

FCDE SUSTAINABILITY POLICY

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GENERAL INFORMATION

Sustainability is a key focus for FCDE and has been an important part of its strategy as an investor since 2015. FCDE has implemented an ambitious and structured ESG framework based on a comprehensive approach at each stage of the investment process. There is a shared commitment towards ESG from both FCDE and the portfolio companies and a continuous improvement process towards sustainable value creation. At the forefront of the FCDE sustainability strategy is the commitment to focus efforts on targeted ESG improvements tailored to the portfolio company business case.

This Sustainability Policy covers all FCDE's investment activities. It ensures compliance with the requirements set out in Articles 3, 4 and 5 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFDR").

The SFDR is based on the principle of double materiality and identifies two main types of risks:

- **Sustainability risks:** An environmental, social or governance event or condition where, if it occurs, could cause an actual or potential negative impact on the value of the investment
- **Principal Adverse Impacts (PAIs):** PAIs of investment decisions on sustainability factors which are defined as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.



FCDE considers the impact of its investment decisions on ESG factors AND the impact of ESG factors on the value of its investments

In compliance with the SFDR, this Sustainability Policy aims to demonstrate how FCDE' policies integrate sustainability risks in its investment decision-making process as well as the due-diligence policies with respect to the PAIs.



ESG GOVERNANCE

INTERNAL TEAM

The ESG approach at FCDE is delivered by all investment team members at the portfolio company level and is managed by a three-person team at the corporate level. This internal team is comprised of **Charlotte Lepetit** (Partner and Corporate Secretary), **Réjean Guern** (Partner) and **Jules Bosser** (Principal). The team is responsible for coordinating the internal sustainability approach, including the management of sustainability risks and PAIs of investments, as well as ensuring FCDE's continuous improvement and compliance with regulations.



ESG COMMITTEE

FCDE has put in place an annual ESG Committee comprised of two **FCDE Partners** (**Charlotte Lepetit** and **Réjean Guern**) with the participation of an appointed advisor from an ESG consulting firm.

The purpose of the ESG Committee is to monitor, share and coordinate progress on sustainability stakes within the portfolio companies. For each portfolio company, the ESG Committee discusses the following issues with the investment team:

- The sustainable performance of the company, including the analysis of sustainability risks and PAIs of investments on sustainability factors
- The actions taken, and to be taken, in terms of sustainable value creation for the company
- The KPIs to be monitored in order to improve this performance and limit sustainability risks

The ESG committee makes recommendations to be implemented and monitored by the investment teams in relation to the portfolio companies.

ESG ANNUAL SEMINAR

On an annual basis, an appointed ESG advisor conducts a sustainability training with the participation of the full FCDE team. This seminar includes sharing the results of the FCDE annual sustainability reporting campaign pushed to the portfolio companies as well as the results of the ESG Committee consultation. This training also acts as the forum for discussion around prospective sustainability good practices that could generate improvements with respects to ESG and sustainability.



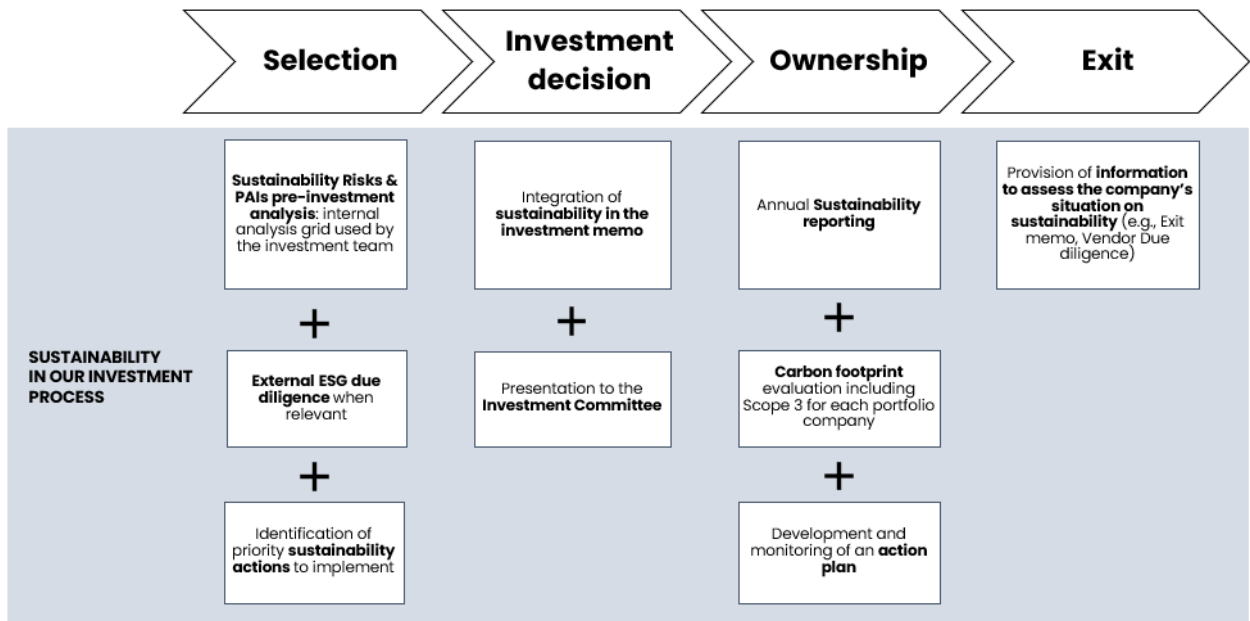
SUSTAINABILITY RISKS AND PAIs RELATING TO THE INVESTMENT PROCESS

OVERVIEW

FCDE identifies, analyses, and monitors sustainability risks and PAIs of investments at each step of the investment process, while adapting its approach to each investment to ensure an appropriate and effective ESG strategy.

The process of incorporating ESG and sustainability risks into FCDE’s investment and risk management policies started in 2015. FCDE Sustainability Policy is based on three key steps: pre-investment due diligence; presentation to the Investment Committee of the ESG risks, opportunities and stakes associated with the proposed investment; and post-investment monitoring of objectives, action plans and progress.

Integration of sustainability into the FCDE investment process



INVESTMENT RESTRICTIONS

FCDE excludes certain investment sectors for ethical reasons and do not invest in companies located in non-cooperative countries with regards to the efforts to combat corruption and terrorist financing.

The Funds are prohibited from investing, directly or indirectly, in companies:

- Whose activity consists primarily in the production, sale, storage or services for and of firearms, and in particular cluster munitions, cluster bombs, landmines, anti-personnel mines
- Whose activity consists of or is related in any manner whatsoever to prostitution
- Whose activity is to manufacture complete tobacco products (threshold for application: revenues above five percent (5%) of the relevant company's total revenues)
- Whose main activity consists of or whose main portion of revenues is issued from the production, the exploitation, the sale and/or distribution of tobacco
- Involved in the production, sale or storage of chemical, biological and depleted uranium weapons
- Violating, repeatedly and seriously, one or more of the ten principles of the Global Compact, without credible corrective action
- Which are coal developers (i.e., corporations currently developing or planning to develop new thermal coal capacities along the value chain – mining, production, utilities and transport infrastructure)
- Whose significant part of activity consists or whose significant portion of revenue is issued from the extraction, the exploitation, the sale and/or distribution thermal or metallurgical coal

SUSTAINABILITY RISKS AND PAIs IN RELATION TO THE INVESTMENT PROCESS

- [Pre-investment internal sustainability analysis](#)

As part of the pre-investment process, FCDE systematically conducts an internal sustainability analysis in order to review sustainability risks, opportunities, and PAIs of each target company in relation to sustainability factors. In addition, sustainability external due diligence is conducted when relevant (i.e., conducted for most target companies).

- [Pre-investment memorandum](#)

The results of the pre-investment analysis are reported in the investment memorandum and discussed with the Investment Committee members. These discussions allow for the identification of the key sustainability actions to be implemented in order to manage sustainability risks, opportunities, and PAIs of investments on sustainability factors.

- [Post-investment annual sustainability reporting campaign](#)

To encourage portfolio companies to progress on sustainability and to consider sustainability risks and PAIs, FCDE conducts an annual sustainability reporting campaign. The comprehensive quantitative and qualitative KPIs data collection allows FCDE to measure progress and analyse the sustainability performances of the portfolio companies in 4 categories:

Governance

- > Operational governance
- > Shareholder governance
- > Ethics
- > Human Rights
- > Data Protection
- > Governance/ CSR monitoring

Environmental Footprint

- > Environmental Management
- > Energy consumption and Carbon footprint
- > Water consumption
- > Waste
- > Climate change, environmental risks exposure & initiatives
- > Nuisances
- > Biodiversity
- > Taxes and litigations

Social Footprint

- > Workforce
- > Employment and Job creation
- > Temporary work and Overtime Hours
- > Parity and Diversity
- > Absenteeism
- > Health and Safety
- > Training
- > Labor relations
- > Well-being
- > Compensation & benefits

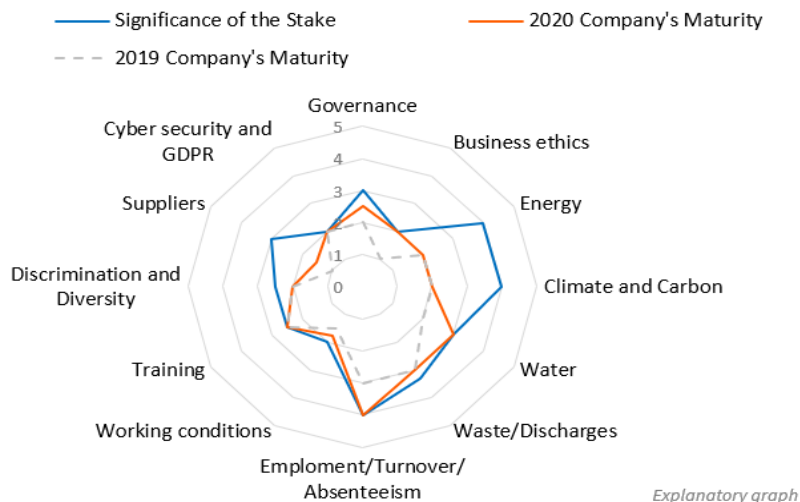
Stakeholders

- > Organization
- > Responsible purchasing
- > Suppliers
- > Community

Through this analysis, FCDE defines the level of stakes and maturity of the portfolio companies on environmental, social and governance stakes including but not limited to business ethics, energy, carbon, biodiversity, turnover and absenteeism, working conditions, diversity, etc. The sustainability risks and PAIs are identified during this analysis, particularly where the gap between the level of stake and maturity is significant. An action plan is then defined and reviewed each year with the management of the portfolio companies in order to improve their practices and mitigate these risks.

Mapping of the level of sustainability risks and maturity of portfolio companies

(illustrative example)



For each area evaluated, the stake and maturity levels are rated out of 5.

Stake: 0 = no stake; 5 = significant stake

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 stake level and the following elements:

- ✓ Is the company aware of the stake?
- ✓ Does the company have policies in place to deal with this stake?
- ✓ Does the company track quantitative data on this stake?
- ✓ Are the results satisfying (in absolute value, in intensity, compared to the benchmark, and in evolution over time)?
- ✓ Has the company done everything in its power to respond to the stake, and is there no potential room for improvement?

The more important the gap between the stake level and the maturity level is, the higher the ESG risk is.



CARBON FOOTPRINT & CLIMATE CHANGE

Each year, FCDE puts together with an ESG appointed advisor a comprehensive sustainability report for investors that synthesises sustainability actions, including consolidated data and portfolio companies' sustainability scorecards. The scorecards, which display the company's key sustainability data and areas for improvement are shared and discussed with each company in order to create a collaborative mechanism to improve their practices each year.

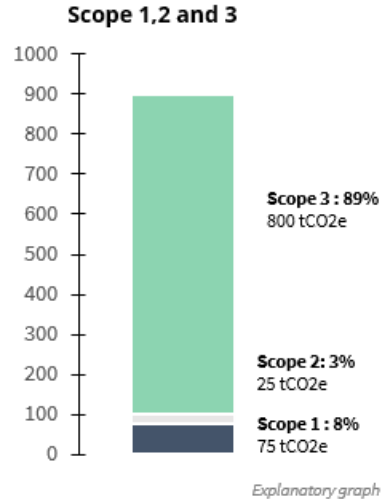
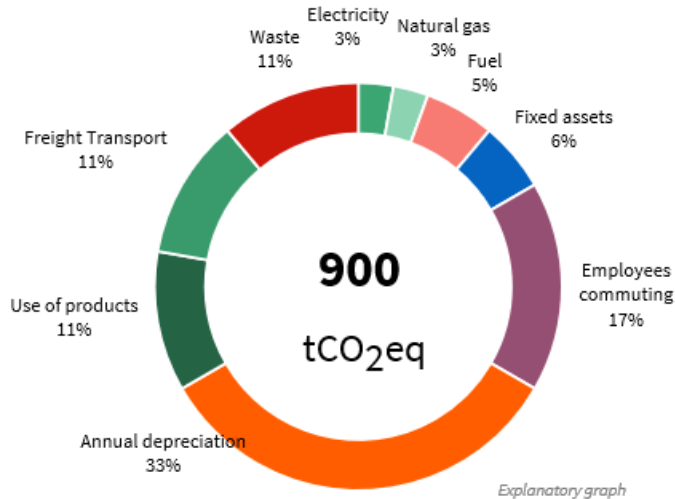
As part of this annual sustainability reporting campaign, FCDE conducts a full carbon footprint of GHG emissions produced by the portfolio companies according to the GHG Protocol Corporate Standard classification:

- Scope 1 – direct GHG emissions from owned or controlled sources
- Scope 2 – indirect GHG emissions from the generation of purchased energy
- Scope 3 – indirect emissions not included in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions.

FCDE also conducts regularly a management company's carbon footprint assessment including Scope 3 emissions.

Results of a carbon footprint assessment

(illustrative example)



SUSTAINABILITY RISKS RELATING TO THE REMUNERATION POLICY

FCDE’s Remuneration Policy’s purpose is to align staff remuneration with sound risk management. FCDE Remuneration Policy complies with the AIFM standards and current standards in favour of gender equality (i.e., equal pay for women and men, increasing transparency and aligning remuneration for equivalent positions and skills). Variable remuneration is awarded based on qualitative and quantitative criteria, with a view, in particular, of avoiding short-term risk-taking. FCDE integrates sustainability criteria for the awarding of 20% of the variable remuneration for all staff.



DIVERSITY

FCDE'S COMMITMENT TO DIVERSITY

FCDE places significant emphasis on diversity, equality and inclusion in the workplace, aiming to achieve a balance of genders and cultures within the team. FCDE strongly believes that having teams with complementary skill sets and backgrounds is vital for success and execution of its strategy. FCDE has continued to take action to ensure diversity within its team members, thereby positioning the Firm to benefit from an expanded talent base. Some of the measures taken to date include setting clear recruitment targets and diversity training for the employees. This includes signing the Charter for Gender Equality in Private Equity (France Invest) to promote gender parity among French PE players and the companies they support.

FCDE' recruiting policy for diversity articulates around the following objectives:

- Increase the percentage of women having responsibility for investment committee decisions to 25% in 2030 and 30% by 2035, and acquire the necessary tools to achieve this objective
- Set a target for women to make up 40% of the investment team by 2030
- Ensure non-discriminatory recruitment and assessment practices
- Encourage working time flexibility and organisation for all employees, implement family-friendly policies
- Combat gender stereotypes and ordinary sexism
- Establish monitoring indicators and communicate them annually to France Invest

PORTFOLIO COMPANIES' ACTIONS FOR DIVERSITY

FCDE has adopted an active approach to improving gender parity at the portfolio company level. For example, portfolio companies are required to report annually on the gender parity index as defined by the Penicaud law.

This includes also monitoring certain measures within the deal flow by stage of completion:

- Nature of the operational management team/management board (chairman, chief executive officer, deputy chief executive officer, other members of the management board): 100% male, 100% female or mixed
- For mixed teams: number of men and women of the operational management team/management board (chairman, chief executive officer, deputy chief executive officer, other members of the management board)

At a portfolio company level, FCDE monitors:

- Number of employees at the end of the fiscal year, and number of women
- Number of employees of the operational management team/management board and number of women
- Number of employees at the board of directors or supervisory and number of women