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EM8 Private Equity's Responsible Investment Policy

Introduction: presentation of our approach

EM8 Private Equity is an **independent** private equity fund-of-funds management company committed to **responsible** investment. We strive to reconcile the performance expected by our clients with respect for social, environmental and governance criteria. With this in mind, we have drawn up a Responsible Investment Policy for the management company, defining both the ESG standards and principles of our business, and the methodology for monitoring these criteria.

Funds of funds are designed to hold stakes in private equity funds (buyout, expansion capital and venture capital), whether acquired at the time of fund raising (referred to as Primary activity) or when the portfolio of the fund(s) is at least partially built up, by buying out stakes from other investors (referred to as Secondary activity).

Principles of EM8 Private Equity's approach

EM8 Private Equity is committed to respecting the principles of the United Nations Global Compact, and has been a pre-signatory of the UNPRI Principles since its creation. We are committed to developing a responsible investment policy within the management company and its portfolios. The management team is convinced that an intelligent approach, **integrating responsibility criteria as well as environmental, social and governance criteria**, creates value.

The 10 principles of the UN Global Compact are as follows:

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labour.
5. The effective abolition of child labour.
6. The elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

EM8 Private Equity is committed to applying the current and future principles governing the Principles for Responsible Investment (PRI), and has developed its responsible investment policy around the six PRI principles.

The UNPRI principles can be broken down as follows:

1. We incorporate ESG issues into our investment analysis and decision-making processes.

2. We are active owners and incorporate ESG issues into our ownership policies and practices.

3. Wherever possible, we ask the entities in which we invest to be transparent about ESG issues, and to publish this data.

4. We encourage private equity players to adopt and apply the Principles.

5. We cooperate to increase our effectiveness in implementing the Principles.

6. We report individually on our activities and progress in implementing the Principles.

Principles of the EM8 Private Equity approach

Since the founders of EM8 Private Equity began working together, they have pursued a conviction-based approach to fund and manager selection. EM8 Private Equity systematically integrates ESG criteria and key elements concerning sustainability risks into its entire investment and monitoring process.

As such, EM8 Private Equity integrates sustainability risk analysis **right from the initial stages of analyzing a** primary or secondary **opportunity**, particularly with regard to the fund's investment policy, the sectors to which the fund is or could be exposed, and the governance of the management company and team. For example, EM8 Private Equity will check whether sectors that are excluded from international conventions or that it considers to be sensitive (arms, tobacco, production of asbestos fibres, use of drift nets over 2.5 km long, trade in species or plants protected by conventions, coal, pornography) are included in the investment policy of the fund under review, and will encourage the manager not to invest in these activities, which seem to us to be inconsistent with an active ESG (environmental, social and governance) commitment. These incentives will be discussed prior to decision-making, and will usually be formalized in side-letters. The **investment process** also includes reference checks throughout the study of the opportunity, notably concerning the respectability of the management team and its members, its organization and its corporate culture. Reference checks allow us to identify any possible past incidents or disputes, which will of course be discussed with the target fund's management team before any investment decision is made, in order to assess the seriousness of the facts and whether the investment decision should be reconsidered.

An ESG questionnaire is also submitted to the fund managers as part of the due diligence for the primary buyout activity, in order to determine an "ESG score" which integrates elements concerning the management company itself, its investment policy and its implementation, its approach and its responsible investment policy. EM8 Private Equity strives to apply an ESG analysis consistent with the size of the management company and its assets under management, and with its investment strategy. In the case of primary technology activities and secondary activities, EM8 Private Equity may not be able to carry out the same type of ESG analysis prior to the investment decision, due to the specific nature of these operations.

Annual reporting on criteria and performance indicators is an essential part of the ESG improvement process. This information is an integral part of the **investment monitoring process**. The monitoring of fund throughout the duration of their ownership enables each management company to assess improvements in their responsible investment practices over time, based on concrete examples of the holdings they have in the underlying companies. EM8 Private Equity interacts on a very regular basis (quarterly updates at the time of receiving reports, participation in advisory committees, ad hoc meetings, etc.) with the management companies in its portfolio, to monitor and evaluate the portfolio of underlying companies. This monitoring is based on both the financial and extra-financial data of the underlying companies.

When EM8 Private Equity was set up, the founders used their convictions to define commitments that are integrated into their investment philosophy. The fund managers will endeavour to communicate ESG information to investors in the funds managed by EM8 Private Equity.

As part of its commitment to apply the current and future principles governing the Principles for Responsible Investment (PRI), EM8 Private Equity has also undertaken to respond to the annual questionnaire and may communicate its responses to investors in its funds.

APPENDIX

Application of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosure in the financial services sector

(Sustainable Finance Disclosure Regulation - SFDR)

Article 3 - Transparency of sustainability risk policies

EM8 Private Equity is aware that investments made through its funds are exposed to sustainability risks that could have a significant impact on the value of the underlying assets. The management company believes that these risks deserve to be considered alongside traditional financial risks in order to provide a more complete picture of the value, risk and potential performance of these investments.

The Fund has a multi-sector approach and invests in sectors such as healthcare, biotechnology and drug development, agri-food and the digital economy. Given the Fund's investment thesis, the following sustainability risks (non-exhaustive list) are likely to have an impact on the Fund's performance:

- Environmental risks
    - Energy management
    - Greenhouse gas (GHG) emissions
    - Water and wastewater management
    - Waste management
- Social risks
    - Employee engagement
    - Working conditions
    - Diversity and inclusion
    - Supply chain management
    - Customer health and well-being
- Governance risks
    - Data security
    - Product quality and safety
    - Business ethics
    - Protection of customer privacy

EM8 Private Equity analyzes the risks and opportunities associated with the ESG dimensions of its investments at every stage of the investment cycle. In particular, EM8 Private Equity has put in place several measures to anticipate the occurrence of sustainability risks:

<u>During the pre-investment phase</u>

- Application of a sectoral exclusion list for the companies in which the funds invest, enabling risky sectors to be excluded from the investment perimeter.
- Evaluation of ESG criteria using a pre-investment ESG analysis grid, and internal ESG due diligence to identify the main ESG issues and sustainability risks for each investment.
- Inclusion of an ESG clause in side-letters formalizing funds' commitment to producing periodic information on their main sustainability risks.

<u>During the holding phase</u>

- Annual monitoring of ESG indicators for each fund to assess and track the level of exposure to sustainability risks
- Dialogue with fund' managers on ESG issues, in particular sustainability risks, at least once a year, either during the Annual General Meeting or at ad hoc meetings.

<u>During the exit phase (in the case of secondary sales)</u>

- Sharing with potential buyers of ESG information collected during the holding phase, including sustainability risks.

Article 4 - Transparency of adverse sustainability impacts at entity level

<u>a) Summary of principal adverse impacts ("PAI") on sustainability factors</u>

EM8 Private Equity takes into account the principal adverse sustainability impacts of its investments at management company level, as defined in Article 4 of the SFDR Regulation.

The principal adverse impacts on sustainability factors monitored annually by EM8 Private Equity include mandatory indicators and some additional indicators, as defined by the SFDR. The additional indicators have been selected on the basis of their relevance to the sectors in which the Fund invests (including healthcare, biotechnology and drug development, agri-food and the digital economy).

b) Description of the principal adverse impacts on sustainability factors and historical comparison

The principal adverse impacts on the sustainability factors monitored annually by EM8 Private Equity are detailed below:

Mandatory PAI	Additional PAI
1.1 GHG emissions 1.2 Carbon footprint 1.3 GHG intensity of investee companies 1.4 Exposure to companies active in the fossil fuel sector 1.5 Share of non-renewable energy consumption and production 1.6 Energy consumption intensity by sector with high climate impact 1.7 Activities with a negative impact on biodiversity-sensitive areas 1.8 Water discharges 1.9 Ratio of hazardous and radioactive waste 1.10 Violation of UN Global Compact principles and OECD Guidelines for Multinational Enterprises 1.11 Lack of compliance processes and mechanisms to monitor adherence to UN Global Compact principles and OECD Guidelines for Multinational Enterprises 1.12 Unadjusted gender pay gap 1.13 Gender diversity in governance bodies 1.14 Exposure to controversial weapons (landmines, cluster munitions, chemical or biological weapons)	2.4 Investments in companies that have not taken initiatives to reduce their carbon emissions 2.7 Investments in companies with no water management policy initiatives 3.2 Accident rates 3.3 Number of days lost due to injury, accident, death or illness 3.7 Cases of discrimination 3.17 Number of guilty verdicts and amount of penalties for breaches of anti-corruption and bribery legislation

c) Description of policies to identify and prioritize principal adverse impacts on sustainability factors

In order to take into account and mitigate the principal adverse impacts of funds, EM8 Private Equity plays an active and responsible role as an LP of the funds in which the management company invests. The principal adverse impacts are therefore taken into account throughout the investment process.

During the pre-investment phase:

- Application of a sectoral exclusion list for the companies in which the funds invest, enabling sectors with strong negative impacts to be excluded from the investment perimeter.
- Evaluation of ESG criteria using a pre-investment ESG analysis grid and internal ESG due diligence to identify the principal adverse impacts of each investment.
- Inclusion of an ESG clause in side-letters formalizing funds' commitment to producing periodic information on their principal adverse impacts.

During the holding phase:

- Annual monitoring of ESG indicators for each fund, to assess and track exposure to principal adverse impacts
- Dialogue with funds on ESG issues, and in particular on the principal adverse impacts, at least once a year, either during the Annual General Meeting or at ad hoc meetings.

During the exit phase (in the event of a secondary sale):

- Sharing with potential buyers ESG information collected during the holding phase, including sustainability risks

Article 5 - Transparency of remuneration policies with regard to the integration of sustainability risks

At present, EM8 Private Equity does not take sustainability risks into account when remunerating its employees. Indeed, the company does not currently include any variable component in its remuneration policy. This means that, for the time being, the integration of sustainability risks is not an option.

However, in the future, ESG criteria may be integrated into the variable compensation policy for each employee. In the event of inappropriate management of sustainability risks, the variable compensation allocated to employees may be revised. Furthermore, if a major sustainability risk materializes, the amount allocated to individual variable compensation may be reduced or even cancelled.