Committee



Provide resources to companies to implement the roadmap



Get involved through climate education and facilitate workshops on climate with portfolio companies. Commit by linking a part of the carried interest to ESG objectives.



Measure and publish the impact

Taxonomy & Fossil Fuels

Our investment policy excludes activities related to fossil fuel extraction, production and distribution.

As a result, we do not report any exposure to these industries.

We are committed to keeping activities related to fossil fuel extraction, production and distribution within the scope of our exclusion list.

12%

of CAPZA's assets operate in sectors identified in the taxonomy

3.3%

of CAPZA's assets operate in activities directly covered by the taxonomy technical criteria

1.6%

of CAPZA's assets are aligned with the taxonomy⁽¹⁾ based on our in-house analysis

In accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to promote sustainable investments and amending Regulation (EU) 2019/2088, we calculate and publish the percentage of investments eligible for the taxonomy.

The taxonomy criteria are developed for activities that are likely to have a significant direct contribution to environmental objectives. Therefore, sectors such as health, services, and education are not covered.

For these reasons, the sector positioning of our platform prefigures a low percentage of eligibility and alignment of our current investments with the environmental taxonomy.

The development of a social taxonomy will result in a much greater alignment of our investments in sectors such as Health and Education.

12% is the percentage of our companies' revenues in macro sectors covered by the Environmental Taxonomy

3.3% is the percentage of our companies' revenues coming from activities that can contribute directly to climate change mitigation or adaptation.

1.6% of the revenues of our companies are realized directly in activities that contribute significantly to an environmental objective and do not harm other environmental objectives.

(1) Co-Invest Fund not included



5. Our Biodiversity Strategy

68%

Of vertebrate species have disappeared

\$150tn

Estimated value of ecosystem services

5%

Very high dependency level of our portfolios

6%

Very high impact level of our portfolios

Water

is the main focus of our commitment to biodiversity

The Importance of Biodiversity

We are fully aware of our dependence on ecosystem services (i.e. free services provided by nature).
We must collectively contribute to the long-term goals of preserving biodiversity.
In order to understand our impacts, we decided to conduct a study on biodiversity.

As a result, we carried out a biodiversity-related financial risk analysis by quantitatively estimating the dependencies of our portfolios on ecosystem services, as well as their impacts on biodiversity.

Our methodology is described in the following pages.

Ecosystem services and human impact

Biodiversity is essential to the survival of our societies. Biodiversity through ecosystems, species, genes, landscapes and landforms provides us with free services (ecosystem services) that have sustained us and sustain our development. Yet overexploitation of these resources and global warming are critically threatening their availability.

68% of vertebrate populations have disappeared in the last 50 years, while the consumption of animal products continues to increase.

GHG emissions into the atmosphere continue to grow, and this is leading us to increasingly frequent climate disasters that are extremely damaging to our development.

Natural carbon sinks are saturated with emissions generated by human activities and are no longer able to absorb more carbon.

Several studies show that human activities are the main factor in biodiversity degradation. The two main drivers of degradation are pollution and exploitation, which mainly affect the soil, water and atmosphere.

Four sectors are responsible for 90% of the impacts on biodiversity : agribusiness, construction, textiles and energy.

Financial system responsibility

The entire financial system depends on the ecosystem services that natural capital provides. Without these services, no economic growth or even economic activity could take place.

Some studies show that the value of the services provided by nature amounts to \$150 trillion.

A study by the Bank of France shows that 42% of the assets held by financial institutions are very strongly or strongly dependent on at least one ecosystem service.

Our responsibility for the long-term goals of biodiversity conservation

We are aware of our responsibility toward global biodiversity preservation and recognize the potential impact of our investment portfolios on the state of biodiversity.

As such, we have decided to :

- (i) analyze the financial risks related to biodiversity by carrying out a quantitative assessment of the dependencies of CAPZA's portfolio on different ecosystem services, and its impacts on biodiversity;
- (ii) develop a long-term biodiversity strategy and set targets to be achieved by 2030.

Biodiversity Strategy and Commitments

We are committed to fighting against the degradation of biodiversity.

We are committed to encouraging its preservation.

Our investment decisions and what we have put in place contribute to this.

Here are our current initiatives and commitments for the coming months.



What we are doing or have done already

We track our investments' environmental indicators

We collect biodiversity-related KPIs on all our holdings: raw material use, hazardous waste, water consumption, etc.

We have evaluated our portfolios' dependencies

We have carried out a "biodiversity" diagnosis of the current situation on 10 of our funds, representing a total AUM of more than EUR 3 billion of our assets by analyzing the dependencies of our portfolios.

We have measured our portfolios' impacts

We have done the same exercise with the same scope, this time analyzing the impacts.

We encourage and help our portfolio companies to take biodiversity into account

We help our portfolio companies to implement responsible sourcing policies in order to raise awareness of declining biodiversity. We provide them with examples of sustainable procurement policies to facilitate the implementation of these new practices.

What we are planning to do

We will engage more

We will increase engagement on biodiversity issues with portfolio companies that show the highest dependencies and impacts.

We will implement improvement plans

As a result of this engagement, we will ask some of our portfolio companies with the highest biodiversity risks to develop a strategic improvement plan to protect biodiversity throughout their value chain (upstream and downstream).

We will measure our holdings' dependencies and impacts on biodiversity

Based on the study we have conducted, we will measure the biodiversity risks of 100% of our future investments and monitor them throughout the life of the fund using specific indicators.

Biodiversity Study Results

Our biodiversity study enabled us to measure our biodiversity footprint through the analysis of our portfolio holdings.

5%

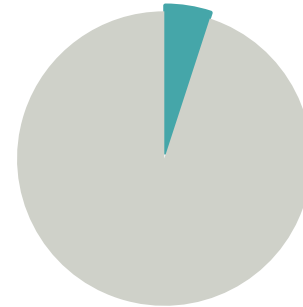
of CAPZA assets have a very high dependency on at least one ecosystem service

6%

of CAPZA assets have a very high impact on at least one pressure on biodiversity

Top Dependencies

5%



Top ecosystem service dependencies of the portfolio

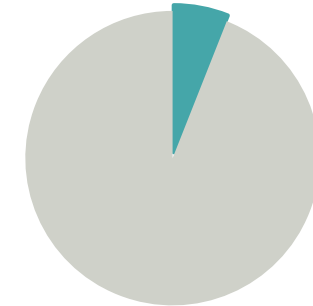
- **(1) Water (surface water and groundwater) :** Water is essential for production and is used in most processes (cleaning, preparation, transformation, chemical reaction, etc.)
- **(2) Protection against floods and storms :** For example, telecommunication companies in the portfolio need a stable climate.

20%

of CAPZA assets have a high or very high dependency on at least one ecosystem service

Top Impacts

6%



Top portfolio impacts on biodiversity pressures

- **(1) Water use :** Water is essential in most production processes. Water use generates water stress crises and greatly impacts its global availability.
- **(2) Use of terrestrial ecosystems :** agricultural industries, material use, real estate development, and wood-based industries production rely on terrestrial ecosystems.

93%

of CAPZA assets have a high or very high impact on at least one pressure on biodiversity

Results by Fund

Our biodiversity study helped us understand the importance of having a tool to measure our biodiversity footprint.

Through our approach, we were able to identify portfolios with significant issues and the reasons of their materiality.

Here are the detailed results by fund of the analysis we carried out with Moonshot.

Fund Name	# of positions	AuM (M€)	Very high dependencies	Very high impacts
Capzanine 4 Private Debt	10	429	0%	0%
Capzanine 5 Private Debt	21	1 277	0%	0%
Capzanine 4	17	272	4%	15%
Capza 5 Flex Equity	9	246	12%	0%
Flex Equity Mid Market	7	168	19%	12%
Transition	6	48	55%	0%
Growth Tech	4	71	0%	0%
Artemid Senior Loans I, II et III	43	623	12%	19%
Total / Average	117	3 133	5%	6%

Portfolios

We conducted this study on our 10 "core" portfolios (with the 3 Artemid portfolios combined in the above table) representing the capital at work at CAPZA at the end of 2021

117 investments were reviewed in the analysis.

Dependencies & Impacts

We have found that funds with investments mainly in service activities have no dependencies and relatively little impact.

It is also important to note that the funds with the highest dependencies do not necessarily have the highest impacts.



Our Portfolio Biodiversity Radar

We studied our investment dependencies and impacts on biodiversity.

This resulted in 117 radars representing the 117 holdings of the 10 funds we studied.

These radars enable us to identify the significance of dependencies and impacts for each company.

DEPENDENCIES



The radar identifies a company's major dependencies on ecosystem services.

For example, European Homes is a real estate developer. According to the ENCORE tool, water is a major issue for real estate-related activities. The real estate development sector needs water to grow (to make cement for example).

We can also see that the other dependencies are below the 3.5/5 level, which means they are not significant (green dots).

This radar will allow us to inform the relevant companies and to have in-depth discussions on existing and/or future actions or initiatives to better manage such issues.

IMPACTS



The radar identifies the company's major impacts on ecosystem services and biodiversity.

According to the ENCORE tool, greenhouse gas emissions, waste and use of terrestrial ecosystems are top biodiversity issues for the real estate sector.

It is clear that real estate has a very strong impact on land use. In addition, the construction of buildings and especially their operation generate large quantities of greenhouse gases. Construction also generates a lot of waste.

This analysis will enable us to provide support to our portfolio companies regarding biodiversity.

Our Biodiversity Commitment

We have carried out a biodiversity diagnosis for 10 of our portfolios (for a total AUM of more than 3 billion euros).

This analysis led us to identify the main focus of our biodiversity strategy: water.

81% of our holdings' high or very high biodiversity dependencies are related to water, while 55% of our holdings' high or very high impacts are due to water use and water pollutants.

Why Water?

The United Nations forecasts a global water supply shortage of 40% by 2030 if current usage and production patterns do not change. This means that half of the world's population will live in water-stressed areas.

Water scarcity is a major economic and sustainability risk for companies that depend on it (through their production process, for cleaning, for cooling, or indirectly through their suppliers, especially in the food, energy and industrial sectors), but also a societal risk for communities living in areas where water is mostly unsuitable for consumption and very little is available.

Water is a critical natural capital asset for 100% of the companies that depend on it in one way or another in their value chain.

Water: the primary focus of our biodiversity strategy

Our portfolio biodiversity analysis has highlighted the strongest impacts and dependencies of our investments on biodiversity. Among these, water has been identified as one of the most critical elements, leading us to structure our biodiversity strategy around this main focus.

First, we plan to raise awareness of this issue among our portfolio companies in 2023.

Secondly, we will actively promote the implementation of an internal water management strategy in each of our portfolio companies, in particular by drafting a CAPZA charter on water.

The objective will be for our most impacting portfolio companies to carry out a diagnosis of their water consumption, taking into account the quantities of water used, polluted, recycled and re-injected into the production processes.

In particular, we are committed to ensuring that 100% of companies operating in water-stressed areas implement water-saving solutions by 2025.

Our support will also include the implementation of best practices in our portfolio companies' value chains.



Biodiversity Methodology

2022 saw the launch of our biodiversity strategy. The impact and dependency analysis of all of our investment portfolios enabled us to identify our strategic focus.

This analysis was carried out using a biodiversity analysis tool for the financial industry based on the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) database, which was developed under UN leadership.

We are currently developing our biodiversity strategy objectives.

ENCORE Methodology



For each production process, the ENCORE database identifies and assesses **potential impacts** on biodiversity (via 11 impact types) and **potential dependencies** (via 21 ecosystem services).



ENCORE data are based on a combination of scientific data from the literature, interviews with sector experts and other physical data.



The ENCORE database lists **11 main economic sectors**: consumer discretionary, consumer staples, energy, finance, health, industry, technology, materials, real estate, telecommunication services and utilities.



Sub-sectors are listed within each major economic sector (e.g. textiles, insurance brokers, transportation, etc.). They help refine the identification of the company being reviewed.



Each sub-sector is linked to one or more **production processes**. There are 89 of them. The identification of each portfolio company's production process(es) is the basis for determining their impacts and dependencies, and the intensity level of these impacts and dependencies, i.e., the impact score and the dependency score.



The **impact** score of an ENCORE production process is calculated as follows :

Impact frequency	High, medium, low
Rapidity of impact on biodiversity	<1 year 1 to 3 years >3 years
Impact severity level	High, medium, low



The **dependency** score of an ENCORE production process is calculated as follows:

Functionality loss level if the ecosystem service is disrupted	Limited Moderate Severe
Financial loss level associated with this loss of functionality	Limited Moderate Severe

Methodology (continued)



Each portfolio position is linked to one of the **89 production processes** in the ENCORE database.



Each production process is associated with a biodiversity impact level and a dependency level. These levels are estimated by ENCORE for each production process (see the previous page).



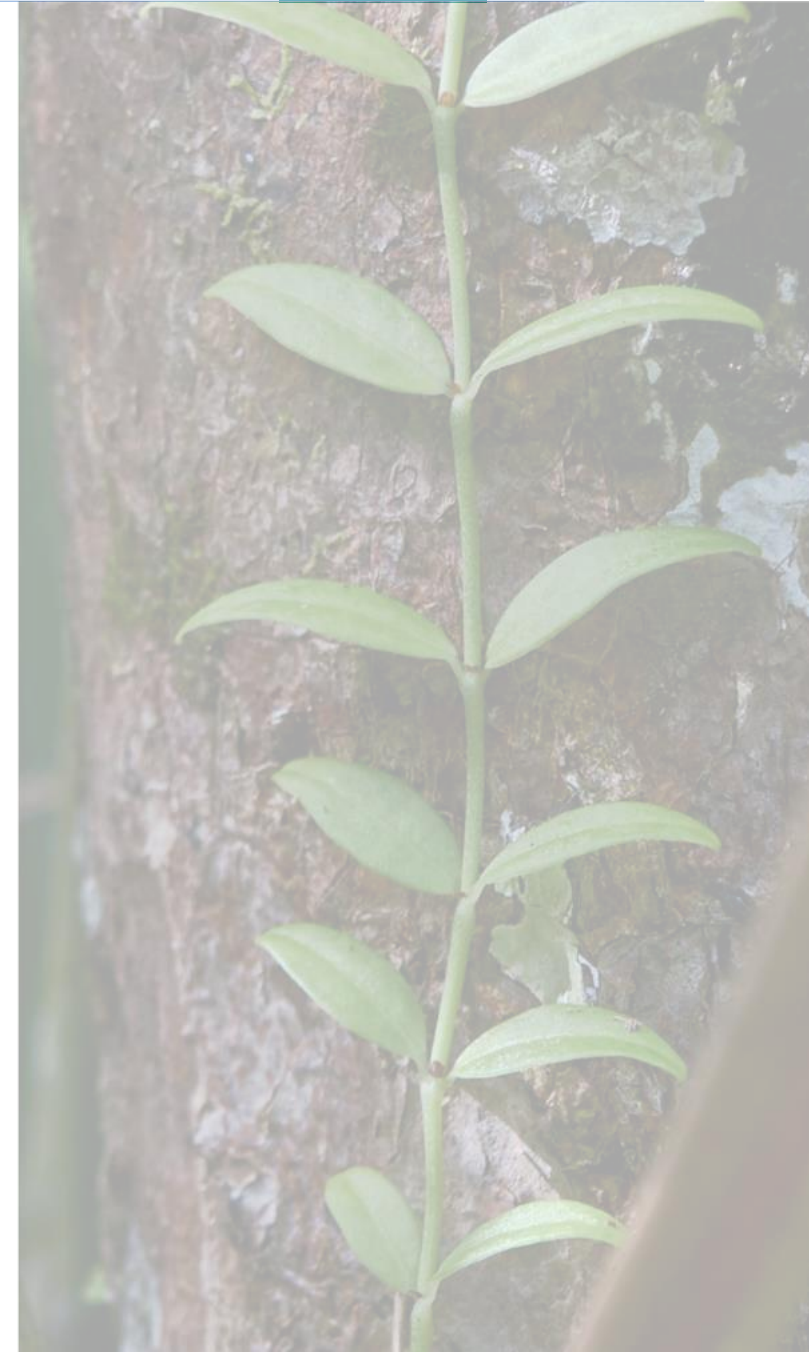
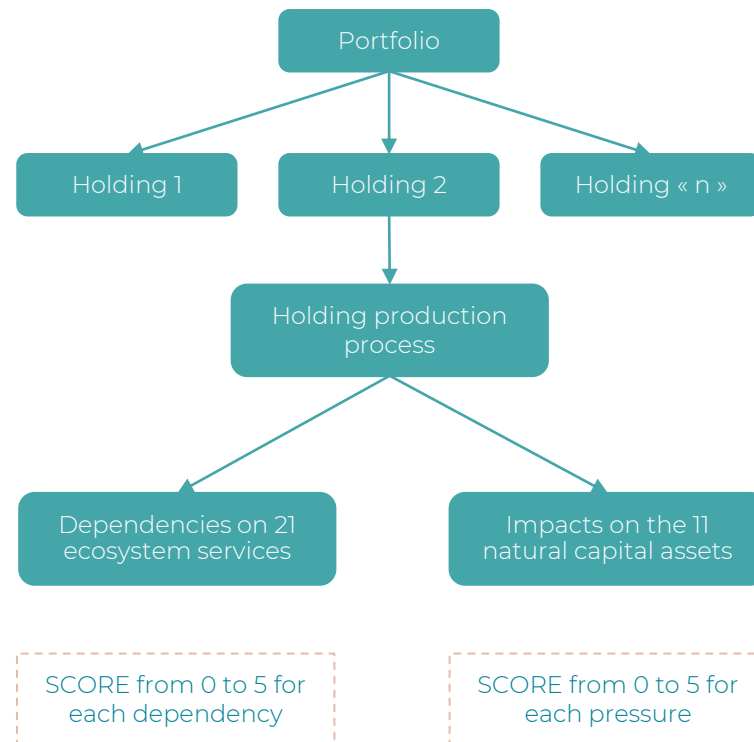
The biodiversity **impact level** of each production process is evaluated according to the 11 types of pressure identified by ENCORE. It translates into a score from 0 to 5 for each of the 11 pressures on biodiversity.



The biodiversity **dependency level** of each production process is evaluated for the 21 ecosystem services identified by ENCORE. It translates into a score from 0 to 5 for each of the 21 ecosystem services.



The impact and dependency scores can range from 0 to 5 based on the materiality degree identified by the ENCORE platform.





6. Our Portfolio

98

Companies analyzed and for which an action plan has been sent

145

Questions asked in our questionnaire

100%

of our investments are covered by a sustainability risk analysis

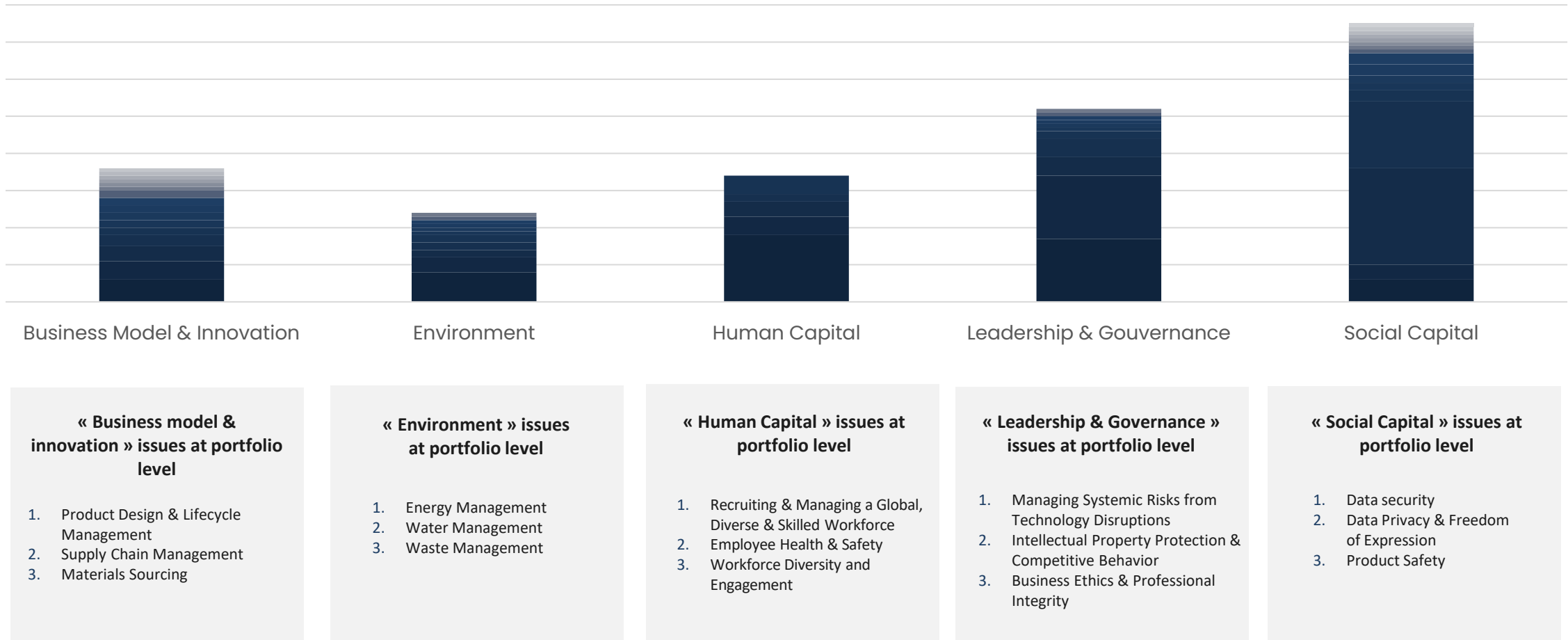
> 75%

ESG survey response rate

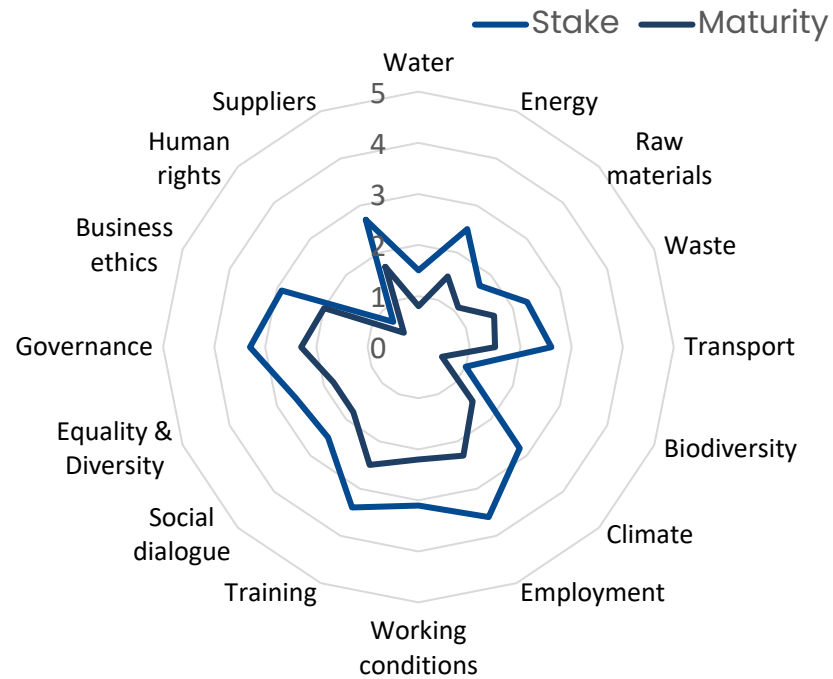
<20 tC02

carbon intensity Scope 1, cope 2

Portfolio main disclosure topics, based on the Sustainability Accounting Standards Board



Consolidation of stakes at portfolio level 2021 – CAPZA excl. Growth Tech



For each axis evaluated, the level of stake is noted out of 5

Stake: 0 = no stake ; 5 = important stakes

The stake is rated in relation to the size of the company, its sector of activity, the countries in which it operates, the data reported, and to a lesser extent in relation to the other companies in the portfolio

Maturity : rated in relation to the level of stake and the following elements :

- ✓ Is the company aware of the issue?
- ✓ Does the company have policies in place to address the issue?
- ✓ Does the company track quantitative data on the issue?
- ✓ Are the results satisfactory (in absolute terms, in intensity, compared to the benchmark, and over time)
- ✓ Has the company did everything in its power to address this issue and is there no room for improvement

SUMMARY OF THE PORTFOLIO* ESG STAKES AND MATURITY

The main ESG stakes at the fund level reflect the portfolio company mix.

- **Medium environmental & supply chain** stakes : Mainly driven by some companies whose activities have a high impact on the environmental factors (Sogetrel, BSM, Big Mamma, ...)
- **High training and employment** stakes : Many companies require technical skills (technicians, engineers) or skills in demand (IT developers): Eurodommages, Acteon ...
- **Medium working conditions** stakes : Health & Safety is an important stake for companies with production units, machines operated or repetitive gestures: Acteon, LPG ...
- **High governance and business ethics** stakes, with the internationalization of some companies or a large number of subsidiaries/entities (Acteon, Eternity systems, Winback, Novarc, Oui Care, ...) and the nature of the activity and relations with stakeholders and suppliers (Eurodommages, Questel, ...).
- **Low Human Rights** stake as companies have the majority of their activities in Europe.

The stakes where the portfolio shows the most significant gap, and therefore a greater margin for ESG progress, are :

- Climate
- Employment
- Transport
- Suppliers
- Governance

Consolidation of stakes at portfolio level 2021 – CAPZA Growth Tech



For each axis evaluated, the level of stake is noted out of 5

Stake: 0 = no stake ; 5 = important stakes

The stake is rated in relation to the size of the company, its sector of activity, the countries in which it operates, the data reported, and to a lesser extent in relation to the other companies in the portfolio

Maturity : rated in relation to the level of stake and the following elements :

- ✓ Is the company aware of the issue?
- ✓ Does the company have policies in place to address the issue?
- ✓ Does the company track quantitative data on the issue?
- ✓ Are the results satisfactory (in absolute terms, in intensity, compared to the benchmark, and over time)
- ✓ Has the company done everything in its power to address this issue and is there no room for improvement

SUMMARY OF THE PORTFOLIO* ESG STAKES AND MATURITY

The main ESG stakes at the fund level reflect the portfolio company mix.

- **Medium environmental & supply chain** stakes : Impact is mainly limited to the energy consumption that can be high in the digital sector (for servers mainly). In the portfolio, transport is also a big issue to deliver the concerned products (Xenocs). The portfolio also produces some hazardous waste with electronic devices.
- **Medium social** stakes : the portfolio companies require technical skills and skills in demand (IT developers). Companies may face difficulties to attract new employees and limit their churn rate. Training becomes a challenge to acquire business skills and know how to adapt to technological developments.
- **Medium working conditions** stakes : Health & Safety is very limited to psycho-social risks and more broadly concerns the wellness of the employees (see social stakes)
- **Medium governance and business ethics** stakes, with some subsidiaries or direct suppliers located in geographical areas at risk in terms of corruption or human rights
- **High cybersecurity** stake as this is core business to the companies in this portfolio: they collect some personal data and need to be protected against any attempt at cyber-attack/data theft.

























The stakes where the portfolio shows the most significant gap, and therefore a greater margin for ESG progress, are :

- Climate
- Equality & diversity
- Transport
- Employment
- Social Dialogue

Principle adverse impact indicators (PAI)

N°	Indicator	unit	Average	CAPZA 5 Flex Equity	CAPZA 5 Private Debt	CAPZA Growth Tech	CAPZA Mid Market I	CAPZA Transition	Capzanine 4 Private Debt	Capzanine 4
1	Carbon footprint	TCO2eq / M€	22,4	3	1,4	0,1	13	123,9	0,7	14,2
2	GHG intensity of investee companies (scope 1&2)	TCO2eq / M€	15	0,2	5,7	0,3	7,4	71,6	3,5	16,3
3	GHG intensity of investee companies (scope 1&2&3)	TCO2eq / M€	274	155	198	100	229	494	213	526
4	Exposure to companies active in the fossil fuel sector	%	0	0	0	0	0	0	0	0
5	Share of nonrenewable energy consumption and production	%	88,6	88,9	87,8	100	55,4	95	94,3	98,4
6	Energy consumption intensity per high impact climate sector	GWh / M€	0,2	0,2	0,1	0,1	0,1	0,1	0,4	0,1
7	Activities negatively affecting biodiversity sensitive areas	%	2,5	0	0	0	17	0	0	0
8	Emissions to water	T / M€ invested	0	0	0	0	0	0	0	0
9	Hazardous waste ratio	%	12	0	15	2,6	0,2	0	40,6	25,6
10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	%	0	0	0	0	0	0	0	0
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	%	64,8	50	73	100	67	67	25	71
12	Unadjusted gender pay gap	%	11,01	6,6	19,8	18,9	10,3	38,7	8,8	-0,3
13	Board gender diversity	%	15,57	16	19	5	24	7	24	14
14	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	%	0,00	0	0	0	0	0	0	0

ESG footprint overview

	SFDR	SDG	Response Rate	CSR manager	Netjob creation	Responsible purchasing policy	Formalized Code of Ethics	Biodiversity Strong impact	Yearly profit-sharing ¹	At least one woman in the board
Capzanine 4	Article 6	  	79%	40%	316	50%	80%	15%	30%	73%
Capzanine 4 Private Debt	Article 6	  	50%	100%	37	60%	60%	0%	75%	100%
CAPZA 5 Private Debt	Article 8	  	75%	69%	355	45%	57%	0%	30%	83%
CAPZA 5 Flex Equity	Article 8	  	100%	22%	278	33%	63%	12%	50%	87%
CAPZA Transition	Article 8	  	80%	100%	5	0%	75%	0%	75%	67%
CAPZA Mid Market	Article 8	  	100%	67%	447	50%	83%	0%	57%	83%
CAPZA Growth Tech	Article 8	  	100%	75%	129	0%	0%	0%	67%	75%
ARTEMID ASL III	Article 8	  	71%	67%	569	22%	60%	19%	71%	75%

1. Yearly profit sharing scheme above legal requirement

Table of correspondence with the implementing decree of Article 29 of Law no. 2019-1147 (Energy-Climate Law)

1° Information on the general approach

- a) Brief overview of the entity's general approach for taking account of environmental, social and governance quality criteria and, in particular, in the investment policy and strategy.
- b) The content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries and clients about the environmental, social and governance quality criteria which are factored into the investment policy and strategy.
- c) A list of the financial products mentioned in respect of Articles 8 and 9 of the SFDR, and the overall proportion, as a percentage, of the outstanding under management taking account of the environmental, social and governance quality criteria in the total amount of outstanding managed by the entity.
- d) Taking account of ESG criteria in the decision-making process for the allocation of new management mandates by the entities.
- e) Adherence of the entity or certain financial products to a charter, code, initiative, or obtaining certification for taking account of ESG criteria, and a brief description of these.

Pages 6, 14, 18, 19

Page 11

Page 14

Page 13

Page 10

2° Information on the in-house resources rolled out by the entity

- a) Description of the financial, human and technical resources devoted to taking account of ESG criteria in the investment strategy in relation to the total outstanding managed or held by the entity.
- b) Initiatives introduced with an eye to bolstering the entity's in-house capabilities.

Page 9

Pages 9, 16

3° Information on the approach to take account of environmental, social and governance quality criteria at entity-governance level

- a) Knowledges, skills and experience of the governance boards, in particular the administration, supervisory and management bodies, in respect of decision-making to include ESG criteria in the investment policy and strategy of the entity and the entities controlled by the latter where applicable.
- b) Inclusion, pursuant to Article 5 of the SFDR, in remuneration policies of information on how those policies are consistent with the integration of sustainability risks, including explanations of the criteria for matching the remuneration policy with performance indicators.
- c) Integration of ESG criteria into the by-laws of the entity's board of directors or supervisory board.

Pages 8, 9

Pages 18, 19, 30, 31

Page 8

4° Information on the engagement strategy vis-à-vis issuers or management companies and its implementation

- a) Scope of companies concerned by the engagement strategy.
- b) Overview of the voting policy.
- c) Review of the engagement strategy rolled out which may include the proportion of companies with which the entity has started discussions, the topics covered and initiatives to monitor this strategy.
- d) Review of the voting policy, in particular concerning tabling and voting on resolutions on ESG issues.
- e) Decision taken on the investment strategy, particularly concerning sectoral disengagement.

Page 25

5° Information on European taxonomy and fossil fuels

a) Proportion of outstanding concerning activities in compliance with the technical screening criteria defined in the delegated acts related to Articles 10 à 15 of the Taxonomy regulation, and amending the SFDR Regulation, in accordance with the delegated adopted pursuant to Article 8 of that regulation.

[Page 33](#)

b) Proportion of outstanding in companies operating in the fossil fuel sector, within the meaning of the delegated act under Article 4 of said regulation.

[Page 27, 33](#)

6° Information on the strategy for alignment with the international climate change limitation objectives of the Paris Agreement

a) A quantitative goal between now and 2030 which will be reviewed every five years up to 2050.

[Page 26](#)

b) When the entity uses an in-house methodology, components of this methodology to assess the investment strategy's alignment with the Paris Agreement or the National Low-Carbon Strategy.

[N.A.](#)

c) Quantification of the results using at least on indicator.

[N.A.](#)

d) For entities managing index funds, information on use of the EU Climate Transition and Paris Agreement Benchmarks as defined in Regulation (EU) 2019/2089.

[N.A.](#)

e) The role and use of assessment in the investment strategy and, in particular, the extent of complementarity between the selected assessment method and the other indicators on the ESG criteria more broadly used in the investment strategy.

[Pages 21, 22, 29](#)

f) Changes to the investment strategy relating to alignment with the Paris Agreement and, in particular, the policies introduced with an eye to gradually phasing out use of coal and non-conventional hydrocarbons and specifying the chosen schedule for withdrawal and the proportion of total outstanding managed or held by the entity covered by these policies.

[Pages 13, 30, 31, 32](#)

g) Any initiatives for monitoring outcomes and the changes having occurred.

[Pages 16, 30, 31](#)

h) The frequency of the assessment, the projected dates for updates and the relevant selected development factors.

[Pages 18, 22, 29](#)

7° Information on the strategy for alignment with long-term biodiversity goals

a) An assessment of compliance with the goals listed in the Convention on Biological Diversity, adopted on 5 June 1992.

[Page 40](#)

b) An analysis of the contribution to reducing primary pressures and impacts on biodiversity as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

[Pages 37-39](#)

c) Mention of the use of a biodiversity footprint indicator and, where applicable, how this indicator is used to measure compliance international biodiversity targets.

[Pages 41-42](#)

8° Information on approaches to taking ESG criteria into account when managing risks

a) The process for identifying, assessing, prioritising and managing risks related to taking into account ESG criteria, how the risks are integrated into the entity's conventional risk management framework and how this process addresses the recommendations of the European Supervisory Authorities of the European System of Financial Supervision.

[Pages 18, 20-25, 29](#)

b) A description of the principal ESG risks taken into account and analyzed, which includes, for each of these risks [...]

[Pages 19-24, 29](#)

c) An indication of the frequency of the risk management framework review process

[Page 18](#)

d) An action plan to reduce the entity's exposure to the main ESG risks under consideration.

[Pages 4, 13, 28, 36, 40](#)

8 bis° Methodological criteria for the information referred to in 8°	
a) The quality of the data used, a mention of the use, as early as possible, of methodologies based on forward-looking data, and an indication, where appropriate, of the relevance of using methodologies based on historical data.	Pages 18, 22, 28, 41, 42
b) Climate change-related risks	Pages 22, 28
c) Biodiversity-related risks	Pages 41, 42
9° Continuous improvement plan	
a) An identification of any opportunities to improve the current strategy and the corresponding tangible actions to improve the current situation.	Pages 27, 28, 40
b) Information on strategic and operational changes that have been or will be introduced as a result of the implementation of corrective actions.	Pages 27, 28, 40
c) For each of the two previous points, objectives with a timetable for implementation.	Pages 27, 28, 40